



THE VALUE OF PERFORMANCE.

NORTHROP GRUMMAN

EXECUTIVE SUMMARY
2011

CORPORATE
RESPONSIBILITY REPORT



EXECUTIVE SUMMARY

INTRODUCTION



THE VALUE OF PERFORMANCE BEGINS WITH RESPONSIBILITY

We began reporting voluntarily on our environmental and social performance with the first Northrop Grumman Corporate Social Responsibility Report, documenting 2007 performance. Our reporting continues to focus on the environmental and social responsibilities most critical to our key stakeholders, including shareholders, customers, employees, local communities, academic institutions, media, governments and suppliers.

We report along the lines of the Global Reporting Initiative (GRI), a third-party organization that has pioneered the development of the world's most widely used sustainability reporting framework. To ensure the highest degree of technical quality, credibility and relevance, the GRI reporting framework we follow is developed through a consensus-seeking process with participants drawn globally from business, civil society, labor and professional institutions. This is another step in our ongoing efforts to improve transparency and accountability in all we do.

This report was submitted for a GRI Level Check. Further, for the first time we assembled and engaged an independent External Review Panel to evaluate our reporting processes and level of transparency.

[Click here to read the full External Review Panel report.](#)

NORTHROP GRUMMAN

MESSAGE FROM WES BUSH, CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT

At Northrop Grumman, responsibility is at the forefront of everything we do. It exists in the way we treat our customers, our employees, our shareholders, the communities where we live and operate and our business partners.

We measure our performance against our defense industry peers as well as broader industry standards. In 2011, our efforts were influenced by risks and opportunities centered around the economic condition of the United States and much of the world. We saw a more challenging budget environment for our U.S. government customers in 2011, and we know this will continue in 2012 and beyond.

Major actions we took in 2011, included the move of our corporate office to the Washington, D.C. area, where most of our customers are based, and the spinoff of our Shipbuilding business into a new company, successfully creating a solid new enterprise focused on its important mission, while providing a stronger focus for Northrop Grumman on our key capabilities.

We are focused on improving education, human services and the environment, promoting cultural awareness and diversity, providing disaster relief and supporting the men and women who bravely protect us as members of the armed forces. When our communities are better, we are better. That's the value of Corporate Responsibility at Northrop Grumman.

OUR COMPANY



OUR BUSINESS

Northrop Grumman is a leading global security company that provides innovative systems, products, solutions and technical services to government and commercial customers worldwide. The company produced \$26.4 billion in sales for 2011 by delivering innovative systems for applications that range from undersea to outer space and into cyberspace.

Northrop Grumman includes four operating sectors:

Aerospace Systems: provides manned and unmanned aircraft systems, space systems and advanced technologies.

Electronic Systems: provides airborne radar, navigation systems, electronic countermeasures, precision weapons, airspace management systems, space payloads, marine and naval systems, communications systems and government systems.

Information Systems: provides advanced information solutions for defense, intelligence, civil agency and commercial customers, including cybersecurity solutions, command and control systems, network communications solutions, and intelligence, surveillance and reconnaissance systems.

Technical Services: provides life-cycle solutions and long-term services for global customers. Key capabilities include platform sustainment and modernization, advanced training solutions, high-technology engineering services and operationally responsive systems.

Customer Satisfaction: An Ongoing Mission

Throughout 2011, as part of our company's focus on sustainable performance improvement, we pursued a series of coordinated initiatives to improve our performance with regard to customer satisfaction and providing more agile responses to customer needs.

OUR ETHICS

Throughout the year our employees received ongoing ethics communications from managers and company leaders. Key elements of our ethics and compliance program include training and communication, anti-corruption policies, business conduct officers and a 24/7 OpenLine. We created a Corporate Compliance Office in 2011 to provide a centralized focus on compliance.

2011 Highlights

- Updated "When Things Went Wrong," a compelling video that incorporates and documents valuable historical details of past ethical lapses at Northrop Grumman.
- Launched "High Road Ethics Award," an award that provides visibility and recognition of employees who inspire integrity and exceed expectations.
- Northrop Grumman had a total of 2,347 OpenLine contacts in 2011, with 564 cases of alleged internal governance malfeasance, a 2 percent decrease from 2010 contacts. In these investigations, the company took various disciplinary actions including termination of 62 employees for ethics and business conduct violations. These results only reflect cases addressed through the OpenLine process.

OUR GOVERNANCE

At Northrop Grumman, our guiding principles of corporate governance align with our core values in working with employees, customers, suppliers, shareholders and the community. Our commitment ensures that integrity is at the center of all our actions, from our Board of Directors to company leaders and each employee.

Board of Directors 2011 ([click here to see the full listing](#))

The Board of Directors of Northrop Grumman Corporation elected Wes Bush as its chairman, in July 2011, adding to his titles as chief executive officer and president. Bush succeeded Lewis W. Coleman, who had served as non-executive chairman since January 2010. The board designated Coleman to serve as its lead independent director.

OUR OPERATIONS IN FOCUS



The values-based culture at Northrop Grumman is the starting point for improving our economic, environmental and social performance. And the foundation to that starting point is our people.

BUILDING DIVERSITY AND INCLUSION

For 2011, our workforce comprised 28 percent women and 29 percent people of color. To achieve our vision of a diverse and inclusive workplace, the company has implemented accountability measures tied to our annual incentive plan to ensure we are meeting annual targets and objectives to increase the representation of women and people of color where we are underrepresented. Executive compensation is tied to our performance against targets in this area.

2011 Highlights

- Scored **100 percent for creating a friendly work environment** for lesbian, gay, bisexual and transgender (LGBT) employees by the Human Rights Campaign.
- Ranked #37 among **Top 50 Companies** in Diversity by DiversityInc magazine.
- Ranked #2 among **Top 50 Employers** by Minority Engineer magazine.
- Ranked **Top 3 most admired companies** for minority engineers by Black Engineer magazine.

SUPPLIER RESPONSIBILITY AND DIVERSITY

In 2011, we subcontracted \$9.3 billion to a broad base of more than 10,000 suppliers. Integrating and collaborating with suppliers on better environmental and social performance is central to our responsibility efforts.

The largest and most critical suppliers to our company undergo a semiannual performance evaluation based on procurement dollars, number of company business units impacted and number of programs. For 2011, we evaluated 286 subcontracts awarded to the top 11 suppliers. The results confirmed that 84 percent of the reviewed subcontracts were meeting or exceeding performance requirements.

ENVIRONMENTAL, HEALTH AND SAFETY (EHS)

We are committed to protecting our environment as well as our employees, customers and people in the communities in which we operate. This begins with our ongoing strategy to reduce the number of injuries and illnesses across the company, to ensure environmental compliance and to promote environmental sustainability.

The External Audit Process

In 2011, regulatory agency representatives for occupational health and safety and environmental compliance visited and/or contacted Northrop Grumman sites 137 times, resulting in 18 enforcement actions. Most such enforcement actions were procedural in nature; none resulted in significant fines.

Protecting Health and Safety

In 2011, we added a second safety performance metric in addition to Total Case Rate (TCR) tied to executive compensation: Lost Work Day Rate (LWDR), a measure of the severity of our Occupational Safety and Health Administration (OSHA) recordable cases that directly reflects the loss of our productive work force.

- Overall reduction in our Total Case Rate from 1.14 in 2010 to 0.94 in 2011.
- Overall decrease in the Lost Work Day Rate from 15.55 in 2010 to 14.97 in 2011.
- Overall decrease in the Days Away Case Rate from 0.43 in 2010 to 0.31 in 2011.

ENVIRONMENTAL

Protecting the environment and minimizing our environmental impacts is a strong priority at Northrop Grumman.

2011 Highlights

- In 2011, Northrop Grumman scored 80 (of a possible 100) in the Carbon Disclosure Project for Environmental Disclosure, improving from our 2010 score of 68.
- Ranked #51 among the 500 largest public companies in the U.S. by Newsweek magazine 2011 Green Rankings, improving from our 2010 rank of 173.

Solid Waste

In 2010, the most recent year for which complete data is available, Northrop Grumman (excluding shipbuilding business) diverted approximately 36 percent of its total waste away from landfills. We diverted 13.8 million pounds of waste through our recycling program out of a total of 38.3 million pounds generated.

greenNG

We formed our greenNG sustainability program in 2008, with specific strategies, objectives and goals, and publicly announced the program in 2009.

Greenhouse Gas Reductions ([click here to see data](#))

In 2010, we achieved an 11.4 percent reduction in our carbon intensity compared to our baseline year. We have progressed well against our normalized emissions reduction plan and are on track to reduce our normalized emissions by 25 percent by the end of 2014.

OUR COMMUNITY INVESTMENT

Each year we support a wide array of programs and services for education, military and veterans, the environment, and health and human services.

In 2011, we contributed \$20,965,779 in total philanthropic donations* through our Northrop Grumman charitable giving program (does not include aid to higher education). Funding from the Northrop Grumman Foundation added an additional \$7,233,442.

*This total includes a \$10 million gift transfer from the Northrop Grumman contributions ledger to our charitable trust, the Northrop Grumman Foundation.

Our Core Focus: Improving Education

In 2011, we endorsed and supported a broad and diverse range of national partnerships and programs that address education at all levels.

2011 Highlights

- We continued a three-year partnership with the National Board for Professional Teaching Standards to help mathematics and science teachers in underprivileged schools strengthen their skills.
- With the goal of providing teachers with resources and learning opportunities in environmental science, we have collaborated with Conservation International to launch the ECO Classroom program.
- With 2011 as the final year of a six-year commitment, we continued our ongoing support of the Weightless Flights of Discovery program that puts teachers in flight suits and a weightless atmosphere similar to what astronauts use to train.

- After announcing a new partnership with the Air Force Association (AFA) for CyberPatriot III in 2010, we continued to fund this program in 2011 through the Northrop Grumman Foundation.

- We brought the nationally acclaimed Viva Technology Program to Rogers Middle School in Lawndale, California, and Parkland Magnet Middle School in Rockville, Maryland.

Volunteerism: A Strong Tradition at Northrop Grumman

Since launching the new Volunteer1NG site in May 2011, a total of 912 volunteers have signed up for volunteer events submitted in the new system and a total of 16,340 hours of service have been logged.

Supporting Military and Veterans

We are proud to offer continuing troop and veteran support through a number of programs. In 2011, for example, our employees assembled tens of thousands of care packages to send to active troops overseas. Since 2003, Northrop Grumman employee giving has raised \$961,521 for the USO, including \$353,121 in 2011.

For More Information:

[Click here to see External Review Panel report](#)

[Click here to see full listing of 2011 GRI Performance Indicators](#)

[Click here to see the GRI Application Level Check](#)

[Click here to see full GRI Content Index](#)



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The logo consists of the company name in a bold, italicized, sans-serif font. Below the text is a white horizontal line that starts under the 'N' and ends under the 'M'. From the left end of this line, a white curved line sweeps upwards and to the right, ending under the 'M'.

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To improve our environmental and social performance, we work in conjunction with a number of third-party organizations, including Conservation International, for which we are a member of the Business & Sustainability Council and partner of the ECO Classroom initiative.

NORTHROP GRUMMAN



THE PACHAMAMA ALLIANCE



American Red Cross

CONSERVATION INTERNATIONAL





"We strive to have a positive effect on the communities where we live and work."

Wes Bush, Chairman, Chief Executive Officer and President
Northrop Grumman Corporation

2011 KEY RISKS AND OPPORTUNITIES

These centered around the economic condition in the United States and much of the world. We saw a more challenging budget environment for our U.S. government customers in 2011. While budgets are tighter, our customers' missions have not been reduced, so they continue to count on our industry to be both innovative and more affordable in providing products and services to them. As the demands on customers increase, we are taking the actions necessary to ensure we are best prepared to continue to serve them well and sustainably.

MESSAGE FROM WES BUSH, CHAIRMAN, CHIEF EXECUTIVE OFFICER AND PRESIDENT

At Northrop Grumman, responsibility is at the forefront of everything we do. It exists in the way we serve our customers, our employees, our shareholders, the communities where we live and operate and our business partners.

The employees of Northrop Grumman are committed to providing sustainable performance improvement for all our stakeholders, and a key requirement in achieving our performance goals is to do so with absolute integrity and attention to our core values.

We measure our performance against our defense industry peers as well as broader industry standards. In 2011, our efforts were influenced by risks and opportunities centered around the economic condition of the United States and much of the world. We saw a more challenging budget environment for our U.S. government customers in 2011, and we know this will continue in 2012 and beyond.

While budgets are tighter, our customers' missions have not been reduced. They continue to count on our industry to be both innovative and more affordable in the products and services we provide. As the demands on our customers increase, we are taking the actions necessary to ensure that we continue to provide and sustain the highest levels of service and performance. Major actions we took in 2011, included the move of our corporate office to the Washington, D.C. area, where most of our customers are based, and the spin-off of our Shipbuilding business into a new company,

successfully creating a solid new enterprise focused on its important mission, while providing a stronger focus for Northrop Grumman on our key capabilities.

In all that we are doing to position our company for continued success, corporate responsibility is central—a key component of the value of performance we provide to all our stakeholders.

For our shareholders, we strive to be outstanding stewards of their investment in our corporation, working to achieve top financial performance and pursuing a long-term strategy that will sustain that performance. Northrop Grumman's 2011 Annual Report provides details of our financial performance for the year.

For our customers around the world, we are focused on providing consistently high-quality products and services that will satisfy their needs and assure the success of their missions. We recognize that our customers depend on our products and services to protect lives and secure people around the globe, and we are committed to delivering high quality, affordable solutions to ensure this outcome.

For employees, we are dedicated to broadening and deepening the diversity of our global team and enhancing our inclusive culture. We also are driven to ensure that our employees work in safe and healthy environments. We know that we need an actively engaged workforce to achieve our objectives. For all our stakeholders, we are committed to reducing the impact of our business operations on the environment and strive to conserve, protect and restore critical natural resources. Our comprehensive

companywide sustainability program, [greenNG](#), is driving improved, proactive and strategic actions that mitigate our operational impact on the environment. We provide technology solutions that enable scientists to monitor the effects of climate change and develop educational opportunities that inspire the next generation of environmental stewards.

Our performance at Northrop Grumman in environmental sustainability produced several key outcomes in 2011:

- Our score from the Carbon Disclosure Project (CDP) has improved from 42 in 2009 to 80 (out of a top score of 100) in 2011.
- We rose from #337 in 2009 to #51 in Newsweek magazine's 2011 comprehensive environmental ranking of the 500 largest American businesses.
- Computerworld magazine ranked Northrop Grumman #7 in its list of top 12 Green IT organizations in 2011, moving up from #11 in 2010.

We are proud of these positive steps forward as we continue our work to be even more effective environmental stewards.

At Northrop Grumman, we strive to have a positive effect on the communities where we live and work. We are focused on improving education, human services and the environment, promoting cultural awareness and diversity, providing disaster relief and supporting the men and women who bravely protect us as members of the armed forces. When our communities are better, we are better. That's the value of Corporate Responsibility at Northrop Grumman.



IN AUGUST 2011, NORTHROP GRUMMAN MOVED ITS CORPORATE OFFICE FROM LOS ANGELES, CALIFORNIA, TO FALLS CHURCH, VIRGINIA.

OUR COMPANY



OUR BUSINESS

Northrop Grumman is a publicly owned company. Our common stock is listed on the New York Stock Exchange (NOC). We are a leading global security company that provides innovative systems, products, solutions and technical services to government and commercial customers worldwide. The company produced \$26.4 billion in sales for 2011 by delivering innovative systems for applications that range from undersea to outer space and into cyberspace. (Please see “Our Values” on page 37 of this report.)

As a prime contractor, principal subcontractor, partner, or preferred supplier, we participate in many high-priority defense and commercial technology programs in the U.S. and abroad. We conduct most of our business with the U.S. Government, principally the Department of Defense (DoD). Revenue from the U.S. Government (which includes Foreign Military Sales) accounted for approximately 92 percent of total revenues from 2008 – 2010. We also conduct business with local, state, and foreign governments, and domestic and international commercial customers. Northrop Grumman operates in 25 countries, with the majority of our facilities in the United States and significant operations in the United Kingdom, Italy, Germany and France. All data contained in this report relate to Northrop Grumman and its subsidiaries, which include four operating sectors and corporate functions.

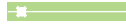
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2011 ORGANIZATION UPDATES

Shipbuilding Separation

In March 2011, the company spun off its shipbuilding business into a stand-alone business, Huntington Ingalls Industries, Inc. This separation resulted in the company's reported 2010 sales from continuing operations changing from \$34.8 billion to \$28.1 billion as shipbuilding activities shifted to discontinued operations. The number of company employees changed from approximately 120,000 to approximately 75,000.

Corporate Office Relocation

In August 2011, Northrop Grumman moved its corporate office from Los Angeles, California, to Falls Church, Virginia. The new corporate office combines corporate staff previously housed in Los Angeles and Arlington, Virginia into one centralized office and gives the company a greater presence where the majority of its customers are located.

As a leading global security company, we apply our core competencies and innovative capabilities to address the diverse and complex issues facing our customers, including the defense of our nation and its allies, cybersecurity, homeland security, expanding the scientific frontiers of space, environmental and climate change, and large-scale civil information systems that enhance local, state, regional, and federal government services.

Customers

At Northrop Grumman, we have a responsibility to our customers. We take very seriously our commitment to global security and the tremendous roles inherent in that duty. We recognize that the work we do matters to our world and its future. We embrace a partnership with U.S. and allied defense and security leaders to provide high-impact, best-value products and systems through a very robust mission-assurance process, an emphasis on high quality throughout our enterprise, innovation and superior program performance.

Northrop Grumman defines its role in global security to include supporting the U.S. military and its allies in their mission to operate successfully anywhere on the globe; confronting irregular warfare including terrorism; and addressing global environmental security challenges. To that end we provide our innovative technologies in four primary categories:

- Unmanned Systems
- Cybersecurity
- Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance
- Logistics

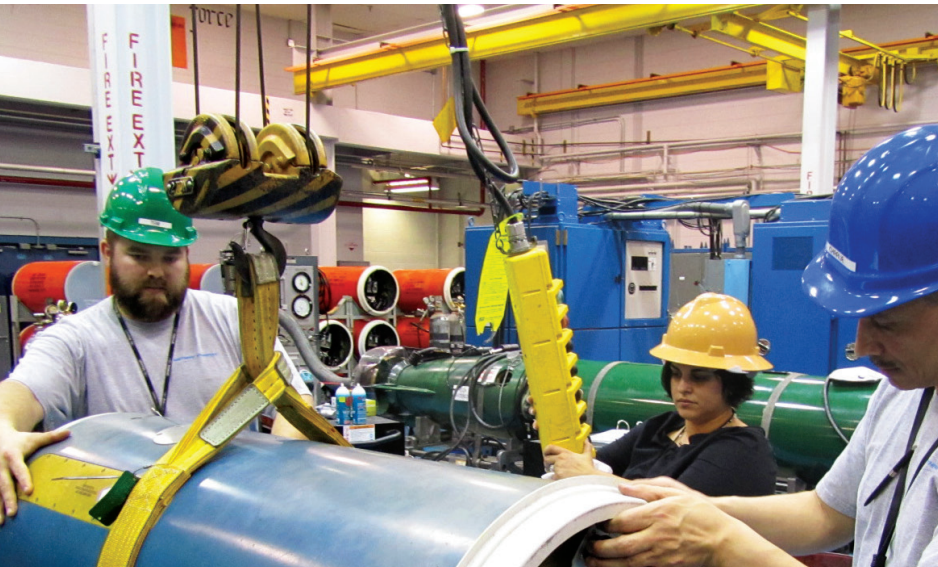
Our strategies are centered on anticipating and fulfilling our customers' needs and expectations, with an emphasis on high quality and affordability. We place tremendous value on our successful customer relationships, which we base on trust: 1) trust that we will behave ethically; 2) trust that we will be responsible stewards of the nation's and the world's resources; and 3) trust that we will provide for the security of our nation and its allies.

Customer Satisfaction: An Ongoing Mission

Throughout 2011, as part of our company's focus on sustainable performance improvement, we pursued a series of coordinated initiatives to improve our performance with regard to customer satisfaction and providing more agile responses to customer needs. These initiatives identified opportunities to strengthen our customer partnerships and make our delivery of solutions more seamless. The result of these initiatives is an improved ability to team with our customers, understand their global security objectives, and provide effective, affordable products and services.

To ensure we are meeting our goals and expectations, we measure both customer satisfaction and quality performance. Our customer satisfaction metrics include customer-generated performance scores such as the Contractor Performance Assessment Reporting System (CPARS) used by the Department of Defense and the Department of Energy, and the Customer Performance Systems (CPS) used by other U.S. government agencies. We also rely on award-fee scores on our contracts, and oral and written customer feedback.

By rigorously assessing and documenting customer satisfaction as objectively as possible, we can take the necessary steps to improve.



“We must continue to hold ourselves to the highest standards at all times; it takes years to build a reputation, and only a moment to tear it down. Our path forward comprises two important dimensions: values, including integrity, and sustainable performance. Our values define how we operate as a company, and sustainable performance reflects what we are able to achieve.”

— Wes Bush
Chairman, CEO and president, in his annual ethics message to all Northrop Grumman employees.

In 2011, our company and our customers operated in a challenging environment with increased pressure on the U.S. federal budget and evolving threats. We are committed to providing high quality, affordable products. Delivering a wide range of affordable products and services to fill mission needs requires planning, tools, resources and innovative collaboration.

Mission Assurance and Quality

Ensuring mission success for our customers is a key element of sustainable performance improvement. In 2011, we continued to focus on quality as a key strategic priority to ensure strong performance outcomes for our customers and drive sustained performance improvement for our shareholders. We deployed quality measures companywide that reflect the performance of our key programs against quality expectations across the program life cycle. These measures include quality of engineering performance, manufacturing rework and supply chain performance, among others. We recognize that a holistic view of our quality performance, engaging all key stakeholders, drives successful performance outcomes for our customers.

To identify and prioritize areas for continuous quality improvement, we implement a rigorous self-

assessment process at a business-unit and corporate level, and have targeted quality improvement initiatives to enhance the value we deliver to our customers. We continue to foster the connectivity between the work of the individual employee and the success of our customers’ critical missions, which we believe is foundational to sustained performance improvement and affordable global security solutions. We instill in our employees the concept that “Quality is Personal.” From there, we encourage all employees to identify key quality issues in their work and strive to continuously improve in those areas.

OUR ETHICS

Top Performance Through Ethics and Integrity

Throughout the year our employees received ongoing ethics communications from managers and company leaders. Our regular communications set the high expectations we have of all employees concerning ethical conduct. We have a comprehensive values-based ethics program to promote a strong ethical culture throughout the company. Key elements of our ethics and compliance program include training and communication, anti-corruption policies, business conduct officers and a 24/7 OpenLine. We created a Corporate Compliance Office in 2011 to provide a centralized focus on compliance.

Training and Communication

In 2011 our employees received ethics and compliance training through in-person sessions, computer-based tutorials and printed material. Training content in 2011 included our new ethical decision-making model, import compliance, mandatory disclosure awareness, revolving door, and programs targeted to an employee’s job responsibilities. Employees also received *The High Road*, a quarterly, companywide ethics newsletter featuring articles on counterfeit material prevention, protecting company information and the ethical decision-making model. The newsletter also reports and highlights our OpenLine statistics to provide transparency to our employees.

2011 Highlights

- Updated “When Things Went Wrong,” a compelling video that incorporates and documents valuable historical details of past ethical lapses at Northrop Grumman.
- Launched “High Road Ethics Award,” an award that provides visibility and recognition of employees who inspire integrity and exceed expectations.

OUR COMPANY



2011 KEY UPDATES AND SHORTCOMINGS

Updates In 2009, we assumed leadership of the Defense Industry Initiative on Business Ethics and Conduct (DII) with Wes Bush as the chair of the DII steering committee and Sandra Evers-Manly, vice president of Corporate Responsibility, as chair of the DII Working Group. Since then, the DII has increased involvement from executive leadership in the signatory companies and also expanded its programs for small and mid-sized companies.

In 2010, we became a founding member of the International Forum on Business and Ethical Conduct (IFBEC) for the Aerospace and Defense Industry. This group sets global principles for companies within the industry.

Shortcomings: The company's annual internal ethics audit revealed a relatively minor finding and recommendation. The finding pertained to the timeliness with which all new hires complete their conflict of interest forms in accordance with company policy and the recommendation related to our processes for reviewing internal candidates prior to promotion to the vice president level. Both matters have been addressed and closed out.

We want to ensure there are no past ethical issues that should be taken into consideration during the promotion process; therefore the ethics office reviews all potential promotions to the vice president level.

- Distributed our annual ethics calendar to our employees to keep our ethics program in the forefront — including the paramount OpenLine phone number — and to incorporate our message in multiple executive and management communications during 2011.

Ensuring Ethics: Policies & Procedures

We prohibit anyone conducting business on behalf of Northrop Grumman, including directors, officers, employees, consultants, representatives, distributors, and other third parties, from offering or making any improper payments of money or anything of value to government officials, political parties, party officials, candidates for public office and commercial (non-government) entities/individuals.

We maintain a robust compliance program that implements an internal system of reviews and approvals prior to the retention of third parties that support the company's business operations, and the provision of gifts or hospitality to government officials and other business associates.

We prohibit facilitating payments (payments made to expedite or secure performance of a routine governmental action such as obtaining a visa or customs clearance), except in cases where there is an imminent threat to an individual's life, health, or safety.

Business Conduct Officers

To achieve our high ethical standards, we utilize a Business Conduct Officer (BCO) network. As of 2011, the network consisted of approximately 100 BCOs around the globe who promote visibility of the ethics program, answer management and employee questions regarding ethics, and elevate the program at the site level. During the annual internal Ethics Awareness Week, BCOs conduct meet-and-greet events to raise the awareness of the ethics program. We encourage all employees to participate in a variety of on-site and online awareness activities and contests.

Reporting Structure: Business Conduct Officers

Each of our business sectors, along with the corporate office, has a lead Business Conduct Officer who is accountable to the corporate director of ethics and business conduct. The corporate director, in turn, reports to the vice president of corporate responsibility, who reports to the CEO. The ethics office reports quarterly to the Audit Committee of the Board of Directors and annually to the Policy Committee of the Board of Directors.

Concurrently, we organize annual workshops for BCOs. These workshops include sharing best practices, program updates, compliance and skill training, and networking. In addition to the workshops, we instituted a monthly webinar series to ensure our BCOs are knowledgeable on key compliance topics. Topics included anti-retaliation, intellectual property protection, conflicts of interest and time charging.

Anti-Corruption

All Northrop Grumman employees are required to comply applicable anti-corruption laws. Such laws include the U.S. Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act and similar laws enacted by other countries as applicable. Generally, these laws prohibit bribery of foreign government officials (either directly or indirectly) and political parties, party officials, or candidates for public office (and may also prohibit bribery of commercial entities/individuals) to obtain or retain business or an improper business advantage. We are also required by applicable anti-corruption laws to establish and maintain accurate books and records that describe in reasonable detail our financial transactions and to maintain an adequate system of internal accounting controls.

We require compliance with applicable anti-corruption laws that also prohibit knowingly falsifying a company's books and records or knowingly circumventing or failing



S02 - S08

STANDARDS OF BUSINESS CONDUCT AND ANTI-COMPETITIVE BEHAVIOR

We conduct various risk assessments throughout the year related to our ethics and compliance programs. Approximately 99 percent of all Northrop Grumman employees received annual ethics training in 2011. In addition, we provide our employees with robust training tailored to their roles and the risks created. This includes training on anti-competitive behavior and antitrust concerns.

The company has an OpenLine operated by an independent third party that is available 24 hours a day, seven days a week. Allegations of violations of law or company policy are investigated and appropriate discipline, up to and including discharge, is administered if the allegations are found to have merit.

We participate in the political process at the federal, state and local level in the United States to the extent permitted by law. We provide information regarding federal political contributions made by the Employees of Northrop Grumman Political Action Committee (ENGPAC), our policy regarding independent political expenditures and our trade association membership on the Northrop Grumman website, where information is quickly and easily accessible to our shareholders and the public.

As reported on our website, the ENGPAC contributed \$578,750 to federal elections in calendar year 2011. All of ENGPAC's contributions to political parties, political candidates and related institutions were made within the United States.

We disclose material issues related to litigation, investigations and penalties for non-compliance with laws and regulations as appropriate in our public filings.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

to implement adequate internal accounting controls, which could facilitate or conceal bribery, and we take seriously our obligations in that regard.

Northrop Grumman anti-corruption policies apply to U.S. and foreign subsidiaries and operations. The policies also require effective compliance with anti-corruption laws by international joint ventures partners.

OUR GOVERNANCE

At Northrop Grumman, our guiding principles of corporate governance align with our core values in working with employees, customers, suppliers, shareholders and the community. Our commitment ensures that integrity is at the center of all our actions, from our Board of Directors to company leaders and each employee.

Board of Directors 2011

The Board of Directors of Northrop Grumman Corporation elected Wes Bush as its chairman, in July 2011, adding to his titles as chief executive officer and president. Bush succeeded Lewis W. Coleman, who had served as non-executive chairman since January 2010. The board designated Coleman to serve as its lead independent director.

Governance, Commitment and Engagement

Methods of providing input to BoD: Interested parties may communicate with any of the directors, the non-management directors as a group or the full Board as a group by writing to them, c/o Secretary of the Corporation, 2980 Fairview Park Drive, Falls Church, VA, 22042.

Compensation Linkage: Shareholders may email questions regarding executive compensation to compensationcommittee.questions@ngc.com.

Conflicts of Interest: The Governance Committee carefully considers all Board candidates for service on the Board on the basis of background and experience, consistent with the criteria set forth in the Principles of Corporate Governance and recommends to the Board of Directors nominees for election. In making its selection, the Governance Committee is guided by the foremost fiduciary responsibility of a director, which is to represent the interests of our shareholders as a whole. The activities and associations of candidates are reviewed for any legal impediment, conflict of interest or other consideration that might prevent service on our Board of Directors.

Process to Guide Strategy: In evaluating candidates, the Governance Committee considers the integrity and reputation of the individual as well as the particular skills and experience most beneficial to the Board of Directors at that time. As set forth in the Governance Committee Charter, the Governance Committee is responsible for establishing the criteria for Board membership. The Governance Committee includes diversity as a key criterion for board composition. Although the Governance Committee does not have a formal policy outlining the diversity standards to be considered when evaluating director candidates, its objective is to foster diversity of thought on our Board of Directors. To accomplish that objective, the Governance Committee seeks to achieve diversity including race, gender and national origin as well as differences in perspective, professional experience, education, skill and other qualities that contribute to our Board of Directors.

Process for Evaluating Performance: The Governance Committee assists the Board of Directors in identifying qualified potential candidates to serve on the Board of Directors and its committees, coordinates the process for the Board of Directors to evaluate its performance, and makes recommendations to the Board of Directors on various matters of corporate governance.

OPENLINE: 24/7 ETHICS GUIDANCE AND VIOLATION REPORTING

What: The Corporate Office of Ethics and Business Conduct operates a toll-free phone number (1-800-247-4952.) for both employees and third parties seeking guidance on ethics and business conduct, and for reporting suspected violations. Administered by a third-party company, this service offers 24/7 accessibility to trained intake specialists with the ability to report anonymously if desired. In addition, there is an online reporting system available to employees via the Internet, and we offer OpenLine numbers in Europe and Asia.

How: The OpenLine system allows the company to track calls by total number and type of contacts, by sector, by allegations with and without merit, and by disciplinary action rendered. Reports and metrics provide trending data to determine opportunities for targeted training and communications, with results published in the quarterly ethics newsletter.

Result: Northrop Grumman had a total of 2,347 OpenLine contacts in 2011, with 564 cases of alleged internal governance malfeasance, a 2 percent decrease from 2010 contacts. In these investigations, the company took various disciplinary actions including termination of 62 employees for ethics and business conduct violations. These results only reflect cases addressed through the OpenLine process.

Board of Directors*



Wes Bush

Chairman, Chief Executive Officer and President, Northrop Grumman Corporation



Lewis W. Coleman

Lead Independent Director of the Board of Directors, Northrop Grumman Corporation
President and Chief Financial Officer, DreamWorks Animation SKG



Victor H. Fazio

Senior Advisor,
Akin Gump Strauss Hauer & Feld LLP



Donald E. Felsing

Executive Chairman,
Sempra Energy



Stephen E. Frank

Retired Chairman, President and Chief Executive Officer,
Southern California Edison



Bruce S. Gordon

Former President and CEO, NAACP and Retired President, Retail Markets Group, Verizon Communications Inc.



Madeleine Kleiner

Former Executive Vice President and General Counsel,
Hilton Hotels Corporation



Karl J. Krapek

Retired President and Chief Operating Officer,
United Technologies Corporation



Richard B. Myers

General, United States Air Force (Ret.) and Former Chairman of the Joint Chiefs of Staff



Aulana Peters

Retired Partner,
Gibson, Dunn & Crutcher



Gary Roughead

Admiral, United States Navy (Ret.) and Former Chief of Naval Operations (Joined Board in February 2012)



Thomas M. Schoewe

Former Executive Vice President and Chief Financial Officer,
Walmart Stores, Inc.



Kevin W. Sharer

Chairman, Chief Executive Officer and President,
Amgen, Inc.

In August 2011, the Board elected Thomas M. Schoewe, former executive vice president and chief financial officer (CFO) of Walmart Stores Inc., to the Board of Directors. Gary Roughead's election on February 16, 2012 increased the Board to 13 members, 12 of whom are independent non-employee Directors. In terms of diversity, as of December 31, 2011, the Northrop Grumman board membership included two women and two people of color.

Director Independence: *The Northrop Grumman Board of Directors is responsible for, among other things, governance oversight. In accordance with Northrop Grumman's Principles of Corporate Governance, the Board of Directors must have a membership comprising at least 75 percent independent directors. As of February 16, 2012, the Board of Directors is approximately 92 percent independent.*

Board Protocol: *The Board of Directors abides by the Principles of Corporate Governance that reinforce the company's values. The Board of Directors also reviews the governance principles annually and seeks ways to enhance the principles based on evolving circumstances. The Principles of Corporate Governance were last revised in May 2011 and are posted on Northrop Grumman's website.*

*Board composition as of February 16, 2012.



OUR OPERATIONS IN FOCUS

The company is committed to integrating people with disabilities and veterans into the workforce. Operation Impact is a program that we developed at Northrop Grumman to provide transition support and employment to service members injured in the global war on terrorism. As a government contractor, we also report annually on our employment of veterans and special disabled veterans.

The values-based culture at Northrop Grumman is the starting point for improving our economic, environmental and social performance. And the foundation to that starting point is our people.

Protecting their health and safety is paramount, along with developing an inclusive culture that allows their skills and innovation to flourish. From there, our commitment to being a responsible corporate citizen extends to our broad base of more than 10,000 suppliers.

BUILDING DIVERSITY AND INCLUSION

At Northrop Grumman, we believe that creating a workplace that values diversity and inclusion is pivotal to fostering innovation, improving productivity and boosting profitability. Our goal is to continually nurture the 75,000 men and women across the company whose backgrounds, characteristics and perspectives are as diverse as the global communities in which we work and reside. The collective diversity of our people — in terms of culture, background, experience, thoughts, ideas and work styles — allows us to design and build some of the most sophisticated products and services for our customers.

EMPLOYEES BY RACE/ETHNICITY AND GENDER

JOB CATEGORY	MALE	FEMALE	GRAND TOTAL	% FEMALE	% MALE	WHITE	BLACK/AfAm	HISPANIC	ASIAN	OTHER	GRAND TOTAL	% WHITE	% BLACK/AfAm	% HISPANIC	% ASIAN	% OTHER
Executive	181	46	227	20.3%	79.7%	199	11	5	9	3	227	87.7%	4.8%	2.2%	4.0%	1.3%
First/Middle Managers	9716	2753	12469	22.1%	77.9%	10196	683	599	837	154	12469	81.8%	5.5%	4.8%	6.7%	1.2%
Professionals	31199	11404	42603	26.8%	73.2%	30755	3117	2610	5279	842	42603	72.2%	7.3%	6.1%	12.4%	2.0%
Technicians	4789	1050	5839	18.0%	82.0%	3807	602	691	593	146	5839	65.2%	10.3%	11.8%	10.2%	2.5%
Sales Workers		2	2	100.0%		2					2	100.0%				
Admin Support Workers	1878	4195	6073	69.1%	30.9%	3793	951	829	341	159	6073	62.5%	15.7%	13.7%	5.6%	2.6%
Craft Workers	3766	389	4155	9.4%	90.6%	2507	540	800	215	93	4155	60.3%	13.0%	19.3%	5.2%	2.2%
Operatives	1312	680	1992	34.1%	65.9%	1124	306	285	248	29	1992	56.4%	15.4%	14.3%	12.4%	1.5%
Laborers & Helpers	275	48	323	14.9%	85.1%	155	81	67	6	14	323	48.0%	25.1%	20.7%	1.9%	4.3%
Service Workers	596	371	967	38.4%	61.6%	543	279	98	20	27	967	56.2%	28.9%	10.1%	2.1%	2.8%
Grand Total	53712	20938	74650	28.0%	72.0%	53081	6570	5984	7548	1467	74650	71.1%	8.8%	8.0%	10.1%	2.0%

*Other includes American Indian/Alaskan Native, Native Hawaiian/Oth Pac Island and two or more races.
Source: HRIS data as of 8/26/2011

OUR DIVERSITY COMMITMENT

To achieve our vision of a diverse and inclusive workplace, the company has implemented accountability measures tied to our annual incentive plan to ensure we are meeting annual targets and objectives to increase the representation of women and people of color where we are underrepresented. Executive compensation is tied to our performance against targets in this area. Some 2011 highlights include:

- **Scored 100 percent for creating a friendly work environment** for lesbian, gay, bisexual and transgender (LGBT) employees by the Human Rights Campaign.
- Ranked #37 among **Top 50 Companies in Diversity** by DiversityInc magazine.
- Ranked #2 among **Top 50 Employers** by Minority Engineer magazine.
- Ranked **Top 3 most admired companies** for minority engineers by Black Engineer magazine.

For 2011, our workforce comprised 28 percent women and 29 percent people of color. Northrop Grumman monitors our workforce representation, and we compare ourselves to industry and available benchmarks. We are pleased to report that we have improved the company's female and people of color representation bringing Northrop Grumman in line with both industry and available benchmarks for executive level positions. We will continue to focus our efforts on other areas of management representation.

For senior leadership positions, we are striving to create a diverse pipeline of talented professionals. To do so, in 2011 we continued work on our Organizational Leadership Review process to ensure the identification of high-potential women and people of color. We are also revising talent acquisition programs, including the implementation of a process to deliver a diverse slate of interview candidates for senior positions.

We continue to support and develop partnerships with the National Society of Black Engineers, the Society of Hispanic Professional Engineers, the Society of Women Engineers, the American Indian Science and Engineering Society and other diversity-based professional associations. Additionally, we hire college graduates who reflect the diversity of college and university students nationally: half of our college new hires in the past four years have been women and people of color. And we will continue to recruit talented individuals through our partnerships with leading educational institutions and associations.

Employee Resource Groups

As of 2011, more than 12,000 Northrop Grumman employees were engaged in Employee Resource Groups (ERGs) across the company, which play a key role in our diversity and inclusion strategy, assimilating and developing our workforce and leading community outreach efforts. ERGs are open to all employees. Throughout 2011, we promoted and encouraged these groups by providing funding to support events and development programs. Executive sponsors and human resources advisers played a key role in the groups' success. ERGs across the company include African Americans, Asian-Pacific Islanders, Hispanics, women, people with disabilities, veterans, LGBTs, and new hires.

The Power of greenNG ERGs

Hundreds of employees have become active in the company's sustainability initiatives through the greenNG ERGs. These groups provide synergistic education and engagement opportunities that benefit employees, the company, the community and the environment. Employees are provided opportunities to learn about recycling, composting and green gardening, energy efficiency at home, and local environmental issues.

SUPPLIER RESPONSIBILITY AND DIVERSITY

In 2011, we subcontracted \$9.3 billion to a broad base of more than 10,000 suppliers. Integrating and collaborating with suppliers on better environmental and social performance is central to our responsibility efforts. A key starting point is the "One Northrop Grumman" charter we install

throughout the procurement organization. The goal: to establish a single, consistent operational focus with the supplier base and customers. Because every supplier to our company is a valued team member, we cannot accept poor practices from suppliers in any area: human rights and labor, diversity, quality, occupational health and safety, or environmental responsibility. Every Northrop Grumman supplier receives an annual letter outlining our ethics policies and code of conduct. Additionally, we reiterate the importance of ethics through process controls built into our supply chain bidding, request for information response schedules, and overall technical and financial evaluation processes (i.e., keeping technical bid data separate from financial data.)

Monitoring Performance

The largest and most critical suppliers to our company undergo a semiannual performance evaluation based on procurement dollars, number of company business units impacted and number of programs. We use the industry-standard Cost Performance Index, Schedule Performance Index and a variety of qualitative measures to track program performance.

Results: For 2011, we evaluated 286 subcontracts awarded to the top 11 suppliers. The results confirmed that 84 percent of the reviewed subcontracts were meeting or exceeding performance requirements. For those reviewed suppliers with lagging performance, we initiated a review process to correct problems and implement joint improvement initiatives.



OUR FORMAL EEO/AAP POLICY

At Northrop Grumman, a strong commitment to diversity and inclusion begins with written policies and procedures that foster a nondiscriminatory workplace supported by senior leadership. We adhere to Equal Employment Opportunity (EEO) and Affirmative Action (AA) principles and policies, and build them into our operations across the company. We publish annual AA plans that document specific actions to improve the representation of minorities and women and to integrate veterans and people with disabilities. As of 2011, our AA plans meet the requirements of Executive Order 11246.

These plans also reaffirm our commitment to ensure equal employment opportunities for qualified applicants and employees without regard to race, color, religion, sex or national origin/ancestry. Further, we adhere to a policy of nondiscrimination and no harassment based on applicable, federal, state, or local laws, including religion, creed, age, gender, gender identity/expression, sexual orientation, marital status, parental status (including pregnancy, childbirth, or related conditions), disability, military service, veteran status, genetic information, or any other protected status. All such discrimination will not be tolerated. We are committed to taking all reasonable steps to prevent discrimination from occurring.

Risk Management: A key focus in 2011 was expanding the supplier risk process beyond financial risk management to also include supplier performance risk. This implementation enhances the values the supply chain organization brings to the company.

Supply Chain Diversity

We support national diversity trade associations by sponsoring targeted outreach through the U.S. Department of Veterans Affairs Center for Veterans Enterprise, the National Association of Women Business Owners, the National Center for American Indian Enterprise Development, the Asian Business Association, the United States Hispanic Chamber of Commerce, the Black Business Association and Ability-One nonprofit agencies that employ blind and severely disabled individuals.

Northrop Grumman subcontracted more than \$1.3 million to Historically Black Colleges and Universities and Minority Institutions (HBCU/MIs) in 2011. To further enhance opportunities with these organizations, we actively support Advancing Minorities Interest in Engineering (AMIE), which consists of the Schools of Engineering at 14 ABET-accredited HBCU/MIs (ABET is a nonprofit and non-government accrediting agency for academic programs in the disciplines of applied science, computing, engineering and technology). We also sponsored four HBCU/MIs under our University Alliance Program.

EC6, HR2, HR6, HR7 & HR9

LOCAL SOURCING AND HUMAN RIGHTS INCLUDING CHILD AND FORCED LABOR AND INDIGENOUS RIGHTS.

Northrop Grumman standard terms and conditions includes the clause for compliance with the Fair Labor Standards Act of 1938 (29 U.S. Code 201-219), as amended, and of regulations and orders of the United States Department of Labor under Section 14 thereof.

Northrop Grumman has a nationally recognized small-business program. Due to the nature of our business and its special technology requirements, we are not able to source locally for the bulk of sourcing expenditures.

Each one of 10,000+ suppliers to Northrop Grumman receives an annual letter outlining our ethics policies and code of conduct. Additionally, we reiterate the importance of ethics through process controls built into our supply chain processes. We will not knowingly do business with suppliers who engage in human rights violations or use child or forced labor.

No remedial measures were required in 2011 to eliminate forced or compulsory labor due to the low occurrence risk within our industry. Further, no Northrop Grumman employee nor any of our 10,000+ suppliers operate in regions where the rights of any indigenous people are at risk. No remedial actions, therefore, were necessary in 2011.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

Socioeconomic Business Programs (SEBP)

The Northrop Grumman Socioeconomic Business Programs (SEBP) Office acts as the liaison between small and disadvantaged businesses interested in working with Northrop Grumman. We have received national recognition for our efforts to increase the number of successful minority- and women-owned subcontractors by providing outreach and mentorship.

During the 2011 annual White House Initiative conference celebrating National Historically Black Colleges and Universities (HBCUs) Week in Washington, D.C., Northrop Grumman employees were on hand to present scholarships to two students participating in the "105 Voices of History" choir performance at the Kennedy Center. This choir consists of one student each from the 105 HBCUs throughout the United States.



OUR OPERATIONS IN FOCUS

AT NORTHROP GRUMMAN ALL PROCUREMENT EMPLOYEES MUST:

- Review annually the procurement integrity policy and sign a certification specifying that they will never accept supplier gifts, bribes or kickbacks.
- Identify any conflicts of interest with current and potential suppliers.
- Perform due diligence in assessing whether suppliers or potential suppliers have been debarred or suspended in any way, and whether they have any ties to terrorist organizations.

ENSURING HIGH STANDARDS

Integrated Strategy: We implemented the Supply Chain integrated strategy as defined at the 2010 Supply Chain leadership forum. These strategies address key Supply Chain critical success factors throughout the acquisition cycle.

Broad Base: In 2011, we subcontracted \$9.3 billion to a broad base of more than 10,000 suppliers; Northrop Grumman was not cited or fined for any supplier issues or procurement violations in 2011.

Increased Efficiency: We published an enhanced Executability and Start-Up Handbook in 2011. These templates, checklists and online worksheets provide immediate value across Northrop Grumman by increasing bid confidence, lowering risk and increasing an executable Supply Chain strategy. In addition to extensive updates of the Executability and Start-up Handbook, we developed two additional handbooks under the theme, "Protecting the Baseline – Effective Change Management and Supplier Quality."

Mentor-Protégé: We managed 19 Mentor-Protégé agreements and subcontracted more than \$7.9 million to these protégé organizations during 2011.

LA1-LA5, LA10-12 & HR1, HR3-5, HR8

HUMAN RIGHTS INCLUDING LABOR AND MANAGEMENT RELATIONS, NON-DISCRIMINATION, TRAINING AND EDUCATION, SECURITY AND INDIGENOUS RIGHTS.

At Northrop Grumman, developing our people goes beyond fulfilling a strategic priority — our values-based focus provides the framework to help each individual employee maximize potential. Diversity and inclusion are the basis for our business, and we take pride in recognizing that each individual's development needs are unique.

• **Employment:** Our employees who work 20 or more hours per week are eligible for health and welfare benefits under the Northrop Grumman plan. Qualified full-time and part-time employees are eligible for the 401(k) plan and pension plan. Temporary employees on the Northrop Grumman payroll are generally eligible only for savings and pension benefits.

• **Agency Complaints:** In 2011, Northrop Grumman received 35 new external agency complaints of discrimination across the company. We thoroughly investigate all complaints and take appropriate action. Of the 35 allegations, four were closed within the same year they were received and 31 are still open/pending. There are 40 complaints from prior years still open/pending. The total number of open complaints from 2011 and all prior years is 73.

• **Performance Reviews:** As of 2011, 80 percent or more of Northrop Grumman's employees receive an annual performance and career development review every 12-15 months. Based on scheduling, these reviews may not occur within each calendar year for every employee.

• **Human Rights Training:** Each year, our employees collectively receive hundreds of thousands of hours of training covering a variety of topics. Training on our Standards of Business Conduct emphasizes our culture, integrity, ethical behavior and treating all people fairly and with respect and dignity.

• **Collective Bargaining:** Currently 5 percent of Northrop Grumman employees are covered by collective bargaining agreements. There are currently no Northrop Grumman operations where employees are at risk of not being able to exercise freedom of association and collective bargaining.

• **Security:** All Northrop Grumman security personnel receive comprehensive training on our policies and procedures and "Standards of Business Conduct."

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).



ENVIRONMENTAL, HEALTH AND SAFETY (EHS)

We are committed to protecting our environment as well as our employees, customers, and people in the communities in which we operate. This begins with our ongoing strategy to reduce the number of injuries and illnesses across the company, to ensure environmental compliance, and to promote environmental sustainability.

Strong Vision

To guide and oversee the company's Environmental, Health and Safety (EHS) stewardship, the company relies on the EHS Leadership Council, comprised of senior leaders from the corporate office and each of the operating sectors and the law department. The Leadership Council's key strategic initiatives are to build a sustainable company infrastructure; set goals; monitor and report on EHS performance; promote management ownership of these efforts at all levels; engage and empower all employees; and develop programs that support continual improvement.

We believe so strongly in EHS performance that two safety and three environmental metrics are tied to our company's performance assessment for incentive compensation:

- Total Case Rate (TCR)
- Lost Work Day Rate (LWDR)
- Greenhouse Gas (GHG) Emissions Reduction/Avoidance in Metric Tonnes of Carbon Dioxide Equivalent (MTCO₂e)
- Solid Waste Best Management Practices Implementation
- Water Management Best Management Practices Implementation

In 2011, we began tracking the Lost Work Day Rate (LWDR) in addition to the Total Case Rate (TCR) as a means of measuring safety performance. We consolidated these two metrics and weighted each equally for reporting on the company's operational performance dashboard. This practice will continue in 2012. Additionally, we benchmark safety performance against our peers in the aerospace, defense, and information technology business segments. Using this data, these new metric goals will drive Northrop Grumman to be at the top of our industry for safety performance by minimizing OSHA recordable injuries and lost work time.

OUR OPERATIONS

POLICY

We conduct our operations in a manner that strives to protect the health and safety of our employees, contractors, visitors, and the community, and that is environmentally responsible. To implement this policy, we are committed to ensure effective management and implementation of EHS programs by:

- Complying with all applicable laws and regulations
- Striving for continual improvement
- Developing and implementing management systems to proactively address and manage potential health, safety, and environmental impacts
- Preventing injuries, illnesses, and environmental impact to the maximum extent practical
- Integrating EHS requirements into planning, design, procurement, manufacturing, and modification activities throughout the company

EHS OPERATIONS: COMPLIANCE AND MANAGEMENT

At Northrop Grumman, we have diverse operations that require constant monitoring and management to meet multiple targets: quality, mission assurance, performance, and legal compliance. The EHS Operations program provides guidance and support to all of our operational personnel who conduct audits, evaluate and interpret requirements, and identify and implement corrective actions.

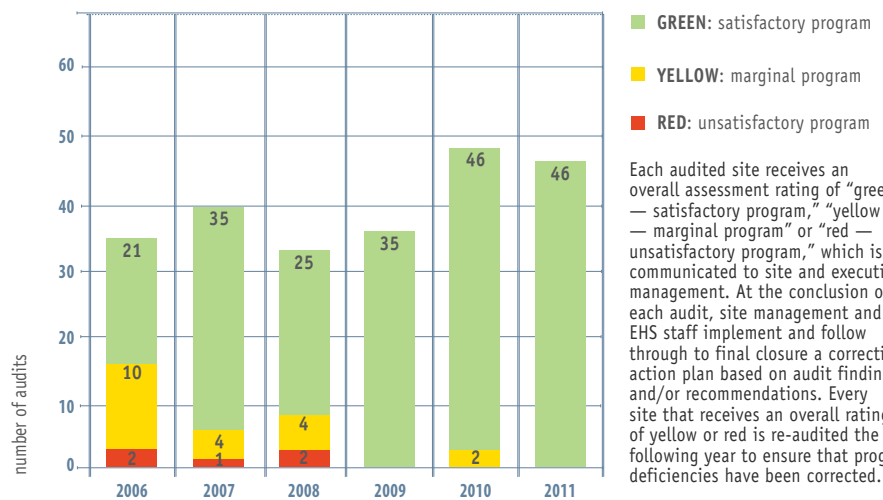
AUDIT PROGRAM

Consistent with our commitment to compliance and continual improvement, we regularly audit Northrop Grumman sites, determined to be auditable through the use of a risk-based protocol, to ensure we are performing at or above the required standards. Aiding us in this effort are an internal audit process and the environmental and safety management systems we deploy to systematize operations and processes for greater efficiency and effectiveness. In addition, we are subject to external audits and inspections conducted by third-party entities including regulatory agencies.

Inside Northrop Grumman

Northrop Grumman EHS professionals conduct internal audits that are reviewed by the corporate internal audit organization and the law department. Our approach is to use these evaluations as learning experiences and to promptly and systematically address any deficiencies and opportunities for improvement. For added assurance, each year the Board of Directors reviews the EHS program's goals, achievements and overall performance.

ENVIRONMENTAL, HEALTH & SAFETY AUDIT RESULTS 2006-2011



The Internal Audit Process

The scope of each internal audit includes assessing compliance with applicable laws and regulations, company policies, procedures, goals and the company's EHS management systems criteria. We audit approximately one-third of our auditable sites each year, which drives the continual improvement process.

In addition to these EHS audits, staff at each site conduct periodic self-assessments to ensure continued compliance with applicable laws and regulations, company policies, procedures, and goals.

As a part of the site self-assessments and the internal audit process, each site is evaluated and scored on management systems program maturity, with 100 percent being the highest achievable score. In 2010, we achieved a multi-year goal to improve our EHS Management Systems Assessment scores to greater

than 90 percent companywide, compared to our 2006 year-end score of 74.8 percent. In 2011, our overall score was 93 percent.

The External Audit Process

In 2011, regulatory agency representatives for occupational health and safety and environmental compliance visited and/or contacted Northrop Grumman sites 137 times, resulting in 18 enforcement actions. Most such enforcement actions were procedural in nature; none resulted in significant fines.



OUR OPERATIONS

NUMBER OF ISO 14001 REGISTERED SITES

2000	2	2006	11
2001	2	2007	13
2002	4	2008	20
2003	5	2009	20
2004	8	2010	22
2005	9	2011	22

Northrop Grumman leadership encourages conformance to the International Organization for Standardization (ISO) 14001 registration for Environmental Management Systems. Attaining and sustaining this designation demonstrates an ongoing commitment to sound environmental management programs and processes.

Professional Associations

To remain current with emerging EHS developments, industry trends and opportunities, and to engage with our peers on common EHS challenges and issues, we are active members of relevant professional associations. Our role within these groups ranges from membership to leadership wherein we fully engage in discussions, work groups and committees relevant to our mission and customer needs.

Aerospace Industries Association

We are a member of the Aerospace Industries Association (AIA), an organization that provides a forum for government and industry representatives to exchange views and resolve problems on non-competitive matters related to the aerospace industry. We actively participate in the Association’s EHS subcommittee, which provides a meaningful forum to interact and collaborate with our peers on common EHS topics facing the aerospace industry.

International Aerospace Environmental Group

Northrop Grumman is a founding, board-level member of the International Aerospace Environmental Group, which formed in 2011 to develop an understanding of environmental requirements faced by the aerospace industry’s global supply chain. As board members, we take a key leadership role within the organization and are actively engaged with two working groups on issues that directly relate to our business: greenhouse gas reporting and chemical reporting.

Conservation International

Northrop Grumman engages with Conservation International in three primary EHS activities:

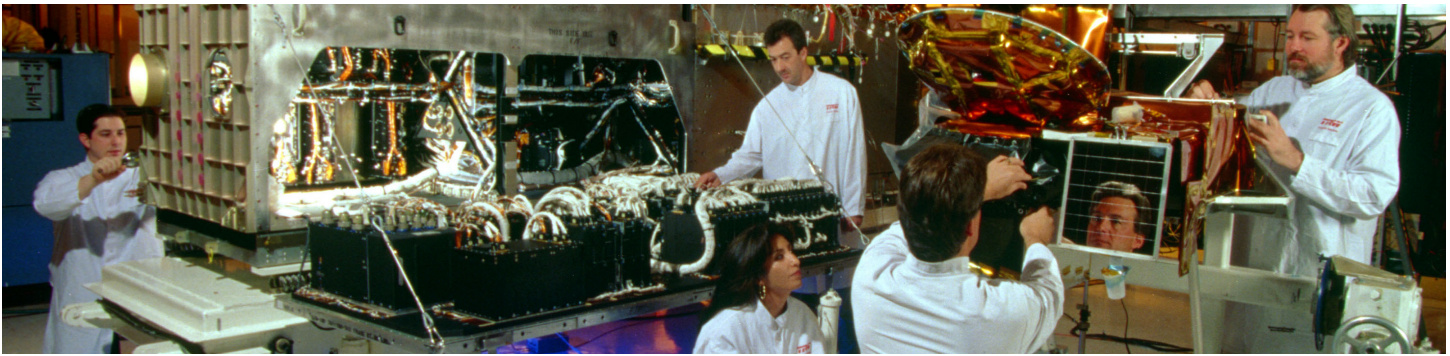
- Support to Conservation International’s Tropical Ecology Assessment and Monitoring (TEAM) Network.

- Consultation with Conservation International in the development and implementation of best management practices across the company for solid waste and water management.

- Community outreach and education through the ECO Classroom program.

Mercer ORC

At Northrop Grumman, we are active members of the Mercer ORC Occupational Safety and Health Group, which is a unique network of key health and safety leaders from major, multinational corporations in a wide variety of industries. At quarterly meetings, members share information and benchmark best practices and connect with representatives of federal and state regulatory agencies. Additionally, invited experts from occupational safety and health and related fields meet with the group.



PROTECTING HEALTH & SAFETY

Protecting health and safety begins with our ongoing strategy to reduce the number and severity of injuries and illnesses across the company.

Measuring Success

In 2011, we added a second safety performance metric in addition to Total Case Rate (TCR) tied to executive compensation: Lost Work Day Rate (LWDR), a measure of the severity of our Occupational Safety and Health Administration (OSHA) recordable cases that directly reflects the loss of our productive work force.

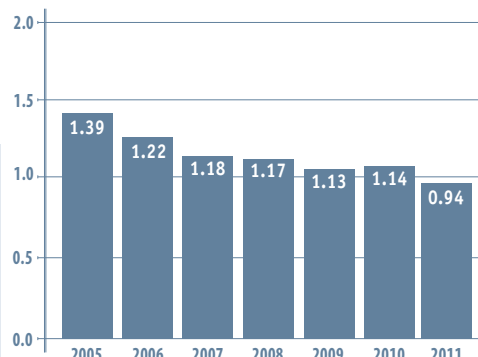
LWDR and TCR each accounts for 50 percent of the overall safety performance goal. Increased visibility of safety performance has reinforced accountability for safe working behaviors at all levels.

2011 Safety Performance

While our ultimate goal is to have an accident-free workplace, we continue to strive to achieve an industry-best TCR and to reduce the number of days lost due to injuries and illnesses. For 2011, we achieved the following progress:

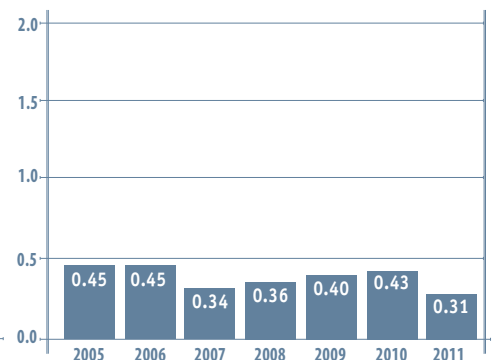
- Overall reduction in our Total Case Rate from 1.14 in 2010 to 0.94 in 2011.
- Overall decrease in the Lost Work Day Rate from 15.55 in 2010 to 14.97 in 2011.
- Overall decrease in the Days Away Case Rate from 0.43 in 2010 to 0.31 in 2011.

TOTAL CASE RATE



Total Case Rate (TCR) is the total number of OSHA-recordable occupational injuries and illnesses; i.e. cases requiring medical treatment beyond first aid, per 100 full-time workers.

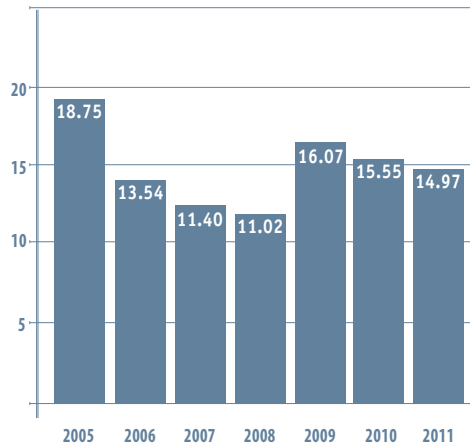
DAYS AWAY CASE RATE



Days Away Case Rate (DACR) is the total number of cases per 100 full-time workers that resulted in days away from work.

LOST WORK DAY RATE

The **Lost Work Day Rate** was included on the company's performance dashboard starting in 2011. (Data based on 12 month calendar year.)



Lost Work Day Rate (LWDR) is the total number of lost work days per 100 full-time workers.

LA6-7, LA9

We follow the U.S. Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), which is based on cooperative relationships between management, labor, and OSHA, and calls for management-worker safety committees.

Occupational Health and Safety Assessment Series (OHSAS) 18001 is an international health and safety management system specification that helps organizations manage occupational risks and improve health and safety performance. Additionally, many other sites have employee and management health and safety committees and it is addressed in our EHS Management Systems assessments.

There were no work-related fatalities in 2011 at Northrop Grumman.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

SAFETY STEWARDSHIP

OSHA Voluntary Protection Program

We participate in the U.S. Occupational Safety and Health Administration (OSHA) Voluntary Protection Program (VPP), a voluntary effort based on cooperative relationships among management, labor, and OSHA. Under VPP, participants provide mentoring to other companies striving to achieve VPP status. In 2011, the Regional Mentor of the Year Award went to a Northrop Grumman employee for VPP Region 1. Region 1 is New England (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.)

OHSAS 18001

Occupational Health and Safety Assessment Series (OHSAS) 18001 is an international health and safety management system specification that helps organizations manage occupational risks and improve health and safety performance. To date, three Northrop Grumman sites have implemented OHSAS 18001: Moss Point, Mississippi; New Town, North Dakota; and Rancho Bernardo, California.

Improving Safety Conditions in 2011

Each year, we partner with leading workers' compensation loss control consultants to analyze occupational injury/illness trends, loss drivers and actuarial data for each of our diverse sectors. We use this information to develop loss control strategies and projects for each of our operating sectors to reduce the frequency and severity of occupational injuries and illnesses.

ENVIRONMENTAL

Protecting the environment and minimizing our environmental impacts is a strong priority at Northrop Grumman. From remediation at sites where past environmental impacts occurred, to managing current operations and processes and forward-looking initiatives, our environmental commitment spans our past, present and future.

Remediation

Through our remediation program, we are demonstrating our commitment to effectively address environmentally impacted sites in compliance with all regulatory requirements. Our remediation program objectives are to work cooperatively with government agencies, conservation groups, citizen groups, and other stakeholders to address environmental impacts in a safe, sustainable, timely, and efficient manner,

and to effectively manage the remediation projects and drive them to closure.

We are currently involved in more than 175 environmental remediation projects (including Superfund sites) with an approximate annual remediation budget of \$35 million. From 2004 to 2011, we completed active remediation at 84 sites and removed them from the company's portfolio. Closure was achieved by completing remediation activities, subject to the approval or at the oversight of the relevant regulatory agencies, or through settlement with involved third parties. From 2004 to 2011, we also identified \$55 million in life-cycle cost reductions.

Highlights of our remediation program include:

- Planted hybrid poplar trees to facilitate the cleanup of groundwater in Canada and prevent offsite migration of contaminants.
- Added natural bacteria to groundwater in Nebraska to enhance the degradation process and accelerate groundwater cleanup.
- Conducted in-ground recirculation of impacted groundwater in California to reduce cleanup time with promising results.
- Implemented soil vapor extraction as a component of overall site remedy to enhance cleanup and prevent vapor migration at several sites.

- Installed an underground, permeable iron filing barrier in New Jersey through a natural groundwater flowpath to reduce contamination and achieve long-term energy savings by eliminating the use of pumping wells.

OSHA VPP SITES

YEAR	#VPP SITES	YEAR	#VPP SITES
2000	1	2006	3
2001	1	2007	4
2002	1	2008	7
2003	1	2009	8
2004	1	2010	8
2005	3	2011	9

EN22. PRODUCTION-RELATED HAZARDOUS WASTE AND REPORTED EPA TOXICS RELEASE INVENTORY (TRI)

YEAR	HAZARDOUS WASTE (TONS)	HAZARDOUS WASTE TONS/100 FTE	TRI (TONS)	TRI TONS/100FTE
2005	1,602.2	2.2	100.6	0.14
2006	1,982.6	2.7	77.1	0.10
2007	1,608.7	1.9	41.1	0.05
2008	1,469.9	1.8	61.1	0.08
2009	1,459.7	1.8	65.8	0.08
2010	1,198.3	1.5	63.2	0.08

The data in this table reports our hazardous waste and TRI data for the years 2005 to 2010.

In 2005, our hazardous waste baseline year, the corporation generated 1,602.2 tons of production-related hazardous waste, or 2.2 tons per 100 full-time equivalent (FTE) employees. We also recorded the release of 100.6 tons of TRI chemicals, or 0.14 tons per 100 FTEs.

In 2010, the corporation generated 1,198.3 tons of production-related hazardous waste, or 1.5 tons per 100 FTE employees. We also reported the release of 63.2 tons of TRI chemicals, or 0.08 tons per 100 FTEs.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

HAZARDOUS WASTE AND TOXIC EMISSIONS

In addition to our efforts to reduce the use of toxic and hazardous materials, we carefully manage our hazardous waste by using only audited and approved treatment, storage, disposal and recycling facilities. These facilities must meet stringent financial and operational standards for the safe handling, packaging, transportation and disposition of company-generated hazardous wastes.

Solid Waste

In 2010, the most recent year for which complete data is currently available, Northrop Grumman diverted approximately 36 percent of its total waste away from landfills. We diverted 13.8 million pounds of waste through our recycling program out of a total of 38.3 million pounds generated. Across the company we recycled paper, cardboard, scrap metal, wood, construction materials, computers and related equipment, batteries, tires, fluorescent light tubes, mercury thermometers, cables, and other items. Our reduction in diversion rates from 2009 reflects the removal of the significant steel recycling performed by the shipbuilding business.

POLLUTION PREVENTION AND PROCESS INNOVATION

As stated in our corporate environmental policy, all auditable sites are required to implement pollution prevention (P2) programs to reduce our environmental impact starting at the source. P2 programs include source reduction and buy-as-needed strategies, material substitution, and preferred procurement of environmentally preferable products and services. Our strategy is to focus on eliminating the source of pollution to reduce the need for "end-of-pipe" solutions.

Northrop Grumman funds internal Environmental Technology Activity (ETA) teams to research and develop solutions to environmental challenges and to support our commitment to pollution prevention. ETA teams utilize a multi-disciplinary engineering approach to develop cost-effective and environmentally preferred solutions. The teams research, test, and implement emerging technologies that improve the way we do business by reducing our environmental impact.

Three key examples of pollution prevention and environmental technology activity implemented in 2011 include:

Dry Steam Cleaning System: Replaces solvent wiping for removing contaminants such as spray wax from aircraft assemblies. This alternative

method is safer and more environmentally friendly because it is a better ergonomic process, reduces volatile organic compound (VOC) emissions, reduces operator exposure to solvents, and results in a large reduction in hazardous waste generation.

X-ray Conversion: Replaces wet X-ray processing of images to computed radiography systems. The heart of computed radiography is the special phosphors that capture and "store" radiation. These storage phosphors retain the latent image for hours and even days and can be reused several times. The new process eliminates the silver-containing hazardous waste associated with X-ray.

Fire Suppression Replacement: At our facility in Rolling Meadows, Illinois, we converted a fire suppression system containing 11,000 pounds of Halon 1301 used to protect the Large Anechoic Chamber with a new fire extinguishant, IG-55, commercially known as ProInert. Due to the high global warming potential of the Halon-containing fire suppression system, the scrapped Halon was captured by a reclaimer. The replacement fire extinguishant, IG-55, is a mixture of the inert gases argon and nitrogen. It is one of the most environmentally friendly gaseous fire suppression products on the market.



ENVIRONMENTAL SUSTAINABILITY — greenNG

We formed our greenNG sustainability program in 2008 with specific strategies, objectives and goals. We publicly announced the program in 2009. As part of the foundation of the program we modeled the business, environmental, risk management and financial impacts through an internally developed ECOmodel™ that resulted in a comprehensive and balanced strategy with strong support from our executive management.

Executive Management Support

We presented our sustainability program, greenNG, in 2009 to all senior executives who comprise our Corporate Policy Council. The executive team approved and fully endorsed the program with all of the necessary resources. The greenNG program is regularly reviewed by the Policy Committee of our Board of Directors and continues to receive strong support.

Public Sustainability Goals

The greenNG program established specific goals focused on reduction of greenhouse gases, and adoption of best management practices (BMPs) for solid waste and water management:

- Reduce our combined Scope 1 and 2 greenhouse gas intensity (normalized to sales) by 25 percent with a base year of 2008 and a five-year period of performance from 2010-2014.
- Achieve 75 percent compliance with our solid waste and water management BMPs for all large (100,000 square feet or greater) owned and leased buildings with a period of performance from 2012-2014.

Goal Commitment

As part of our executive compensation process, we use environmental metrics (performance to goal) for reducing greenhouse gases and implementing solid waste and water management BMPs. This commitment by our Board of Directors and executive team assures strong support throughout the organization.

The Strategic Sustainability Program

In establishing a well-balanced sustainability program, we are addressing not only the need to reduce our resource consumption but also the need to be transparent about our progress. As a foundation for our reporting and transparency objectives, our program follows *The Greenhouse Gas Protocol* developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Through a detailed set of assessments we determined that our resource consumption was nearly evenly split between our real estate overhead and our business operations contained within our facilities. Thus, our program addresses both building efficiencies and our business processes. Finally, our sustainability efforts would not be complete without active engagement of employees, customers, communities and non-governmental organizations to support our objectives. Therefore, the key strategic elements and focus areas of the greenNG program are:

- Measurement, reporting and transparency
- Facilities management and improvement
- Business process optimization
- Green IT
- Stakeholder engagement



PERFORMANCE & ACCOMPLISHMENTS

Measurement, Reporting and Transparency

We have established a robust process for the collection and reporting of greenhouse gas information based on *The Greenhouse Gas Protocol*. We invested in a comprehensive set of tools, including a greenhouse gas management software application, in support of our commitment to accurate transparency.

GREENHOUSE GAS REDUCTIONS

Our greenhouse gas reduction performance has been ahead of plan and continues to be a primary objective of our sustainability strategy. This goal includes our Scope 1 and Scope 2 emissions as defined by *The Greenhouse Gas Protocol* and is measured in metric tonnes of carbon dioxide equivalent (MTCO_{2e}). We report our performance to our goal as a reduction in greenhouse gas intensity (MTCO_{2e} per \$1 million in sales), and also monitor and report on our performance in reducing absolute greenhouse gas emissions.

In 2010, we achieved an 11.4 percent reduction in our carbon intensity compared to our baseline year. We have progressed well against our normalized emissions reduction plan and are on track to reduce our normalized emissions by 25 percent by the end of 2014.

Note: Our 2010 emissions reflect the use of the EPA eGRID 2010 v1.0 emissions factors released in February 2011.

In 2011, the projects we executed exceeded our plan, yielding an estimated greenhouse gas reduction of 52,426 MTCO_{2e}. We expect that the impact of these projects will be reflected in our 2011 measurement, scheduled for release this year in response to the Carbon Disclosure Project (CDP) 2012 information request.

EN16, EN17, EN19 GREENHOUSE GAS REDUCTIONS

REDUCTION PERFORMANCE	2008 BASELINE†	2009†	2010†	PROGRESS YEAR END 2010
Carbon Intensity	31.5	30.2	27.9	-11.4%
Absolute GHG Emissions	0.82	0.83	0.78	-5.0%

†Units in million metric tonnes of carbon dioxide equivalent (MTCO_{2e}).

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

EN10, EN21

SOLID WASTE AND WATER BMPS

We developed our solid waste and water management Best Management Practices (BMPs) in consultation with Conservation International. These BMPs align with the Environmental Protection Agency's (EPA) best practices for commercial buildings. We began goal setting and performance monitoring in 2011 for BMPs applicable to our large (100,000 square feet or greater) owned buildings.

The first year of implementing our robust set of solid waste and water management BMPs was successfully completed to plan. This experience led to setting our solid waste and water management multi-year goals and expanding the scope of implementation to our large (100,000 square feet or greater) leased buildings starting in 2012.

Our goal is to implement at least 75 percent of our BMPs at all large owned and leased buildings by year-end 2014.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

Transparency

Our sustainability efforts have been reviewed by respected, world-class third-party stakeholders, and our performance regarding these assessments has been positive and continues to improve:

- In 2011, Northrop Grumman **scored 80** (of a possible 100) in the **Carbon Disclosure Project** for Environmental Disclosure, improving from our 2010 score of 68.

CARBON DISCLOSURE PROJECT SCORES

(100 is the highest score)

2009	2010	2011
42	68	80

- **Ranked #51** among the **500 largest public companies** in the U.S. by Newsweek magazine 2011 Green Rankings, improving from our 2010 rank of 173.

NEWSWEEK GREEN RANKINGS

(1 is the highest ranking)

2009	2010	2011
337	173	51

- **Ranked #7** among **Top 12 Green-IT** organizations in 2011 by Computerworld magazine, improving from #11 in 2010.

Facilities Management & Improvement

In establishing our **greenNG** program, we performed physical assessments of our facilities to identify opportunities to reduce our environmental impact and improve our business sustainability. As a result of our assessments, we are updating the facilities that we plan to retain through an active set of resource reductions and modernization programs to enhance their sustainability. Projects being rolled out across our real estate portfolio include building system upgrades (e.g., lighting, HVAC, boilers, motors, etc.) and implementing our solid waste and water management BMPs.

We are also actively optimizing our real estate footprint as an important component of our resource reduction objectives and are eliminating facilities that are inefficient or are no longer required. We are investing in:

- **High-efficiency cooling and heating equipment** and layers of automated operational controls that reduce energy use by as much as 30 percent at our new Corporate Office Headquarters in Falls Church, Virginia. This contributed to the building's Leadership in Energy and Environmental Design (LEED) Gold-level certification for Commercial Interiors.

- **New lighting systems, controls and timers**

have been installed at many of our facilities. At one Southern California testing facility, the lights were reprogrammed to more closely match work schedules, providing an estimated 529 MTCO₂e reduction annually. At our Huntsville, Alabama, facility, we implemented new lighting systems and timers, reducing approximately 357 MTCO₂e annually, and received the 2011 Huntsville Air Pollution Control Award.

- **Four small, high-efficiency condensing boilers**

replaced one large, inefficient boiler at our Cincinnati, Ohio, facility. In addition to increasing the dependability of the system, the campus reduced emissions equivalent to 1,750 MTCO₂e and recycled 3.23 tons of metal.

- **Water conservation efforts** initiated at multiple sites include installation of smart irrigation systems that use water moisture sensors.

- **Installed low flow aerators** on restroom and kitchenette faucets, and flow-control valves on cafeteria rinse sprayers in many buildings throughout the corporation.

- **Plastic and paper alternatives** are replacing expanded polystyrene foam, commonly known as Styrofoam™, for food and beverage containers in cafeterias at several facilities.

SUSTAINABLE BUILDINGS

With the relocation of our corporate office to Falls Church, Virginia, we took the opportunity to further demonstrate our commitment to environmental stewardship by designing and retrofitting the building to achieve the LEED (Leadership in Energy and Environmental Design) Gold-level certification for Commercial Interiors. In 2011, we had operations in four buildings that are LEED certified and one additional building that meets the EPA Energy Star Building standards. As our real estate portfolio changes, we continue to assess new opportunities to reduce our environmental footprint by establishing operations in buildings that meet these, or similar, energy efficiency standards.

Green Leasing

In 2011, we deployed “green leasing” contractual language to encourage our landlords to participate in accomplishing our sustainability goals. The green leasing language requires landlords to:

- Assist us in the effective, accurate and timely reporting of our greenhouse gas footprint by providing utility usage data.
- Collaborate with us in reducing resources consumed by the building system.
- Implement our selected solid waste and water management BMPs.

We expect this industry-leading approach will allow our landlords to collaborate and more formally participate with us in achieving the sustainability goals of our [greeNG](#) program.

Renewable Energy and Green Power

The [greeNG](#) program strategies include the use of renewable energy and address our role in encouraging green power to be produced as part of the national grid. We have worked with a few of our landlords to install and utilize solar power and continue to assess and support the use of on-site renewable power generation. At our St. Augustine, Florida, site, we have instituted the use of two solar golf carts as an energy-efficient transportation alternative to the standard electric carts.

Business Process Optimization

We are focusing on our Engineering, Manufacturing and Operations (EM&O) processes to ensure that sustainability criteria are part of critical decision

making and to drive improvement projects that conserve resources while maintaining high-quality products and services. This strategic area represents significant energy consumption and thus, opportunities for conservation. EM&O-related projects include energy conservation in clean rooms, manufacturing emission reductions, material development improvements, and energy reductions in manufacturing heating and cooling equipment.

As an example in this area, the Production Operations Manufacturing Technology team at our Palmdale, California manufacturing facility implemented a low-flow setting for the automation of the F-35 robotic booth ventilation system. The new setting allows the system to run at a lower speed during non-spray operations, reducing electricity use and greenhouse gas emissions by approximately 525 MTCO₂e.

Green IT

The company’s Green IT strategy integrates environmental sustainability into our current IT architecture and long-range plans and goals. In 2011, we were ranked #7 in Computerworld’s top 12 Green-IT organizations, an improvement from #11 in 2010.

Green IT’s most significant contribution to the reduction of our environmental impact is in the enhanced efficiency and overall reduction of energy usage achieved in consolidation of our data centers. We are consolidating from 19 major data centers and more than 200 smaller hosting sites to three enterprise data centers. With this initiative the company will retire hundreds of older servers and utilize virtualization technology to further decrease the server count and reduce energy consumption.

In the workplace our Green IT strategy is focused on personal computers (PCs) and printers. Our desktop initiative deploys new PCs, laptops and peripherals that are ranked either Gold or Silver by the Electronic Product Environmental Assessment Tool (EPEAT) and implements power management technology that reduces energy usage when the equipment is not being used. Our managed print initiative eliminates thousands of personal printers, scanners and fax machines by strategically deploying multi-functional devices with standard print settings that conserve electricity and reduce paper usage.





EN1-4, EN21, EN23, EN29

See page 18 for information that addresses types and amounts of recycled materials.

In both 2010 and 2011, we reported to the Carbon Disclosure Project our energy consumption and the environmental impacts of shipping our products. Energy consumption was reported in megawatt hours (MWh) per year.

Water usage at Northrop Grumman is a minor component of our manufacturing and is not, therefore, a key element in our product lines. We have evaluated and confirmed that our potential impact to water sources at our locations is minimal and well within accepted bounds. Our stewardship in this area has led to adoption of water management Best Management Practices (BMPs) at all our major facilities.

There were no significant spills reported in 2011.

We participate in the EPA SmartWay Program, using EPA-certified shippers, which minimizes the environmental impact of shipping our products. This was reported in the Scope 3 emissions section of our Carbon Disclosure Project submittal.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

Employee Engagement & Awareness

Engaging with our employees is a strategic element of the **greenNG** program and an essential component to our success. **greenNG** Employee Resource Groups (ERGs) have emerged across the company through which hundreds of employees have become active in the company's sustainability initiatives. The **greenNG** ERGs provide synergistic education and engagement opportunities that benefit employees, the company, the community and the environment. Employees are provided opportunities to learn about topics such as recycling, composting and green gardening, energy efficiency at home and local environmental issues. Through these groups, many of our sites offer recycling and collection events throughout

the year for various items such as electronic waste, eye glasses and greeting cards to raise employee awareness of recycling and reuse.

To promote energy conservation and raise awareness of global climate change, in 2011 we continued our participation in the global Earth Hour by turning off unnecessary building and signage lighting and encouraging employees to participate at home.

Earth Day 2011

We celebrated Earth Day 2011 across the company. Eco-fairs took place at multiple sites during which local suppliers and agencies provided information to employees on environmental organizations, green

products, commuter services, home energy conservation and alternative fuel vehicles.

As a key part of the 2011 Earth Day activities, Northrop Grumman sponsored the Pachamama Alliance "Awakening the Dreamer" symposium for employee participation. We hosted the interactive symposium in Redondo Beach, California, and broadcasted the event to 15 sites companywide. The symposium informed employees about the state of the global environment and invited them to step forward to take action as individuals and employees. This corporate partnership represented a successful first for both Northrop Grumman and the Pachamama Alliance.

ENERGY AND ENVIRONMENTAL SECURITY

While we are committed to reducing the environmental impact of our own business operations through the **greenNG** program, we are also committed to providing security solutions that not only help protect our nation and its allies around the world, but also address other global environmental security challenges from sustainable production and operations, to climate change and natural disaster response. Northrop Grumman capabilities, products, and services address broad customer responsibilities to reduce their environmental impact, obtain mission and operational efficiencies, and produce reliable data for monitoring and predicting global environmental climate change risks.

EC2.

CLIMATE CHANGE RISK MITIGATION & ADAPTATION

We believe climate change is a serious environmental challenge that requires action today to mitigate the impacts and risks that will arise tomorrow. We continue to assess vulnerable business operations across our enterprise, aiming to increase the sustainability of our business practices, from facilities to products, along with assessing new requirements from our customers to meet higher efficiency standards within our product lines.

Impacts of predictive climate modeling have been incorporated into our risk management processes. We used this enhanced risk process and performed an analysis of major information systems and operations to identify those near volatile-weather locations. As a result of these analyses, at risk data centers were identified and have been moved to new lower risk locations.

In 2011 we co-sponsored and hosted a climate change public forum at our Redondo Beach, California site entitled "Keeping Our Heads Above Water – Adapting to Climate Change in Southern California". The forum addressed climate change impacts on Southern California communities, from public, local government, and business sector perspectives, with an overview of climate adaptation policy, risk assessment and mitigation.

Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).

Environmental Monitoring & Data Modeling

Our technologies, products, algorithm expertise and advanced sensors are enabling our customers and the scientific community to better understand and quantify the effects of global climate and environmental change. The accurate and timely data provided by these capabilities further enhances research, weather forecasting, disaster response efforts, future mission planning and policy frameworks. Our contributions to the future of environmental security and climate change risk mitigation is to continue to provide our customers, academia, the public and government policymakers with the most accurate information available.

Our suite of Global Climate Monitoring Systems (GCMS) includes products such as the Clouds and Earth's Radiant Energy System (CERES) instrument, the Earth Observing System (EOS) satellites Aqua and Aura, the Global Hawk unmanned aircraft system (UAS), a fleet of remote sensing aircraft and other related science and engineering-based solutions have and continue to provide valuable data to better understand the challenges of global environmental changes.

Examples of leveraging our environmental monitoring and data modeling expertise include:

- We partnered with Conservation International to support their biodiversity mapping efforts, using remote sensing to demonstrate a viable approach to carbon biomass measurements and ecosystem characterization using airborne and space-based systems. Combined with Conservation International's network of conservation sites, this global observation network monitors long-term trends in tropical biodiversity that will provide an early warning system to effectively guide conservation action.
- We are providing our systems engineering, data modeling, and information analysis skills to NASA for validating their Earth-monitoring efforts to study stratospheric trace gases in the upper troposphere and lower stratosphere. The study leverages the Aura satellite program capabilities to measure dust, smoke, and pollution movement across the Pacific to Asia and streamers of moist air from the central tropical Pacific

that move onto the West Coast of the U.S. This data, combined with microwave imagery and altimeter-derived ocean heat content, improves tropical cyclone forecasts and reduces impacts on maritime operations.

- We contributed to the successful development, launch, and deployment of the newest national environmental monitoring satellite: Suomi NPP (National Polar-orbiting Partnership), launched Oct. 27, 2011. We continue to perform data retrieval, processing, and delivery of advanced imagery from this new environmental monitoring satellite. The Suomi NPP includes two Northrop Grumman-developed advanced technologies: CERES (version 5) and the new Advanced Technology Microwave Sounder (ATMS). Data from the Suomi NPP instruments will be incorporated into meteorologists' weather and climate prediction models to produce accurate, life-saving forecasts and warnings, and will assist emergency responders in reacting to natural disasters.
- In collaboration with NASA, several Northrop Grumman Global Hawk UAS have been transitioned to civil use for environmental science missions. In 2011, flights were conducted over hurricanes in the Pacific Ocean, capturing a full hurricane intensity transition for the first time ever, a unique benefit of the long endurance of the Global Hawk UAS.
- The Global Hawk provided vital aerial surveillance in support of the 2011 earthquake and tsunami relief efforts in Japan, further demonstrating its ability to provide vital support to national security and humanitarian relief operations. The aircraft also has been used for disaster relief and recovery efforts following the 7.0-magnitude earthquake that struck Haiti in 2010, Hurricane Ike on the Gulf Coast in 2009, and the California wildfires in 2007 and 2008.
- Through the Maximizing and Optimizing Renewable Energy (M.O.R.E.) POWER initiative, we are providing analysis and modeling of renewable energy systems for several key Western U.S. states to showcase improved methods and potential for optimizing investment and development of wind energy for high-quality power through site diversity and power generation stability.

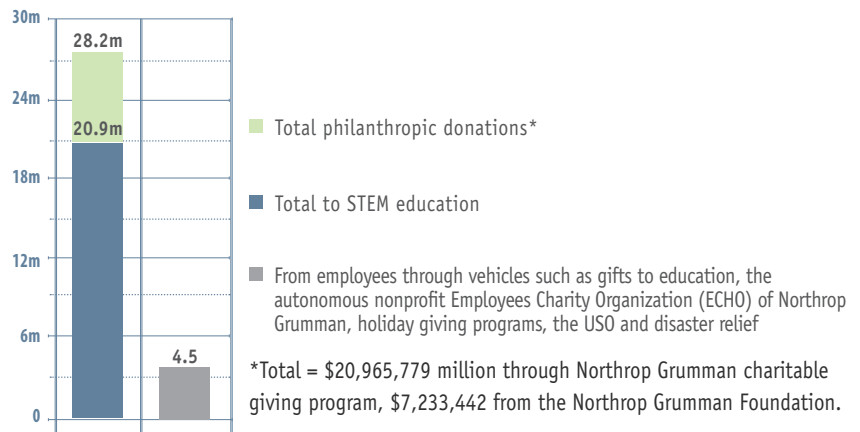
COMMUNITY CONNECTION: NORTHROP GRUMMAN EMPLOYEES HELPING OUT

- **Beach and Coastal Cleanups:** Volunteers participated in beach cleanup events in Annapolis, Maryland, and Rancho Bernardo, California, and a coastal cleanup event in Moss Point, Mississippi.
- **National Public Lands Day:** Throughout the company, employees supported this one-day national event. In Rancho Bernardo, California, Northrop Grumman **greENG** teams planted several varieties of fast-growing native trees and plants at the Tijuana River Estuary.
- **Reforestation:** Employees at the Palmdale, California, facility helped reforest the Angeles National Forest after devastating forest fires denuded the forest in 2010.
- **L.A. WORKS:** Employee volunteers teamed with Los Angeles WORKS to beautify Leimert Park with new plantings and an organic community garden.
- **Toner Recycling:** In St. Augustine, Florida, employees started a recycling program by donating used toner cartridges to the school district. In turn, the school district trades the used cartridges for school supplies via the Staples™ recycling program.
- **Tornado Cleanup:** In Huntsville, Alabama, 85 Northrop Grumman employees and family members helped clean up after a series of deadly storms impacted the region.
- **Tree Planting:** Employees and their families helped plant more than 140 drought-resistant trees in El Segundo, California.

OUR COMMUNITY INVESTMENT



TOTAL 2011 GIVING



Each year we support a wide array of programs and services for education, military and veterans, the environment, and health and human services. In 2011, categorical funding goals were set for company charitable giving.

Our 2011 community spending targets:

- 50% on education
- 20% on health and human services
- 20% on military and veterans
- 5% environment
- 5% other

A key priority is our ongoing companywide mission to ensure a pipeline of diverse talent needed for our future workforce. To that end, we are focused

on improving the quality of science, technology, engineering and mathematics (STEM) education from early grades through the university level, and on developing talent in those areas.

In 2011, we contributed \$20,965,779 in total philanthropic donations* (see chart) through our Northrop Grumman charitable giving program (does not include aid to higher education). Funding from the Northrop Grumman Foundation added an additional \$7,233,442.

*This total includes a \$10 million gift transfer from the Northrop Grumman contributions ledger to our charitable trust, the Northrop Grumman Foundation.



“As exciting as it is to hear about the teachers’ research experiences in various places around the world, it can be even more exciting to watch the ripple effect that takes place when they return from their Earthwatch expedition – in their classrooms and communities. We’re thrilled with Northrop Grumman Foundation’s support of this important program at a time when we need action, not apathy, in the face of the world’s most pressing environmental challenges.”

—Ed Wilson, CEO and president of Earthwatch Institute

Community of Caring:

Northrop Grumman employees contributed nearly \$200,000 in community service grants (in \$200 grant increments) to organizations they supported through volunteer efforts. Further, our 75,000 employees generously supported a multitude of nonprofits through in-kind giving, such as back-to-school supply drives and clothing drives.

OUR CORE FOCUS: IMPROVING EDUCATION

In 2011, we endorsed and supported a broad and diverse range of national partnerships and programs that address education at all levels. To accomplish this corporate citizenship mission to improve the quality of education, during 2011 we continued to implement the Northrop Grumman Education Strategy (NG4U) across the company.

To those ends, in 2011 we continued a three-year partnership with the National Board for Professional Teaching Standards to help mathematics and science teachers in underprivileged schools strengthen their skills. This unique initiative increases the number of National Board Certified teachers in targeted regions by providing financial support for teachers to pursue National Board Certification.

The Results: National Board for Professional Teaching Standards

- 48 total National Board Certified Teachers funded by Northrop Grumman scholarships (since 2007 program inception)
- 218 total scholarship recipients (since 2007 program inception)
- \$150,000 in scholarships for mathematics and science candidates through the Professional Teaching Development Centers in California

Our Education Performance

We are currently engaged in a multitude of programs to foster and improve education at all levels. Since 2003, we have sponsored the Sally Ride Science Festivals that empower young girls to pursue careers in science, engineering and mathematics. In 2011, we sponsored two such events: one at George Mason University in Fairfax, Virginia, with approximately 600 attendees, and one in San Diego at University of California at San Diego with some 500 attendees. Another ongoing companywide effort is TEAACH (Teachers and Engineers for Academic Achievement), an umbrella program for all teacher professional development endeavors at Northrop Grumman.

We are enthusiastic to report on the progress of education programs in 2011 including:

- Back-to-School Campaigns
- Earthwatch Partnership
- ECO Classroom
- CyberPatriot
- Space Camp/U.S. Space and Rocket Center
- Northrop Grumman Weightless Flights of Discovery
- Great Minds in STEM/Viva Technology

Back-to-School Employee Campaigns

Employees throughout Northrop Grumman contributed to education by providing the basic necessities through back-to-school campaigns. Donations include shoes, backpacks, shoe certificates, monetary pledges and school supplies such as dictionaries, calculators, three-ring binders, lined paper, pens and pencils and flashcards.

OUR COMMUNITY INVESTMENT



FOCUS ON EDUCATION

College Scholarships: Funding from the Northrop Grumman Foundation provided more than 30 national diversity association and college fund scholarships (totaling \$140,000) to various organizations including the American Indian Science and Engineering Society, the National Society of Black Engineers (NSBE), the Society of Hispanic Professional Engineers (SHPE), the Society of Women Engineers, the United Negro College Fund and the Hispanic Scholarship Fund. Additionally, we provided more than \$9,000 in grants to SHPE's National Institute for Leadership Advancement and NSBE Regional Programs.

Education Grants: Funding from the Northrop Grumman Foundation also provided higher education grants to more than 30 colleges and universities (totaling \$163,000) to support diverse and academic student organizations and programs such as Women in Engineering, Computer Science Women's Network, the Association of Computing Machinery and many others.

University and College Partnerships: Northrop Grumman Corporation provided aid to higher education grants to 80 colleges and universities (totaling more than \$1.54 million). Grants were provided to various engineering and computer science programs, academic student organizations, student society support, design projects, leadership programs, lab and education centers, career services and co-op programs.

High School Involvement Partnership: This intern program, designed to assist high school students with meeting career and development goals, connected Northrop Grumman mentors with 212 high school students from 29 schools in 2011, and provides student internships, graduation incentives, a summer enrichment program and potential scholarships.

National Math and Science Initiative for Military Families: We partnered with the National Math and Science Initiative (NMSI) on their nationally recognized Initiative for Military Families (IMF) science, technology, education and mathematics education program. The NMSI program provides funding and support for advance placement math and science courses to schools serving military installations. The mission is to provide consistent, high-level math and science education in high schools serving military bases in the United States. Northrop Grumman provided IMF program funding at two schools in Oklahoma (Carl Albert High School in Midwest City and Eisenhower High School in Lawton) and a third in Georgia (Howard High School in Macon).

Environmental Education

Earthwatch Partnership

The Northrop Grumman Foundation, along with several other companies, supports the Earthwatch Educator program. This environmental education program for teachers, in conjunction with Earthwatch Institute, promotes learning about sustainability by engaging people worldwide in scientific field research.

Result: In the summer of 2011, our funding allowed 22 mathematics and science educators from 12 states to study ocean preservation and climate change on two separate Earthwatch expeditions.

Ten of the teachers helped preserve the coastal ecology of the Bahamas, while 12 others joined an expedition to monitor climate change at the edge of the Arctic. The Bahamas expedition teams

focused on research sites at the archipelago's southern islands of Long Island, Great Exuma and Great Inagua. The Arctic project took teachers to Churchill, Canada, on the coast of the Hudson Bay near the geographical center of the North American continent.

ECO Classroom

With the goal of providing teachers with resources and learning opportunities in environmental science, we have collaborated with Conservation International to launch the ECO Classroom program. This unique, nationwide teacher professional development program is designed to equip teachers so they can inspire students to pursue science and technical careers and become our next generation of environmental stewards and innovators.

Looking Ahead:

During July 2012, Conservation International staff will take 16 middle and high school life sciences teachers (biology, ecology, environmental or earth systems science) to the Conservation International's Tropical Ecology Assessment and Monitoring (TEAM) Network's field site at La Selva Biological Station in Costa Rica for an intensive, two-week field experience.

These teachers will return to their schools with an in-depth understanding of the interrelationship between biodiversity, climate change, and human activities, and will be equipped with new techniques and resources to enhance their own classroom teaching. We are planning additional teacher trips for 2013 and 2014.

“The Northrop Grumman Foundation has been pioneering programs to inspire science teachers for many years. We have turned our focus to the environmental sciences in recognition of the importance of international environmental sustainability to the health and security of future generations. We believe that providing a hands-on environmental experience to science teachers will give them insight and inspiration that they can pass on to their students as well as other teachers, stimulating an increase in the pursuit of STEM degrees and careers, especially in the environmental sciences.”

— Sandra Evers-Manly, president of the Northrop Grumman Foundation

Weightless Flights of Discovery

With 2011 as the final year of a six-year commitment, we continued our ongoing support of this unique program that puts teachers in flight suits and a weightless atmosphere similar to what astronauts use to train. During these flight segments, teachers conduct microgravity demonstrations that apply science, technology, engineering and mathematics. In turn, teachers return to the classroom energized by the learning and ready to spark student interest in mathematics and science.

Using its successful model, the program includes the National Science Teachers' Association online course “Force and Motion,” ground simulations to prepare for microgravity flight aboard the ZERO-G aircraft, hands-on workshops on flight safety, experiment design and media relations, and classroom applications to fully involve students. Teacher participants also have the opportunity to obtain graduate credit through Purdue University.

Although the actual flight portions concluded in 2011, these more than 1,300 educators will continue to rely on the Weightless Flights resources for years to come including: classroom guides, DVDs with videos and pictures, Sally Ride classroom instructional sets, posters, updated lesson plans, website support, science modules and more.

CyberPatriot: National High School Competition

After announcing a new partnership with the Air Force Association (AFA) for CyberPatriot III in 2010, we continued to fund this program in 2011 through the Northrop Grumman Foundation. CyberPatriot III is a national high school cybersecurity defense competition designed to excite, educate and motivate the next generation of cyber-defenders. The final competition was held at the Air Force Association CyberFutures Conference April 1, 2011, in Washington, D.C. For our participation, the AFA awarded Northrop Grumman the 2010 Hoyt S. Vandenberg Award for contributions to the field of aerospace education as presenting sponsor of CyberPatriot.

Motivating and educating the next generation of cyber-defenders:

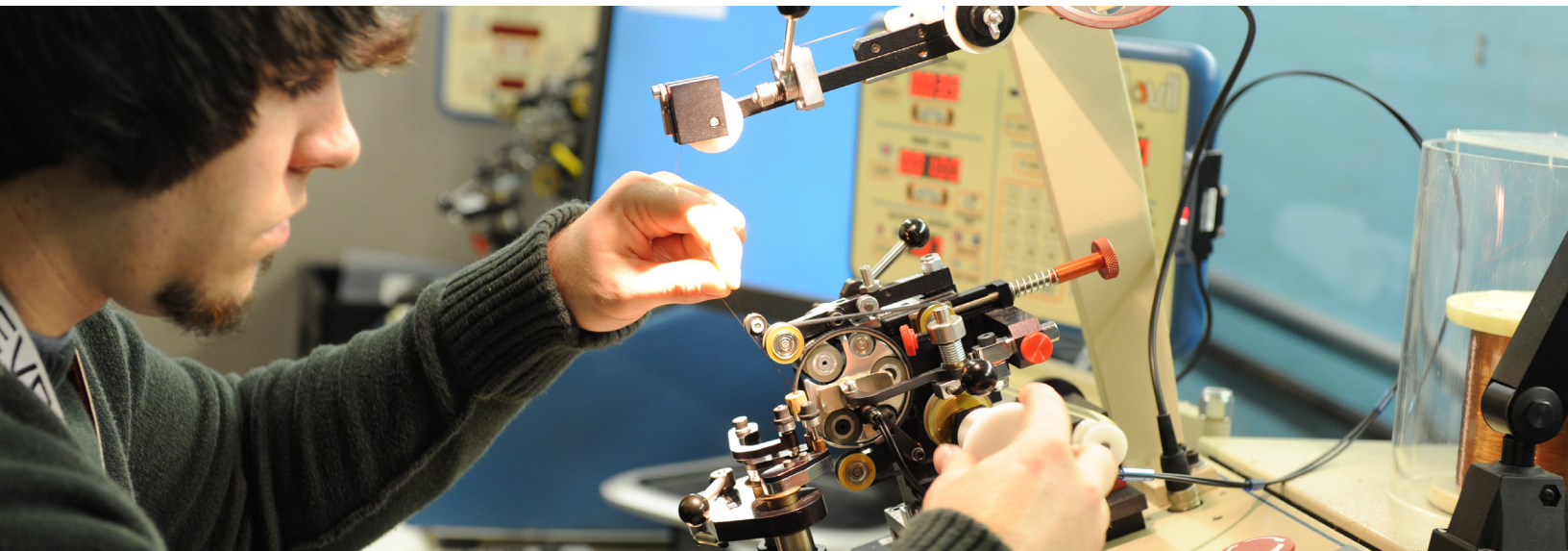
- We hired 11 CyberPatriots across the United States and maintain communication with many more as they consider careers in STEM disciplines.
- Against a goal of 25, we had 55 volunteers from across the corporation provide technical assistance to teams and mentor students. CyberPatriot offered this opportunity for our employees to volunteer their time and talents to support this critical need for our nation's continued security and economic prosperity.
- Through a robust communications campaign by both AFA and Northrop Grumman, the number of teams increased from 178 in CyberPatriot II to 661 in CyberPatriot III. Enrollment for CyberPatriot IV came in at 1,014 teams, or 53 percent growth.

U.S. Space and Rocket Center's Space Camp

Our mission at Space Camp was to be the premier provider of authentic, inspiring and entertaining educational experiences in space science and aviation.

- 46 students and 15 teachers from Northrop Grumman communities nationwide participated in the Space Camp program in Huntsville, Alabama.
- This was the third consecutive year we funded the program through the Northrop Grumman Foundation, which covered travel, tuition, room and board, firsthand astronaut training for the “space travelers,” rocket launching materials and learning aviation principles.

The teacher component, called Space Academy for Educators, creates an immersive learning environment where teachers learn new ways to effectively present concepts in their classrooms. For students, the Northrop Grumman sponsorship provides a chance to unlock their potential in the STEM fields.



Great Minds in STEM and Viva Technology

As a step in continuing efforts to introduce middle school students to science, technology, engineering and math careers (STEM), employees at Northrop Grumman partnered — including the Hispanic employee resource group One Adelante — to bring the nationally acclaimed Viva Technology Program to Rogers Middle School in Lawndale, California, and Parkland Magnet Middle School in Rockville, Maryland.

VEX Robotics

This year, through funding from the Northrop Grumman Foundation, we were able to add robotics programming to our suite of STEM programs. In addition, funding enabled the organization to overhaul their volunteer recruitment and retention efforts, helping to reach a long-term plan for volunteers. Through our support:

- 50 new teams from 32 new schools started in the Baltimore, Maryland, area.
- 10 new teams from 10 new schools started in the Apopka/Orlando, Florida, area.
- 16 new teams from 16 new schools started in the Los Angeles, California, area.
- In total, 76 new teams started at 58 new schools serving an estimated 760 students.

Viva Technology is a national K-12 educational program sponsored by Great Minds in STEM that is designed to engage students, parents and teachers in technology-related activities that stimulate mathematics and science studies. The program consists of a teacher workshop, a parent session and a student program. Northrop Grumman volunteers supported the event as speakers and team leaders while college students from campuses near the schools assisted.

"It is rewarding to see my daughter's love of learning develop through her participation in this STEM program. Northrop Grumman employee participation in this community is not only about volunteerism, but about changing lives for the better. You are providing windows of opportunity that may otherwise not be available. You are all not just an inspiration to our children, but for the parents as well. Thank you for making a positive difference in our children, and for giving us a hopeful future."

— Andrew Ozog, a parent who attended the Viva Technology session

"This is such a great event sponsored by our colleagues at the Northrop Grumman Foundation. The middle school years are where we can really make a positive impact on a young person's life. Being a kid who almost made the wrong decisions in middle school, I always welcome the chance to talk to middle school students and help them see the possibilities in life. It's so exciting to see their enthusiasm and hear their questions. This was a blast and made my weekend!"

—Frank Flores, vice president of engineering for Northrop Grumman Aerospace Systems



SINCE LAUNCHING THE NEW VOLUNTEER1NG SITE IN MAY 2011, A TOTAL OF **16,340** HOURS OF SERVICE HAVE BEEN LOGGED.

VOLUNTEERISM: A STRONG TRADITION AT NORTHROP GRUMMAN

Promoting education and participating in volunteerism go hand-in-hand at Northrop Grumman. During National Engineers Week, hundreds of our employees volunteer in classrooms at area schools. To prepare for these “Connecting Educators to Engineering” events, volunteers attend special company-designed workshops, which are conducted by Design Squad staff who provide tools and materials to assist with classroom demonstrations. Design Squad is a partner to Northrop Grumman Foundation and an award-winning PBS reality competition series to get kids excited about engineering.

Recognizing Excellence

Launched in 2010, the Northrop Grumman Volunteer Recognition Program recognizes employees who have demonstrated particular dedication through consistent volunteerism at nonprofit organizations and accredited public schools.

In August 2011, through Northrop Grumman’s Office of Corporate Responsibility, we announced the 10 “Excellence in Volunteerism” winners chosen by an independent auditor from our 220 nominations. Each award winners’ organization received a \$5,000

grant. These charities have different specific missions but collectively aim to help children and families.

Volunteer Management System

The Volunteer Management System is an internal Northrop Grumman program that connects employees to community volunteer opportunities in their local areas and allows them to log their volunteer hours.

A Force for Good

- Since launching the new Volunteer1NG site in May 2011, a total of 912 volunteers have signed up for volunteer events submitted in the new system and a total of 16,340 hours of service have been logged.
 - The community impact of employees’ volunteer hours for 2011 was \$812,336.* Since inception, the volunteer management system total community impact is valued at \$2.2 million.*
- *Based on independent 2011 estimated value of volunteer time.

During 2011, we switched to a new data provider for this program, which means for two months during the switchover we were not able to track employee volunteer activities. These collective efforts are not included, therefore, in the data shown here.

DISASTER RELIEF

Japan

On March 11, a massive 8.9-magnitude earthquake struck the eastern coast of Japan. The earthquake triggered tsunamis that affected several countries including the United States. On March 14, the Northrop Grumman Foundation Board of Directors approved the establishment of a Japan Disaster Relief Program, capped at \$1 million, with two elements: a \$500,000 grant to first responders and \$500,000 for an employee matching gift program.

Result: We distributed \$500,000 to the following first-responder organizations: American Red Cross International Relief Fund, Save the Children and Americares. More than 2,800 employees donated a total of \$357,442, which we matched through the NGC Foundation.

Total commitment to the Japan disaster: \$857,442

Tornado Relief in Northern Alabama

In April 2011, a tornado outbreak affected residents in various portions of the United States. In Northern Alabama especially, which includes a Northrop Grumman site and employee community, damage was



particularly heavy. A \$100,000 donation to the Madison/Marshall County Chapter of the American Red Cross supported relief efforts to those impacted by the deadly storms.

Proactive Approach

We joined the American Red Cross Annual Disaster Giving Program in 2011 to help secure a reliable funding base for disaster relief services. This will enable the Red Cross to respond immediately to the needs of individuals and families impacted by disaster regardless of cost.

Result: Affected people will be able to receive food, shelter, emotional support and other essential assistance with less delay.

SUPPORTING MILITARY AND VETERANS

We are proud to offer continuing troop and veteran support through a number of programs. In 2011, for example, our employees assembled tens of thousands of care packages to send to active troops overseas. Since 2003, Northrop Grumman employee giving has raised \$961,521 for the USO, including \$353,121 in 2011.

USO Operation Enduring Care

We committed \$5 million, over 3 years, through the Northrop Grumman Foundation as the lead donor of the new Wounded Warrior and Family Center on the grounds of Fort Belvoir in Virginia. This is the largest single gift to the USO in the 70-year history of the organization.

The new center will support wounded warriors at the Fort Belvoir Community Hospital and the Warrior Transition Unit. The facility, which had a groundbreaking in June 2011, will be a high-end 25,000-square-foot facility where wounded troops and their families can find respite and renewal in “home-away-from-home” surroundings. The center will be operated by staff from the USO of Metropolitan Washington.

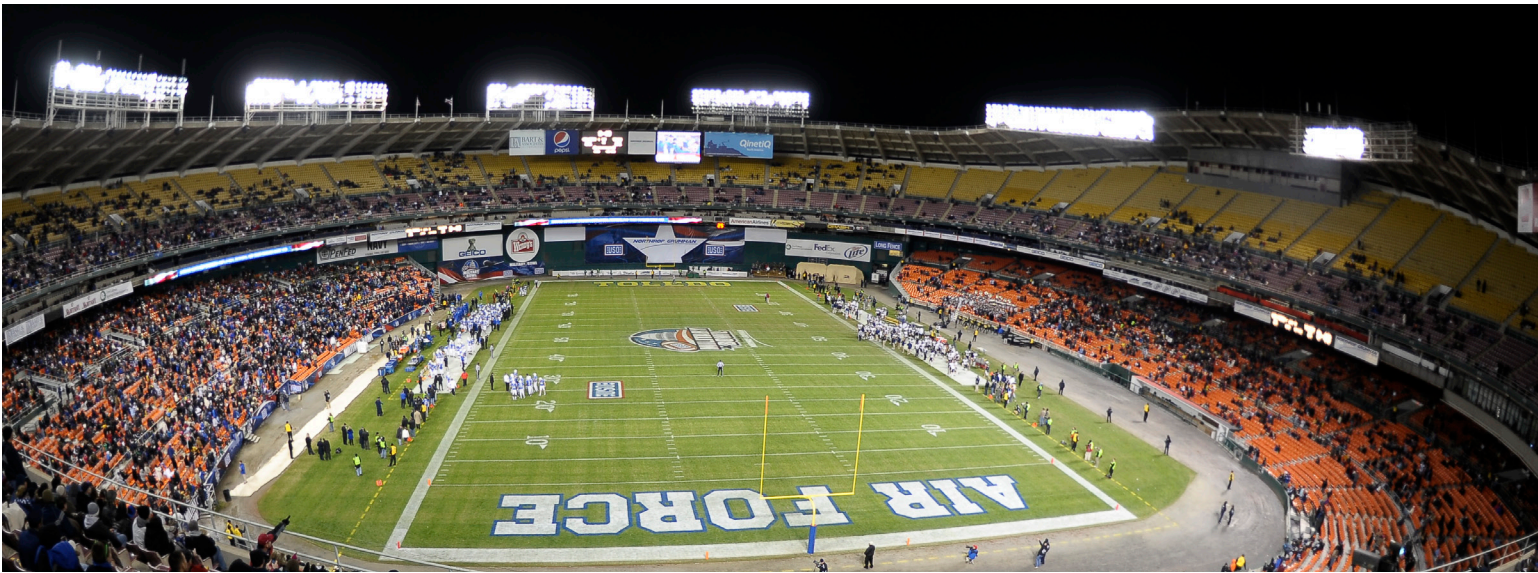
Northrop Grumman Initiatives for Our Troops and Veterans

- 2011 Military Bowl presented by Northrop Grumman for the benefit of the USO
- Blankets for Hope
- Congressional Gold Medal ceremony for WWII organizations
- Downtown San Diego USO Tuesday Night Dinners
- Eagle Claw Mission with Special Operations Warrior Foundation

- Fisher House
- Gathering of Mountain Eagles — adventure therapy for wounded military
- Holiday giving support
- Lancaster, California Veterans Home
- Operation Impact
- Mologne House
- Marine Mud Run
- Navy League
- Special Operations Warrior Foundation Memorial Golf Tournament
- University of Maryland University College Textbook Scholarship Program
- USO Fort Belvoir
- USO Care Package stuffing and distribution
- USO Dulles Airport
- USO Fundraising
- USO Fleet Week in New York
- USO Lounge at BWI Airport
- Various “Hero Nights” at sporting and entertainment venues
- Walter Reed Medical Center

Operation IMPACT

Proposed by a Northrop Grumman employee in 2004, Operation IMPACT (Injured Military Pursuing Assisted Career Transition) identifies career opportunities within the company for returning



service members who have been severely injured in combat. If the service member is unable to work, the program offers career support to a member of the individual's immediate family who will become the primary wage earner.

Result: To date, the program has helped 85 returning service personnel and their family members join the company. Since 2009 we have operated the Network of Champions, a group of more than 65 corporations and organizations following our example in the hiring of wounded warriors. The purpose of this network is to expand job placement opportunities for qualified candidates.

Operation IMPACT is recognized as an industry best practice by the Department of Labor and the Department of Veterans Affairs, and has received a number of awards.

To learn more:
operationimpact.northropgrumman.com

USO

In June 2011, we partnered with the USO at Celebrate Fairfax to raise awareness about the USO's mission to some 70,000 festival attendees. Fifty volunteers turned out for "Northrop Grumman Cares for the Troops." Additionally, active-duty military and families at Fort Belvoir received 1,000 free Celebrate Fairfax tickets, and we provided free bus transportation to and from Fort Belvoir.

Northrop Grumman brought additional attention and support for the United Service Organizations (USO) by sponsoring the Military Bowl between the Air Force Academy and the University of Toledo on Dec. 28 at historic Robert F. Kennedy (RFK) Stadium. The game was broadcast live on ESPN. This was a very special and unique opportunity for Northrop Grumman to support the work of the USO that, for decades, has boosted troop morale at home and abroad.

Helping Kids Heal

Each year employees at Northrop Grumman in Rancho Bernardo, California, generously make donations to support the USO. In 2011 employees raised money to create a special "grief camp" in San Diego for military

kids who have lost a parent. This three-day camp experience is filled with traditional camp activities along with therapeutic grief support provided by bereavement experts and military volunteers who facilitate healing activities and emotional support to each child.

Through a variety of activities including arts and crafts, creative writing and physical activities, children express their emotions while memorializing their loved one. The camp allows a grieving child to be with other children sharing the similar range of confusing emotions. The camp is the result of a new collaboration between the USO, T.A.P.S. and the Moyer Foundation, which has been hosting grief camps for kids over the past 10 years.

EC1. DIRECT ECONOMIC VALUE

Although we do not track data for this specific metric at Northrop Grumman, the direct economic value generated through our various donations and community investments is significant. Collectively, for 2011, when totaling revenues, operating costs, employee compensation, retained earnings, company philanthropic contributions, employee giving and the value of total employee volunteerism hours, we provide a substantial direct economic value to our communities.

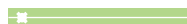
Global Reporting Initiative (GRI) Performance Indicators (for full listing see Content Index on pages 34-35).



THE DIAMOND AWARD FOR EXCELLENCE IS THE FEDERAL AVIATION ADMINISTRATION'S MOST PRESTIGIOUS MAINTENANCE AND TRAINING HONOR.

COMPANY AWARDS AND RECOGNITION

- Ranked #2 among **Top 50 Employers** by Minority Engineer magazine.
- Ranked #3 in the **Top 50 for positive working environment** for members of minority groups by Minority Engineer.
- Ranked **Top 3 most admired companies** for minority engineers by Black Engineer magazine.
- Ranked #7 **Top 50 for "Multicultural Business Opportunities for 2011"** by DiversityBusiness.com.
- Ranked #9 as **best employer for graduating engineers** by Black Collegiate magazine.
- Ranked **Top 20 corporations for multicultural business opportunities** by Diversity Business Multicultural e-Business Solutions.
- Ranked #32 on the 20th annual **Top 50 Employers** by Woman Engineer Magazine.
- Ranked #37 in **Top 50 Companies in Diversity** by DiversityInc. Northrop Grumman is the first defense contractor recognized in this category.
- Ranked **Top 50 Employer** in 2011 by Workforce Diversity Magazine.
- Ranked 51 among **"Green Rankings"** for the 500 largest public companies in the U.S. 2011, from Newsweek, improving from 2010 rank of 173.
- Ranked **Top 100 corporations** for providing opportunities for Hispanics by Hispanic Network magazine.
- Scored **100 percent for creating a friendly work environment** for lesbian, gay, bisexual and transgender (LGBT) employees by The Human Rights Campaign.
- Scored 80 (of a possible 100) for **Environmental Disclosure** by the Carbon Disclosure Project, improving our standing from our 2010 score of 68.
- **Top 10 Companies for Asian and Pacific Islanders** by Asian Entrepreneur magazine.
- **Top 12 Green IT** organizations, from Computerworld magazine, moving from 11th place in 2010 to 7th in 2011.
- **2010 Energy Achievement Award** (presented in 2011) from Southern California Edison for three California facilities in El Segundo, Palmdale and Space Park.
- **Green Award** from Cintas for recycling 18,901 pounds of paper during the last year at the Electronic Systems sector in Cincinnati, Ohio.
- **Gold Level Certification** from Leadership in Energy and Environmental Design (LEED) for the new Falls Church, Virginia, corporate office building from the U.S. Green Building Council.
- **Occupational Excellence Diamond Achievement Award** from the National Safety Council's FAA safety team in Rolling Meadows, Illinois.
- **Outstanding Corporate Leadership Award** from the Maryland Recycling Network for success in recycling and waste reduction efforts.
- **Outstanding Corporation Award** from the Black Business Association Northrop Grumman Maryland facilities.
- **Platinum Award of Excellence** in General Industry from the Chesapeake Region Safety Council in Linthicum, Maryland.
- **Top Supporter of Historically Black Colleges and Universities** by Career Communication Group.
- **Warrior Award** from the American Indian Chamber of Commerce.
- **Waste Reduction Award** from the California Department of Resources, Recycling and Recovery, for four California facilities in El Segundo, Palmdale, Redondo Beach and Woodland Hills.
- **Worker Safety Excellence Award** (aircraft manufacturing sector) from Aerospace Industries Association.



GRI CONTENT INDEX

This 2011 Corporate Responsibility Report uses the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). All of the Standard Disclosures and the degree to which we have been able to report on each is detailed on this page.

GRI Standard Disclosure		Page Reference	Status
STRATEGY AND ANALYSIS			
1.1	Statement from CEO.	2	✓
1.2	Key impacts, risks and opportunities.	2-5	✓
ORGANIZATIONAL PROFILE			
2.1	Organization name.	1-2	✓
2.2	Primary products and services.	3-5	✓
2.3	Operational structure of the organization.	3-5	✓
2.4	Location of headquarters.	3	✓
2.5	Countries with major operations.	3-5	✓
2.6	Ownership and legal form.	3-5, 7-8	✓
2.7	Markets served.	3-5	✓
2.8	Scale of organization.	3-5	✓
2.9	Significant operational changes.	3-5, 7-8	✓
2.10	Awards received.	33	✓
REPORTING PARAMETERS			
3.1	Reporting period defined.	1	✓
3.2	Date of most recent previous report.	1	✓
3.3	Reporting cycle defined.	1	✓
3.4	Contact information.	7, WB	✓
3.5	Process for defining report content.	1	✓
3.6	Boundary of the report.	1	✓
3.7	Specific limitations on scope or boundary.	1	✓
3.8	Reporting defined for joint ventures, etc.	NA	✗
3.9	Data measurement techniques defined.	1, 34-35	✓
3.10	Explanation of any re-statements from earlier reports.	1	✓
3.11	Significant changes from previous reporting periods.	1, 3-6, 8-9, 14-18, 20-21, 25, 34-35	✓
3.12	Standard Disclosures table provided.	34-35	✓
3.13	External assurance process defined.	1	✓
GOVERNANCE, COMMITMENT AND ENGAGEMENT			
4.1	Governance structure.	7-8	✓
4.2	Indicate whether Board Chair is also an executive officer.	7-8	✓
4.3	Number of independent and/or non-executive Board members.	7-8	✓
4.4	Mechanisms for providing recommendations to Board.	7	✓
4.5	Linkage between compensation and performance.	7	✓
4.6	Processes for eliminating conflicts of interest.	7	✓
4.7	Process for determining Board member qualifications.	7	✓
4.8	Statement of values and codes of conduct.	37, WB	✓
4.9	Procedures for compliance with standards, codes and principles.	5-8	✓
4.10	Processes for evaluating the Board's performance.	7	✓
4.11	Precautionary approach explanation.	17-25	✓
4.12	External initiatives endorsed.	1-2, 7, 9, 11, 12, 14-18, 20-21, 24-32	✓
4.13	Memberships in associations and advocacy organizations.	1, 6, 9, 14, 15, 17, 20, 21, 22, 26-29, 31	✓
4.14	Stakeholder groups identified.	1-12, 14-24, 25-32	✓
4.15	Selection of stakeholders with whom to engage.	1-2	✓
4.16	Approaches to stakeholder engagement.	1-2, 3-5, 9-11, 14, 16, 17, 19, 22-24	✓
4.17	Key stakeholder topics and concerns.	2, 6-9, 11, 12, 14, 16-18, 20-21, 24-32	✓

GRI Standard Disclosure		Page Reference	Status
ECONOMIC PERFORMANCE INDICATORS			
EC01	Direct economic value generated.	32	✓
EC02	Financial implications due to climate change.	24	✓
EC03	Defined benefit plan coverage.	Data not available	✓
EC04	Government financial assistance.	Data not available	✓
EC05	Wages compared to local minimum wage.	Data not available	✓
EC06	Spending on locally based suppliers.	10-11	✓
EC07	Senior managers hired from the local community.	Data not available	✓
EC08	Investments for public benefit through in-kind/pro. bono.	24-32	✓
EC09	Indirect economic impacts, including the extent of impacts.	24-32	✓
ENVIRONMENTAL PERFORMANCE INDICATORS			
EN01	Materials used by weight or volume.	18, 23	✓
EN02	Percentage of recycled materials.	18, 23	✓
EN03	Direct energy consumption.	23	✓
EN04	Indirect energy consumption.	23	✓
EN05	Energy saved through conservation.	19-24	✓
EN06	Energy-efficient based products and reductions in energy requirements.	19-24	✓
EN07	Initiatives to reduce indirect energy consumption.	19-24	✓
EN08	Total water withdrawal by source.	Data Not Available	✗
EN09	Water sources affected by withdrawal of water.	NA	✓
EN10	Percentage and total volume of water recycled and reused.	21	✓
EN11	Land ownership and operations in protected areas of high biodiversity value.	NA	✓
EN12	Impacts on biodiversity in protected areas.	NA	✓
EN13	Habitats protected or restored.	17, 19-23	✓
EN14	Managing impacts on biodiversity.	17, 19-23	✓
EN15	Habitats (Red List species) affected by operations.	NA	✓
EN16	Total direct and indirect greenhouse gas emissions.	20-21	✓
EN17	Other relevant indirect greenhouse gas emissions.	20-21	✓
EN18	Initiatives and results of reducing greenhouse gas emissions.	20-21	✓
EN19	Emissions of ozone-depleting substances.	18, 20-21	✓
EN20	NOx, SOx, and other significant air emissions.	18, 20-21	✓
EN21	Total water discharge by quality and destination.	23	✓
EN22	Total weight of waste by type and disposal method.	17-18	✓
EN23	Total number and volume of significant spills.	23	✓
EN24	Waste deemed hazardous under Basel Convention Annex I, II, III and VIII.	17-19	✓
EN25	Biodiversity value of water bodies and habitats affected.	NA	✓
EN26	Initiatives to mitigate environmental impacts.	13-25	✓
EN27	Packaging materials reclaimed by category.	18	✓
EN28	Significant fines and non-monetary sanctions for non-compliance.	14	✓
EN29	Environmental impacts of transporting products and materials.	23	✓
EN30	Total Environmental protection expenditures.	Data not available	✗

Status:
 ✓ fully reported
 ✓ partially reported
 ✗ not reported

AR= Annual Report
WB= Northrop Grumman website
www.northropgrumman.com



GRI CONTENT INDEX

This 2011 Corporate Responsibility Report uses the G3 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). All of the Standard Disclosures and the degree to which we have been able to report on each is detailed on this page.

GRI Standard Disclosure	Page Reference	Status
SOCIAL PERFORMANCE INDICATORS: LABOR PRACTICE AND DECENT WORK		
LA01	Total workforce by employment type..... 9,12	✓
LA02	Employee turnover by age group, gender, and region..... 9,12	✓
LA03	Benefit coverage for full-time vs. part-time employees..... 9-12	✓
LA04	Percentage of employees covered by collective bargaining agreements..... 12	✓
LA05	Minimum notice period(s) for termination..... 12	✓
LA06	Description of management-worker health and safety committees..... 16-17	✓
LA07	Rates of injury, lost days and fatalities..... 16	✓
LA08	Initiatives related to serious diseases..... 13-17	✓
LA09	Health and safety topics covered in formal agreements with trade unions..... 16	✓
LA10	Average hours of employee training per year..... 12	✓
LA11	Skills management programs for employees..... 9-12	✓
LA12	Percentage of employees receiving regular performance and career development reviews..... 12	✓
LA13	Composition of governance bodies and employees by diversity indicators..... 7-9	✓
LA14	Ratio of basic salary of men to women by employee category..... Data not available	✗
HR01	Investment agreements that include human rights clauses and screening..... 12	✓
HR02	Suppliers and contractors that have undergone human rights screening..... 11	✓
HR03	Policies and procedures concerning human rights..... 12	✓
HR04	Total number of incidents of discrimination and actions taken..... 12	✓
HR05	Operations identified where freedom of association and collective bargaining may be at risk..... 12	✓
HR06	Operations identified for incidents of child labor..... 11	✓
HR07	Operations identified for incidents of forced or compulsory labor..... 11	✓
HR08	Percentage of security personnel trained human rights aspects..... 12	✓
HR09	Violations involving rights of indigenous people..... 11	✓
SOCIAL PERFORMANCE INDICATORS: SOCIETY		
S001	Initiatives that assess and manage the impacts of operations on communities..... 9-12, 14, 16-24, 26-32	✓
S002	Percentage and total number of business units analyzed for corruption risks..... 7	✓
S003	Percentage of employees trained in organization's anti-corruption policies and procedures..... 7	✓
S004	Actions taken in response to incidents of corruption..... 7	✓
S005	Public policy positions and participation in public policy development and lobbying..... 7	✓
S006	Total value of financial and in-kind contributions to political activities..... 7	✓
S007	Legal actions for anti-competitive behavior, anti-trust and monopoly practices..... 7	✓
S008	Significant fines and non-monetary sanctions for non-compliance with laws and regulations..... 7,14	✓
<p>Status:</p> <ul style="list-style-type: none"> ✓ fully reported ✓ partially reported ✗ not reported <p>AR= Annual Report WB= Northrop Grumman website www.northropgrumman.com</p>		



Statement GRI Application Level Check

GRI hereby states that **NORTHROP GRUMMAN** has presented its report “2011 CORPORATE RESPONSIBILITY REPORT” to GRI’s Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 20 June 2012

A handwritten signature in blue ink, appearing to read "Nelmara Arbex", is written over a faint, large watermark of the GRI globe logo.

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



The “+” has been added to this Application Level because NORTHROP GRUMMAN has submitted (part of) this report for external assurance. GRI accepts the reporter’s own criteria for choosing the relevant assurance

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world’s most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 4 June 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

OUR VALUES



OUR VALUES

We, the women and men of **NORTHROP GRUMMAN**, are guided by the following Values. They describe our company as we want it to be. We want our decisions and actions to demonstrate these Values. We believe that putting our Values into practice creates long-term benefits for shareholders, customers, employees, suppliers and the communities we serve.

We take responsibility for **QUALITY**

Our products and services will be “best-in-class” in terms of value received for dollars paid. We will deliver excellence, strive for continuous improvement and respond vigorously to change. Each of us is responsible for the quality of whatever we do.

We deliver **CUSTOMER** satisfaction

We are dedicated to satisfying our customers. We believe in respecting our customers, listening to their requests and understanding their expectations. We strive to exceed their expectations in affordability, quality and on-time delivery.

We provide **LEADERSHIP** as a company and as individuals

Northrop Grumman’s leadership is founded on talented employees effectively applying advanced technology, innovative manufacturing and sound business management. We add more value at lower cost with faster response. We each lead through our competence, creativity and teamwork.

We act with **INTEGRITY** in all we do

We are each personally accountable for the highest standards of behavior, including honesty and fairness in all aspects of our work. We fulfill our commitments as responsible citizens and employees. We consistently treat customers and company resources with the respect they deserve.

We value Northrop Grumman **PEOPLE**

We treat one another with respect, and take pride in the significant contributions that come from the diversity of individuals and ideas. Our continued success requires us to provide the education and development needed to help our people grow. We are committed to openness and trust in all relationships.

We regard our **SUPPLIERS** as essential team members

We owe our suppliers the same type of respect we show to our customers. Our suppliers deserve fair and equitable treatment, clear agreements and honest feedback on performance. We consider our suppliers’ needs in conducting all aspects of our business.
