



# *Investor Relations*

## Principles of Corporate Governance

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### **PRINCIPLES OF CORPORATE GOVERNANCE**

#### **I. Introduction**

The primary responsibility of the Board of Directors (the “Board”) of Northrop Grumman Corporation (the “Company”) is to foster the long-term success of the Company, promoting the interests of stockholders. In accordance with this objective, the Board has adopted these Principles of Corporate Governance (these “Principles”), which reinforce the Company’s values and provide for effective governance and responsible business practices. These Principles, together with the Company’s Certificate of Incorporation and Bylaws and charters of the committees of the Board, provide an overall framework for the Company’s governance.

The Board reviews these Principles at least annually to determine whether they should be modified in response to changed circumstances or legal or stock exchange requirements, or otherwise to be made more effective. Over the years, the Board has modified these Principles and will continue to do so if the directors believe that changes to these Principles will advance the interests of the Company’s stockholders. These Principles can be found in their entirety on the Company’s website ([www.northropgrumman.com](http://www.northropgrumman.com)) and are available in print to any stockholder who requests them.

#### **II. Board Responsibilities and Duties**

##### **A. Role of the Board**

The day-to-day business and affairs of the Company are conducted by its officers and employees, under the direction of the chief executive officer (the “CEO”) and the oversight of the Board. The Board is elected by the Company’s stockholders to maximize value over the long term by fulfilling the Board’s decision-making and oversight responsibilities. In discharging these responsibilities, directors are encouraged and expected to ask questions of and raise issues with management as part of their thorough and careful oversight.

##### **B. Director Responsibilities**

In fulfilling their decision-making and oversight responsibilities, directors shall exercise their business judgment in a manner that they reasonably believe to be in the best interests of the Company and its stockholders and in a manner consistent with their fiduciary duties. The decision-making responsibilities of the Board (and its committees) include, but are not limited to, the following:

- Electing directors to fill open Board positions between meetings of stockholders and evaluating offers of resignation from directors;
- Determining proposals to be voted upon by stockholders and responses to stockholder proposals;
- Adopting revisions to the Company's bylaws;
- Selecting the CEO and electing officers of the Company;
- Reviewing and approving executive compensation; and
- Reviewing and approving significant corporate actions including, but not limited to, significant capital utilization decisions, setting the dividend, mergers and acquisitions, significant filings with the SEC, and other actions as may be determined by the Chairman or the Lead Independent Director, or requested for Board consideration by the CEO, provided that the Board at its discretion may delegate certain decisions of this nature below established thresholds to the CEO.

The oversight responsibilities of the Board (and its committees) include, but are not limited to, the following:

- Oversight of the Company's long-term business strategies;
- Oversight of the Company's operations and performance;
- Oversight of major risks and risk management activities, including with regard to cyber and other security risks;
- Senior executive succession planning;
- Oversight and evaluation of performance by management and the Board;
- Oversight of the Company's ethics and compliance programs; and
- Providing advice and counsel to management.

Directors are expected to attend and participate in all meetings of the Board and of Board committees on which they serve and to spend the time needed to prepare for, and make informed decisions at, such meetings. It is expected that all directors will attend the annual meeting of stockholders.

### **III. Board Composition and Leadership**

#### **A. Independence of Directors**

1. Independence Objective and Requirements — It is the objective of the Board that at least 75% of its members qualify as independent directors, with such independence determined (i) under applicable listing standards of the New York Stock Exchange (the "NYSE"), and (ii) in accordance with the Company's categorical standards of independence set forth in clause 2 below. (Directors meeting such requirements are hereinafter referred to as "Independent Directors".)

The Board annually determines the independence of the directors based on a review by the directors and the Company's Governance Committee. In addition, the Independent Directors have an obligation to inform the Board of any material changes in their circumstances or relationships that may impact their independence.

2. Categorical Standards of Independence — A director may be found not to qualify as an Independent Director if he or she:

- Has within the prior three years been a director, executive officer or trustee of a charitable organization that received annual contributions from the Company exceeding the greater of \$1 million, or 2% of the charitable organization's annual gross revenues, where the gifts were not normal matching charitable gifts, did not go through normal corporate charitable donation approval processes or were made "on behalf of" a Company director;

- Has, or has an immediate family member who has, within the prior three years been employed by, a partner in or otherwise affiliated with any law firm or investment bank in which the director's or immediate family member's compensation was contingent on services performed for the Company or in which the director or immediate family member personally performed services for the Company and the annual fees paid by the Company during the preceding fiscal year exceeded the greater of \$1 million or 2% of the gross annual revenues of such firm; or
- Has, or has an immediate family member who has, within the prior three years owned, either directly or indirectly as a partner, stockholder or officer of another company, more than 5% of the equity of an organization that has a material business relationship with (including as a significant purchaser or supplier of goods or services), or more than 5% ownership in, the Company.

For purposes of this section, "immediate family" shall have the meaning set forth in the NYSE listing standards.

### **B. Chairperson of the Board**

The Company's Bylaws provide that the Board will designate a Chairperson from among its members. The Board believes that it is in the best interests of the Company and its stockholders for the Board to have the flexibility to determine the best director to serve as Chairperson of the Board based on relevant factors. The Chairperson presides at all meetings of the stockholders and the Board. The Chairperson shall interact directly with all members of the Board and assist the Board in fulfilling its responsibilities effectively.

### **C. Lead Independent Director**

If the Chairperson is not an Independent Director, the Independent Directors shall designate annually from among themselves a Lead Independent Director. The duties of the Lead Independent Director include the following:

- Subject to Section 3.03 of the Company's Bylaws, preside at all meetings of the Board at which the Chairperson is not present, including executive sessions of the Independent Directors, and advise the Chairperson and CEO on decisions reached, and suggestions made, at executive sessions;
- Provide the Chairperson with input as to the preparation of the agendas of the Board and standing committee meetings, taking into account the requests of the other Board and committee members;
- Advise the Chairperson on, and approve the schedule of, Board meetings to assure that there is sufficient time for discussion of all agenda items;
- Advise the Chairperson on and approve meeting agendas and the information sent to the Board;
- Interview, along with the Chairperson and the Chairperson of the Governance Committee, Board candidates to be put forth to the Board for nomination and election and make recommendations to the Governance Committee and the Board;
- Have the authority to call meetings of the Independent Directors;
- Serve as a liaison between the Chairperson and the Independent Directors; and
- Ensure that he or she is available for consultation and direct communication with major stockholders.

### **D. Board Size and Selection Process**

1. Board Size and Election — The size of the Board will be set in accordance with the Company's Certificate of Incorporation and Bylaws. Directors will be elected annually by the stockholders for a one-year term expiring at the annual meeting of stockholders following their election. Between annual meetings of stockholders, the Board has authority under the Company's Certificate of Incorporation and Bylaws to fill director vacancies and new director positions.

2. Evaluation of Nominees — Nominees for election will be evaluated by the Governance Committee. In evaluating potential candidates, the Governance Committee shall consider the following criteria (which shall be re-assessed from time to time):

- High personal and professional integrity;
- Relevant educational and professional background and experience;
- Contributions to the diversity of the Board and fulfillment of the diversity objectives of the Company;
- Ability to contribute towards the Company's objectives;
- Willingness to apply for (including to submit to a background check) and ability to obtain and retain a top secret security clearance; and
- Ability to represent the best interests of all stockholders.

3. Stockholder Nominees — Stockholders may recommend director candidates for consideration by the Governance Committee. Stockholder recommendations must be in writing and accompanied by a description of the proposed nominee's relevant biographical information and qualifications, how the nominee meets each of the criteria set forth above and an indication that the proposed nominee would consent to serving. The stockholder recommendation should be addressed to the Governance Committee in care of the Company's Corporate Secretary. The Governance Committee will evaluate candidates recommended by stockholders in generally the same manner as candidates identified through other means. Stockholders may also directly nominate Board candidates in accordance with the procedures set forth in the Company's Bylaws.

4. Board Nominees — The Board shall nominate for election as director only candidates who agree to tender, promptly following the annual meeting at which they are elected as director, resignations that will be effective upon (i) (A) the failure to receive the required vote at any future meeting at which they face re-election, (B) the failure to obtain a top secret security clearance within 12 months of election or appointment to the Board or (C) the failure to retain a top secret security clearance once obtained, and (ii) Board acceptance of such resignation. In addition, the Board shall fill director vacancies and new director positions only with candidates who agree to tender, promptly following their appointment to the Board, the same form of resignation tendered by other directors in accordance with this clause 4. A resignation tendered in accordance with clause 4(i)(A) must also provide that it may not be withdrawn unless the Board eliminates the Company's majority voting requirement in director elections (as further discussed in clause 5 below).

5. Effect of Failure to Receive Required Vote for Re-election or Failure to Obtain or Retain a Security Clearance — In accordance with the Company's Bylaws, if none of the Company stockholders provides the Company notice of an intention to nominate one or more candidates to compete with the Board's nominees in a director election, or if the stockholders have withdrawn all such nominations by the tenth day before the Company mails its notice of the annual meeting to stockholders, a nominee must receive more votes cast for than against his or her election or re-election in order to be elected or re-elected to the Board. If a nominee does not receive more votes cast for than against his or her re-election, if a director fails to obtain a top secret security clearance within 12 months of election or appointment to the Board or if a director fails to retain a top secret security clearance once obtained, the Governance Committee will consider whether the Board should accept a director's resignation submitted under clause 4 above and will submit a recommendation for prompt consideration by the Board. The Board expects any director whose resignation is under consideration to abstain from participating in any decision regarding that resignation. The Board will also request that all directors who are not Independent Directors abstain from participating in the decision regarding the resignation unless the Board determines that the participation of one or more of such directors is necessary under the circumstances. The Governance Committee and the Board may consider any factors

they deem relevant in deciding whether to accept a resignation, including, without limitation, (i) any harm to the Company that may result from accepting the resignation, (ii) the underlying reasons for the vote against the director (if applicable) and whether action in lieu of accepting the resignation would address those underlying reasons, and (iii) the reasons the director failed to obtain a top secret security clearance within 12 months of appointment or election or retain a top secret security clearance.

The Board will decide whether to accept or reject a resignation within 90 days following certification of the election results by the inspector of elections or failure to obtain or retain a top secret security clearance, unless the Board determines that compelling circumstances require that the Board take additional time to consider the resignation.

#### 6. Change in Job Responsibilities

When a director's principal occupation or business associations change substantially during his or her tenure as a director, the Board expects that director to tender his or her resignation for consideration by the Governance Committee and the Board. The Governance Committee will recommend to the Board the action, if any, to be taken with respect to the offer of resignation. Any director who is also an employee of the Company is required to submit his or her resignation for consideration by the Board to be effective at the time that he or she terminates his or her employment with the Company.

#### **E. Board Membership and External Relationships**

While the Company recognizes the importance of having directors with significant experience in other businesses and activities, directors are required to ensure that other commitments, including for example, other board memberships, employment, partnerships and consulting arrangements, do not interfere with their duties and responsibilities as members of the Board.

Directors shall provide notice to the General Counsel prior to accepting an invitation to serve on the board of any other organization (publicly traded, for-profit or non-profit). The General Counsel will advise the Chairperson of the Governance Committee (or Chairperson of the Board, if notice is from the Chairperson of the Governance Committee). A director should not accept service on such other board until being advised by the Chairperson of the Governance Committee (or Chairperson of the Board, as appropriate) that such engagement will not create unacceptable conflicts of interest or regulatory issues, conflict with Company policies, or otherwise interfere with the director's duties and responsibilities as a member of the Board.

Directors shall also promptly inform the General Counsel if an actual or potential conflict of interest arises, or they are concerned that a conflict may arise or circumstances exist that could otherwise interfere with their duties and responsibilities as a director. The General Counsel will consult with the Chairperson of the Governance Committee, Chairperson of the Board and/or Lead Independent Director, as appropriate. Directors shall seek to avoid even an appearance of a conflict of interest. Directors shall recuse themselves from any discussion or decision that will or could reasonably be expected to affect their personal, business or professional interests.

Directors should not serve on more than three other boards of publicly traded companies in addition to the Board without the written approval of the Chairperson of the Governance Committee (or Chairperson of the Board, as appropriate). A director who is a full-time employee of the Company may not serve on the board of more than one other public company unless approved by the Board. Directors who are full-time employees of the Company must obtain the approval of the Governance Committee prior to accepting an invitation to serve on the board of any other public company, for-profit company or non-profit organization.

#### **F. Retirement Policy**

The Company has a retirement policy whereby a director will retire at or before the annual meeting following his or her 75th birthday unless the Board determines, based on special circumstances, that it is in the Company's best interests to request that the director serve beyond such date.

#### **IV. Board Operations and Meetings**

##### **A. Board Committees**

The Board has established the following four standing committees to assist it in effectively discharging its responsibilities: Audit Committee, Compensation Committee, Governance Committee and Policy Committee. Each of the four standing committees consists solely of Independent Directors. The membership of these committees is usually determined at the organizational meeting of the Board held in conjunction with the annual meeting of stockholders.

The Board, with recommendations from the Governance Committee, appoints the members and chairperson of the committees. These appointments are based on the skills, experience and other qualities of each individual director in relation to the requirements of the particular committee. Committee membership is reviewed annually and members are rotated as appropriate. Each standing committee has its own charter which sets forth the purposes, goals and responsibilities of the committee and is reviewed annually. The charters are published on the Company's website.

The Board may, from time to time, establish and maintain additional standing or ad hoc committees as it deems appropriate. Other Board members may attend the Committee meetings at the invitation of the Committee Chairperson.

##### **B. Board and Committee Meetings and Telephonic Attendance**

The Board periodically holds meetings at Company locations other than the Company's corporate office to provide the directors with an in-depth review of the business at that location, a first-hand view of operations and an opportunity to interact with local management.

Committee meetings are held in accordance with each committee's charter. Committee chairpersons report to the Board on the items discussed and actions taken at meetings held since the last Committee report to the Board. The Chairperson will decide whether telephonic attendance at regular Board meetings is permissible because of special or extenuating circumstances. Similarly, with respect to committee meetings, the chairperson of the committee shall determine whether telephonic attendance is permissible.

On an annual basis, the Board holds an extended meeting to review the Company's long-term strategy. In addition, at least annually the Chairperson shall provide the Board with a schedule of the expected major agenda topics for the upcoming year.

##### **C. Executive Sessions**

The Board meets in executive session (with the directors only and with the Independent Directors only) following each in-person Board meeting and on other occasions as needed. The non-executive Chairperson or the Lead Independent Director presides over the executive sessions of the Independent Directors. The Audit Committee regularly meets in executive session separately, with individual members of management and with the independent auditor. The Compensation Committee also meets in executive session on a regular basis. All other committees are given the opportunity to meet in executive session as they deem necessary.

##### **D. Board and Committee Meeting Agendas**

The Chairperson, in consultation with the Lead Independent Director, if any, and committee chairpersons, will establish the agenda for each Board meeting. Any other member of the Board is free to suggest the addition of any other item(s). The chairpersons of the committees will coordinate committee meeting agendas with appropriate members of management. Other committee members are free to suggest additional agenda items.

Materials and information relevant to each meeting of the Board or committee will be distributed in advance of the meeting to the extent appropriate.

#### **E. Confidentiality**

The proceedings and deliberations of the Board and its committees are confidential. Each director shall maintain the confidentiality of all proprietary, privileged or otherwise protected information obtained in connection with his or her service as a director.

#### **F. Director Access to Management and Outside Advisors**

The Company will provide each director with access to the management and employees of the Company. However, the directors shall not give direction to management, other than through the CEO. The Board shall also have access to outside advisors and shall at its discretion retain independent outside advisors at the Company's expense.

The Board should be entitled to rely on the honesty and integrity of the Company's senior management and its outside advisors and auditors.

#### **G. Board Communication with Stakeholders and the Media**

The Board recognizes that the long-term interests of the Company and its stockholders are advanced when they take into account the concerns of interested third parties or stakeholders, including employees, customers, business partners, local communities, government officials and the public at large. It is the policy of the Company that it speak with a single voice. The CEO is responsible for establishing effective communications with the Company's stakeholders. Individual Board members should avoid making public comments or communicating with the press, securities market professionals, stockholders (except as provided for in III(C)) or other security holders concerning matters involving the Company without the prior authorization of the CEO.

Any interested person may communicate with any of the directors or the Board as a group through the Corporate Secretary by writing to the following address: Office of the Corporate Secretary, Northrop Grumman Corporation, 2980 Fairview Park Drive, Falls Church, VA 22042. The Corporate Secretary will forward correspondence to the director or directors to whom it is addressed, except for job inquiries, surveys, business solicitations or advertisements and other inappropriate material. The Corporate Secretary may also forward certain correspondence elsewhere within the Company for review and possible response.

#### **V. Director Common Stock Ownership and Compensation**

##### **A. Director Common Stock Ownership**

To encourage directors to have a direct and significant investment in shares of common stock of the Company, each year directors who are not employees are awarded an annual equity grant in the form of deferred stock units that are placed in a deferred stock unit account. The annual equity grant vests on the one year anniversary of the grant date. The annual equity grant that is deferred is paid out in the form of shares of common stock as specified by the director on (A) the earlier of (i) the beginning of a specified

calendar year after the vesting date or (ii) termination of his or her service on the Board, or (B) the vesting date. Each director may also elect to defer payment of all or a portion of his or her annual cash retainer and other annual committee retainer fees into a deferred stock unit account. These elective stock units are paid at the conclusion of his or her service on the Board or at the beginning of a specified calendar year as specified by the director. Directors also may elect to defer to a later year all or a portion of their remaining annual cash retainer and any other fees payable for their service on the Board into alternative investment options similar to the options available under the Company's Savings Excess Plan.

All directors are required to own common stock of the Company in an amount equal to five times the annual cash retainer, with such ownership to be achieved within five years of the director's election to the Board. Deferred stock units and Company stock owned outright by the director will count towards that requirement.

## **B. Director Compensation**

The Compensation Committee reviews and recommends to the Board non-employee director compensation in accordance with the policies and principles set forth in its charter and as required by applicable listing standards of the NYSE. The Compensation Committee consults with outside advisors to design a compensation package that is appropriate for attracting quality individuals to serve on the Board.

## **C. Director Trading and Hedging Restrictions**

Under the Company's Insider Trading Policy, directors and officers (1) are prohibited from trading in Company securities while aware of material, nonpublic information about the Company; (2) must obtain permission from the Corporate Secretary prior to trading in Company securities; (3) may only trade during an "open window" period; and (4) are prohibited from engaging in hedging transactions with respect to any of their Company stock or pledging any of their Company stock.

## **VI. Leadership Evaluation and Development**

### **A. CEO Performance Evaluation**

The Compensation Committee evaluates the performance of the CEO on an annual basis based on a specific set of performance goals and objectives and reports its results to the Independent Directors for final determinations. The Compensation Committee shall propose the CEO's compensation based on such evaluation and shall recommend the CEO's compensation to the Independent Directors for approval (or in the case of equity incentive compensation awards, ratification).

### **B. Succession Planning**

Senior members of management are invited to make presentations to the Board or committees to provide management insight into items being discussed by the Board or committees and to bring managers with high potential into contact with the Board. In addition, pursuant to part IV.F above, Board members always have access to other members of management and employees of the Company.

The Board believes that providing for continuity of leadership is critical to the success of the Company. Therefore, processes are in place:

- Annually to evaluate the CEO based on a specific set of performance goals and objectives;
- For the CEO annually to provide the Compensation Committee with a review of succession plans and assessment of persons considered potential successors to senior management positions and report and discuss the results of these reviews with the Board; and

- To support continuity of top leadership and CEO succession, including through annual reports to the Board by the Compensation Committee.

### **C. Director Orientation and Continuing Education**

All new directors receive an orientation, which is individually designed for each director taking into account his or her experience, background, education and Board committee assignments. This orientation includes one-on-one meetings with senior management and written materials on the Company and its products and operations. Directors are also encouraged periodically to attend, at the Company's expense, director continuing education programs.

### **D. Annual Self-Evaluation by the Board and Committees**

The Governance Committee will oversee an annual self-evaluation of the Board and its Committees. The Board will consider how the Board has operated and performed. Following this review, the Board will discuss the results and identify opportunities for improvement, including steps necessary to implement such improvements. Also as part of the annual self-evaluation process, each director will complete an individual director evaluation for each of the other directors. The Lead Independent Director or the Chairperson will meet with each director on an individual basis to discuss the results of his or her assessment. Each Committee will also conduct an annual self-evaluation. Following this evaluation, each Committee will develop and implement a list of action items, as appropriate.

## **VII. Integrity of the Board and Management**

### **A. Standards of Business Conduct and Company Policies**

Ethics, values and compliance are central to the Company's identity and performance. The Board requires all directors, officers, employees and representatives to act with integrity and to maintain high ethical standards at all times.

The Company has adopted Standards of Business Conduct and various policies that apply to all directors, officers, employees, consultants, agents, contract labor and others who represent the Company. Directors are required to comply with the Standards of Business Conduct and all other applicable Company policies. The Standards of Business Conduct are available on the Company's website.

### **B. Related Person Transactions**

The Board has adopted a policy that requires that any transaction between the Company and any "related person" where the amount involved is more than \$120,000 and in which the related person had, has or will have a direct or indirect material interest be disclosed to the Company's General Counsel or Corporate Secretary. Related persons must also disclose any transaction where the amount involved is less than \$120,000 if the related person reasonably believes that the transaction could create the appearance of a conflict of interest or otherwise could be viewed as not being in the best interests of stockholders. (A "related person" is a director, executive officer, director nominee, any member of the immediate family of the aforementioned persons, and any beneficial holder of greater than 5% of any class of Company securities.) The Governance Committee, or the Chairperson of the Governance Committee for certain transactions, will review the transaction and determine whether the transaction is in the best interests of the Company and its stockholders. If it is, the Governance Committee may recommend the transaction for approval by the Board. The Board has delegated authority to the Chairperson of the Governance Committee to review and approve the following transactions:

- Transactions in the ordinary course with another company or charitable or non-profit organization with which the related person's interest derives solely from his or her employment or other position that does not involve policy-making decisions with such company or organization, and the related person is not directly involved in the transaction, if the aggregate amount involved does not exceed the greater of \$1,000,000 per year or 2 percent of that company's total annual revenues and the related person does not have a personal interest in the transaction;
- Charitable contributions, grants or endowments by the Company to a charitable organization, foundation or university, with which a related person's only relationship is as an employee or director, if the aggregate amount involved does not exceed the greater of \$1,000,000 per year or 2 percent of the charitable organization's total annual revenues;
- Transactions in the ordinary course related to services provided by a related person to the Company's benefit plans; provided such services are (1) approved by the Investment Committee and/or Administrative Committee; and (2) not paid for by the Company directly; and
- Other transactions where the General Counsel or Corporate Secretary determine it is impractical or undesirable to wait until a meeting of the Governance Committee to submit a related person transaction for approval.

As amended May 15, 2019

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