

# GENERAL DYNAMICS

## Corporate Governance Guidelines

General Dynamics is a Delaware corporation and as such, the Company's business and affairs are managed by or under the direction of its Board of Directors, which is elected by the shareholders. The basic responsibility of the directors is to exercise their business judgment and act in what they reasonably believe to be the best interests of the Company and its shareholders. The day-to-day business and affairs of the Company are conducted by its employees and officers, under the direction of the chief executive officer (CEO) and the oversight of the Board.

The following guidelines have been approved by the Board of Directors and, along with the Company's certificate of incorporation, bylaws and the charters of the Board's committees, provide the framework for the governance of General Dynamics. The Board will review these guidelines and other aspects of General Dynamics' governance regularly.

### **Board Responsibilities**

In addition to its general oversight of management, the Board or its committees perform the following principal functions:

- reviewing, approving and monitoring the Company's business strategies, annual operating plan and significant corporate actions;
- selecting, evaluating and compensating the CEO;
- providing counsel and oversight on the selection and evaluation of senior management;
- determining the compensation of the Company's officers;
- reviewing and approving CEO and senior management succession planning;
- ensuring appropriate processes are in place for maintaining the integrity of the Company--including the integrity of the financial statements, compliance with law and ethics, and the integrity of relationships with customers, suppliers and other stakeholders; and
- advising and counseling management.

***Board Interaction with Stakeholders.*** The Board believes that as a general matter management speaks for the Company, but recognizes that individual Board members may, on occasion, meet or otherwise communicate with outside constituencies that are involved with the Company. In those instances, however, it is expected that directors will do so only with the prior knowledge and concurrence of senior management. An ad hoc group of directors, anchored by the chairman and the independent lead director, will liaise with significant shareholders as appropriate.

## **Board Composition**

***Size of Board and Selection Process.*** Each director is elected annually by the shareholders. The Board fixes the number of directors that will constitute the Board. The size of the Board will be set in accordance with the Company's Certificate of Incorporation and Bylaws.

The Nominating and Corporate Governance Committee makes recommendations to the Board on the appropriate size and composition of the Board, including the characteristics and experience required of new Board members in the context of the current Board composition. Shareholders may propose nominees for election in accordance with the requirements and procedures in the Company's bylaws. The Board proposes a slate of nominees to the shareholders for election to the Board at the annual meeting of shareholders. Shareholders may also directly nominate Board candidates in accordance with the procedures set forth in the Company's bylaws. Between annual shareholder meetings, the Board may appoint directors to serve until the next annual meeting.

***Qualifications.*** In assessing potential new directors, the Nominating and Corporate Governance Committee considers the character, background and professional experience of candidates. Each director or nominee should possess good judgment and an inquiring and independent mind. The criteria include relevant professional experience and expertise (including government, business, financial and technical background). All nominees must possess a reputation for the highest personal and professional ethics, integrity and values. The Committee will also carefully consider any potential conflicts of interest.

Directors must be willing to devote sufficient time and effort to carrying out their duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time. Directors should offer their resignation in the event of any significant change in their personal circumstances, including a change in their principal employment. Whether the resignation is accepted or rejected is a matter for consideration by the remaining members of the Board.

***Unsuccessful Incumbent Directors.*** An incumbent director who fails to receive a majority of the votes cast in an election that is not a Contested Election (as defined in the Company's bylaws) and who tenders his or her resignation pursuant to the Company's bylaws will remain active and engaged in Board proceedings while the Nominating and Corporate Governance Committee and the Board decide whether to accept the resignation, or take other action. The incumbent director will not participate in any proceedings by the Nominating and Corporate Governance Committee or the Board regarding their decision.

***Independence of Directors.*** A majority of the directors must be independent directors under the New York Stock Exchange (NYSE) rules (including the commentary to the NYSE rules). General Dynamics' goal is that at least two-thirds of the directors will be independent at all times under the NYSE rules.

To be considered independent under the NYSE rules, the Board must determine that a director does not have any direct or indirect material relationship with General Dynamics. The Board has established the following standards to assist it in determining director independence in accordance with the NYSE rules (including the commentary to the NYSE rules). An "independent director" will mean a director who:

- (a) is not a current employee, nor has an immediate family member who is a current executive officer, of the Company;
- (b) has not received, nor has an immediate family member who has received, during the immediately preceding fiscal year, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation;
- (c) is not, nor has an immediate family member who is, currently employed as an executive officer of another company where any executive officer of General Dynamics currently serves on the compensation committee;
- (d) is not a current partner or employee of a present internal or external auditor of the Company;
- (e) does not have an immediate family member who is a current partner of, or an employee assigned to personally work on the Company's audit by, a present internal or external auditor of the Company;
- (f) except as otherwise provided in (g) below, is not a current executive officer or an employee, nor has an immediate family member who is a current executive officer, of a company that made payments to, or received payments from, the Company for property or services in an amount which, in the immediately preceding fiscal year, exceeded the greater of \$1 million or 2% of the consolidated gross revenues of such company; and
- (g) is not an executive officer of a charitable organization which, in the immediately preceding fiscal year, received contributions from the Company in an amount which exceeded the greater of \$1 million or 2% of the consolidated gross revenues of such organization.

For purposes of these independence standards, the term "the Company" includes any subsidiary in a consolidated group with the company. The term "immediate family

member” includes a person’s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares the person’s home.

For relationships not covered by the independence standards above, the determination of whether a relationship is material, and therefore whether the director is independent, will be made by the directors who satisfy the independence standards above and the basis for the determination will be explained in the Company’s annual proxy statement. Any determination by the Board that a director is independent despite the fact that the director does not meet the independence standards above will also be explained in the Company’s annual proxy statement.

Each independent director will promptly notify the Corporate Secretary in the event that his or her circumstances change in any manner that may affect the Board’s independence determination.

***Service on Other Boards.*** Directors may not serve on more than four other public company boards in addition to the Company’s Board. Members of the General Dynamics audit committee will not serve on the audit committee of more than two other public companies. The CEO may not serve on the board of a company for which a General Dynamics independent director serves as an officer. Directors should notify the Corporate Secretary prior to accepting an invitation to serve on the board, audit committee or compensation committee of another public company to ensure there are no conflicts of interest or other issues.

***Director Retirement.*** Directors are not subject to term limits. With respect to director retirement age, it is the Company’s general policy, as reflected in its bylaws, not to nominate individuals for election to its Board of Directors who have reached the age of 72 as of the scheduled date of the respective annual meeting, not taking into account any adjournment or postponement thereof. Individuals over the age of 72 may stand for election as directors only with the approval of the Nominating and Corporate Governance Committee and a two-thirds vote of the directors then in office and for circumstances of significant benefit to the Company that will be enumerated in the Company’s proxy statement. In no event shall a director stand for election beyond the age of 75.

***Former Chief Executive Officer’s Board Membership.*** When a CEO resigns or retires from active management of the Company, he or she must submit his or her resignation from the Board for consideration. Whether the resignation is accepted or rejected is a matter for consideration by the Board.

## **Board Operations**

***Chairman of the Board.*** The Company's bylaws provide that directors shall elect a Chairman from among the directors. The Company's policy as to whether the roles of CEO and Chairman should be separate is to adopt the practice which best serves the Company's needs at any particular time.

***Lead Director.*** The Board will select a lead director from among the independent directors. The lead director will be selected annually by a majority of the independent directors upon recommendation from the Nominating and Corporate Governance Committee. The lead director's authority and responsibilities are as follows:

- Acts as chair at board meetings when the Chairman is not present, including meetings of the non-management directors;
- Has the authority to call meetings of the non-management directors;
- Coordinates activities of the non-management directors and serves as a liaison between the Chairman and the non-management directors;
- Works with the Chairman to develop and agree to meeting schedules and agendas, and agree to the nature of the information that will be provided to directors in advance of meetings;
- Is available for consultation and communication with significant shareholders, when appropriate; and
- Performs such other duties as the Board may determine from time to time.

The selection of a lead director facilitates communication among the directors or between any of them and the Chairman. Accordingly, the directors are encouraged to continue to communicate among themselves and directly with the Chairman.

***Board Meetings.*** The Board believes that the number of scheduled Board meetings may vary with circumstances and that special meetings should be called as necessary. The Board of Directors believes that as a general matter not fewer than seven scheduled meetings per year is appropriate. The Board will meet more often if necessary. Annually, the Board conducts a three-day meeting with senior management to review General Dynamics' strategic plans, goals and objectives. Directors are expected to attend in person all scheduled Board and committee meetings and the annual meeting of shareholders.

**Meetings of Non-Management Directors.** Executive sessions of only non-management directors are held in connection with each in-person Board meeting. The lead director acts as chair at these meetings. The non-management directors may meet without management present at other times as requested by any non-management director.

**Meeting Agendas.** The Chairman and the lead director agree to a preliminary agenda for each Board meeting. Any director may request items to be included on the agenda, and any director may raise at any Board meeting subjects that are not on the agenda for that meeting. The Company's Secretary maintains a list of recurring agenda items and the timing of agenda items throughout the year. The meeting agenda and the majority of the meeting materials will be provided to the directors before each scheduled Board or committee meeting. Directors may make suggestions for agenda items, or additional meeting materials, to the Chairman, the lead director, or appropriate committee chair at any time.

**Director Orientation.** The general counsel and the chief financial officer, in consultation with the executive vice presidents, are responsible for arranging for an orientation for new directors within six months of election to the Board, and for periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their duties. Topics covered during this orientation include: business operations; significant financial, accounting and risk management matters; corporate governance; investor relations; key policies and practices; and responsibilities of the committee(s) on which the director will initially serve. Each new director will be provided with the opportunity to visit the Company's business operations.

**Self-Assessment.** The Board and each of the committees will perform an annual self-assessment. The self-assessment process is led by the Nominating and Corporate Governance Committee. Assessments will be distributed each November. Each December, the directors will return their assessments of the effectiveness of the Board and the committees on which they serve. The individual assessments will be organized and summarized by the legal department of the Company. The Board and each committee that has a meeting in February will discuss the self-assessment responses in February. The Finance and Benefit Plans Committee will discuss the self-assessment responses in March.

***Access to Management, Company Information and Independent Advisors.*** The Company will provide each director with free and complete access to all members of management and employees of the Company and to information about the Company and its operations. The Board and its committees will have the right at any time to retain independent outside financial, accounting, legal or other advisors, at the Company's expense, to assist in their duties to the Company and its shareholders.

### **Board Structure**

***Board Committees.*** The Board has established the following committees to assist the Board in discharging its responsibilities:

- Audit
- Compensation
- Finance and Benefit Plans
- Nominating and Corporate Governance

The current charters of these committees are published on the General Dynamics website, and will be mailed to shareholders on written request. The committee chairs report the highlights of their meetings to the full Board following each meeting of the respective committees.

***Committee Membership.*** All members of the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee will satisfy the Company's independence standards, as well as all applicable regulatory requirements, if any. The individual qualifications of committee members are reviewed annually for compliance with the various regulatory requirements mandated for the members of each particular committee. The Nominating and Corporate Governance Committee recommends the members and the chairs of the committees to the Board.

### **Board and Executive Compensation; Succession Planning**

***Compensation of the Board.*** The Compensation Committee, which is composed entirely of independent directors, has the responsibility for recommending to the Board the level and form of compensation and benefits for directors. In discharging this duty, the Committee is guided by best practices and emerging trends in director compensation, and director compensation is benchmarked against industry peer groups and other companies with comparable revenue. Additionally, the Board believes that compensation should align directors' interests with the long-term interests of shareholders. The Compensation Committee believes these goals will be served by providing a significant portion of a director's annual retainer in equity. Directors that are officers or employees of the Company do not receive any additional compensation for their service as a director. The Compensation Committee reviews director compensation and benefits annually.

***Stock Ownership Guidelines for Directors.*** The Board believes that each director should develop a meaningful ownership position in the Company. In furtherance of this belief, the Board has adopted stock ownership guidelines for non-management directors. Each non-management director is expected to own shares of common stock of the Company having a value equal to at least 8 times the then current annual retainer. Until a director has achieved these stock ownership guidelines, a director may not sell shares of common stock of the Company and is required to retain 100 percent of the net shares of any stock option exercise and release of restricted stock.

***Annual Compensation Review of the CEO and Other Officers.*** General Dynamics' compensation program is designed to reward individual and Company-wide performance and to create incentives for both strong operational performance in the current year and for the long-term benefit of the Company, thereby closely aligning the interests of management with the interests of shareholders. The Board of Directors annually reviews and approves business unit, business group and corporate headquarters operating goals, and approves the Company's operating plan for the year. Throughout the year, the Board of Directors also reviews and monitors company performance against the operating plan through a series of financial and operating reviews given by the Chief Financial Officer, the Executive Vice Presidents and the Chief Executive Officer. In February and March of each year the Compensation Committee reviews the performance of the CEO and the Company's other officers against the operating goals and plan. Through the use of survey data and a review of individual, Company, and, where applicable, business group or business unit performance, the Compensation Committee makes compensation determinations for the CEO and the other officers of the Company.

***Loans to Directors and Officers.*** The Company will not make any personal loans or extensions of credit to directors or executive officers.

***Succession Planning.*** The Compensation Committee reviews and monitors succession plans for the CEO and the Company's other executive officers. To assist the Compensation Committee, the CEO reports at least annually to the Compensation Committee with an assessment of senior executives and their roles in the Company's succession plans. The CEO also reports at least annually to the Board with an assessment of individuals who could be promoted to senior management positions, including a review of the Company's management development activities.

### **Ethics and Conflicts of Interest**

***Codes of Ethics.*** The Board expects General Dynamics directors, officers and employees to act ethically at all times. To that end, directors are subject to the *Code of Conduct for Directors* and all officers and employees are subject to the policies comprising General Dynamics' code of conduct set forth in the Company's *Standards of Business Ethics and Conduct* handbook. The CEO, chief financial officer, controller and all persons



performing similar functions are subject to an additional code of ethics. All of these ethics policies are posted on the General Dynamics' website.

***Conflicts of Interest.*** If an actual or potential conflict of interest arises for a director, the director will promptly inform the CEO, the chair of the Nominating and Corporate Governance Committee, or the Corporate Secretary. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests. The Board will resolve any conflict of interest question involving the CEO, and the CEO will resolve any conflict of interest issue involving any other officer of the Company.

### **Receipt of Concerns or Complaints**

***General Concerns or Complaints.*** Any shareholder or other interested party who has a concern or inquiry regarding the conduct of the Company may communicate directly with either the Company's non-management directors or the full Board. Communications may be confidential or anonymous, and should be submitted in writing to the chair of the Nominating and Corporate Governance Committee in care of the Corporate Secretary, at the address set forth on the Company's website. All written communications will be received and processed by the Corporate Secretary and all substantive communications will be referred to the chair of the Nominating and Corporate Governance Committee. All communications will be reviewed and, if necessary, investigated and addressed by the chair of the Nominating and Corporate Governance Committee, and the status of the communications will be reported to the non-management directors or the full Board on a quarterly basis, or more frequently as determined by the Committee. The Corporate Secretary will assist with the tracking of all concerns and inquiries. Additionally, the chair of the Nominating and Corporate Governance Committee may direct special treatment, including the retention of outside advisors or counsel, for any such concern or inquiry.

***Accounting Concerns or Complaints.*** Concerns or complaints regarding the Company's accounting, internal accounting controls or auditing matters, may be communicated directly to the Audit Committee. Communications may be confidential and anonymous, and can be submitted in writing or reported by telephone. Written communications should be submitted to the chair of the Audit Committee in care of the Ethics Officer of the Company, at the address set forth on the Company's website. Telephone reports may be made by employees of the Company via a toll-free helpline number that is provided to all employees. All communications will be reviewed, investigated and addressed in the ordinary course by the Company's Ethics Officer unless otherwise instructed by the Audit Committee. The status of all concerns and complaints will be reported to the Audit Committee on a quarterly basis, or more frequently as determined by the Committee. The Audit Committee may direct that certain matters be presented to the full Board and may direct special treatment, including the retention of outside advisors or counsel, for any concern or complaint addressed to it.

The Company's *Standards of Business Ethics and Conduct* handbook prohibits retaliation against any person who raises in good faith an ethics or compliance issue.

**Shareholder Rights Plan Policy**

The Company does not currently have a shareholder rights plan or “poison pill.” If, however, the Board does choose to adopt a shareholder rights plan, the Board will submit the plan to a vote of the shareholders within one year from the date of its adoption.

Effective May 3, 2017