

WHEREAS: Corporations have a responsibility to respect human rights within company-owned operations and through business relationships under the UN Guiding Principles on Business and Human Rights (UNGPs). To meet this responsibility, companies are expected to conduct human rights due diligence to assess, identify, prevent, mitigate, and remedy adverse human rights impacts. Due diligence should address any human rights impacts a company causes or contributes to through its own business activities and those which are directly linked to its products or services. Meaningful implementation of a human rights policy requires effective due diligence systems.

Northrop Grumman is the third largest government contractor in the United States, and the U.S. Government accounts for 85% of the company's 2017 sales. Developing products and services for the Department of Defense (DoD), the Intelligence Community, and other agencies whose activities may be linked to human rights violations may expose Northrop Grumman to legal, financial, and reputational risks. Therefore, it is essential for the company to conduct human rights due diligence to evaluate and mitigate human rights risks associated with its government contracts.

In February 2018, Northrop Grumman was awarded a \$95 million contract with the Department of Homeland Security's (DHS) Office of Biometric Identity Management to develop technology for the Homeland Advanced Recognition Technology (HART) database.¹ This database will expand the capacity of DHS to collect, store, and share biometric data, such as facial images, fingerprints, iris images, and voice, as well as biographical data, including personal identification numbers, citizenship status, and nationality.² There are concerns that the algorithms used to identify facial images that may be stored in the database have inherent racial bias.³ The HART database will amplify the surveillance capabilities of government agencies, presenting risks to privacy and First Amendment rights and causing harm to immigrant communities. Through the provision of services through the DHS contract, Northrop Grumman may be linked or contribute to these adverse human rights impacts.

While Northrop Grumman adopted a Human Rights Policy in 2013, it does not disclose how the policy is operationalized to reduce the risks that the company may cause or contribute to adverse human rights impacts. Investors are unable to assess how Northrop Grumman embeds respect for human rights into the process for vetting and implementing contracts with the U.S. Government or foreign governments, or the effectiveness of any systems which may be in place to prevent or mitigate human rights risks.

RESOLVED: Shareholders request that the Board of Directors prepare a report, at reasonable cost and omitting proprietary information, on Northrop Grumman's management systems and processes to implement its Human Rights Policy.

Supporting Statement: We recommend the report include:

- The company's human rights due diligence process and indicators used to assess effectiveness;
- The role of the Board in oversight of human rights risks; and
- Systems to embed respect for human rights into business decision-making processes for its operations, contracts, and supply chain.

1 <https://news.northropgrumman.com/news/releases/northrop-grumman-wins-95-million-award-from-department-of-homeland-security-to-develop-next-generation-biometric-identification-services-system>

2 <https://www.federalregister.gov/documents/2018/04/24/2018-08453/privacy-act-of-1974-system-of-records>

3 <https://www.aclu.org/blog/privacy-technology/surveillance-technologies/amazons-face-recognition-falsely-matched-28>