

2010

Corporate Responsibility Report Executive Summary

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EXECUTIVE SUMMARY

OUR CORPORATE 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. We report in accordance with the Global Reporting Initiative (GRI), a third-party organization that has pioneered the development of the world's most widely used sustainability reporting framework.

For this 2010 edition, GRI confirmed our **A** reporting level for the information contained in this report, which covers our social and environmental performance during calendar year 2010.

MESSAGE FROM WES BUSH, CHIEF EXECUTIVE OFFICER AND PRESIDENT

In 2010, the men and women of Northrop Grumman committed to provide sustainable performance improvement for our stakeholders, including shareholders, customers, employees and the communities where we live and operate. We made great progress in 2010:

- Northrop Grumman's score for the Carbon Disclosure Project improved by 62 percent in 2010.
- Northrop Grumman rose from #335 to #173 in *Newsweek* magazine's 2010 comprehensive environmental ranking of the 500 largest American businesses. This is the biggest one-year improvement in our industry.
- *Computerworld* magazine ranked Northrop Grumman as one of the Top 12 Green IT organizations in 2010. We are the only company in our industry to make the list.

For the first time, this report includes a section devoted to detailing a number of "Performance Indicators" recommended by Global Reporting Initiative (GRI), the third-party reporting framework we have followed with each of our corporate responsibility reports. This is another step in our ongoing efforts to improve transparency and accountability in all we do.

OUR BUSINESS

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 \$34.8 billion in sales for 2010 by delivering innovative systems for applications that range from undersea to outer space and into cyberspace.

Highlights

- **Corporate Office Relocation:** In January 2010, we announced plans to move our corporate office to the Washington, D.C., area in Falls Church, Virginia. The new corporate office is scheduled to open in August 2011.
- **Shipbuilding Separation:** In July 2010, we announced plans to consolidate Gulf Coast Shipbuilding operations and explore strategic alternatives for the shipbuilding business. On March 15, 2011, we announced that our Board of Directors had approved the spin-off of our shipbuilding business, now known as Huntington Ingalls Industries, Inc. (HII), to Northrop Grumman stockholders. The spin-off was concluded on March 31, 2011.

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.

Highlights

- The ethics theme for 2010 was "Ethics: Our Reputation and Our Future." CEO and President Wes Bush started the year with a message setting his expectations of high integrity throughout the organization.
- The Corporate Office of Ethics and Business Conduct operates toll-free phone numbers (OpenLine) for anyone seeking guidance on ethics and business conduct, and for reporting suspected violations.
- In 2010, there were 3,835 total OpenLine contacts, with 764 cases of alleged internal governance malfeasance, a 10 percent increase from 2009. In these investigations, the company took various disciplinary actions including termination of 77 employees for ethics and business conduct violations.
- **Board of Directors 2010** (click to see full listing)
 - Elected Wes Bush to the position of chief executive officer and president effective January 1, 2010.
 - Elected Lewis W. Coleman, previously lead independent director, to the role of non-executive chairman effective January 1, 2010.

OUR OPERATIONS IN FOCUS

Building Diversity and Inclusion

Ensuring Health and Safety

Supplier Responsibility and Diversity

Our values-based culture is the foundation for improving our economic, environmental and social performance. The key starting point is our people, who are central to the success of our business strategy. Protecting their health and safety is paramount, along with developing an inclusive culture that allows their skills and innovation to thrive. From that foundation, our commitment to being a responsible corporate citizen extends to our broad supplier base.

Highlights

- We reflected a workforce composed of 24 percent women and 33 percent people of color.
- In 2010, we continued work on our Organizational Leadership Review process to ensure the identification of high-potential women and people of color for executive positions.
- Protecting the health and safety of our employees, customers, visitors and people potentially affected by our operations is crucial.
- In 2010, regulatory agency representatives for occupational health and safety visited/contacted Northrop Grumman sites three times, resulting in three regulatory actions (one of the three was later rescinded).
- In 2010, we procured \$14 billion from a broad base of more than 16,000 suppliers.
- For 2010, we evaluated 199 subcontracts awarded to the top 11 subcontractors. The results confirmed that 84 percent of the rated subcontracts were meeting or exceeding performance requirements.



EXECUTIVE SUMMARY

OUR IMPACTS

The greenNG Program

Greenhouse Gas Emissions

Water Conservation

Hazardous Waste and Toxic Emissions

Pollution Prevention

Energy Efficiency

Reuse and Recycling

Audit Results

Community Investment

Disaster Relief

Supporting Military and Veterans

Highlights

- Our commitment to environmental sustainability ties to our company's incentive compensation metrics. We measure progress quarterly and annually, and report results each year in our Corporate Responsibility Report.
- Our "greenNG" is our comprehensive company-wide program that is driving improved, proactive and strategic actions that mitigate our environmental impact while enhancing our sustainability practices.
- In 2010, we completed the first year of our five-year greenhouse gas (GHG) reduction goal: to reduce GHG intensity (normalized by sales) by 25 percent, including our Shipbuilding sector, with a baseline year of 2008. This was the first publicly announced GHG reduction goal by any domestic shipbuilder.
- We progressed well against our absolute GHG reductions and normalized reduction plan. Our projects executed in 2010 have exceeded our plan, yielding a GHG reduction of 132,267 metric tonnes (MT).
- By using lighting controls, energy-efficient lighting and improved employee awareness we reduced electrical usage 3 million kilowatt hours at our facility in Pascagoula, Mississippi.
- In 2009, the most recent year for which complete data is currently available, we diverted roughly 69 percent of Northrop Grumman total waste away from landfills.

- Total Northrop Grumman community support in 2010 was \$34.5 million. The Northrop Grumman Corporation contributed \$29.9 million of total philanthropic donations through the company's Contributions Program. The Northrop Grumman Foundation directed an additional \$4.6 million to support k-12 and postsecondary education activities.
- In 2010, we joined leading organizations and citizens by donating \$1 million to earthquake relief efforts in Haiti. Further, employees contributed an additional \$500,000 for a total of \$1.5 million for Haiti relief efforts.
- We are proud to offer continuing troop and veteran support through a number of programs. In 2010, 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 2010.

OUR PERFORMANCE: 2010 PERFORMANCE INDICATORS

- The Global Reporting Initiative (GRI) is a third-party, network-based organization championing the most widely used sustainability reporting framework. The GRI vision: that reporting on economic, environmental and social performance by all organizations is as routine and comparable as financial reporting.
- To that end, the GRI provides reporting guidelines that outline specific core content for reporting including Performance Indicators. These Performance Indicators provide qualitative and/or quantitative information about Northrop Grumman results and outcomes, for 2010, in a format that is comparable to other organizations. The goal is year-on-year improvement over time.

[Click here to see full listing of 2010 Performance Indicators](#)

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

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

OUR MISSION:

Sustainable Performance Improvement

2010
CORPORATE RESPONSIBILITY REPORT

A YEAR OF ACHIEVEMENT: AWARD HIGHLIGHTS

Ranked #2 among the
Top 50 Employers by
Minority Engineer magazine.

Ranked #47, “**Top 50
Companies in Diversity.**”

“**Corporation of the Year**”
award from the Association
of Philanthropists.

Over **\$29 million** in
philanthropic donations
through the company
Contributions Program.

Find a more detailed list of our
2010 accomplishments on page 31.

NORTHROP GRUMMAN



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OUR CORPORATE 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, academics, local communities, contractors, media, governments and suppliers.

We report in accordance with the Global Reporting Initiative (GRI), a third-party organization that has pioneered the development of the world's most widely used sustainability reporting framework. In order 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. Northrop Grumman has become a member of Conservation International's Business & Sustainability Council.

For this 2010 edition, GRI confirmed our **A** reporting level for the information contained in this report, which covers our social and environmental performance during calendar year 2010. For the full GRI Content Index, [click here](#). For the full listing of 2010 GRI Performance Indicators, see page 23. For the GRI Application Level Check, see page 33.

To improve our environmental and social performance, we work in conjunction with a number of third-party organizations, including:



facebook.com/NorthropGrumman



twitter.com/NorthropGrumman



youtube.com/NorthropGrummanMedia

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

In 2010, the men and women of Northrop Grumman committed to provide sustainable performance improvement for our stakeholders, including shareholders, customers, employees and the communities where we live and operate. We are measuring our performance against our defense industry peers as well as against broader industry standards. This report provides an overview of our performance.

A key element in achieving our performance goals is to do so with a strong focus on absolute integrity and attention to our core values.

Corporate responsibility is a key component of the value we provide to all our stakeholders. For our shareholders, we strive to be outstanding stewards of their investment in our corporation, working to generate top financial performance and pursuing a long-range strategy that will sustain that performance.

For our customers around the world, we are focused on providing consistently high-quality products and services that will satisfy their needs and provide assurance for the successful conduct of their missions. We recognize that our customers depend on our products and services to protect lives and secure people around the globe.

For employees, we are committed to broadening and deepening the diversity of our global team and enhancing our inclusive culture. We are also 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.

Northrop Grumman's efforts and operations both serve and affect the global community. Because our energy consumption and waste outflow affect the Earth's environment, we are working diligently to reduce our overall carbon footprint and reduce our water and power consumption.

We made great progress on these fronts in 2010:

- Northrop Grumman's score for the Carbon Disclosure Project improved by 62 percent in 2010.
- Northrop Grumman rose from #335 to #173 in *Newsweek* magazine's 2010 comprehensive environmental ranking of the 500 largest American businesses. This is the biggest one-year improvement in our industry.
- *Computerworld* magazine ranked Northrop Grumman as one of the Top 12 Green IT organizations in 2010. We are the only company in our industry to make the list.

While there is much work to be done, these are positive steps forward in our efforts as responsible environmental stewards.

Northrop Grumman is a company that strives 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.

For the first time, this report includes a section devoted to detailing a number of "Performance Indicators" recommended by Global Reporting Initiative (GRI), the third-party reporting framework we have followed with each of our corporate responsibility reports. This is another step in our ongoing efforts to improve transparency and accountability in all we do.



We continue to work hard every day to drive sustainable performance improvement for all our stakeholders.

A handwritten signature in black ink, appearing to read "Wes Bush".

Wes Bush
Chief Executive Officer and President
Northrop Grumman Corporation

OUR BUSINESS

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 \$34.8 billion in sales for 2010 by delivering innovative systems for applications that range from undersea to outer space and into cyberspace. (Please see "Our Values" on the back cover of this report.)

As a leading global security company, we apply our core competencies and advanced technologies 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, and environmental and climate change. Our broad base of capabilities also allows us to develop large-scale civil information systems that enhance local, regional, state and federal government services. The five Northrop Grumman operating sectors are:

Aerospace Systems: provides manned and unmanned aircraft, space systems, missile systems and advanced technologies critical to our nation's security.

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.

Shipbuilding: In 2010, Northrop Grumman was the sole supplier and builder of amphibious assault and expeditionary warfare ships to the U.S. Navy, the sole builder of National Security Cutters for the U.S. Coast Guard, and one of only two companies that built the U.S. Navy's current fleet of DDG-51 *Arleigh Burke*-class destroyers. Through our Newport News shipyard, we were the nation's sole industrial designer, builder and refueler of nuclear-powered aircraft carriers, and one of only two companies currently designing and building nuclear-powered submarines for the U.S. Navy.

Technical Services: provides life-cycle solutions and long-term technical services for global customers. Key capabilities include systems support, training and simulation, and life-cycle optimization and engineering.

Corporate Office Relocation

In January 2010, we announced plans to move our corporate office to the Washington, D.C., area in Falls Church, Virginia. The new corporate office will combine facilities currently in Los Angeles, California and Arlington, Virginia, into one centralized headquarters. The new corporate office is scheduled to open in August 2011.

Shipbuilding Separation

In July 2010, we announced plans to consolidate Gulf Coast Shipbuilding operations and explore strategic alternatives for the shipbuilding business.

On March 15, 2011, we announced that our Board of Directors had approved the spin-off of our shipbuilding business, now known as Huntington Ingalls Industries, Inc. (HII), to Northrop Grumman stockholders. The spin-off was concluded on March 31, 2011. We believe this spin-off of our shipbuilding business will drive future shareholder value and will enable both Northrop Grumman and HII to focus more intently on their respective customers.

Customers

At Northrop Grumman, we have a responsibility to our customers. We take very seriously our role in global security and the tremendous responsibilities inherent in that role. 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.

We've defined our role in global security to include supporting the United States military and its allies in their mission to operate successfully anywhere on the globe; confronting irregular warfare (including terrorism); and securing the commons (global infrastructure, water systems, computer systems, etc.). To that end we bring our innovative technologies to bear on such unconventional arenas as climate security, cyber security and energy security. We are continually looking at how our capabilities can be applied, and we make internal investments accordingly.

Our strategies are centered on anticipating and fulfilling our customers' needs and expectations, and we place tremendous value on our customer relationships. Successful relationships are based on trust: 1) trust that we will behave ethically; 2) trust that we will be proper stewards of the nation's and the world's resources; and 3) trust that we will bring forth the best solutions for our nation's security.

In 2010, our company and our customers operated in a challenging environment with increased pressure on the federal budget and evolving threats. We understand the limitations of resources that must be efficiently and effectively applied to countering security threats, and we readily accept our role in delivering quality at an affordable price. Delivering a wide range of affordable products and services to fill mission needs requires planning, tools, resources and innovative collaboration.

Customer Satisfaction

Throughout 2010, as part of our corporation's focus on delivering sustainable performance improvement, we have 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 bring them 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) system used by other U.S. government agencies. We also rely on award-fee scores on our contracts, and verbal and written customer feedback.

By rigorously assessing and documenting customer satisfaction as objectively as possible, we can see where we are failing to meet our customers' expectations and take the necessary steps to improve.

Mission Assurance and Quality

A key element of delivering sustainable performance improvement is ensuring mission success for our customers. In 2010, we focused on quality as a key strategic priority to ensure favorable 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 are delivering to our customers. We continue to foster the connectivity between the work of the individual employee and the success of our customers' critical missions that we believe are foundational to sustained performance improvement and affordable global security solutions.

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 to ethics ensures that integrity is at the center of all our actions, from our Board of Directors to leaders and each employee.

The ethics theme for 2010 was "Ethics: Our Reputation and Our Future." CEO and President Wes Bush started the year with a message setting his expectations of high integrity throughout the organization. Additionally, all employees received an annual "Tone at the Top" e-mail message from Wes along with communications from managers, company leaders and the executive office.

Throughout the year our employees received "Standards of Business Conduct" and "Export" training through in-person sessions, computer-based tutorials and printed material. Employees also receive The High Road, a quarterly company-wide ethics newsletter featuring articles on organizational change management, the Foreign Corrupt Practices Act, antitrust and FAR mandatory disclosure.

Business Conduct Officers

To achieve our high ethical standards, we utilize a Business Conduct Officer (BCO) network. As of 2010, the network consisted of 140 BCOs throughout the organization to 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, Business Conduct Officers 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.

Concurrently, we organize annual workshops for U.S.-based BCOs and a similar version for international BCOs located overseas. 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 include conflict of interest, antitrust, gifts and gratuities, and harassment.

Reporting Structure

Each of our business sectors, along with the Corporate Office, has a lead BCO 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.

OpenLine: 24/7 Ethics Guidance and Violation Reporting

What: The Corporate Office of Ethics and Business Conduct operates toll-free phone numbers (1-800-247-4952 in the U.S. and 0041-43-300-6805 outside the U.S.) for anyone seeking guidance on ethics and business conduct, and for reporting suspected violations. Administered by a third-party company, this service offers 24/7 availability to trained intake specialists. In addition, there is an online reporting system available to all employees via the Internet. In 2010, the company-wide OpenLine system received 3,835 contacts.

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.

RESULTS

In 2010, there were 3,835 total OpenLine contacts, with 764 cases of alleged internal governance malfeasance, a 10 percent increase from 2009. In these investigations, the company took various disciplinary actions including termination of 77 employees for ethics and business conduct violations. These results only reflect cases addressed through the OpenLine process.

Board of Directors 2010

The Northrop Grumman Board of Directors elected Wes Bush to the position of chief executive officer and president effective January 1, 2010. Additionally, the Board of Directors elected Lewis W. Coleman, previously lead independent director, to the role of non-executive chairman effective January 1, 2010. In terms of diversity, as of December 31, 2010, the Northrop Grumman board membership included two women and two people of color.

Wes Bush
Chief Executive Officer and President
Northrop Grumman Corporation

Lewis W. Coleman
President and Chief Financial Officer
DreamWorks Animation SKG

Thomas B. Fargo
Admiral, United States Navy (Retired)
and Former Commander U. S. Pacific Command

Victor H. Fazio
Senior Advisor
Akin Gump Strauss Hauer & Feld LLP

Donald E. Felsing
Chairman and Chief Executive Officer
Sempra Energy

Stephen E. Frank
Retired Chairman, President
and Chief Executive Officer
Southern California Edison

Bruce S. Gordon
Former President and CEO, NAACP
President, Retail Markets Group (Retired)
Verizon Communications Inc.

Madeleine Kleiner
Former Executive Vice President
and General Counsel
Hilton Hotels Corporation

Karl J. Krapek
President and Chief Operating Officer (Retired)
United Technologies Corporation

Richard B. Myers
Former Chairman of the Joint Chiefs of Staff
General, United States Air Force (Retired)

Aulana L. Peters
Partner (Retired)
Gibson, Dunn & Crutcher LLP

Kevin W. Sharer
Chairman, Chief Executive Officer and President
Amgen, Inc.

Director Independence: The Northrop Grumman Board of Directors is responsible for governance oversight and, by policy, must have a membership composed of at least 75 percent independent directors. As of January 1, 2011, the Board of Directors is approximately 91 percent independent, including a non-executive chairman.

Board Protocol: The Board of Directors abides by the Principles of Corporate Governance that reinforce the company's values. The Board of Directors reviews, at least annually, long-term strategy for each of the company's businesses and the company as a whole. The Board of Directors also reviews the governance principles annually and seeks ways to improve and modify them based on evolving circumstances.

2010 SHORTCOMINGS

The annual internal ethics audit revealed two findings. First, the audit found that not all new hires were completing Form C-196, Conflict of Interest, within 30 days of hire as required. The ethics office worked with the Human Resources Service Center to strengthen the process for collecting new-hire C-196 forms. The second finding involved the insufficiency of mandatory password changes every 90 days for our automated case tracking system. Our external service provider was able to implement a mandatory password change to rectify the finding.

2010 KEY UPDATES

We launched the Defense Industry Benchmark (DIB) survey in August, which is the third time we have solicited data to measure our progress and benchmark against our defense industry peers. The ethics office and law department also sponsored investigator training workshops for all Northrop Grumman employees who conduct investigations, to help them prepare for, conduct and close out investigations.

2010 RESPONSIBILITY HIGHLIGHTS

EDUCATION

The Northrop Grumman Foundation **funded 57 scholarships (totaling \$230,000)** to various organizations, including the American Indian Science and Engineering Society, the National Society of Black Engineers, the Society of Hispanic Professional Engineers, the Society of Women Engineers, Women in Engineering, Computer Science Women's Network, Association of Computing Machinery and others.

University and College Partnerships: Northrop Grumman Corporation **provided aid to higher education grants to more than 106 universities (totaling \$1.9 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.

The **High School Involvement Partnership Program** connected Northrop Grumman **mentors with 303 high school students** in 2010, and provides student internships, graduation incentives, a summer enrichment program and potential scholarships.

Twenty-two educators from eight states participated in **Earthwatch expeditions** focused on climate change or oceans preservation through the Northrop Grumman Foundation.

ENVIRONMENTAL

Computerworld magazine ranked Northrop Grumman as one of the **Top 12 Green IT organizations** in 2010. We are the only company in our industry to make that list.

In 2010, our score for the **Carbon Disclosure Project improved by 62 percent**.

We continued to integrate environmental sustainability/greenhouse gas emissions reduction elements into the company's long-range strategic plans.

We rose from #335 to #173 in *Newsweek* magazine's **2010 comprehensive environmental ranking** of the 500 largest American businesses; this is the biggest one-year improvement in the aerospace sector.

At our Newport News, Virginia, facility we used product substitution with a greener alternative to **eliminate five chlorinated solvents** for oil and grease removal.

We continued to expand a new company-wide requirement that janitorial service providers to Northrop Grumman use only **"Green Seal Certified" chemicals**.

DIVERSITY AND INCLUSION

Ranked #47, **"Top 50 Companies in Diversity"** by *DiversityInc*.

Northrop Grumman is the first defense contractor to receive this recognition.

We received a score of **100% from the Human Rights Campaign** for meeting key criteria in creating a work-friendly environment for lesbian, gay, bisexual and transgender (LGBT) employees.

Ranked #2, **"Top 50 Employers"** by *Minority Engineer* magazine.

Ranked #8, **"Top 50 Employers"** by *Woman Engineer* magazine.

Ranked #9, **"2011 Top Military Friendly"** employers by *G.I. Jobs*.

Ranked in **"Top 20 Corporations for Multicultural Business Opportunities"** by Diversity Business Multicultural e-Business Solutions.

Ranked in **"Top 50 Organizations for Diversity"** by DiversityBusiness.com.

As of 2010, there are **more than 23,000 Northrop Grumman employees engaged in Employee Resource Groups (ERGs)** across the company that play a key role in assimilating and developing our workforce and leading community outreach efforts.

Women and minorities account for half of our college new hires over the past six years.

ECONOMIC

In 2010 **we procured \$14 billion** from a broad base of more than 16,000 suppliers; Northrop Grumman was not cited or fined for any supplier issues or procurement violations in 2010.

In 2010 we managed 21 Mentor-protégé agreements and **subcontracted more than \$22 million to these protégés**.

In 2010 The Northrop Grumman Corporation **contributed \$29.9 million in total philanthropic donations** through the company's Contributions Program.

SOCIAL

Effective June 2010, CEO Wes Bush began a two-year term as **chair of the Defense Industry Initiative on Business Ethics and Conduct Steering Committee**. The Defense Industry Initiative is a nonpartisan, nonprofit association of responsible U.S. defense companies committed to conducting business affairs in full compliance with the law and at the **highest ethical level**.

7 OUR OPERATIONS IN FOCUS

Our values-based culture is the foundation for improving our economic, environmental and social performance. The key starting point is our people, who are central to the success of our business strategy. Protecting their health and safety is paramount, along with developing an inclusive culture that allows their skills and innovation to thrive. From that foundation, our commitment to being a responsible corporate citizen extends to our broad supplier base.

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 120,000 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.

Based on the Employer Information Report (EEO-1) – required to be filed with the U.S. Equal Employment Opportunity Commission’s EEO-1 Joint Reporting Committee and the Department of Labor’s Office of Federal Contract Compliance annually by all employers with more than 100 employees – we reflected a workforce composed of 24 percent women and 33 percent people of color. Northrop Grumman has made good progress in hiring and promoting women and people of color into vice president positions across the company. Additionally, half of our college new hires in the past six years have been women and minorities.

Clearly there is still work to be done. To achieve our vision of a diverse and inclusive workplace, the company has implemented accountability measures tied to our incentive compensation system to ensure we are meeting annual targets and objectives to increase the representation of females and people of color where we are underrepresented. Executive compensation is impacted by our performance against targets in this area. The company continues 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. And we will continue to recruit talented individuals through our partnerships with leading educational institutions and associations.

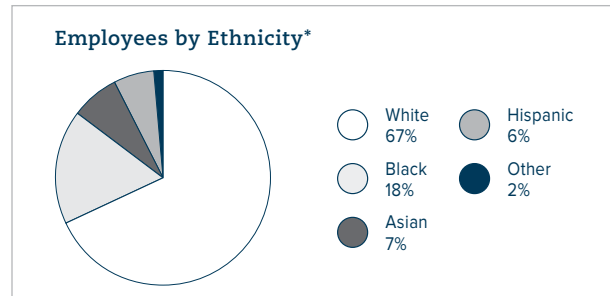
OUR FORMAL EEO/AAP POLICY

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 strictly adhere to Equal Employment Opportunity (EEO) and Affirmative Action (AA) principles and policies, and build them into our daily 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.

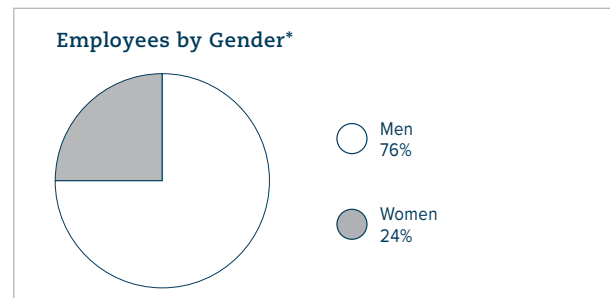
For senior leadership positions, we are striving to create a diverse pipeline of talented professionals. To do so, in 2010 we continued work on our Organizational Leadership Review process to ensure the identification of high-potential women and people of color. We’re also creating talent acquisition programs, including a process to deliver a diverse slate of interview candidates for senior positions.

Employee Resource Groups

Employee Resource Groups (ERGs) continue to be a key element in our diversity and inclusion strategy. ERGs are open to all employees. Throughout 2010, we promoted, encouraged and supported these groups by publishing guidelines and providing executive sponsors as coaches. These ERGs play a key role in recruiting, assimilating, developing and retaining our workforce and are active and visible in leading community outreach efforts. To date, there are more than 23,000 employees engaged in ERGs across the company. There are groups representing African Americans, Asian-Pacific Islanders, Hispanics, women, people with disabilities, veterans, LGBTs, and new hires of generations X and Y.



*For the complete 2010 total workforce demographics by employment type see Performance Indicator LA1 on page 26.



*For the complete 2010 total workforce demographics by employment type see Performance Indicator LA1 on page 26.

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 based on age, disability, veteran status, sexual orientation, gender identity and genetic information. As of 2010, our AA plans meet requirements of Executive Order 11246.

ENSURING HEALTH AND SAFETY

Protecting the health and safety of our employees, customers, visitors and people potentially affected by our operations is crucial and begins with an ongoing strategy to systematically reduce the number of injuries and illnesses across the corporation.

We believe so strongly in safety performance that this metric is tied to our company’s performance assessment for incentive compensation.

From 2005 through 2010, we achieved an overall reduction of greater than 20 percent in our Total Case Rate (TCR), even though our TCR metric increased in 2010 above our 2009 rate. This six-year improvement translates to a reduction of approximately 6,000 employee injuries.

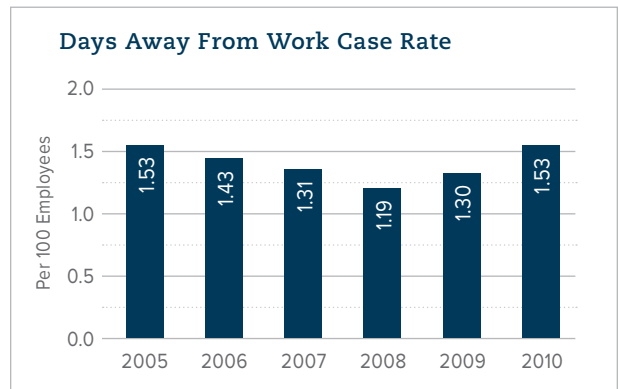
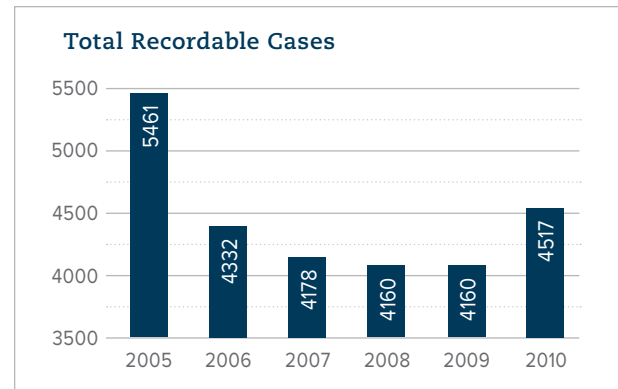
In 2010: Regulatory agency representatives for occupational health and safety visited/contacted Northrop Grumman sites three times, resulting in three regulatory actions (one of the three was later rescinded). Although some of the actions were procedural in nature and none resulted in fines, all represent improvement opportunities to which we give priority attention.

The Northrop Grumman Environmental Health and Safety (EHS) Leadership Council (ELC) monitors our safety performance and champions initiatives that protect our people. Additionally, we partner with a loss control consultant and insurance broker to identify key loss drivers, trends, opportunities and strategies to reduce the frequency and severity of worker compensation cases. We develop and implement a sector-specific loss control plan at each of our five sectors and update it annually.

We monitor and track safety performance within Northrop Grumman facilities using industry-standard OSHA metrics:

1. Total Case Rate (TCR): Total Case Rate is defined as the total number of OSHA-recordable occupational injuries and illnesses (cases requiring medical treatment beyond first aid) per 100 full-time workers (FTW). From 2005 through 2010, we achieved an overall reduction in our TCR of greater than 20 percent. During 2010, we worked to establish a new goal to favorably impact the more serious lost-work-day cases. While our ultimate goal is to have an accident-free workplace, we continue to strive to achieve an industry-best TCR among our peers and to reduce the number of days lost due to injuries and illnesses.

2. Days Away Case Rate (DACR): Days Away Case Rate is defined as the total number of cases per 100 FTW that resulted in days away from work. This number was 1.53 in 2010 and represents an increase over the 2009 rate. Our efforts on injury prevention will broaden in 2011 as we continue to manage and track our TCR performance and also focus on a new severity-based safety goal to start in 2011.



Improving Safety Conditions in 2010

Each year, we partner with leading workers' compensation loss control consultants to analyze 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 business sectors, to reduce the frequency and severity of occupational injuries and illnesses.

In 2010, reducing slips/trips/falls, repetitive motion and overexertion strains remained the primary focus for the company. In addition, we adopted safety performance (Total Case Rate) as one of the company-wide dashboard indicators directly tied to company compensation at many levels of management. Increased visibility of safety performance has reinforced accountability for safe working behaviors at all levels.

Looking Ahead: For 2011, we are adding Lost Work Day Rate (total number of lost work days per 100 full-time workers) to the safety performance metrics. The Lost Work Day Rate provides an indication of the severity of the injuries and illnesses that have occurred and directly reflects the loss of our productive work force. Going forward, Lost Work Day Rate will represent 50 percent of the overall safety performance goal, with Total Case Rate constituting the remaining 50 percent.

U.S. Occupational Safety and Health Administration (OSHA) Voluntary Protection Programs (VPP).

Number of OSHA VPP Star and Merit Sites

2000	3	2006	6
2001	4	2007	9
2002	4	2008	12
2003	4	2009	13
2004	4	2010	14
2005	6	(projected) 2011	14

Northrop Grumman encourages sites to conform to external standards that help define the optimal EHS management system for facilities: OSHA VPP.

SUPPLIER RESPONSIBILITY AND DIVERSITY

In 2010, we procured \$14 billion from a broad base of more than 16,000 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 instill throughout the procurement organization. The goal: 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 evaluation based on procurement dollars, number of 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 2010, we evaluated 199 subcontracts awarded to the top 11 subcontractors. The results confirmed that 84 percent of the rated subcontracts were meeting or exceeding performance requirements. For those suppliers with lagging performance, we initiated a review process to correct problems and implement joint improvement initiatives.

Risk Management: A key focus in 2010 was implementing the Supplier Financial Risk Management process to collect, analyze and report financial stability and risk across the Northrop Grumman supply base. This implementation includes an enhanced financial screening process and standardizes the reporting of subcontractor financial health for internal reviews.

Keeping Score: We formed a cross-council initiative led by Corporate Supply Chain and Corporate Quality to create a common supplier scorecard, which will allow for standardized performance expectations of the Northrop Grumman supply base. The scorecard also provides early indication of potential supplier performance risk.

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 have been debarred or suspended in any way, and whether suppliers have any ties to terrorist organizations or governments plotting against or hostile to the United States of America.

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 organizations that employ blind and severely disabled individuals.

To broaden diversity within the supplier base, we subcontracted more than \$3.3 million to Historically Black Colleges and Universities and Minority Institutions (HBCU/MI) in 2010. We also sponsored four HBCU/MIs under the NGC University Alliance Program.

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 and our procurement organizations. The SEBP Office's effort to increase the number of successful minority- and women-owned subcontractors by providing outreach and mentorship has been recognized nationally.

During the annual White House conference celebrating National Historically Black Colleges and Universities (HBCUs) Week in Washington, D.C., Northrop Grumman employees presented 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.

Ensuring High Standards: 2010 Highlights

Supply Chain Leadership Forum: Supply Chain leaders across the company came together in August and created improved short-term strategies during the Supply Chain Leadership Forum in Redondo Beach, California.

Increased Efficiency: In 2010, we published an enhanced Executability and Start-Up handbook. These templates, checklists and online worksheets provide immediate value across sectors by increasing bid confidence, lowering risk and increasing an executable supply-chain strategy.

Mentor-Protégé Nunn-Perry Awards: In 2010, we managed 21 Mentor-Protégé agreements and subcontracted more than \$22 million to these Protégés.

Since 1995, Northrop Grumman Corporation has received 20 Nunn-Perry Awards.



11 OUR IMPACTS

Our commitment to environmental sustainability ties to our company's incentive compensation metrics. We measure progress quarterly and annually, and report results each year in our Corporate Responsibility Report.

THE greeNG PROGRAM

"greeNG" is our comprehensive company-wide program that is driving improved, proactive and strategic actions that mitigate our environmental impact while enhancing our sustainability practices. The program supports our five-year goal to reduce greenhouse gas (GHG) emissions and our commitment to sustainability objectives in our water usage and minimization of solid-waste generation.

The greeNG program includes key strategic initiatives:

1. Improved measurement and transparency of key sustainability metrics.
2. A five-year plan to reduce our environmental impact.
3. Engagement with our employees.
4. Incorporation of the environment in key business processes and design decisions.
5. Engagement with key stakeholders for mutually beneficial environmental improvement (NGOs, local communities, universities, government, etc.).

Since its inception in 2008, the greeNG program has helped us make considerable strides. We improved our Carbon Disclosure Project score by 62 percent in 2010. Northrop Grumman rose from No. 335 to No. 173 in *Newsweek* magazine's 2010 comprehensive environmental ranking of the 500 largest businesses; this is the biggest one-year improvement among our peers. This improved score represents major progress in both transparency and our policy commitments. *Computerworld* magazine ranked us as one of the Top 12 Green IT organizations in 2010.

Earth Day 2010: Employees at numerous Northrop Grumman sites hosted Earth Day celebrations in conjunction with local communities and nonprofit organizations including the Surfrider Foundation, Earthwatch and the Aquarium of the Pacific. Employees received educational materials, reusable grocery bags, tree seedlings, and fruit and vegetable seed packets.

GREENHOUSE GAS EMISSIONS

In 2010, we completed the first year of our five-year greenhouse gas (GHG) reduction goal: to reduce GHG intensity (normalized by sales) by 25 percent, including our Shipbuilding sector, with a baseline year of 2008. This was the first publicly announced GHG reduction goal by any domestic shipbuilder. We forecast that achieving this goal will reduce our GHG emissions in absolute terms (total volume) as well as normalized terms.

Reducing greenhouse gas emissions (GHG) is one of our metrics affecting executive compensation.

We measure our GHG reduction performance by tracking our absolute and normalized GHG reductions as well as the projects we have established to accomplish current and future reductions. For 2010, we are ahead of our reduction plan. By normalizing our data by sales, we are able to account for increases and decreases in production over time and allow for the diversity of our products and operations.

GHG Footprint and Project Performance

The GHG Performance table shows our GHG reduction performance in both absolute and normalized (to sales) terms. This compares our measured 2009 footprint to our 2008 baseline footprint. We have progressed well against our absolute GHG reductions and have exceeded our normalized reduction plan.

Our projects executed in 2010 have exceeded our plan, yielding a GHG reduction of 132,267 metric tonnes (MT). The impact of these projects will be reflected in our 2010 measurement that will be released later this year in support of the Carbon Disclosure Project (CDP).

GHG Performance Reporting	2008 Baseline [†]	2009 Performance [†]	Carbon Intensity 2008	Carbon intensity 2009	Increase/ (Decrease) %
Absolute Reporting	1.43	1.45	N/A	N/A	1.2%
Normalized Reporting ^{**}	1.50	1.45	44.4	43	(3.1%)

[†]Adjustments to baseline year of 2008 are compliant with World Resource Institute (WRI) protocol. Significant changes included our divestiture of our TASC business unit, data error corrections (less than 2%), etc.

^{**}2008 baseline adjustment for sales growth as reported on 10k filing

[†]Units in million metric tonnes

WATER CONSERVATION

(GRI Performance Indicators EN8, EN9, EN10 and EN21)

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 practices” at all our major facilities.

These best practice requirements are in effect across our operations, some of which are located in water-scarce regions such as Southern California, where water conservation requirements are more aggressive. Our water management best practices, which we developed in collaboration with Conservation International, are in line with the Environmental Protection Agency’s (EPA) best practices program. These best practices range from using WaterSense faucets to changing our landscapes to employing drought-tolerant plants.

Our Rancho Carmel, California, campus has replaced its traditional landscaping with more than 100 varieties of succulents, cacti and other native plants. These plants are more drought-tolerant and require less water than grass and other traditional office-park vegetation.

In consultation with Conservation International, we used water and solid waste/recycling data to develop a set of best management practices.

Starting in 2011, implementation of these best management practices will be included in the Environmental Performance Metric affecting executive compensation.

Our measurement of success will be the percentage of best practices implemented at our large facilities (at least 100,000 square feet). In 2011, we will adopt these practices in all our owned buildings, and expand it to leased buildings in 2012.

As shown, Northrop Grumman leadership encourages conformance to the International Organization for Standardization (ISO) 14001 (Environmental Management Systems) registration. This designation demonstrates an ongoing commitment to sound environmental management programs and processes. The Navigation Systems Division within Electronic Systems obtained ISO 14001 registration for its Woodland Hills, California, Salt Lake City, Utah, and Norfolk, Virginia, campuses in September 2010.

2000	2	2006	13
2001	2	2007	16
2002	5	2008	22
2003	7	2009	22
2004	8	2010	25
2005	9	(projected) 2011	25



Northrop Grumman received **more than 20 Waste Reduction Program Awards** from the California Integrated Waste Management Board.



HAZARDOUS WASTE AND TOXIC EMISSIONS

(GRI Performance Indicator EN22)

We carefully administer our hazardous waste management process by using only audited and approved treatment, storage, disposal and recycling firms. These companies must meet stringent operational standards for the safe handling, packaging, transportation and disposition of all company-generated hazardous wastes.

Key Metrics

1. Production-related hazardous waste
2. Reported EPA Toxics Release Inventory (TRI) chemical releases

In 2005, our baseline year, the corporation generated 3,851.6 tons of production-related hazardous waste, or 3.97 tons per 100 full-time equivalent (FTE) employees. We also reported the release of 759.4 tons of TRI chemicals, or 0.64 tons per 100 FTEs.

In 2009, the corporation generated 3,662.9 tons of production-related hazardous waste, or 2.96 tons per 100 FTE employees. We also reported the release of 373.4 tons of TRI chemicals, or 0.30 tons per 100 FTEs.

Environmental Remediation: We are currently involved in more than 200 environmental remediation projects (including Superfund sites) with an approximate annual remediation budget of \$40 million. From 2004 to 2010, we completed active remediation at 77 sites and removed them from the company's portfolio. Over that period of time, we also identified \$52.4 million in life-cycle cost reductions.

Hazardous Waste and Toxic Release Inventory*

CATEGORY	2005	2006	2007	2008	2009
Hazardous Waste (Tons)	3,851.6	6,564.5	3,459.2	3,612	3,662.9
Hazardous Waste (tons/100 FTE, by headcount)	3.97	5.65	2.84	2.82	2.96
TRI (tons)	759.4	392.5	308.4	352.7	373.4
TRI (tons/100FTE)	0.64	0.34	0.25	0.28	0.30

Since 2005, we have collected data in these two waste and TRI emissions categories. In July of each year, we collect and report the data for the previous calendar year.

*Due to the cyclical nature of the shipbuilding business, on an annual basis we experienced substantial variances in the use of production-related materials and the generation of hazardous waste.

POLLUTION PREVENTION

Our policy requires all sites to implement pollution prevention (P2) programs including source reduction, material substitution and various other means of reducing impact. Our environmental and engineering professionals facilitate the communication and transfer of P2 best practices across the corporation. Our strategy is to focus on eliminating the source of pollution rather than “end-of-pipe” solutions. In 2010 we:

- Implemented a quick-cure topcoat to eliminate use of ovens for the purpose of accelerating the material cure in production, evaluated alternatives to beryllium-copper and cadmium in aircraft, and implemented reusable masking blankets to minimize the volume of waste generated from the use of masking tape and paper in aircraft paint operations.
- Tested a non-chromated, corrosion-inhibiting aircraft coating system.
- Implemented a digital radiograph process to replace X-ray film-based testing of aircraft parts, thus eliminating the use of chemicals in this process.
- Implemented an aqueous system to clean solder flux, thereby eliminating use of a solvent.
- Designed and implemented two processes for reducing water consumption and air toxic emissions at our facility in Linthicum, Maryland:
 - Installed four separate air scrubber systems to control acid, caustic, cyanide and cupric chloride air streams. The system is designed to a control efficiency of 95 percent or greater in order to meet ambient air quality standards.
 - Developed new wastewater treatment and process water production systems designed to treat 187 gallons per minute of combined wastewater. Using microfiltration and reverse osmosis, the system can recycle/reuse 80 percent of the wastewater for manufacturing, with the 20 percent wastewater treated to water quality discharge standards.
- Tested and validated a zero-VOC “mold-in-place” coating to eliminate volatile organic compound (VOC) emissions and the need for associated paint spray booths.
- Worked to replace high-VOC solvents used to clean a robotic coating system.
- Implemented a high-pressure steam cleaner for use in aircraft production, thereby eliminating VOC emissions from this process.

Testing Alternative Fuels: Using a camelina sativa-based biofuel blended with a 50/50 mix with standard jet fuel, we participated in the first flight of the “Green Hornet,” an F/A-18 Super Hornet that runs on biofuel. The flight took place on the 40th anniversary of Earth Day on April 22, 2010, at the Naval Air Station in Paxtont River, Maryland. We conducted an engineering assessment to ensure compatibility of the Super Hornet fuel system with the biofuel mix and a flight-safety evaluation.

Environmental Leadership Programs: Five of our facilities continued to participate in two state environmental leadership programs. The Avondale, Waggaman and Tallulah facilities are in Louisiana’s voluntary program to promote a cleaner environment through continuous environmental improvement. Likewise, sites in Pascagoula and Gulfport participate in the state of Mississippi’s voluntary program that recognizes companies with environmental improvement projects.



ENERGY EFFICIENCY

Reducing energy consumption across our company continues to be a key focus through a number of efforts. For starters, we participated in Earth Hour by turning off unnecessary building and signage lighting at more than 100 locations nationwide. Also, at 168 locations throughout the company we installed “vending misers” that reduce energy use at snack and drink vending machines.

In the United Kingdom, following a survey by the Carbon Trust, we have begun to take steps to cut carbon emissions and save energy at some facilities. At our Fareham office we have now introduced low-energy lighting and have put in place a waste recycling program.

Endorsing Alternative Energy: The Maximizing and Optimizing Renewable Energy (M.O.R.E.) POWER initiative is helping identify the most efficient and productive networks of wind and solar farms for renewable energy projects. We are collaborating with Rocky Mountain Supercomputing Centers (RMSC) in Butte, Montana, along with support from the Montana Governor’s Office of Economic Development. The project leverages RMSC’s on-demand supercomputing resources and Northrop Grumman’s unique site-selection tool to demonstrate that M.O.R.E. POWER can reduce the financing and operating costs of wind farm energy networks and accelerate the return on investment.

Harnessing Wind Energy: Our shipbuilding sector is partnering with Gamesa, a global technology leader based in Barcelona, Spain, to design an offshore, high-capacity wind farm. Gamesa will utilize their proven expertise in heavy-load logistics, systems performance and reliability, and the applications of such technologies in harsh marine environments. This team will perform all the preliminary work required to install the first Gamesa G11X-5.0 MW offshore prototype in the U.S. by late 2012, including site selection, permitting, final construction and installation of the prototype and testing.

Reduced-energy Lighting and Thermostats

At our Newport News, Virginia, facilities we upgraded the lighting throughout the office and production spaces. The office areas now use T8 lamps; the manufacturing areas use T5 lamps to reduce energy consumption. We're also using compact fluorescent lights in temporary light strings aboard ships under construction. Additionally, we've installed auto-controlled thermostats to control the temperature in 91 buildings throughout the shipyard, which optimizes both resident comfort and the energy efficiency of HVAC systems.

In our Gulf Coast shipbuilding operations:

1. We replaced existing 458-watt lamps and fixtures with 216-watt lamps and fixtures with occupancy sensors.
2. We added programmable thermostats to adjust temperature set points during 70,000 hours of unoccupied time and replaced dual-duct air-mixing boxes with more energy-efficient DDC-controlled variable air-volume boxes.
3. We installed the first of two capacitor banks, which increases the power factor at the facility and, in turn, generates savings in excess of \$300,000 annually.

RESULTS

The use of lighting controls, energy-efficient lighting and improved employee awareness has contributed to a reduction of 3 million kilowatt hours in electrical usage at our facility in Pascagoula, Mississippi.

Environmentally Friendly Escalators

In 2010 at our Linthicum, Maryland, site we replaced four escalators that were more than 20 years old with new, environmentally friendly escalators.

RESULTS

The new escalators control energy consumption by monitoring the number of passengers and applying appropriate torque levels. They also have an automatic lubrication system that only uses a single quart of oil per year versus *40 quarts* of oil per year for a conventional escalator. Finally, the new escalator utilizes LED lighting in lieu of the previous incandescent lighting, for further energy reductions.

Natural Skylighting

Also at our Linthicum facility, we installed six skylights with intelligent controls that turn the lights on and off and adjust lighting levels based on available ambient lighting. The active day lighting systems introduce natural, bright light to the work area while at the same time significantly reducing power use.

RESULTS

The estimated savings in energy reduction provided by the active day lighting systems is 8,760 kilowatts or more annually.

Benchmarking our Fleet

In Redondo Beach, California, we benchmarked our vehicle fleet to identify opportunities to reduce the number of vehicles, replace some with more fuel-efficient models and determine the fleet's greenhouse gas (GHG) footprint.

RESULTS

With that data, we purchased 13 hybrid vehicles to replace our aging security and pool vehicles. These 13 hybrid vehicles will reduce the fleet GHG emissions by more than 76 metric tonnes of CO₂ annually.

THE LUTRON LIGHTING CONTROL SYSTEM: MANY EARTH-FRIENDLY BENEFITS

What: A Lutron Lighting EcoSystem

Where: Northrop Grumman in Linthicum, Maryland. Installed in 108,000 square feet of open and closed office space in 2010.

How: This is a smart lighting system that uses electronic dimmable ballasts, occupancy sensors and daylight compensating sensors to control light levels and on/off settings of light fixtures.

Projected Savings: 1.6 million kilowatts and nearly \$180,000 annually in electricity cost.

Greenhouse Gas Reductions: 814 metric tonnes of CO₂e.

REUSE AND RECYCLING

In 2009, the most recent year for which complete data is currently available, Northrop Grumman diverted roughly 69 percent of its total waste away from landfills. Employees across the company recycled paper, cardboard, scrap metal, wood, foundry sand, computers and related equipment, batteries, tires, fluorescent light tubes, mercury thermometers, cables and other items. Employees disposed of 158.6 million pounds of solid waste while recycling 355.9 million pounds.

Single-stream Recycling Works

Within our Electronic Systems sector, for example, employees are working to promote a single-stream recycling process. Sixteen ES facilities, 11 of which are in Maryland, now all follow the same recycling methodology. Employees fostered awareness through a “50/50 recycling campaign” with container markings, posters displayed throughout the facilities and a recycling website. The goal is to recycle 50 percent of the entire waste stream. The percentage is determined by Tonnage Recycled / Total Waste Stream (recycle + trash).

RESULTS

The campaign boosted the amount of recycling by 9 percent.

Further, we designated certain large open-top trash receptacles as LEED-compliant receptacles that now divert and recycle approximately 75 percent of the materials that previously would have gone to landfills.

RESULTS

From August 2010 to year-end, 85 tons of waste were recycled instead of being sent to landfills. Another facility, in Charlottesville, Virginia, implemented a similar single-stream waste-recycling program in 2010 and has recycled more than 305,000 pounds of waste since inception.

2010 Recycling Highlights

- At our Newport News, Virginia, facility, we recycled more than 5,000 pounds of universal waste batteries in 2010. At this location more than 100 employees have volunteered to manage the recycling of cans, bottles, cardboard and newspapers in their work areas.
- At our Gulfport, Mississippi, shipyard, we implemented a Tyvek recycling program that resulted in a total of 3,367 pounds being recycled in 2010.
- Employees at Northrop Grumman sites in Southern California and Moss Point, Mississippi, have collected and recycled more than 27,000 pounds of used batteries from work and home.
- At the Avondale Shipyard in New Orleans, nearly 700 employees participated in a recycling competition for plastic bottles and aluminum cans.
- Employees at our El Segundo, Redondo Beach and Rancho Bernardo, California, facilities collected more than 23,000 pounds of electronic equipment at employee e-waste collection drives.
- At our Redondo Beach, California, facility we developed and implemented a common look to the site-recycling program, including installing “what can be recycled” signs for employee education. Our greenNG Employee Resource Groups in Redondo Beach and El Segundo, California, expanded their cafeteria projects by eliminating disposable trays and substituting them with locally manufactured, employee-owned reusable trays to reduce waste and water consumption.
- The Palmdale, California, facility started a comprehensive commingled recycling program.
- The El Segundo, California, facility sponsored a “Green Building Kiosk” in City Hall to educate citizens about alternative, environmentally friendly building practices. In addition, Employee Resource Group efforts resulted in an 800 percent increase in the volume of recycled beverage containers.
- At our Aerospace Systems sites, we held specialty reuse collection drives for cell phones, shoes, eyeglasses, greeting cards and even crayons, benefiting a wide array of nonprofit organizations, schools and agencies.
- Employees at our Manhattan Beach, California, site hosted its annual household hazardous waste roundup in partnership with Los Angeles County and the City of Manhattan Beach.
- Surplus Office Supply Sharing programs at El Segundo, Redondo Beach and Palmdale, California, have saved more than \$10,000 in new supply purchases, and made donations of supplies equivalent to \$40,000 among five local schools.
- At our Integrated Platform Solutions site in Huntsville, Alabama, we continued our recycling program for cardboard, scrap metal, wood pallets and aluminum cans. Since 2008, the site has recycled 81,000 pounds of materials.
- Employees at our Dominguez Hills, California, facility collected more than 4,433 pounds of electronic equipment at an employee e-waste collection drive.
- Employees at our San Jose, California, facility use single-stream recycling for the collection of plastics, Styrofoam coffee cups and lids, rinsed food containers, cans, bottles, and milk and juice containers, in addition to any paper products. Also, beverage-container recycling bins for California recycling value (CRV) cans and bottles are located in all break rooms and large conference rooms. Each quarter, we collect these CRV beverage containers and take them to a recycling facility. We return all monies received to the employee recreation fund.

AUDIT RESULTS

Internal EHS Audit Results

Each year, the Board of Directors reviews the Environmental, Health and Safety (EHS) program, including goals, achievements and overall performance. The EHS audits are conducted by corporate and sector EHS professionals, and audits are subject to review by the Corporate Internal Audit organization.

Each audited site receives an overall assessment rating of “satisfactory program,” “marginal program” or “unsatisfactory program.” At the conclusion of each audit, site management and EHS staff prepare a Corrective Action Plan in response to all audit findings and recommendations. Approximately one-third of our auditable sites are audited each year. Company-wide, our overall EHS management systems performance for 2010 was 93 percent “satisfactory,” up from 89 percent “satisfactory” in 2009.

External Audits

In 2010, regulatory agency representatives for environmental compliance visited/contacted Northrop Grumman sites 165 times, resulting in 26 enforcement actions. One of these enforcement actions, upon further review by the reporting agency, was subsequently rescinded. Many enforcement actions were procedural in nature and did not include any associated fines. Nevertheless, the notices indicate shortcomings to which we continue to give priority attention. Total fines assessed against Northrop Grumman in 2010: \$3,400.

EHS Management Systems

In 2010, we completed a multi-year goal to improve our EHS Management Systems assessment scores to greater than 90 percent company-wide. We achieved a year-end overall score of 93 percent, compared to our 2006 year-end score of 74.8 percent.

VOLUNTEER EFFORT: NATIONAL PUBLIC LANDS DAY

(GRI Performance Indicator EN13)

On September 25, 2010, we once again partnered with the National Environmental Education Foundation (NEEF) to promote year-round public land conservation through the Public Lands Program and to sponsor NEEF's National Public Lands Day (NPLD), an annual event focused on improving and enhancing the nation's public lands. Northrop Grumman volunteers around the country participated in projects to beautify and protect public spaces.

Examples of employee volunteer activities across the company include:

- Tree planting in Los Angeles, California and New Orleans
- Coastal and beach cleanups in El Segundo and Rancho Bernardo, California; Lake Pontchartrain, Louisiana; and Pascagoula, Mississippi
- Park cleanup in Newport News, Virginia
- Abandoned lot cleanup in Palmdale, California
- School cleanup and improvements in Herndon, Virginia

Environmental, Health and Safety Audit Results 2005-2010



ENHANCE PROGRAM

The Mississippi Department of Environmental Quality (MDEQ) accepted three Northrop Grumman facilities in Gulfport, Ocean Springs and Pascagoula into its enHance program at the “Steward” level. enHance is a voluntary stewardship program that recognizes committed environmental leaders who accomplish goals beyond their legal requirements.

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 2010, Northrop Grumman Corporation contributed \$29.9 million in total philanthropic donations through the company's Contributions Program. Due to a one-time, \$10 million gift made by the company to its charitable trust, the 2010 corporate contributions budget increased from \$19.9 million to \$29.9 million.

A key priority is our ongoing company-wide mission to improve the quality of science, technology, engineering and mathematics (STEM) education from early grades through the university level, and to focus on developing talent in those areas. In keeping with that goal, the Northrop Grumman Foundation directed an additional \$4.6 million to support K-12 and postsecondary education activities. Total Northrop Grumman community support in 2010 was \$34.5 million.

Further, our 120,000 employees generously supported a multitude of nonprofits through in-kind giving, such as back-to-school supply drives and clothing drives. Additionally, these same employees personally gave more than \$71 million in 2010 through vehicles such as United Way, gifts to education, the separate nonprofit Employees Charity Organization (ECHO) of Northrop Grumman, holiday giving programs, the USO and disaster relief.

International Involvement

Employees at Northrop Grumman's European locations demonstrated their support for communities through participation in a range of events, as well. For example, they have assisted organizations that provide funding for projects that help those most in need in the United Kingdom and across Africa, support breast cancer research, and empower African girls through education.

Our Core Community Focus: Improving Education

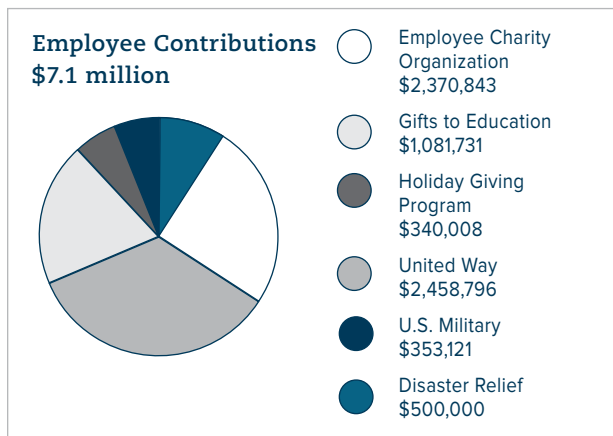
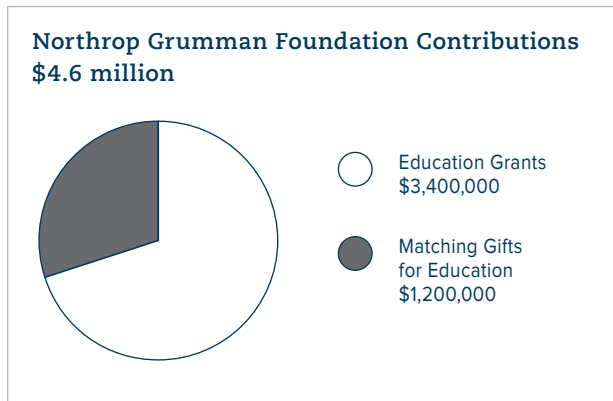
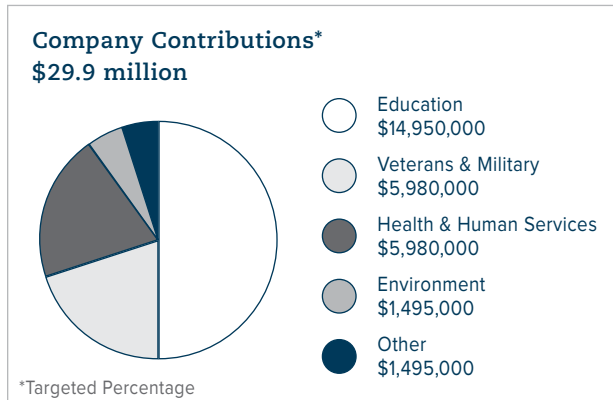
In 2010, we at Northrop Grumman endorsed and supported a broad and diverse range of national partnerships and programs that address education at all levels. To that end, in 2010 Northrop Grumman and the National Board for Professional Teaching Standards continued a three-year partnership to help mathematics and science teachers in underprivileged schools strengthen their skills. This unique initiative increases the number of National Board Certified Teachers in targeted regions nationwide by providing financial support for teachers to pursue National Board Certification.

RESULTS

- New National Board Certified Teachers (2010): 17
- Total National Board Certified Teachers funded by Northrop Grumman scholarships: 39 (since program inception in 2007)
- Number of Scholarship Recipients: 162 (since program inception in 2007)

RESULTS

We are providing \$150,000 in scholarships for mathematics and science candidates through the Professional Teaching Development Centers in California. These regional centers will help the National Board for Professional Teaching Standards meet its goal to increase equity and access to National Board Certification, especially for teachers at low-performing schools.



*The percentages shown are the ongoing targets used at Northrop Grumman to determine areas of giving, including: 50 percent Education, with a major emphasis on science, technology, engineering and math (STEM); 20 percent Veterans and Military; 20 percent Health and Human Services; 5 percent Environment; and 5 percent Other.

Our Education Strategy

To accomplish our Corporate Citizenship mission to improve the quality of education, we are developing the Northrop Grumman Education Strategy, which expands on our comprehensive college readiness and access program called NG4U. With the understanding that an individual's education begins at an early age and continues until the student obtains a university degree, Northrop Grumman's NG4U program includes elements shown in the chart.

Northrop Grumman STEM Education Strategy

Engagement Level	Education Level	Desired Outcome
Employ	Higher Education	Contribute to the development of a future work force in disciplines needed to achieve strategic goals through a variety of education investments
Educate	Elementary/Secondary/Higher Education	Encourage student interest in STEM disciplines through education opportunities for students and teachers
Engage	Informal Education and Elementary Secondary Education	Develop linkages between formal and informal education to promote STEM and awareness of Northrop Grumman products and associated technologies
Excite	Informal Education	

“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

Our Education Performance

We are currently engaged in a multitude of programs to foster and improve education at all levels. Since 2003, for example, the Northrop Grumman Foundation has been a national sponsor of Sally Ride Science Festivals, which empower young girls to pursue careers in science, engineering and mathematics. Another program, TEAACH (Teachers and Engineers for Academic Achievement) is a company-wide endeavor to help teachers at middle schools integrate science and engineering concepts into lesson plans.

Additionally, we are enthusiastic to report on the progress of some of our other education programs in 2010, including:

- Earthwatch Partnership
- Northrop Grumman Weightless Flights of Discovery
- CyberPatriot
- National Space Camp
- USA Science and Engineering Festival Expo
- Back to School Campaigns

Earthwatch Partnership

The Northrop Grumman Foundation Earthwatch Educator program is an innovative environmental education program for teachers in conjunction with Earthwatch Institute, which promotes learning about sustainability by engaging people worldwide in scientific field research.

RESULTS

In the summer of 2010, Northrop Grumman funding allowed 22 mathematics and science educators from eight 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.

Weightless Flights of Discovery

In 2010, for the fifth consecutive year, the Northrop Grumman Foundation continued its ongoing commitment to 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 math. In turn, teachers return to the classroom energized by the learning and ready to spark student interest in mathematics and science.

RESULTS

In 2010, 180 teachers took flight in six different states. Since its inception in 2006, “Weightless Flights of Discovery” has reached 1,270 teachers—in 24 cities on 44 flights—and an estimated 1.2 million students.*

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

CyberPatriot: National High School Competition

In 2010 we announced a new partnership with the Air Force Association (AFA) as the presenting sponsor of CyberPatriot III, a national high school competition designed to excite, educate and motivate the next generation of cyber-defenders.

RESULTS

As the presenting sponsor, we will invest time and resources during the 2010-2011 school year to assist in coaching teams and mentoring students. This involvement in CyberPatriot III will contribute to building a talent base in the cybersecurity field that will ultimately help with the country’s future security.

CyberPatriot III is the AFA’s third competition, and the first competition open to all-service JROTC students as well as students from non-military-affiliated high schools. Preliminary rounds of the competition are online from the teams’ home locations, with the final competition slated for the AFA’s CyberFutures Conference in April 2011 in Washington, D.C. For our participation, the AFA awarded us the 2010 Hoyt S. Vandenberg Award for contributions to the field of aerospace education as presenting sponsor of CyberPatriot.

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

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

RESULTS

In 2010, 48 students and 16 teachers from Northrop Grumman communities nationwide participated in the Space Camp program in Huntsville, Alabama. This was the second consecutive year the Northrop Grumman Foundation funded the program, which covered travel, tuition, room and board, firsthand astronaut training for the “space travelers,” building and launching rockets, 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.



“It’s hard to describe, the experience was so unique, and so inspiring! I felt like a kid again, dreaming of being an astronaut in space and having the chance to be that astronaut for a day!”

–Candice Frontiera,
Teacher at Kalakaua Middle School
Honolulu, Hawaii
Weightless Flights of Discovery participant

“We are proud of our entire CyberPatriot team, and appreciate Northrop Grumman for their support of CyberPatriot and science, technology, engineering and math (STEM) education.”

–Joe Sutter,
2009-2010 AFA Chairman of the Board

*Estimates based on generally accepted practice of 150 students per teacher/per semester at two semesters per school year. Verified by self-reporting from past participants; estimates assume all teachers use the curriculum every year.

2010 USA Science and Engineering Festival Expo

In October, Northrop Grumman participated in a two-day expo in Washington, D.C., that served as the grand finale of the inaugural USA Science & Engineering Festival. We participated in the Festival Expo with the “Amaze Yourself” exhibit, which featured key programs and technologies from our different sectors.

RESULTS

The festival is a two-week event supported by President Obama and aimed at promoting science, technology, engineering and math (STEM) education. Its mission, like that of all our education programs, is to reinvigorate the interest of our nation’s youth in STEM through compelling, educational and entertaining science gatherings in the United States.

The Back to School Employee Campaigns

Employees throughout Northrop Grumman contribute 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.

RESULTS

In 2010 Northrop Grumman extended an ongoing partnership with the nonprofit Shoes That Fit by offering employees the opportunity to donate a pair of new shoes to students. Employees who participated in this pilot program donated 269 pairs of new shoes to students in eight schools in locations where Northrop Grumman operates. We plan to continue and extend the program in 2011.



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 U.S. Space and Rocket Center education staff, and are provided with tools, such as Out of the Box Engineering materials, to assist with class presentations and demonstrations.

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 April 2010, CEO and President Wes Bush announced the program, which invited nonprofit organizations and accredited public schools to complete a nomination form on behalf of their Northrop Grumman volunteer. People at organizations across the country submitted more than 350 nominations.

An independent partner organization reviewed and scored the nominations, and the Office of Corporate Responsibility announced the 10 “Excellence in Volunteerism” winners in September 2010. The award winners received a \$5,000 grant for their organizations, which included everything from mentoring low-income students in STEM-related subjects to volunteering on a search-and-rescue team and supporting families coping with cancer.

Volunteer Management System

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

RESULTS

In 2010, 2,229 new participants signed up, for a total of 9,332 since inception. To date, those employees have logged more than 16,156 volunteer hours for company-sponsored activities, and more than 90,487 personal employee volunteer hours. In 2010 employees logged 5,932 hours for company-sponsored activities, and 33,029 for personal employee volunteer hours. In 2010 the community impact of employees’ volunteer hours is estimated to be \$812,336*, and since implementing the volunteer management system tool, total community impact is valued at \$2,223,506.

*Based on Independent Sector’s 2009 estimated value of volunteer time.

DISASTER RELIEF

Haiti

In 2010, we joined leading organizations and citizens by donating \$1 million to earthquake relief efforts in Haiti. Further, employees contributed an additional \$500,000 for a total of \$1.5 million for Haiti relief efforts.

Working with the Naval Oceanographic Office, company engineers acquired imagery and collected data on ports and harbors in the Republic of Haiti, providing critical information to first responders after the January 12, 2010, earthquake. Using bathymetric Light Detection and Ranging, the Northrop Grumman-provided data and imagery over harbors and approaches in the Port au Prince area provided responders with information about underwater obstructions that might affect safe passage of boats in the area.

RESULTS

Less than 24 hours after collecting the information, engineers created a full suite of geospatial products including soundings, contours, digital elevation models, large-scale charts and orthorectified image mosaics. This information was immediately provided to GoogleEarth™ for use by first responders.

U.S. Flooding

We provided \$100,000 to Mississippi and Alabama regional tornado relief and Tennessee regional flood relief.

Proactive Approach

Northrop Grumman will join 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.

RESULTS

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

- Lancaster, California, Veterans Home
- Lawndale, California, VFW makeover
- 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
- USO Santa's Store
- 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.

RESULTS

To date, the program has helped 85 returning service personnel and their family members join the company. In 2009, Northrop Grumman established 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, visit operationimpact.northropgrumman.com

SUPPORTING MILITARY AND VETERANS

We are proud to offer continuing troop and veteran support through a number of programs. In 2010, 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 2010.

Northrop Grumman Initiatives for Our Troops and Veterans

- 2010 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

USO

In June, we partnered with the USO at Celebrate Fairfax to raise awareness about the USO's mission to some 70,000 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 East Carolina University and the University of Maryland on Wednesday, December 29, 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.

The Global Reporting Initiative (GRI) is a third-party, network-based organization championing the most widely used sustainability reporting framework. The GRI vision: that reporting on economic, environmental and social performance by all organizations is as routine and comparable as financial reporting. To that end, the GRI provides reporting guidelines that outline specific core content for reporting including Performance Indicators. These Performance Indicators provide qualitative and/or quantitative information about Northrop Grumman results and outcomes, for 2010, in a format that is comparable to other organizations. The goal is year-on-year improvement over time. Click here to see the full GRI Content Index.

ENVIRONMENTAL (EN1-EN15)

MATERIALS RESPONSE

- EN1 Materials used by weight or volume
- EN2 Percentage of materials used that are recycled input materials

2010 RESULTS

- There are currently no centralized records for EN 1 and 2. We are investigating the possibility of collecting this data and reporting these two metrics in future editions of this report.

ENERGY

- EN3 Direct energy consumption by primary energy source
- EN4 Indirect energy consumption by primary source
- EN5 Energy saved due to conservation and efficiency improvements
- EN6 Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives
- EN7 Initiatives to reduce indirect energy consumption and reductions achieved

- ✓ Our measured use of energy and fuels Scope 1 direct sources for 2009 as reported in 2010 was 1,586,445 MWh of energy.
- ✓ Northrop Grumman used 2,000,159 MWh of electricity in 2009 as reported in 2010.
- ✓ Northrop Grumman executed strategies that resulted in a reduction of 132,267 metric tonnes of GHG emission as normalized to sales. For details please see OUR IMPACTS "Energy Efficiency" on pages 14-15.
- ✓ For details please see OUR IMPACTS "Energy Efficiency" on pages 14-15.
- ✓ For details please see OUR IMPACTS "Energy Efficiency" on pages 14-15.

WATER

- EN8 Total water withdrawal by source
- EN9 Water sources significantly affected by withdrawal of water
- EN10 Percentage/total volume of water recycled/reused

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.
- ✓ Northrop Grumman operations do not withdraw water from any regional water sources or aquifers.
- ✓ For details please see OUR IMPACTS "Water Conservation" on page 12.

BIODIVERSITY

- EN11 Location/size of land owned, leased, managed in, adjacent to, protected areas and areas of high biodiversity value outside protected areas
- EN12 Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
- EN13 Habitats protected or restored
- EN14 Strategies, current actions, and future plans for managing impacts on biodiversity
- EN15 Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

- ✓ Northrop Grumman does not locate facilities in biodiversity "at risk locations" as defined by Conservation International's "at risk hot map."
- ✓ Northrop Grumman does not locate facilities in biodiversity "at risk locations" as defined by Conservation International's "at risk hot map."
- ✓ Northrop Grumman is currently involved in more than 200 environmental remediation projects (including Superfund sites) with an approximate annual remediation budget of \$40 million. From 2004 to 2010, we completed active remediation at 77 sites and removed them from the company's portfolio. Over that period of time, we also identified \$52.4 million in life-cycle cost reductions.
- ✓ This metric is not applicable to any Northrop Grumman operations.

ENVIRONMENTAL (EN16-EN27)

EMISSIONS, EFFLUENTS, AND WASTE

	2010 RESULTS
EN16 Total direct and indirect greenhouse gas emissions by weight	✓ Our 2009 GHG footprint is reported in 2010. We measured our 2009 GHG Scope 1 and Scope 2 (direct and indirect) at 1.45 million metric tonnes (MTs). This represented a normalized reduction of 3.1% from our last reporting. Our projects in 2010 represented a 132,267 MT reduction, so we expect further improvements in our next reporting.
EN17 Other relevant indirect greenhouse gas emissions by weight	✓ Our Scope 3 indirect emission (shipping, travel, employee commute) for 2009 and 2010 was measured at 1.25 million metric tonnes. This represents a reduction of 3,969 MTs from our 2008 baseline.
EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved	✓ Projects implemented in 2010 achieved a normalized reduction of 132,267 metric tonnes. For details please see OUR IMPACTS “Greenhouse Gas Emissions” page 11.
EN19 Emissions of ozone-depleting substances by weight	✓ Northrop Grumman does not utilize any ozone-depleting substances as raw materials in manufacturing. Potential refrigerant losses from company vehicles and building air conditioners are believed to be negligible. During maintenance refrigerants are properly collected and recycled using EPA-approved reclaiming equipment and trained personnel.
EN20 NO, SO, and other significant air emissions by type and weight	✓ For details please see OUR IMPACTS “Hazardous Waste and Toxic Emissions” on page 13.
EN21 Total water discharge by quality and destination	✓ For details please see OUR IMPACTS “Water Conservation” on page 12.
EN22 Total weight of waste by type and disposal method	✓ For details please see OUR IMPACTS “Hazardous Waste and Toxic Emissions” on page 13.
EN23 Total number and volume of significant spills	✓ There was an accidental spill at one site, amounting to less than 675 gallons of diesel fuel released. The spill was reported to the applicable regulatory agencies, was remediated according to regulatory requirements, and a root cause analysis was performed. As a result, measures were put in place to ensure that this will not happen again. It is currently the subject of a pending agency action.
EN24 Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	✓ Northrop Grumman does not transport/export any hazardous waste outside the USA and Canada.
EN25 Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization’s discharges of water and runoff	✓ Northrop Grumman does not locate facilities in biodiversity “at risk locations” as defined by Conservation International’s “at risk hot map.”
EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	● Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.
EN27 Percentage of products sold and their packaging materials that are reclaimed by category	<p>✓ Northrop Grumman’s Desktop Solutions Program buys only products rated gold or silver by the Electronic Product Environmental Assessment Tool (EPEAT). EPEAT is a system that helps purchasers evaluate, compare and select electronic products based on their impact to the environment. Desktops, laptops and monitors that meet 23 required environmental performance criteria may be registered in EPEAT. Products are then rated gold, silver or bronze depending on the percentage of 28 optional criteria they meet above the baseline criteria, which include disposal and end of life components.</p> <p>The program is expected to save more than 345,000 KWh per year in power consumption in 2010. The energy savings translates to a reduction of 2,241,583 kg of carbon equivalents (equivalent to removing 1,505 cars from the road) and the removal of 1,011.41 kg of toxic material (equivalent to the weight of 506 bricks) from the air. We dispose of all products in an environmentally acceptable way.</p>

ENVIRONMENTAL (EN28-EN30)

COMPLIANCE

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

2010 RESULTS

- ✓ In 2010, regulatory agency representatives for environmental compliance visited/contacted Northrop Grumman sites 165 times, resulting in 26 enforcement actions. One of these enforcement actions, upon further review by the reporting agency, was subsequently rescinded. Many enforcement actions were procedural in nature and did not include any associated fines. Nevertheless, the notices indicate shortcomings to which we continue to give priority attention. Total fines assessed against Northrop Grumman in 2010: \$3,400.

TRANSPORT

EN29 Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce

- ✓ There were no identified environmental impacts in 2010 caused by Northrop Grumman operations and the transport of any products, goods, materials or employees.

OVERALL

EN30 Total environmental protection expenditures and investments by type

- ✓ Northrop Grumman targeted \$1.495 million in 2010 company contributions for environmental programs. This amount only reflects company contributions to environmental causes outside Northrop Grumman and, therefore, does not include any internal funding allocated to improving environmental performance within the company. See page 18.

SOCIAL (S01-S05)

COMMUNITY

S01 Nature, scope, and effectiveness of programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting

- ✓ For details please see OUR IMPACTS "Community Investment" on page 18.

STANDARDS OF BUSINESS CONDUCT

S02 Percentage and total number of business units analyzed for risks related to corruption

- ✓ Northrop Grumman conducts risk assessments throughout the year based on need.

S03 Percentage of employees trained in organization's anti-corruption policies and procedures

- ✓ 99 percent of all Northrop Grumman employees receive annual ethics training.

S04 Actions taken in response to incidents of corruption

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

S05 Public policy positions and participation in public policy development and lobbying

- ✓ Northrop Grumman participates in the political process at the federal, state and local level in the United States. We provide convenient links to various federal and state election and political disclosure sites on our website, ensuring that direct access to these government disclosure sites is quickly and easily accessible by our shareholders and the general public.

SOCIAL (S06-S08)

STANDARDS OF BUSINESS CONDUCT

S06 Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country

2010 RESULTS

✓ As reported on our website, the Employees of Northrop Grumman Political Action Committee (ENGPAC) made \$1,746,900 in political contributions during the 2009-2010 election cycle. Northrop Grumman also paid \$1,159,319 in membership dues to a variety of trade associations in 2010. All of ENGPAC's contributions to political parties, politicians and related institutions are made within the United States.

ANTI-COMPETITIVE BEHAVIOR

S07 Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

✓ Northrop Grumman is, from time to time, a defendant in actions brought by private parties alleging anti-competitive behavior. The company has a history of successfully defending against such actions.

S08 Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws

✓ Northrop Grumman did not incur any significant monetary sanctions in 2010 and does not track the data requested for non-monetary sanctions.

LABOR PRACTICES AND DECENT WORK (LA1-LA3)

EMPLOYMENT

LA1 Total workforce by employment type, employment contract, and region

✓

	Total	Male	Female	White	African	Hispanic	Asian	Other*
Executive	285	83.16%	16.84%	87.37%	4.91%	2.81%	3.86%	1.05%
First/Middle Managers	18,596	81.76%	18.12%	80.58%	9.91%	3.53%	4.89%	0.97%
Professionals	53,825	74.18%	25.81%	73.21%	8.77%	5.32%	11.02%	1.67%
Technicians	10,437	82.39%	17.55%	70.08%	13.51%	7.64%	6.82%	1.90%
Sales Workers	10	70.00%	30.00%	80.00%	20.00%	0.00%	0.00%	0.00%
Administrative	7,627	27.42%	72.57%	60.71%	21.33%	10.90%	5.19%	1.86%
Craft Workers	20,270	90.82%	9.06%	47.54%	40.29%	8.61%	2.10%	1.33%
Operatives	4,657	73.80%	26.20%	43.31%	42.52%	7.43%	5.75%	0.99%
Laborers	687	73.80%	26.20%	31.30%	53.13%	13.54%	1.02%	1.02%
Service Workers	2,289	65.18%	34.82%	45.48%	31.98%	13.72%	6.86%	1.97%
Total Workforce	118,683	75.76%	24.19%	66.99%	17.58%	6.45%	7.43%	1.51%

LA2 Total number and rate of employee turnover by age group, gender, and region

● Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

LA3 Benefits provided to full-time employees that are not provided to temporary or part-time employees by major operations

✓ Employees who work 20 or more hours per week are eligible for health and welfare benefits under the Northrop Grumman plan. Full-time and part-time employees are eligible for the 401k plan and pension plan. Temporary employees on the Northrop Grumman payroll are generally eligible only for savings and pension benefits.

LABOR PRACTICES AND DECENT WORK (LA4-LA9)

LABOR/MANAGEMENT RELATIONS

- LA4 Percentage of employees covered by collective bargaining agreements
- LA5 Minimum notice period(s) regarding operational changes including whether specified in collective agreements

2010 RESULTS

- ✓ Currently 19.7 percent of Northrop Grumman employees are covered by collective bargaining agreements.
- ✓ Northrop Grumman provides a notice of two weeks for layoffs.

OCCUPATIONAL HEALTH AND SAFETY

- LA6 Percentage of total workforce represented in formal joint management - worker health and safety committees that help monitor and advise on occupational health and safety programs

- ✓ Northrop Grumman follows 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. Fourteen Northrop Grumman sites now participate in OSHA's Voluntary Protection Program: 12 sites received the prestigious VPP "Star" designation, and two sites received the "Merit" designation. The Newport News, Virginia, site has been a certified Star site since 1995, and is the largest such site in the United States. It successfully completed its VPP recertification process with OSHA in 2010.

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.

- LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities

	2005	2006	2007	2008	2009	2010
Total Recordable Case Rate (12 month mean)*	4.76	3.91	3.64	3.39	3.34	3.72
Days Away From Work Case Rate*	1.53	1.43	1.31	1.19	1.30	1.53
Total Cases Recorded	5461	4332	4178	4160	4160	4517
Total Fatalities	3	2	0	2	0	0

*Per 100 employees.

- LA8 Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases

- ✓ Northrop Grumman provides a comprehensive and broad set of health and wellness programs through Healthwaves. Program initiatives include health risk appraisals, on-site biometric health screenings and flu shots, monthly education and awareness programs, one-on-one and group health coaching, annual "Take An Hour For Wellness" program and various risk reduction programs.

- LA9 Health and safety topics covered in formal agreements with trade unions

- ✓
 - Establishment of Health and Safety Labor/Management Committee
 - Requirement to conduct health and safety walkthroughs with the union
 - Requirement to provide information on materials that pose a hazard (MSDS)
 - Requirement for special protective clothing when working with certain specific materials
 - Establishment, modification, enforcement, implementation and adherence to safety rules and regulations
 - Maintenance of high standards of safety and sanitary working conditions to eliminate, as much as possible, occupational injuries and illnesses
 - Provision and use of personal protective equipment and proper and modern safety devices

LABOR PRACTICES AND DECENT WORK (LA9-LA12)

OCCUPATIONAL HEALTH AND SAFETY

LA9 Health and safety (continued)

2010 RESULTS

- ✓ • No disciplinary action or discharge for reasonable refusal to work on a job that seems unsafe. Chief Steward will bring safety matters to the immediate supervisor
- Working alone or with another qualified employee in certain circumstances
- Providing physical examinations in some cases

TRAINING AND EDUCATION

LA10 Average hours of training per year per employee by employee category

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings

- ✓ At Northrop Grumman, developing our people goes beyond fulfilling a strategic priority - it is about helping meet the unique needs of each individual employee while enabling each to maximize potential. Whether providing technical training that enables them to complete detailed program work, or offering leadership training that will position them to take the next step in their careers, we take pride in recognizing that individual development needs of our employees are diverse. There is no one-size-fits-all approach for development success, and that is why we encourage employees and managers across the enterprise to engage in regular conversations about development goals throughout the year.

LA12 Percentage of employees receiving regular performance and career development reviews

- ✓ 80 percent or more each of Northrop Grumman's employees receives 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 (HR1-HR3)

HUMAN RIGHTS

HR1 Percentage and total number of significant investment agreements that include human rights, clauses or that have undergone human rights screening

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

HUMAN RIGHTS (HR4-HR9)

NON-DISCRIMINATION

HR4 Total number of incidents of discrimination and actions taken

2010 RESULTS

- ✓ In 2010 Northrop Grumman had 80 external agency complaints of discrimination across the company. We thoroughly investigate all complaints and take appropriate action. Of the 80 allegations, 19 were closed and 61 are pending.

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

HR5 Operations identified in which the right to exercise collective freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights

- ✓ There are currently no Northrop Grumman operations where freedom of association or bargaining are at risk.

CHILD LABOR

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor

- ✓ 0—Neither Northrop Grumman nor any of our 16,000+ suppliers utilize child labor. We will not accept poor practices from suppliers in any area: human rights and labor, diversity, quality, occupational health and safety or environmental responsibility. Every supplier 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.

FORCED AND COMPULSORY LABOR

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor and measures to contribute to the elimination of forced or compulsory labor

- ✓ 0— Neither Northrop Grumman nor any of our 16,000+ suppliers were identified as having any risk for incidents of forced or compulsory labor. No remedial measures, therefore, were required in 2010 to eliminate forced or compulsory labor.

SECURITY PRACTICES

HR8 Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations

- ✓ 100 percent—All Northrop Grumman security personnel receive comprehensive training on our policies and procedures and "Standards of Business Conduct."

INDIGENOUS RIGHTS

HR9 Total number of incidents of violations involving rights of indigenous people and actions taken

- ✓ 0—Neither Northrop Grumman nor any of our 16,000+ suppliers operate in regions where the rights of any indigenous people are at risk. No remedial actions, therefore, were necessary.

ECONOMIC (EC1-EC9)

ECONOMIC

- EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments
- EC2 Financial implications and other risks and opportunities for the organization’s activities due to climate change
- EC3 Coverage of the organization’s defined benefit plan obligations
- EC4 Significant financial assistance received from government

2010 RESULTS

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.
- ✓ While climate change does not pose any immediate financial risk to Northrop Grumman operations, we are working diligently to reduce our carbon footprint. Please see OUR IMPACTS “Greenhouse Gas Emissions” on page 11.
- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.
- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

MARKET PRESENCE

- EC5 Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation
- EC6 Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation
- EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation

- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.
- Northrop Grumman does not currently track data for this metric.
- Northrop Grumman does not currently track data for this metric. We are investigating the possibility of collecting this data and reporting this metric in future editions of this report.

INDIRECT ECONOMIC IMPACTS

- EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement
- EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts

- ✓ Please see OUR IMPACTS “Community Investment” on page 18.
- ✓ Please see OUR IMPACTS “Community Investment” on page 18.

Ranked #2 among the **Top 50 Employers** by *Minority Engineer* magazine.

Ranked #3 among the Top 50 as an employer that provides a **positive working environment** for members of minority groups by *Minority Engineer* magazine.

Ranked among the **Top Three Most Admired Companies** for minority engineers by *Black Engineer* magazine.

Ranked #8 among the Top 50 Employers by *Woman Engineer* magazine.

Ranked #9 as **Best Employer for Graduating Engineers** by *Black Collegiate* magazine.

Named to the **10 Best Corporations for Veteran Owned Businesses** by the National Veteran Owned Business Association.

Named among the Top 50 Companies for Diversity by *DiversityInc.* Northrop Grumman is the first defense contractor to receive this recognition.

Named among the **Top 50 Organizations for Multicultural Business Opportunities** by DiversityBusiness.com.

Ranked as one of the **Top 12 Green IT organizations in 2010** by *Computerworld* magazine

Named among the **Top 100 Corporations Providing Opportunities for Hispanics** by *Hispanic Network* magazine.

Corporation of the Year Award from the Association of Philanthropists.

Corporation of the Year Award from the Minority Enterprise Executive Council.

Outstanding Workforce Investor Award from the Louisiana Workforce Commission.

Outstanding Corporation Award from the Los Angeles Chamber of Commerce.

Outstanding Corporation Award from the Association of Fundraising Professionals of Greater Los Angeles.

“Outstanding Corporate Award” from the Veterans Foundation of America.

2010 Chief of Naval Operations
Environmental Award for sustainability.

Since 1995, Northrop Grumman Corporation has received 20 Nunn-Perry Awards.

Hoyt S. Vandenberg Award for contributions to the field of **aerospace education**, as presenting sponsor of CyberPatriot, from the Air Force Association (AFA).

Model for Excellence in Science Education for “Weightless Flights of Discovery Program” from the Center for Excellence in Education.

Black Engineer of the Year Supplier Diversity Award from Career Communications Group.

Enterprise Award for support of the Ability One Program that assists the severely blind and physically challenged, from Mount Vernon Lee.

SEED Award for Environmental Leadership for El Segundo and Redondo Beach, California, sites from the South Bay Business Environmental Coalition.

National Partnership for Environmental Priorities Award for reducing 1,2,4-Trichlorozone emissions at the Space Park, California, site.

Two Environmental Awards for perfect environmental compliance for two industrial wastewater permits in Newport News, Virginia, from Hampton Roads Sanitation District.

24 Waste Reduction Program Awards from California Integrated Waste Management Board: 12 consecutive awards at the El Segundo site, eight at the Redondo Beach facility and four at the Woodland Hills site.

LEED Silver Certification for Linthicum, Maryland, building from the U.S. Green Building Council Leadership in Energy and Environmental Design.



Statement GRI Application Level Check

GRI hereby states that **NORTHROP GRUMMAN CORPORATION** has presented its report "2010 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, 29 June 2011

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

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative



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 15 June 2011. GRI explicitly excludes the statement being applied to any later changes to such material.

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.

