

**Corporate Social Responsibility Report**  
**EXECUTIVE SUMMARY**

**2007**

***NORTHROP GRUMMAN***

DEFINING THE FUTURE

*Following is the Executive Summary of Northrop Grumman Corporation's 2007 Corporate Social Responsibility Report. Click on each section heading to link to the full report or view individual sections.*

## 2007 CORPORATE SOCIAL RESPONSIBILITY REPORT

Northrop Grumman is publishing its first Corporate Social Responsibility Report because reporting on environmental and social performance has become as routine and necessary as financial reporting.

The 2007 report covers five major areas: Ethics and Governance, Valuing People, Supply Chain Management, Community and Environment.

With the goal of ongoing annual editions, this first report establishes baseline data for reporting the company's environmental and social performance. In order to offer a comprehensive context and better perspective, this first report includes 2007 data and, in selected places, figures from 2005 and 2006.

For reporting standards, Northrop Grumman followed a template developed by the Global Reporting Initiative (GRI), an independent, third-party organization.

### LETTER FROM THE EXECUTIVE OFFICE

The goal of this Corporate Social Responsibility Report is simple: to communicate Northrop Grumman's commitment to social responsibility and the company's direction and growth as a socially conscious enterprise. At Northrop Grumman, we understand and take seriously the environmental and social components of operating our business, and we wholeheartedly embrace these responsibilities.

As a company, we will apply our creativity, integrity and innovation to solving problems in our communities and improving the environment. We are serious about integrity and responsibility in everything we do at Northrop Grumman.

We welcome your feedback on our 2007 Corporate Social Responsibility Report.

### OUR COMPANY AT A GLANCE

Northrop Grumman is a \$32 billion global defense and technology company that provides innovative systems, products and solutions to government and commercial customers. With our corporate leadership in Los Angeles and 120,000 employees worldwide, Northrop Grumman is comprised of four business areas: Information & Services, Aerospace, Electronics and Shipbuilding.



## OUR ETHICS AND GOVERNANCE

At Northrop Grumman, integrity is at the heart of everything we do. Our principles of corporate governance go hand-in-hand with the corporate values that guide us in dealings with employees, customers, suppliers and shareholders. Our commitment to ethics maintains the balance between ensuring our corporate integrity, fostering long-term success and representing the interests of our shareholders.

### HIGHLIGHTS

- **OVERALL** – The foundation and guiding tenet of our ethics and governance policy is a commitment to the company's values: quality and customer satisfaction, leadership and integrity and valuing people and suppliers.
- **OPENLINE** (1-800-247-4952) – In 2007, the Corporate Office of Ethics and Business Conduct improved the OpenLine process and created a company-wide Case Tracking System. This allows the company to track OpenLine calls by total number and type of contacts, by sector, by allegations with and without merit, and by disciplinary action rendered.
- **ETHICS AND COMPLIANCE INVESTIGATIONS** – In 2007, Northrop Grumman Corporation investigated 509 cases of alleged internal governance malfeasance. In these investigations, the company took various disciplinary actions, up to and including termination of 36 employees for ethics and business conduct violations. These results only reflect cases addressed through the OpenLine process.
- **2008 AREA OF FOCUS** – Increase awareness of OpenLine and online reporting that provides 24-hour coverage with a third-party call center open every day of the year.

### VALUING PEOPLE

At Northrop Grumman, we treat each other with respect and dignity. We are committed to openness, collaboration and trust in our work relationships. We are creating a working environment where we foster inclusion, value diversity and leverage innovation. We will continue to develop inclusive leaders who provide a workplace where individuals can develop and do their best work.



## HIGHLIGHTS

- **EMPOWERING WOMEN** – In September 2007, Northrop Grumman hosted its second Women's Conference attended by more than 500 women from across the corporation.
- **FOSTERING INCLUSION** – In 2007, we expanded Employee Resource Groups (ERGs) across the corporation.
- **DIVERSITY** – By the end of 2007, we achieved a workforce comprised of 26.13 percent women and 31.25 percent minorities.
- **2008 AREA OF FOCUS** – To achieve our vision of a diverse and inclusive workplace, the company will continue to support and develop partnerships with the National Society of Black Engineers, the Society of Hispanic Professional Engineers, the Society of Women Engineers, the American Indian Science and Engineering Society, and other professional associations.

## SUPPLY CHAIN MANAGEMENT

Our company values extend to our broad and diverse base of more than 19,500 suppliers. We consider our suppliers valued members of our team. In partnership, we cannot and will not accept poor practices from suppliers, whether human rights and labor practices, diversity, quality, occupational health and safety or the environment. With \$9.7 billion in procurement in 2007, integrating our values into our supply chain is a complex, daunting and absolutely critical responsibility.

## HIGHLIGHTS

- **ONE NORTHROP GRUMMAN** – In 2005, Northrop Grumman instituted a major change to our supply chain management focus: One Northrop Grumman. The goal: improving our supply chain relationships, providing a competitive advantage, satisfying customers and, ultimately, improving financial performance.
- **FOSTERING RELATIONSHIPS** – In 2007, Northrop Grumman forged 28 Mentor-Protégé agreements (compared to 19 in 2006) and subcontracted more than \$21.8 million to those protégés in 2007 (compared to \$6.4 million to protégés in 2006). Northrop Grumman also subcontracted more than \$5 million to historically black colleges and universities and minority institutions (\$8.8 million in 2006).
- **2008 AREA OF FOCUS** – Continue to maintain and improve upon the policy and structural changes that occurred within the company management structure.



## BUILDING PARTNERSHIPS FOR STRONGER COMMUNITIES

We are a company driven by values. We embrace the responsibility of unifying our employees toward common goals. That includes our collective commitment to the communities in which we operate. We believe in volunteer service and collaboration. We believe in building strong communities that, in turn, create a better world.

### HIGHLIGHTS

- **HOW WE GIVE** – In 2007, Northrop Grumman Corporation contributed \$24 million in total philanthropic donations (compared to \$21.1 million in 2006) through the company's Charitable Giving Program.
- **EMPLOYEE GIVING** – Additionally in 2007, Northrop Grumman's 120,000 employees personally gave more than \$7 million through internal vehicles such as United Way, gifts to education, the Employees Charitable Organization (ECHO, a separate non-profit), holiday giving programs and employee volunteerism.
- **BUILDING PARTNERSHIPS** – In 2006, we created and launched a corporate-wide community involvement brand – Building Partnerships for Stronger Communities – that reflects what we believe: The power of one, multiplied by many, equals the potential of an entire community.
- **BOOSTING EDUCATION** – In 2007, nearly 450 educators, from 20 states, convened in eight cities for the Northrop Grumman-sponsored "Weightless Flights Of Discovery."
- **SUPPORTING TROOPS** – In 2007, numerous volunteers from four Northrop Grumman sectors supported the USO with Operation Care Package and helped assemble 10,000 care packages for the troops.
- **2008 AREA OF FOCUS** – The company will make a particular emphasis of support to education and especially the STEM areas (science, technology, engineering and math), including middle school teachers and programs.

## ENVIRONMENTAL, HEALTH AND SAFETY STEWARDSHIP

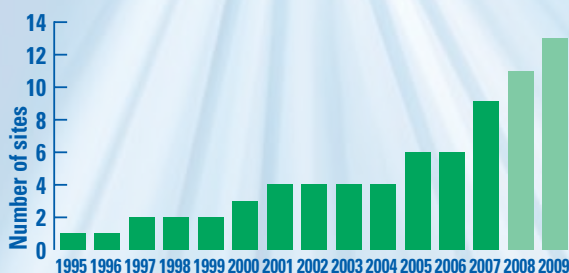
To reduce our environmental footprint and to protect the health and safety of our employees, we translate our values into actions. We do this for the health of our employees, customers, visitors and communities, and to increase our competitiveness. We empower and rely on executives, managers, supervisors and employees who each ensure that we integrate environmental, health and safety considerations into our daily work regimens.



## HIGHLIGHTS

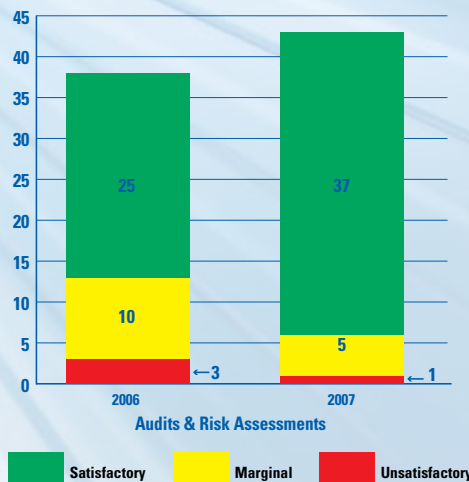
- **OVERALL** – To direct and oversee the company’s EHS stewardship, we rely on the EHS Leadership Council, which is comprised of senior EHS leaders from the corporate office and each of the business sectors. In 2007, the Leadership Council established two new metrics for energy and water consumption.

### Number of OSHA VPP Certified Sites



Nine Northrop Grumman sites are now participants in OSHA’s Voluntary Protection Program. Newport News has been a certified Star site since 1995, and is the largest such site in the U.S.

### Northrop Grumman Audit Performance Total



## SAFETY PERFORMANCE

**TOTAL CASE RATE:** The total number of occupational injury and illness cases requiring treatment beyond first aid per 100 employees (the Total Case Rate) declined from 5.28 per 100 employees in 2004 to 3.39 per 100 employees in 2007, a 36 percent reduction.

**INJURY AND ILLNESS RATE:** In 2004 there were 6,094 documented cases, whereas in 2007 the number of injury/illness cases dropped to 4,180, a 31 percent reduction.

**DAYS AWAY FROM WORK RATE:** The Days Away from Work Case Rate (the total number of lost-work-day cases per 100 employees) dropped from 1.66 per 100 employees in 2004 to 1.22 per 100 employees in 2007, a 27 percent reduction.

- **2008 AREA OF FOCUS** – For 2008, to build on our continually increasing commitment to environmental performance, we’ve established the following goals:
  1. Add electric and water consumption metrics and develop a data collection tool.
  2. Measure our greenhouse gas footprint.
  3. Evaluate the establishment of a greenhouse gas reduction goal.



**Corporate Social Responsibility Report**

**2007**



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**REPORT STRUCTURE** This 2007 edition of the Corporate Social Responsibility Report is Northrop Grumman's first and, therefore, establishes baseline data for reporting our environmental and social performance. This report strengthens our approach to open, voluntary and transparent disclosure. The report covers five major areas: Ethics and Governance, Valuing People, Supply Chain Management, Community and Environment. In order to offer a comprehensive context and better perspective, this edition will include the 2007 data and, in selected places, figures from 2005 and 2006.

For reporting standards, Northrop Grumman followed a template developed by the Global Reporting Initiative (GRI), created by an independent, third-party organization with the vision that corporate reporting on environmental and social performance will become as routine and necessary as financial reporting. Northrop Grumman supports that vision. To learn more about the GRI, visit [www.globalreporting.org](http://www.globalreporting.org).

Northrop Grumman Corporation and its subsidiaries' names, abbreviations thereof, logos, and product and service designators are all either the registered or unregistered trademarks, or trade names, of Northrop Grumman and its subsidiaries.

Some photographs in this report are provided as graphic enhancements to subjects, topics and texts. They do not depict actual Northrop Grumman Corporation facilities, employees or their family members.

## Letter from the Executive Office



The goal of this Corporate Social Responsibility Report is simple: to communicate Northrop Grumman's commitment to social responsibility and the company's direction and growth as a socially conscious enterprise. As business practices evolve, one thing has become clear: We are all interconnected. Whether a corporation, small supplier or individual contributor, none of us operates in isolation. Decisions and actions from within every Northrop Grumman facility affect our employees, our suppliers, our customers, our communities and our environment. Everything each of us does affects our broader world.

At Northrop Grumman, we understand and take seriously the environmental and social components of operating our business, and we wholeheartedly embrace these responsibilities.

As a company, our vision is to be the most trusted provider of systems and technologies that ensure the security and freedom of our nation and its allies. We will also be applying our creativity, integrity and innovation to solving problems in our communities and improving the environment.

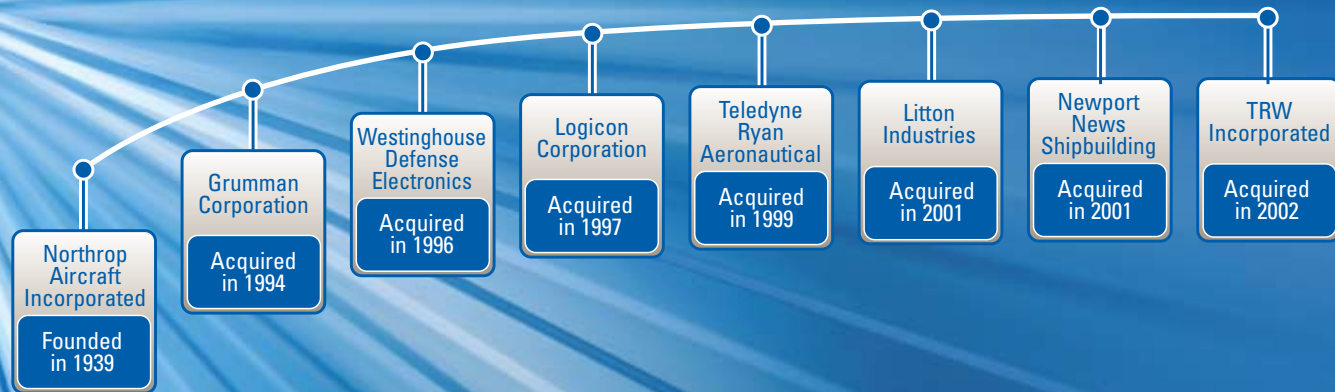
Northrop Grumman has long operated on the values, principles and practices discussed throughout this report. In practicing these values, we demonstrate leadership and innovation, and act with integrity in all that we do, treating each other – employees, shareholders, customers, our communities and our suppliers – with respect. This values-driven approach is interwoven within our company's long heritage and will continue to be key in defining the future.

We are committed to integrity and responsibility in everything we do at Northrop Grumman. We welcome your feedback on our 2007 Corporate Social Responsibility Report.

Ronald D. Sugar  
Chairman and Chief Executive Officer  
Northrop Grumman Corporation

Wesley G. Bush  
President and Chief Operating Officer  
Northrop Grumman Corporation

► **OUR COMPANY AT A GLANCE**



**NORTHROP GRUMMAN ACQUISITIONS HIGHLIGHTS**

With an advanced-technology heritage that began with building oceangoing vessels in 1886 and continues on to spacecraft that have left the solar system and systems that move at the speed of light, Northrop Grumman is a place of historic accomplishments and future possibilities. Today's Northrop Grumman is an enterprise built through the integration of more than 20 marquee heritage companies operating in four key business areas: Information & Services, Aerospace, Electronics and Shipbuilding.

Welcome to our company and to this first edition of our Corporate Social Responsibility Report.

## OUR VISION

Our vision is to be the most trusted provider of systems and technologies that ensure the security and freedom of our nation and its allies. As a technology leader, we will define the future of defense, from undersea to outer space, and in cyberspace. We will also:

1. CONDUCT OURSELVES WITH INTEGRITY AND LIVE OUR COMPANY VALUES
2. DELIVER SUPERIOR PROGRAM PERFORMANCE
3. FOSTER AN INTERNAL ENVIRONMENT OF INNOVATION, COLLABORATION AND TRUST

In so doing, Northrop Grumman will become our customers' partner of choice, our industry's employer of choice, and our shareholders' investment of choice.

## 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 will 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 that 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.

## OUR FIVE KEY BEHAVIORS

### 1. LIVE THE COMPANY VALUES

The company values are listed on every employee's badge – Quality, Customer Satisfaction, Leadership, Integrity, People and Suppliers. Integrity must characterize everything we do. We want everyone who comes in contact with us to know that we do things the right way at Northrop Grumman. We don't take shortcuts.

### 2. FOCUS ON OPERATING EXCELLENCE

Northrop Grumman is very well-positioned strategically. We must focus on program performance to deliver on the full operating and financial potential of our company.

### 3. ACT WITH SPEED

Northrop Grumman is a much larger company today than we were. With this increased size comes the challenge of operating in a timely fashion. We must avoid bureaucratic delays. We must be agile enough to act faster than our competitors. This "small company" behavior has characterized Northrop Grumman all along, and is one we must continue.

### 4. COMMUNICATE OPENLY

We want good news to travel fast, and bad news to travel even faster, up the line. We need to be mindful of the importance of honestly communicating problems as well as breakthroughs. The sooner we communicate a problem, the easier it is for us to marshal our company's resources to solve it.

### 5. COLLABORATE ACROSS THE COMPANY

Northrop Grumman's power comes from the talented people who make up our company. By cooperating and sharing our knowledge with each other seamlessly across organizations, we can make our company even stronger.

## OUR COMPANY AND PRODUCTS

Northrop Grumman is a \$32 billion global defense and technology company that provides innovative systems, products and solutions to government and commercial customers. With our corporate headquarters in Los Angeles and 120,000 employees worldwide, four business areas comprise Northrop Grumman:

### INFORMATION & SERVICES

Develops systems and solutions that deliver timely information for military, intelligence, federal, state and local government, and commercial customers. Sectors include:

**Information Technology:** Delivers full-life-cycle solutions that meet mission, enterprise and

BY THE NUMBERS 2007 (\$ in millions except per share)	
Sales	\$32,018
Operating Margin	\$3,006
Income from Continuing Operations	\$1,803
Net Income	\$1,790
Cash from Continuing Operations	\$2,904
EPS Basic	\$5.24
Average Common Shares Outstanding	341.7
EPS Diluted	\$5.12
Average Diluted Shares Outstanding	354.3

Fortune 500 – Number 73, based on revenue

infrastructure needs in information systems and services, C4ISR, strategic security, engineering and science, training and simulation, base and range operations, and enterprise IT solutions and products.

**Mission Systems:** Integrates complex, mission-enabling systems. The sector's technology leadership spans command, control and communications, intelligence, surveillance and reconnaissance.

**Technical Services:** Provides life-cycle solutions and a foundation for long-term technical services. Key areas of focus include support services for Northrop Grumman original equipment manufacturer products, non-platform service opportunities, and third-party product support opportunities.

## AEROSPACE

Develops, integrates, produces and supports manned and unmanned aircraft, spacecraft, high-energy laser systems, microelectronics and other systems and subsystems critical to maintaining the nation's security and leadership in science and technology. Sectors include:

**Integrated Systems:** Develops and supports network-enabled integrated systems and subsystems for U.S. government, civil and international customers. This sector also supports the military with intelligence, surveillance and reconnaissance, battle management command and control, and integrated strike warfare.

**Space Technology:** Develops a broad range of systems for space, defense, missiles and electronics technology. The sector is a leader in military and civil space systems, satellite payloads and advanced technologies from high-power lasers to high-performance microelectronics.

## ELECTRONICS

Provides airborne radar, navigation systems, electronic countermeasures, precision weapons, airspace management systems, space systems, marine and naval systems, communications systems and government systems. Northrop Grumman radars, electro-optical, electronic countermeasures and communications systems have flown on more than 45,000 military and public safety aircraft worldwide.

## SHIPBUILDING

Northrop Grumman is the nation's sole industrial designer and builder of nuclear-powered aircraft carriers and one of only two companies that design and build nuclear-powered submarines. The business is also one of the nation's leading providers and life-cycle supporters of major surface ships for the U.S. Navy, U.S. Coast Guard, international navies and commercial vessels. In addition, our after-market maintenance and repair services support a wide array of naval and commercial vessels.

Key vessels include the George H.W. Bush nuclear-powered Nimitz-class aircraft carrier; the next-generation Gerald R. Ford-class aircraft carrier; the Virginia-class nuclear attack submarine; the Arleigh Burke DDG 51-class Aegis guided missile destroyer; transformational surface combatant DDG-1000 Zumwalt-class ships; the LPD 17 San Antonio-class amphibious transport dock ship; and Coast Guard cutters, associated boats and rotary aircraft all linked through advanced C4ISR technologies.

## RECOGNITION

**Federal Government IT Company of the Year,** Frost & Sullivan, 2005.

**Department of Defense:** Third-largest dollar volume of prime contracts awarded.

**Department of Defense:** Best Value Gold Medal Supplier award.

**NASA George M. Low Award:** For demonstrated excellence and outstanding technical and managerial achievements in quality and performance.

A total of 38 Capability Maturity Model Integration Level 5 awards for commercial and defense industry best practices for software, which is the most by any company in defense and information technology.

**Federal Computer Week – Top 20 Federal Systems Integrators** Number 1, based on procurement data.

**Washington Technology – Top 100 Federal Prime IT Contractors** Number 3, based on IT revenue.

**Government Executive – Top 200 Federal Contractors** Number 3, based on procurement data.

**Space News – Top 50 Space Industry Manufacturing and Services** Number 3, based on industry sales.

**Defense News – Top 100 Defense Companies** Number 4, based on revenue.

## ► OUR ETHICS AND GOVERNANCE



**At Northrop Grumman, integrity is at the heart of everything we do. Our principles of corporate governance go hand-in-hand with the corporate values that guide us in dealings with employees, customers, suppliers and shareholders. Our commitment to ethics maintains the balance between ensuring our corporate integrity, fostering long-term success and representing the interests of our shareholders.**

### ETHICS AND LEADERSHIP

Ethics is everybody's business at Northrop Grumman, from the Board of Directors to executive leaders and each employee. Our focus on high ethical standards goes far beyond compliance. Ethics and integrity are woven into the fabric of our operations across the enterprise, and our leaders lead through example, training and communication at every level of the company. All employees thereby become leaders of sound ethical behavior in the decisions they make and actions they take each day on behalf of Northrop Grumman.

### PRINCIPLES OF CORPORATE GOVERNANCE

The foundation and guiding tenet of our ethics and governance policy is a commitment to the company's values: quality and customer satisfaction, leadership and integrity and valuing people and suppliers.

The Board of Directors is responsible for governance oversight. By policy, the Board of Directors must have a membership comprising at least 75 percent "independent directors." These individuals cannot have a vested interest in the company, whether familial, fiduciary or posing any other potential conflicts of interest.

The primary responsibility of the Board of Directors is to both foster the long-term success of Northrop Grumman and represent the interests of the shareholders.

In accordance with this philosophy, the Board of Directors abides by the "Principles of Corporate Governance" that reinforces the company's values. The Board of Directors meets annually to review long-term strategy for each of the company's businesses and the company as a whole. The Board of Directors also annually reviews the governance principles and seeks ways to improve and modify them based on evolving circumstances. In 2007, there were no major changes to governance systems or structures.

### STANDARDS OF BUSINESS CONDUCT

In 1986, Northrop Grumman was an original signatory to the "Defense Industry Initiative on Business Ethics" and first published its own "Standards of Business Conduct" based on that template. Every Northrop Grumman employee receives a copy of the "Standards of Business Conduct."

The principles outlined provide a foundation for operating each day with the highest ethical standards. These "Standards of Business Conduct" apply to everyone within the company, regardless of position

or level of responsibility, and they extend to all non-employees who act on behalf of Northrop Grumman in any capacity. In short, our belief is that each person is responsible for his or her individual integrity and the consequences of all actions.

All employees receive ongoing ethics awareness training. Additionally, employees receive compliance training on selected topics through interactive video, live presentations and printed publications. Northrop Grumman also communicates the ethics message through corporate and sector websites, presentations, and lesson-plan kits for managers on shared values, newsletters and the integration of ethics into leadership training.

### OUR REPORTING STRUCTURE

In 2007, each of Northrop Grumman's business sectors, along with the Corporate Office, had a lead business conduct officer who indirectly reported to the corporate director of ethics and business conduct. The corporate director, in turn, reported to the vice president of corporate responsibility, who reported to the president and chief operating officer. The ethics office reports quarterly to the Audit Committee of the Board of Directors and annually to the Compliance, Public Issues and Policy Committee of the Board of Directors.

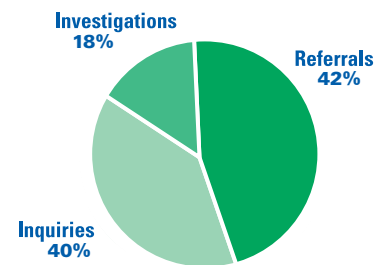
## CORPORATE GOVERNANCE IN 2007

### Our Major Areas of Concentration

#### OPENLINE - 1-800-247-4952

The Corporate Office of Ethics and Business Conduct maintains a nationwide, toll-free phone number for anyone seeking guidance on ethics or business conduct, and for reporting suspected violations. The department also maintains an online reporting system in addition to the toll-free number.

**Total 2007 OpenLine Contacts = 2,875**



In 2007, improvements were made to the OpenLine process, including the creation of a company-wide case tracking system. This system allows the company to track OpenLine calls by total number and type of contacts, by sector, by allegations with and without merit, and by disciplinary action rendered.

#### SPREADING THE WORD

In 2007, the company began publishing OpenLine results each quarter. The company continues to emphasize the ethics message in two brochures distributed to all employees: Vision, Values and Behaviors and When to Challenge, When to Support. Employees receive both brochures from their managers, who also receive a supporting lesson plan. This booklet shows managers how to create an ethical and vibrant work climate by building trust. In addition, all employees receive regular ongoing communication from managers, company leaders and the Executive Office including an annual email message from the CEO.

#### ETHICAL LEADERSHIP

To ensure that a strong ethical culture continues to thrive throughout the organization, a key segment of the company's management development program, Lead1NG, is devoted to ethics. In these training programs leaders learn how to maintain and reinvigorate sound ethical behavior among their employees.

#### EMPLOYEE ENGAGEMENT

The ethics organization conducted its first company-wide poster contest that engaged employees in a "Set the Tone for Integrity" theme for 2008. The winners were announced during ethics awareness week with the winning posters incorporated into the 2008 ethics calendar.

## ETHICS AND COMPLIANCE INVESTIGATIONS

In 2007, Northrop Grumman investigated 509 cases of alleged internal governance malfeasance. In these investigations, the company took various disciplinary actions, up to and including termination of 36 employees for ethics and business conduct violations. These results only reflect cases addressed through the OpenLine process.

## LOOKING FORWARD: 2008 FOCUS

1. Increase awareness of OpenLine and online reporting that provides 24-hour coverage with a third-party call center open every day of the year. Continually emphasize the Northrop Grumman non-retaliation policy.
2. Deploy ethics awareness training across the corporation to include modules on compliance risk areas.
3. Conduct a follow-up Defense Industry Benchmarking survey and communicate results.
4. Publish a new quarterly ethics newsletter for all employees.
5. Conduct new ongoing training for all frontline supervisors.

## BOARD OF DIRECTORS 2007

Ronald D. Sugar  
Chairman  
and Chief Executive Officer  
Northrop Grumman Corporation

Lewis W. Coleman  
President  
DreamWorks Animation SKG

Vic Fazio  
Senior Advisor  
Akin Gump Strauss Hauer & Feld LLP

Donald Felsing  
Chairman and Chief Executive Officer  
Sempra Energy

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

Phillip Frost  
Vice Chairman of the Board  
Teva Pharmaceutical Industries, Ltd.

Charles R. Larson  
(Ret.) Admiral, United States Navy

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

Philip A. Odeen  
Chairman  
Reynolds and Reynolds Company

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

Kevin Sharer  
Chairman and Chief Executive Officer  
Amgen, Inc.

## ▶ VALUING PEOPLE



**At Northrop Grumman, we treat each other with respect and dignity. We are committed to openness, collaboration and trust in our work relationships. We are creating a working environment where we foster inclusion, value diversity and leverage innovation. We will continue to develop inclusive leaders who provide a workplace where individuals can develop and do their best work.**

### OUR COMMITMENT

Northrop Grumman employs approximately 120,000 people. Our commitment is to build and leverage a diverse and inclusive workplace through strong leadership and organizational capacity. Our goal is to be the employer of choice in our industry. By helping people fulfill their career and personal potential, we will attract and retain the best talent. With a strong commitment to diversity and inclusion, we set out to accomplish the following in 2007:

1. Hire college graduates who reflect the diversity of college and university students nationally.
2. Develop more diversity in senior leadership positions and create a pipeline of talented professionals.
3. Develop and train the senior leadership team to become more inclusive leaders.
4. Promote and foster the formation of Employee Resource Groups to increase employee engagement.
5. Resolve employee issues in the early stages of any dispute.

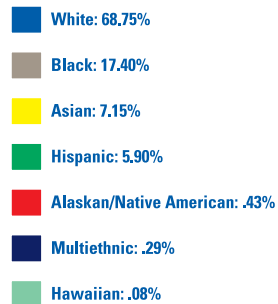
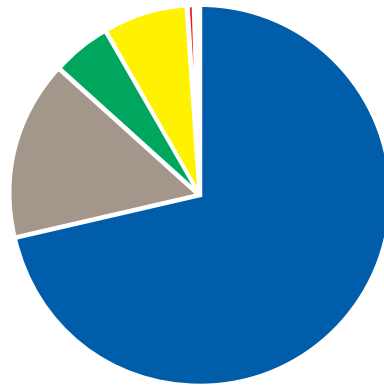
### Women in the Northrop Grumman Workforce for 2007



### KEY 2007 SUCCESSES EMPOWERING WOMEN

In September 2007, Northrop Grumman hosted its second Women's Conference attended by more than 500 women from across the corporation. Held in Washington, D.C., the conference theme was "Raising the Bar Where You Are." Nationally recognized speakers and panels of Northrop Grumman leaders discussed professional and personal development, optimizing work-life balance, and identifying keys to career success.

## Diversity and Inclusion



## FOSTERING INCLUSION

In 2007, we expanded Employee Resource Groups (ERGs) across the corporation. These networking groups – for women, African-American, Hispanic, Asian, lesbian, gay, bisexual and transgender (LGBT), generations X and Y, veterans and disabled people – support key Northrop Grumman business goals. The ERGs, in collaboration with human resources and executive sponsors, play an active role in recruiting, assimilating and retaining employees, offer professional development programs and engage in local community relations.

## DIVERSITY

In the past several years, Northrop Grumman has experienced dramatic changes in business direction and structure. Our goal is to foster a talented, diverse and inclusive workforce. Indeed, more than half our college new hires in the past five years have been women and minorities. By the end of 2007, we achieved a workforce comprised of 26.13 percent women and 31.25 percent minorities. These figures will serve as a baseline for reporting in future publications.

## PHILOSOPHY AND COMMITMENT

At Northrop Grumman, the strong commitment to diversity and inclusion is supported by policies and procedures that foster a nondiscriminatory workplace. We incorporate Equal Employment Opportunity (EEO) and Affirmative Action (AA) principles and policies into the daily operations of the company. We actively support our disabled and veteran employees through policies and principles and, more importantly, our ongoing actions.

To communicate our policies and practices, we publish annual Affirmative Action plans. These plans document specific actions to improve the representation of minorities and women and to integrate veterans and people with disabilities. These plans also reaffirm the company's 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 on the basis of age, disability, veteran status, sexual orientation or gender identity.

We continue to provide company service awards to employees in recognition of their anniversary dates, in five-year increments. In 2007, 19,052 employees received recognition for their extensive service with the company, ranging from five to more than 50 years of service.

## AREAS FOR IMPROVEMENT

- As noted above, we utilize Employee Resource Groups to foster workplace diversity and inclusion and to help create an engaged workforce that will increase customer satisfaction and shareholder value. We plan to nurture, encourage and support this activity in 2008 by providing executive sponsors and a new ERG resource book to help direct ERGs.
- For 2007, we developed a Human Capital Strategy to help drive business performance. The four major areas of focus are:
  1. Managing talent
  2. Developing leaders
  3. Driving performance
  4. Optimizing work-life balance

To improve, we have created corporate-wide teams to design and implement recommendations in each of these focus areas.

- To achieve our vision of a diverse and inclusive workplace, the company will continue to support and develop partnerships with the National Society of Black Engineers, the Society of Hispanic Professional Engineers, the Society of Women Engineers, the American Indian Science and Engineering Society, and other diversity-based professional associations.

## LOOKING FORWARD: 2008 FOCUS

- Develop and implement Affirmative Action plans that meet or exceed requirements of Executive Order 11246 and its implementing regulations.
- Improve the diversity represented in our senior leadership.
- Convene the 2008 Diversity, Inclusion and EEO Conference for staff leaders and key stakeholders.
- Continue to form Employee Resource Groups at the sector and regional levels.
- Implement flexible work practices and policies to help employees optimize work-life balance.
- Enhance Northrop Grumman's diversity and inclusion strategy by increasing awareness and understanding of inclusive behaviors, and by embedding diversity and inclusion as key leadership competencies.
- Cast a wider net to recruit talented individuals through our partnerships with leading educational institutions and associations.

## PEOPLE RECOGNITION

- **Human Rights Campaign:** Best Places to Work (100% score on the Corporate Equality Index).
- **Fortune magazine:** "Most Admired" and "Global Most Admired" (third in industry, based on criteria such as management, investment value and employee talent).
- **Black Engineer.com** Ranked number 3 in survey.
- **CNN/Fortune:** 20 Great Employers for Recent College Graduates (listed number 10 of 20). Strengths listed: 1) a strong focus on team participation; 2) a leadership training program and networking events for new graduates; 3) average starting salary of more than \$50,000 per year; and 4) full tuition reimbursement.
- **DiversityBusiness.com:** America's Top Organizations for Minority Opportunities (number 25, based on minority-owned business industry survey).
- **Los Angeles Business Journal:** Top Los Angeles County Private Employers (number 3, based on total employees).
- **Minority Engineer magazine:** Top 50 Companies (number 3).
- **National Society of Black Engineers:** Number 14, based on advancement opportunities and job security.
- **Woman Engineer magazine:** Top 50 Companies (number 6).



## ► SUPPLY CHAIN MANAGEMENT



**Our company values extend to our broad and diverse base of more than 19,500 suppliers. We consider our suppliers valued members of our team. In partnership, we cannot and will not accept poor practices from suppliers whether human rights and labor practices, diversity, quality, occupational health and safety or the environment. With \$9.7 billion in procurement in 2007, integrating our values into our supply chain is a complex, daunting and absolutely critical responsibility. Here is how we are meeting that challenge.**

### OVERVIEW

In 2005, Northrop Grumman instituted a major change to our supply chain management focus. Beginning that year, our senior leadership chartered One Northrop Grumman to establish a single, consistent operational focus to our company's supplier base and customers. The goal: improving our supply chain relationships, providing a competitive advantage, satisfying customers, and, ultimately, improving financial performance. During the last three years, we continued instilling this approach throughout the procurement organization. It continues to be a major area of concentration as we fill out the needed infrastructure to execute this charter.

#### "POWERING THE PEOPLE: UNITED WE STAND"

This was the theme of the first Corporate Supply Chain Conference, in 2006, following the formation of the Corporate Supply Chain Organization. This conference brought together some 300 employees from across the corporation's procurement and subcontracts organizations and featured presentations on supply chain management, technology and

opportunities to share best practices. Drawing on that success, the 2007 version drew more than 250 employees. The 2008 Corporate Supply Chain Conference will take place in October in Chantilly, Virginia.

### 2007 SUCCESSES

1. Continued to make strong headway in aligning One Northrop Grumman with our suppliers and customers. This entailed following consistent policies and procedures across the corporation and included sharing training tools, content and positive internal communications.
2. Internally, created and implemented Procurement and Subcontracts Strategy Councils for implementing procurement strategies and leveraging the expansive Northrop Grumman supply chain.
3. Conducted three face-to-face meetings with the sector supply chain vice presidents and staff in 2007. These councils were previously titled Procurement Acquisition Council (PAC), and then renamed the Supply Chain Leadership Council (SCLC) in December 2006. The purpose of these meetings: concentrate on aggregation opportunities, com-

mon processes and procedures to be implemented across the corporation, strategic alliance initiatives, representative metrics, and additional opportunities to leverage the businesses.

4. Executed five concurrent Financial Process Excellence (Six Sigma) projects aimed at maturing business processes.
5. Established a joint Six Sigma project with a key subcontractor to collaborate on methods to improve the program and operational performance. The project is currently in the control phase.
6. Awarded the Small Business Innovative Research Tibbetts Award and 14 National Recognition Awards in 2007 for Northrop Grumman's outstanding SEBP Program. Awards include: Mount Vernon Lee Enterprise Award for support of citizens with disabilities; National Center for American Indian Development Corporation of the Year award; Black Business Corporate Citizen of the Year award; Asian Business "Inspire" award; and Diversity Business.com Multicultural Business award.

## AREAS OF CONCENTRATION

1. Renewed focus on performance improvement through Competitive Excellence initiatives. Highlighted areas for improvement in subcontract management include leveraged spend, execution, performance metrics and talent/skill base issues.
2. Become the "Customer of Choice" for our major suppliers and subcontractors. A priority continues to be the strong emphasis of our socioeconomic business performance across the enterprise.
3. Achieve small-business performance goals on programs to capture maximum possible award fees.
4. As the mix of production and services businesses evolves, shrinking the size of our supply base continues to be an ongoing initiative for alignment with our changing business portfolio.
5. Ensure Northrop Grumman, across the corporation, receives the financial and process efficiencies and benefits realized in our central commodity sourcing strategy.
6. Maintain common policies and procedures across the corporation for the alignment of the One Northrop Grumman view from both our suppliers and our customers.

## SUPPLIER RELATIONS

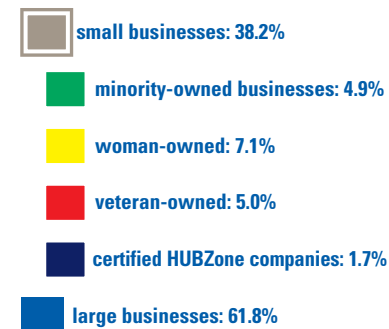
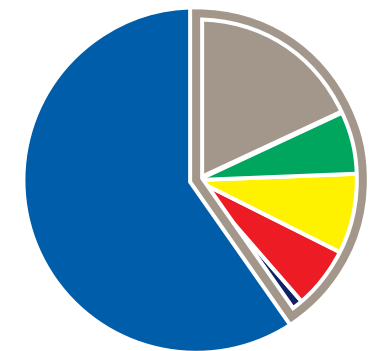
### EVALUATING MAJOR SUPPLIERS

Twice each year, Northrop Grumman evaluates its largest and most important suppliers, which are character-

ized by 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.

For 2007, the evaluation results

Percentage of Procurement Dollars



demonstrated improvements in supplier scorecards and qualitative performance assessments across many of our strategic suppliers. For those suppliers whose performance lagged, we initiated an enterprise-to-enterprise engagement process.

For the second year in a row, based on these results, we at Northrop Grumman exchanged enterprise-wide performance assessment with

our largest suppliers (10 in 2007, compared to six in 2006). The total negotiated subcontract value of the programs impacted by the assessments exceeded \$10 billion. Through this process we identified a series of systemic issues and helped implement joint improvement initiatives.

Evaluating performance at this enterprise-wide level and engaging with the strategic suppliers through the "Voice of the Supplier" is an industry-leading practice. The "Voice of the Supplier" process allows suppliers to assess Northrop Grumman as though the supplier were the customer. This reversal of relationship opens dialog and enables us to better understand issues from the perspective of suppliers. For 2008, we are creating additional metrics to measure the management and performance of Northrop Grumman's largest and most strategic suppliers.

### ETHICS

Each year, we send a letter to every supplier outlining Northrop Grumman's ethics policies and code of conduct. In 2007, we sent 26,298 such letters (25,192 in 2006). We will continue to issue these letters electronically to the supplier base and communicate the theme of ethical behavior throughout the year. We also plan to reiterate this theme

**Northrop Grumman currently conducts Mentor-Protégé programs with the following agencies:**  
 Department of Defense  
 Department of Homeland Security  
 Department of Treasury/IRS  
 Federal Aviation Administration  
 Missile Defense Agency (MDA)  
 NASA  
 National Geospatial-Intelligence Agency

through process controls built into our supply chain bidding, Request for Information (RFI) response schedules, and overall technical and financial evaluation processes. Our procurement processes segregate technical bidders' data from financial data in order to ensure adequate evaluation processes.

Internally, Northrop Grumman procurement employees are required to annually review the procurement integrity policy and sign a certification specifying that they will never accept supplier gifts, bribes or kickbacks. Northrop Grumman employees are also required to identify any conflicts of interest with current and potential suppliers. Additionally, Northrop Grumman procurement employees 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 the United States of America.

### FOSTERING SUPPLIER RELATIONSHIPS

Northrop Grumman supports national diversity trade associations by sponsoring targeted outreach through the Center for Veterans Enterprise, the National Association of Women Business Owners, the National Center for American Indian Enterprise Development, the Asian Business Association, the Latin Business Association, the Black Business Association and organizations that employ blind and severely handicapped individuals. Further tenets of developing our supply chain include:

**Annual Small Business Supplier Recognition Program** – This program recognized 25 small-business suppliers (compared to 11 in 2006) that made significant contributions

### IN 2007, NORTHROP GRUMMAN:

- Forged 28 Mentor-Protégé agreements (compared to 19 in 2006) and subcontracted more than \$21.8 million to those Protégés in 2007 (compared to \$6.4 million to Protégés in 2006).
- Subcontracted more than \$5 million to historically black colleges and universities and minority institutions (HBCU/MI) (\$8.8 million in 2006).
- Continued its Common Supplier Rating database and system with quarterly supplier scorecards and reviews, a system initiated in 2006.

to the success of Northrop Grumman's programs through their innovation and excellence in the products they provide. In addition, 44 Northrop Grumman employees across the corporation were recognized for their outstanding efforts and dedication that resulted in significant contributions to the corporation's socioeconomic business outreach programs. This annual event was held December 12, 2007, in Los Angeles.

**Continued Aerospace Industries Association (AIA) Supplier Management Council and sponsorship of seven small businesses in the AIA council.**

**Socioeconomic Business Outreach Program** – In 2007, Northrop Grumman sponsored and attended more than 135 procurement conferences. These included category-specific conferences for "Service-Disabled Veterans" and "Historically Under-Utilized Business Zones (HUB-Zones)." We also co-sponsored an industry-wide supplier outreach event with Boeing, Raytheon and Lockheed Martin on August 28, 2007, in Carson, California.

**Annual Mentor-Protégé Nunn-Perry Awards reception** – This annual event, initiated by Northrop Grumman, provides a unique opportunity for suppliers to interact directly with Department of Defense representatives and other prime contractors. In 2007, 11 teams received the Department of Defense Nunn-Perry Award, which is the highest honor suppliers and primes can receive for participation in the Mentor-Protégé program. Since 1995, Northrop Grumman Corporation has received 18 Nunn-Perry awards.

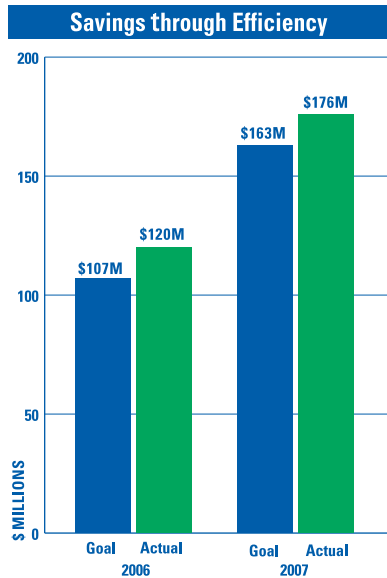
## HOW WE TRACK PROGRESS

We maintain trend data on small-business subcontracting performance by small-business category. We also submit biannual small-business performance metrics to internal and external customers. Internally, we document the following metrics:

- Number of active Mentor-Protégé agreements.
- Dollars subcontracted to Protégé companies.
- Dollars subcontracted to historically black colleges and universities and minority-owned institutions.
- Savings resulting from our enterprise agreements (commodities aggregated across the corporation).
- Compliance with enterprise agreements.
- Supplier rationalization (current supply base count).

## HOW WE PERFORMED

For 2007, we can report positive trends in aggregating our purchasing volume and sharing those material savings across the corporation. With a savings goal of \$163 million (compared to \$107 million in 2006), the company actually achieved \$176 million in savings (\$119.7 million in 2006) by aggregating common commodities such as electronic components, contract labor, IT equipment, software, and test and measurement equipment.



Our supplier rationalization, or current supplier base count, hit 19,500 against a target of 14,442 (compared to 22,624 against a target of 19,256 in 2006). Within the corporation, our operating sectors' compliance with enterprise commodity agreements was greater than 90 percent overall. This indicates a positive trend to obtaining overall best value for the corporation, along with striving for competitive excellence.

## 2007 IMPROVEMENT OPPORTUNITIES

1. In 2007, Northrop Grumman Corporation had not yet achieved the Service-Disabled Veteran and HUBZone small-business subcontracting goals. However, we did record positive trends toward achievement of those goals. Also, 2007 was the third year under a five-year improvement plan, started in 2005, to move toward our Service-Disabled Veteran and HUBZone small-business goals.
2. Northrop Grumman Corporation was not cited or fined for any supplier issues or procurement violations in 2007. The company did, however, receive negative media attention for inaccurate small-business size coding on certain contracts. To rectify the situation, we worked with the customer to identify and review the contracts in question. We then issued the appropriate corrections and/or took mitigating actions as required.
3. With our business spread across multiple business sectors, communication is always a challenge, along with aligning the various subcultures that can develop. We are still working to establish consistent acceptance and assimilation of supplier base goals throughout the corporation.

4. To improve in 2008, we are using a Financial Process Excellence (Six Sigma) approach to develop process improvements in contract implementation and communications. We will also continue to monitor our metrics, and have three new councils created to foster support: the Supply Chain Leadership Council, the Procurement Quality Council and the Subcontracts Strategy Council.

Northrop Grumman continues to aggressively pursue targeted outreach, which is commodity- and small business category-specific. We are also collaborating with Business Development and the technical communities to identify small-business opportunities in the pre-proposal phase and earlier in the program cycle. We have developed a series of corporate initiatives to promote a positive trend in our subcontracting performance. This includes outreach to all small business categories as well as participation in the Small Business Innovative Research program and the Mentor-Protégé program.

## LOOKING FORWARD: 2008 FOCUS

For fiscal 2008 our focus is on achieving the socioeconomic business goals in all small business categories, including:

1. Evaluate possible new Mentor-Protégé agreements and review all current Protégé companies for inclusion on upcoming enterprise agreement opportunities. Enhancing and mentoring future sourcing and procurement leaders, both external and within Northrop Grumman, will continue to be a key focus.
2. Continue to maintain and improve upon the policy and structural changes that occurred within the company management structure. Supply chain changes will continue to evolve as the enterprise transitions to a shared service model for non-production procurement services to enhance shareholder value.
3. A Six Sigma team has been established to address contract implementation and communication, continue metrics and continue the Supply Chain Leadership Council, Procurement Quality Council, Subcontracts Strategy Council and the Socioeconomic Business Councils.
4. Promote One Northrop Grumman to internal procurement organizations and our suppliers. Achieving compliance and savings goals (\$163 million savings target, with 90 percent or greater compliance with enterprise agreements) will be a key challenge. This includes developing strategic process and technology road maps for future integration of systems and system data that are currently disparate.
5. Increase historically black colleges and university/minority institutions (HBCU/MI) subcontracting as a corporate initiative. HBCU/MIs are being identified for future participation on Small Business Technology Transfer and Mentor-Protégé programs. This is an ongoing effort.
6. Continue Service-Disabled Veteran and HUBZone small-business initiative (in year four of a five-year improvement plan).
7. Continue to rationalize our supplier base according to Northrop Grumman program portfolios.
8. Enhance and utilize a common supplier rating system to review supplier performance and ensure that proper management and review are performed on all contract awardees.

## ► BUILDING PARTNERSHIPS FOR STRONGER COMMUNITIES



**We are a company driven by values. We embrace the responsibility of unifying our employees toward common goals. That includes our collective commitment to the communities in which we operate. We believe in volunteer service and collaboration. We believe in building strong communities that, in turn, create a better world.**

### HOW WE GIVE

In 2007, Northrop Grumman Corporation contributed \$24 million in total philanthropic donations (compared to \$21.1 million in 2006) through the company's Charitable Giving Program. In keeping with our company-wide emphasis, we directed the bulk of those funds to support K-12 and post-secondary education activities. Of the above total, \$5.6 million went to education programs through the Northrop Grumman Foundation (compared to \$3.8 million in 2006), a separate nonprofit organization.

Further, Northrop Grumman's 120,000 employees personally gave more than \$7 million in 2007 through internal vehicles such as United Way, gifts to education, the Employees Charitable Organization (ECHO), a separate nonprofit, holiday giving programs and employee volunteerism, as detailed here:

- United Way employee contributions = \$4.7 million (\$5.1 million in 2006)
- Gifts to education = \$1.6 million (\$1.8 million in 2006)
- ECHO – Employees Charitable Organization, a 501(c)(3) nonprofit = \$1.5 million (\$1.4 million in 2006)

- Holiday Giving Program employee contributions = \$201,123 (\$212,727 in 2006)
- Disaster relief = \$42,517 for wildlife disaster relief (In 2006, employees donated \$2.5 million for hurricane disaster relief.)
- U.S. military troop support (Care Package program) = \$119,445 (\$11,525 in 2006)

As a technology-driven company, our primary community focus is improving the quality of education from the early grades all the way through the university level. Other important areas of community support include (alphabetically) arts and culture, career and employment counseling, environmental efforts, health and human services, military and veteran support, and youth programs.

### 2006-2007 COMMUNITY HIGHLIGHTS

#### BUILDING PARTNERSHIPS

In 2006, we created and launched a corporate-wide community involvement brand – Building Partnerships for Stronger Communities – that reflects what we believe: The power of one, multiplied by many, equals the potential of an entire community.

Throughout our heritage of innovation, Northrop Grumman has always been a company driven by values. Our commitment to the communities in which our employees live, work and contribute extends from our belief in volunteer service and collaboration. Going forward, Building Partnerships for Stronger Communities is a way of enhancing and formalizing both our history and our intentions.

There are three main components to this ongoing community commitment:

1. A revitalized employee giving program.
2. An improved volunteer recognition program.
3. A signature education program.

### BOOSTING EDUCATION

To those ends, beginning in 2006 and throughout 2007, we established an increased emphasis on science, technology, engineering and mathematics (STEM) education support. In the last two years, employees at all Northrop Grumman sites have been fostering new educational partnerships with middle schools and high schools.

In New York state, for example, the Next Generation Engineering program puts Northrop Grumman engineers in the classroom and raises awareness of how basic engineering affects day-to-day life,

and why engineers are important to the community and nation. To date, more than 2,000 middle school students have participated.

### FOSTERING LEARNING

Additionally, Northrop Grumman endorsed and supported several national partnerships, including the National Engineers Week 2006 Connecting Educators to Engineering legacy project (co-chairs with the Society of Women Engineers); Scholastic Curriculum, Define Your Future; MATHCOUNTS; National Conference on Aviation and Space Education; National Science Foundation Extraordinary Women in Engineering Coalition; Smithsonian Heritage Family Days, Project "Lead the Way"; Cyberchase television show; and Teach for America.

### IMPROVING COMMUNICATION

We have successfully instituted better internal coordination, communication and leveraging of community support and volunteer efforts. To do so, we utilized Six Sigma to develop an improved contributions management process. In 2007, we continued to refine a contributions management system and an employee volunteer management system for 2008 implementation.

### SPONSORING SALLY RIDE SCIENCE FESTIVALS

When Sally Ride became the first American woman in space, she shattered boundaries about what's possible for women. In this spirit, the Northrop Grumman Foundation has been a national sponsor of the Sally Ride Science Festivals since 2003. This organization focuses on empowering young girls to consider careers in science, engineering and mathematics.

### EXPANDING OPPORTUNITIES THROUGH SCHOLARSHIPS

In the late 1960s, a devastating majority of African-American freshmen entering engineering programs – 80 percent – eventually dropped out. That's why in 1971 two university students approached the dean of engineering with the concept for the National Society of Black Engineers. Women and other minority groups were experiencing a similar and often-repeated story line of exclusion.

The Northrop Grumman Foundation continues to embrace programs that build a diverse employee pipeline. In 2007, the foundation funded some 25 scholarships (totaling \$100,000) to the following organizations (alphabetically): American Indian Science and Engineering Society, the National Society of Black Engineers, the Society of Hispanic Professional Engineers, the Society of Women Engineers and others.

### NORTHROP GRUMMAN WEIGHTLESS FLIGHTS OF DISCOVERY

To champion support for middle school teachers and spark student interest in mathematics and science, Northrop Grumman began sponsoring "Weightless Flights of Discovery" in 2006. Specifically, the program provides professional development for middle school teachers across the United States. The teacher training includes workshops and, eventually,

weightless flights like those used to train astronauts for space exploration. During flight segments of the program, teachers conduct microgravity demonstrations that apply science, technology, engineering and mathematics principles to human activities in a space environment.

To track the high-flying teachers, Northrop Grumman developed a website (see sidebar at right) that allows students and space



enthusiasts to follow along and learn about zero gravity. Ultimately, the program is inspiring teachers in the U.S. and 22 foreign countries, as well as students worldwide, to embrace, endorse and pursue careers in science, technology, engineering and mathematics.

### MILITARY AND VETERAN SUPPORT

As a defense contracting company, we have a special affinity and responsibility for supporting active military and veterans. There are two statistics that highlight the scope in this area:



1. As of the end of 2007, more than 1.4 million U.S. armed forces were actively serving in the Air Force, Army, Coast Guard, Marines and Navy (source: U.S. Department of Defense as of December 2007).

2. There are now more than 3.1 million living veterans, both service and non-service, on the veteran compensation rolls (source: U.S. Department of Veterans Affairs as of September 2007).

Northrop Grumman's support extends to those above and their families, and the special services they may require. This includes many programs that actively support the military: the United Services Organization (USO), the National Veterans Foundation, the Homeless Veterans Emergency Housing program, the Naval War College Foundation, the Pearl Harbor Foundation, the Naval Academy Foundation and the Air Force Members Foundation.

In 2007, in conjunction with the Northrop Grumman Women's Conference, employees supported the USO with Operation Care Package. On the east and west coasts, volunteers from four Northrop Grumman sectors helped to put together 10,000 care packages for the troops. The volunteers plan to assemble 10,000 more care packages in 2008.

### GULF COAST RELIEF EFFORTS

Hurricane Katrina swept along the Gulf Coast with a fury in 2005 and affected almost 20,000 Northrop Grumman employees. The hardest-hit employees included some 7,000 displaced from their homes, stranded with no money and scattered to 34 different states and two countries after the storm made landfall August 29. Relief efforts continued throughout 2006 and 2007 as Northrop Grumman employees continued to help rebuild homes and parks and donate their time to various charitable relief organizations.

Northrop Grumman contributed a total of \$5.25 million to Gulf Coast Relief efforts. Of this total, \$2.5 million was comprised of personal donations from thousands of Northrop Grumman employees. The company also extended two weeks of full pay to all Northrop Grumman Gulf Coast employees affected by the storm. Additionally, Northrop Grumman provided on-site housing in New Orleans and Pascagoula, Mississippi, to approximately 600 employees who were without homes.

### 2007 WEIGHTLESS FLIGHTS OF DISCOVERY PROGRAM HIGHLIGHTS

**Participants:** Nearly 450 educators from 20 states convening in eight different cities.

**Pre-Flight:** A workshop for teachers that includes experiment design taught by microgravity educators and staff.

**Flight Day:** Begins with a mission briefing followed by two flights of 1-1.5 hours each in eight different cities. Includes a National Science Teachers Association (NSTA) online course on Force and Motion Demonstrations in microgravity aboard the ZERO-G aircraft.

**Post-Flight:** Back on the ground, teachers log on to the Floating Teacher's Lounge website. Evaluation surveys capturing student metrics and testimonials from program participants show that the program provides exceptional educational value, supported by a wealth of resources such as flight videos and photos, classroom curricula and experiment equipment. A documentary crew chronicles select teams of teachers from this initial workshop through post-flight classroom activities.

[northropgrumman.com/community](http://northropgrumman.com/community)

## LOOKING FORWARD: 2008 FOCUS

For the first time, in 2008 Northrop Grumman will track both corporate contributions and volunteerism with improved metrics. This will allow more detailed reporting in the next edition (2008) of this report in all areas of giving: corporate contributions, Northrop Grumman Foundation, employee contributions, the Northrop Grumman Foundation Matching Gifts for Education program, employee volunteerism and in-kind donations.

### 1. EDUCATION

The company will emphasize education and especially the STEM areas (science, technology, engineering and math), including middle school teachers and programs. Further development of our national signature education program will also continue (including Northrop Grumman Weightless Flights of Discovery).

### 2. PROCESS EXCELLENCE

We will continue to drive process excellence in the administration of our contributions and volunteer programs. We will do this by leveraging cross-sector collaboration with the assistance of an enterprise-wide contributions management system. We want to improve reporting to ensure contributions are aligned with company strategy.

Regarding employee volunteerism, the Northrop Grumman Community Service Awards go to employees who volunteer in their communities. In 2007, this was not company-wide. In 2008, we will implement the award program company-wide.

### 3. VETERANS AND MILITARY SUPPORT

A key focus here: increasing support to returning disabled veterans. The company's Operation IMPACT (Injured Military Pursuing Assisted Career Transition) program provides transition support to service members severely injured in current war efforts, and helps veterans identify career opportunities.

## COMMUNITY RECOGNITION

### 2006

California Troops to the Teachers,  
Corporate Support Award

CAREERS & the disABLED  
Magazine Award for People  
with Disabilities

Constitutional Rights Foundation,  
Corporate Support Award

Korean Health, Education,  
Information and Research Center,  
20th Annual Leadership Award

March of Dimes,  
Corporate Support Award

Muslim Public Affairs Council,  
Corporate Support Award

Organization of Chinese  
Americans, Image Award

Points of Light National Conference  
on Volunteering and Service,  
Corporate Support Award

Revlon Run/Walk For Women,  
Corporate Support Award

Special Olympics Summer Games,  
Corporate Support Award

The Young Center, Corporate  
Support Award

Women of Color Breast Cancer  
Survivors, Corporate Support  
Award

### 2007

#### • Ron Brown Award

##### For Corporate Leadership:

Northrop Grumman received this award in recognition of its commitment to forming community partnerships and empowering employees while promoting practices that improve business performance. Northrop Grumman Chairman and Chief Executive Officer Ronald D. Sugar, on behalf of the company, accepted the award December 5, 2007.

• Northrop Grumman received U.S. Secretary of Labor Elaine L. Chao's New Freedom Initiative Award for Operation IMPACT.

• INROADS Corporate Sponsor Leader of the Year for supporting the organization's overall mission to provide salaried corporate internships for minority college students.

• Northrop Grumman's Newport News sector received a second INROADS Corporate Sponsor Leader of the Year award for providing quality internships to students and supporting the local INROADS office. Northrop Grumman provides more internships to students than any other company in the state of Virginia.

• Northrop Grumman is one of the 66 private-sector companies (along with 53 government and nonprofit organizations) deemed most supportive by the fifth annual USBE&IT magazine survey.

• Cal State University Dominguez Hills (President's Scholarship Benefit), 2007 Corporate Partner of the Year Award.

## ► ENVIRONMENTAL, HEALTH AND SAFETY STEWARDSHIP



**To reduce our environmental footprint and to protect the health and safety of our employees, we translate our values into actions. We do this for the health of our employees, customers, visitors and communities, and to increase our competitiveness. We empower and rely on executives, managers, supervisors and employees who each ensure that we integrate environmental, health and safety considerations into our daily work regimens.**

### POLICY & COMMITMENT

We strive to earn the trust of our employees, customers, communities and shareholders, and to protect the people in and around our facilities and the environments in which we live. To do this, our environmental, health and safety (EHS) efforts are driven by four key goals:

1. Provide a safe, healthful workplace.
2. Comply with legal requirements.
3. Reduce environmental, health and safety impacts.
4. Increase competitive advantage.

To direct and oversee the company's EHS stewardship, we rely on the EHS Leadership Council. This oversight council is comprised of senior EHS leaders from the corporate office and each of the business sectors. Established in 2003, the Leadership Council's key strategic initiatives and goals are to build a sustainable EHS infrastructure, monitor and report EHS performance, and establish initiatives to continually improve. More specifically, the Leadership Council's mission is to:

1. Enhance our integrated EHS management system.
2. Engage management at all levels to continually improve EHS performance.

3. Engage, support and empower all employees to achieve our objectives for improving EHS management and compliance.
4. Share resources, knowledge, best practices and lessons learned at all of our facilities.

One key tool in accomplishing these goals was establishing a metrics website in 2004 that is now the central system for collecting, tracking and reporting key EHS performance data across the company. In 2005, the Leadership Council established new initiatives and goals extending to 2010. These initiatives and goals are reviewed and evaluated each year for performance, modification and confirmation.

In 2007, the Leadership Council established two new metrics for energy and water consumption. Some of the recent initiatives are focused on more thoroughly incorporating EHS principles into the overall values of the corporation. In recognition of the increased importance of environmental performance, the Leadership Council is developing a strategy to more aggressively address the corporation's environmental footprint.

### 2007 AREAS OF FOCUS

1. Protect employees, visitors, the community and the environment.
2. Reduce employee injuries.
3. Measure and reduce environmental emissions and waste, with special emphasis on greenhouse gas emissions.
4. Improve overall management systems performance.
5. Develop stronger EHS vision.

### FOLLOWING STRINGENT EHS STANDARDS

To help ensure legal compliance, ethical and safe operating practices, and continual improvement in our manufacturing facilities, Northrop Grumman encourages company sites to conform to three external performance standards. Combined, these three standards define the optimal EHS management system for Northrop Grumman's operating entities:

1. The International Organization for Standardization (ISO) 14001 certification.
2. U.S. Occupational Safety and Health Administration (OSHA) Voluntary Protection Programs (VPP) Star status.
3. Occupational Health and Safety Assessment Series (OHSAS) 18001.

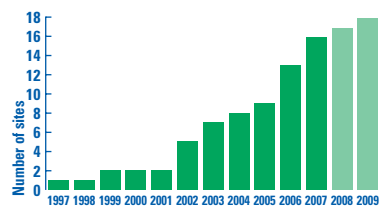
### ISO 14001

The International Organization for Standardization established 14001 in 1996 and updated the standard in 2004. Achieving ISO 14001 certification demonstrates an ongoing commitment to sound environmental management programs and processes, with a full commitment to:

1. Establishing an environmental policy that is documented, communicated to all employees and available to the public.
2. Full compliance with environmental laws and regulations.
3. Pollution prevention.
4. Continual improvement.
5. Satisfaction of customer and community requirements.

The ISO 14001 standard also includes comprehensive planning phases, implementation plans, adoption of monitoring and corrective procedures, and ongoing management reviews. Currently, 16 Northrop Grumman sites have attained ISO 14001 registration status. We expect that number to increase steadily over the next several years.

**Number of ISO 14001 Certified Sites**



Currently, 16 Northrop Grumman sites have attained ISO 14001 registration status. As shown, the company expects that number to increase through 2009.

### OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION (OSHA) VOLUNTARY PROTECTION PROGRAMS (VPP)

Northrop Grumman's EHS Leadership Council endorses and supports participation in the OSHA Voluntary Protection Program. Facilities achieving this standard must develop and implement management systems that identify, evaluate, prevent and control hazards to reduce employee injuries and illnesses. To qualify, a site must have:

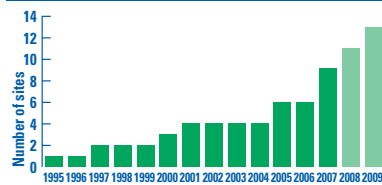
1. An OSHA-recordable rate at, or below, its industry standard.
2. A comprehensive management system and compliance program.
3. A process to periodically verify program continuity.

According to OSHA, VPP participant sites have lower occupational injury rates and costs than non-VPP sites and are considered by OSHA to be among the safest worksites in America. OSHA points out other benefits as well: improved employee morale, increased productivity and reduced workers' compensation insurance premiums.

### VPP – RECOGNITION

To date, seven Northrop Grumman sites have been awarded the prestigious VPP "Star" designation and two additional sites the "Merit" designation. Achievement of OSHA/state-plan OSHA VPP Star/Merit status is quite significant. With more than 8 million worksites in the United States, there are only about 1,800 that have achieved the OSHA VPP Star recognition.

**Number of OSHA VPP Certified Sites**



Nine Northrop Grumman sites are now participants in OSHA's Voluntary Protection Program. Newport News has been a certified Star site since 1995, and is the largest such site in the U.S.

The company expects its number of VPP sites to increase steadily over the next several years.

### OHSAS 18000

OHSAS 18000 is an international health and safety management system specification that helps organizations control occupational health and safety risks and improve health and safety performance. Conformance to the standard is demonstrated via audits by an independent body. To date, three Northrop Grumman sites have been certified to the standard: Moss Point, Mississippi; New Town, North Dakota; and Rancho Bernardo, California.

### EHS AUDITS

We conduct audits to promote compliance, identify strengths and weaknesses in a site's EHS programs, and identify best practices for use at other company locations. The scope of an audit includes assessing compliance with applicable laws and regulations as well as company policies, procedures, goals and the company's EHS management system criteria. The actual audits follow an established written protocol that specifies:

1. How audits are planned and conducted.
2. Criteria for prioritizing and selecting sites to be audited.
3. Audit scope and supporting materials such as checklists and audit documentation.
4. Pre-audit and on-site audit activities.
5. Post-audit activities and responsibilities including corrective action plans.

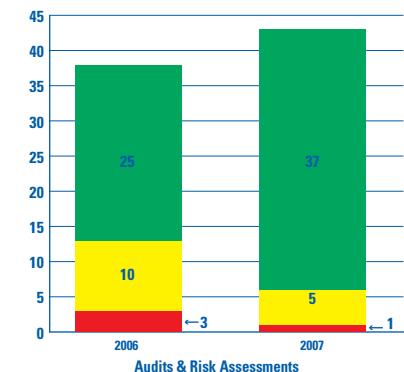
The Board of Directors mandates the EHS audit program, which is reviewed annually by the Corporate Internal Audit organization. Each sector is responsible for implementing and maintaining an audit program in accordance with the corporate protocol. In addition, one corporate EHS representative participates on each audit team and is responsible for completing the management systems portion of the audit.

Each audited site receives an overall assessment rating of red, yellow or green as defined in the Site Assessment Rating Table. The audited site prepares a Corrective

Action Plan (CAP) in response to all audit findings and recommendations. CAPs are tracked through to completion on the EHS website with a finish target of 12 months from the date of the audit.

Approximately one-third of the company's auditable sites are audited each year. Newly acquired sites may undergo an EHS Risk Assessment in lieu of the standard audit. In 2007, we conducted 43

**Northrop Grumman Audit Performance Total**



**Audits & Risk Assessments**

audits and risk assessments across the corporation. In 2006, the number of audits and risk assessments conducted was 38. We forecast conducting 40 audits in 2008.

The percentage of audits with an overall "green" rating increased from 66 percent in 2006 to 86 percent in 2007. In 2006, 25 sites achieved a green rating, 10 sites rated yellow and three rated red. Of the yellow and red sites audited in 2006, three sites were part of newly acquired businesses. In 2007, 37 sites rated green, five rated yellow and one rated red. Of the yellow and red sites audited in 2007, two were newly acquired sites.

### SAFETY PERFORMANCE BACKGROUND

In 2004, the EHS Leadership Council initiated a series of activities to drive down the number of injuries and illnesses across the corporation. These proactive approaches included a combination of audits, risk and management systems assessments, sharing best practices, emphasizing ergonomics and behavior-based safety, targeted interventions and risk-factor evaluations.

Additionally, we've deployed more than 200 teams across all Northrop Grumman sectors. These teams each provide a daily focus at the individual work-group level, which keeps safety and health foremost in people's minds.

Further, individual sectors use sector-specific programs, such as behavior-based safety programs in the Space Technology sector. The Electronic Systems sector uses a process whereby each campus must analyze its occupational injury and illness history and develop a formal action plan addressing specific site issues. In addition, each sector is developing plans with the assistance of a loss-control broker to define specific initiatives. The goal: reduce the number and severity of cases and also the associated workers' compensation costs.



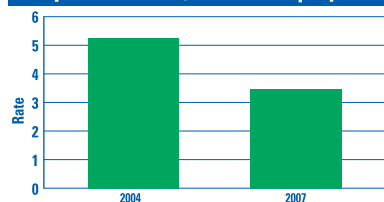
## SAFETY PERFORMANCE METRICS

To provide consistent reporting across the corporation, we established a baseline year of 2004 to begin documenting data. The company currently tracks key metrics such as the OSHA Total Case Rate (TCR) to measure improvement. Northrop Grumman's goal is to reduce the TCR by 8 percent per year over a five-year period beginning with 2004.

**TOTAL CASE RATE:** In 2004, the total number of employee hours worked was 230,795,858, which increased in 2007 to 247,092,072. However, as a result of the above multifaceted approaches, the Northrop Grumman Total Case Rate (the total number of occupational injury and illness cases requiring treatment beyond first aid per 100 employees) declined from 5.28 per 100 employees in 2004 to 3.39 per 100 employees in 2007, a 36 percent reduction.

**EDITORIAL BENCHMARK NOTE:** The following three graphs reflect year-on-year improvement in each of the categories shown, based on survey data collected in the production of this report and available at the time of publication.

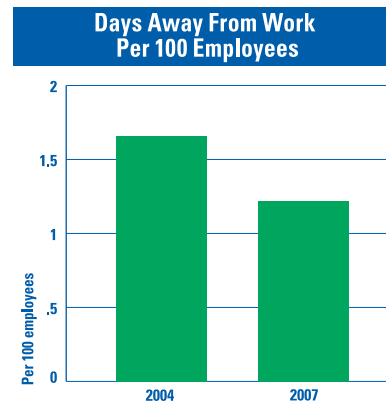
**Cases Requiring Medical Treatment Beyond First Aid, Per 100 Employees**



**INJURY AND ILLNESS RATE:** Even more noteworthy was the reduction in the actual number of occupational injury and illness cases within Northrop Grumman. In 2004 there were 6,094 cases documented, whereas in 2007 the number of injury/illness cases dropped to 4,180, a 31 percent reduction.

### DAYS AWAY FROM WORK RATE:

The Days Away from Work Case Rate (the total number of lost-work-day cases per 100 employees) dropped from 1.66 per 100 employees in 2004 to 1.22 per 100 employees in 2007, a 27 percent reduction.



## ENVIRONMENTAL PERFORMANCE

At Northrop Grumman, multiple ongoing acquisitions and divestitures present challenges in establishing clear baseline data for hazardous waste and air emissions. While reductions in waste generation have been ongoing for many years, measurement in other areas, such as air emissions and greenhouse gases, etc., has been slower.

We are committed to collecting data using common metrics and then identifying and implementing reduction strategies. To provide consistent reporting across the corporation, we established a baseline year of 2005 to begin documenting selected environmental data. Currently, the company publishes two key metrics to measure improvement:

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 4.47 tons per 100 full-time equivalent (FTE) employees. Northrop Grumman also reported the release of 751.7 tons of TRI chemicals, or 0.93 tons per 100 FTEs.

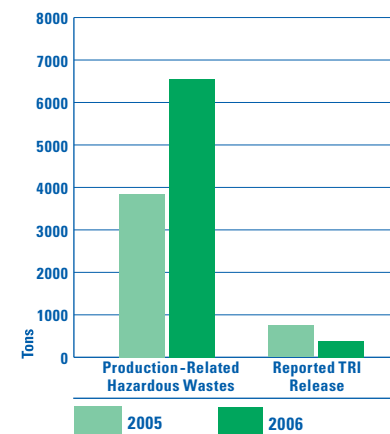
For 2006, the corporation generated 6,559.6 tons of production-related hazardous waste, or 8.31 tons per 100 FTE employees. Northrop Grumman also reported the release of 389.8 tons of TRI chemicals, or 0.49 tons per 100 FTEs.

For 2006, the majority of the increase in production-related hazardous waste is attributed to an infrequent, special process employed at one location.

## HAZARDOUS WASTE MANAGEMENT

Through company-mandated pollution-prevention programs, waste treatment and recycling, material substitution and waste-minimization efforts, the volume and toxicity of company waste materials have decreased. Additionally, carefully managing the remaining

**Hazardous Waste Management 2005-2006**



waste is an ongoing priority. We use only audited and approved hazardous waste firms that meet stringent operational standards for the safe handling, packaging and transportation of all company-generated hazardous wastes.

## POLLUTION PREVENTION PROGRAMS

It is our goal to reduce any negative impact to water, soil and air, to recycle waste materials, and to conserve energy. To do so, facilities develop and implement pollution-prevention (P2) programs. The company's policy is to require P2 programs at all sites. EHS professionals facilitate the communication and transfer of P2 best practices across the corporation. These best practices are an integral part of the continual improvement of many environmental management systems (all ISO 14001 registered) at numerous Northrop Grumman facilities.

We prefer to focus on eliminating the source of pollution rather than the effects, which include many traditional "end-of-pipe" controls. Our methods include source reduction, material substitution and various other means of reducing impact. Current research projects underway include:

- Testing a non-chromated, corrosion-inhibiting aircraft primer.
- Testing a low-solvent adhesion promoter for aircraft sealants.
- Working with coating manufacturers to develop a non-chromated, corrosion-inhibiting aircraft fuel tank coating.
- Developing various UV-curable, low-observable coatings for aircraft that are free of hazardous air pollutants.

- Developing nickel-free conductive fillers for aircraft.
- Developing new application methods for "high-solids" ship coatings.
- Introducing plural component coating application equipment for ship manufacturing.
- Establishing a lead-free working group dealing with lead-free alternatives and methods of quality and reliability risk mitigation for those materials.

## RECYCLING & ENERGY-SAVING SUCCESSES

**IMPROVING RECYCLING EFFORTS**  
In 2005, employees at company sites recycled more than 1,850 tons of paper and cardboard, 34,000 tons of scrap metal, 645 tons of wood, 13,590 tons of foundry sand, 200 tons of computers and related equipment, and nearly 500 tons of other materials such as batteries, tires, fluorescent light tubes, mercury thermometers, cables and more.

By the end of 2006, employees had surpassed the previous year's totals in every area except scrap metal. Other 2006 recycling totals include: 2,300 tons of paper and cardboard, 1,100 tons of wood, 34,800 tons of foundry sand, 275 tons of computers and related equipment, and 1,150 tons of other materials such as batteries, tires, fluorescent light tubes, mercury thermometers, cables and more.

The preliminary totals for 2007 are more than 2,500 tons of paper and cardboard, 500 tons of wood, 31,500 tons of metals, 345 tons of computers and related equipment, 135,788 gallons of fuel/oil, and 85 tons of other materials such as batteries, tires, fluorescent light tubes, mercury thermometers, cables and more. In addition, more

than 400 tons of various useful materials were sold or donated.

For 2008, the EHS Leadership Council is working to establish a more formal process for the collection of data related to the recycling of materials.

### SAVING ENERGY

Here are several examples of our commitment at Northrop Grumman to reduce energy consumption:

1. Employees at Northrop Grumman's California-based Marine Systems business unit reduced overall electrical consumption in 2006 by 1.2 million kilowatt-hours (kWh) and cut CO<sub>2</sub> emissions by almost 1 million pounds. They achieved these impressive results by shifting production to shut down machinery, initiating employee awareness e-mails and turning off unnecessary equipment, lighting and air conditioning/heating units.

For these efforts, the state of California recognized Northrop Grumman with another "Flex Your Power" award. Cumulatively, in 2005 and 2006 Northrop Grumman and the other California award winners saved more than \$172 million and 1 billion kWh, and reduced greenhouse gas emissions the equivalent of removing nearly 85,000 cars from the road.

2. At Northrop Grumman's Bethpage, New York, site, recent energy-saving investments include expanding building management control systems and other capital improvements. The end result: from July 2005 to July 2006 the Bethpage site reduced electrical usage by 10 percent.

For example, the majority of the air-conditioning units at the site now run on variable-frequency drives, which have a “soft-start” function that makes powering them up less energy-intensive and more efficient. That same air-handling equipment used to run 24/7 except during maintenance or repair. By expanding the computerized building management system, facilities managers are able to cycle units off at 11:30 p.m. each night and back on at 5:30 the next morning. Additionally, all the Northrop Grumman buildings at this site are using, or will receive, “green” lights with energy-efficient ballasts.

3. Throughout Northrop Grumman, employees are using various flexible office programs, including alternate work weeks, telecommuting and hoteling. Many Northrop Grumman locations have mature commuter services (rideshare, bicycle lockers, vanpool, subsidized mass transit tokens, etc.). Employees also hold various Earth Day celebrations at many locations.

## CURRENT REMEDIATION RESULTS

At Northrop Grumman, we have a long history of environmental stewardship. In the 1980s, long before it was in vogue, the company embarked on a program to address environmental impacts to soil and groundwater. To that end, the company is currently involved in approximately 250 remediation

projects (including Superfund sites), with an approximate annual remediation budget of \$35 million. We are actively engaged in these remediation projects and have made steady progress in their successful completion. Due to the complexity of certain projects, some remediation efforts may extend to the year 2040.

To achieve our remediation objectives, we first develop a site management strategy for each location. This strategy provides a cost-effective, site-specific plan to bring the project to closure. The environmental team then employs a process called “Remedy Identification, Evaluation and Selection” to ensure effective remedies that are safe and effective,

## REMEDATION SUCCESSES

- Completed active remediation at 55 sites and removed them from the portfolio (from 2004 to 2007).
- Identified \$32.5 million in life-cycle cost reductions.

comply with applicable legal requirements and minimize long-term costs.

The environmental team uses innovative remedial technologies, whenever possible, to bring projects to closure. The team has successfully employed a variety of technologically advanced, in-place treatment methodologies to permanently eliminate contamination, including:

- 1. Chemical oxidation** – Injecting a chemical oxidant into the subsurface to degrade contaminants to nontoxic end products. This technique was successful at a site in Northern California and dramatically accelerated the clean-up time frame from more than five years to approximately two months.
- 2. Electrical resistive heating** – Using electric current to heat soil and groundwater to remove contaminants through a process called volatilization. Northrop Grumman is using this process at projects in Springfield, Missouri, and Hawthorne, California. The main ecological benefit is leaving the ground surface with minimal disturbance during and after the treatment.
- 3. Biodegradation** – Introducing organic agents to trigger and enhance natural biological activity to eliminate contaminants. For example, in 2006 this technique successfully decreased the original contaminant levels to at least half their original concentrations in five sites around the country. Furthermore, the successful implementation of these bioremediation programs in two locations resulted in the complete shutdown of long-term pump-and-treat systems that had been the typical industry approach for groundwater remediation. In turn, this effectively reduced the regulatory compliance requirements for these sites to a “monitoring-only” program.

## ENVIRONMENTAL RECOGNITION

- Northrop Grumman Corporation received the state of California’s 2006 and 2007 Waste Reduction Award Program (WRAP) honor for its success in cutting waste at six Southern California facilities. This marks the company’s 26th award (since 1992) for efforts to minimize waste through recycling, reuse and employee education.
- In 2006 and 2007, Northrop Grumman employees helped plant trees for the “Trees to the Sea” project in Los Angeles. The nonprofit-sponsored project aims to plant a total of 500 trees along the Imperial Highway, between the city of El Segundo and Los Angeles International Airport.
- In both 2006 and 2007, Northrop Grumman received the state of California’s “Flex Your Power” award for its success in saving energy. Flex Your Power is a partnership of California’s utilities, residents, businesses, institutions, government agencies and nonprofit organizations working to save energy. Northrop Grumman was the only industrial corporation among five winners of the Best Overall award, the highest of the honors given.
- Employees in Newport News, Virginia, received two awards from the Hampton Roads Sanitation District in 2006 for outstanding compliance with wastewater standards.
- In December 2005, Region 9 of the U.S. Environmental Protection Agency honored the company for committing to substantially reduce its use of trichlorobenzene as part of the National Partnership for Environmental Priorities Program.
- Employees at the Northrop Grumman facility in Baltimore received the EPA’s Green Lights Award for retrofitting lighting fixtures and ballasts with T-8 fluorescent lamps and electronic ballast technology.
- Employees in San Diego received the California Environmental Responsibility Award from the Industrial Environmental Association and the California Manufacturers & Technology Association for eliminating all discharges, including stormwater, to the San Diego Bay.
- Huntsville, Alabama, employees received an Air Pollution Control Achievement Award for achieving a 90 percent reduction in the emission of isopropyl alcohol.
- Employees at Continental Maritime in San Diego received the 2005 Environmental Award for Outstanding Achievement from EPA Region 9.
- In Palmdale, California, employees received the annual Achievement In Reducing Emissions (AIRE) award from the Antelope Valley Air Quality Management District for eliminating chromium in one coating and reducing volatile organic compounds in three others.

***NORTHROP GRUMMAN***

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