HUNTINGTON INGALLS INDUSTRIES, INC.
Form DEF 14A
March 22, 2017
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under Rule 14a-12

HUNTINGTON INGALLS INDUSTRIES, INC.

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Notice of

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Letter to Our Stockholders

March 22, 2017

Dear Fellow Stockholders:

On behalf of the Board of Directors and management team of Huntington Ingalls Industries, I would like to invite you to attend the 2017 Annual Meeting of Stockholders. We will meet on Wednesday, May 3, 2017, at 11:00 a.m. Eastern Daylight Time, at our corporate headquarters located at the Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center (VASCIC), 2401 West Avenue, Newport News, Virginia 23607. We are looking forward to your responses on the proposals included in the accompanying proxy statement.

The accompanying Notice of 2017 Annual Meeting and Proxy Statement describe the matters on which you, as a stockholder, may vote at the annual meeting, and include details of the business to be conducted at the meeting.

As a way to conserve natural resources and reduce annual meeting costs, we are electronically distributing proxy materials as permitted under rules of the Securities and Exchange Commission. Many of you will receive a Notice of Internet Availability of Proxy Materials containing instructions on how to access the proxy materials via the Internet. You can also request mailed paper copies if preferred. You can expedite delivery and reduce our mailing expenses by confirming in advance your preference for electronic delivery of future proxy materials. For more information on how to take advantage of this cost-saving service, please see page 14 of the proxy statement.

Your vote is very important. Whether or not you plan to attend the annual meeting, I encourage you to vote your shares in advance. Stockholders can submit their votes over the Internet at the web address included in the Notice of Internet Availability of Proxy Materials and included in the proxy card (if you received a proxy card), by telephone through the number included in the proxy card (if you received a proxy card), or by signing and dating your proxy card (if you received a proxy card) and mailing it in the prepaid and addressed envelope.

Thank you for your support of Huntington Ingalls Industries. I look forward to seeing you at the annual meeting.

Sincerely,

Adm. Thomas B. Fargo

U.S. Navy (Ret.)

Chairman of the Board

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Notice of 2017 Annual Meeting of Stockholders

Huntington Ingalls Industries, Inc.

4101 Washington Avenue

Newport News, Virginia 23607

DATE AND TIME	Wednesday, May 3, 2017, at 11:00 a.m. Eastern Daylight Time
PLACE	Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center (VASCIC), 2401 West Avenue, Newport News, Virginia 23607
ITEMS OF BUSINESS	Elect eight directors
	Approve the company s executive compensation on an advisory basis
	Ratify the appointment of Deloitte & Touche LLP as our independent auditors for 2017
	Approve our Performance-Based Compensation Policy to preserve the tax deductibility of performance-based compensation payments
	Consider a stockholder proposal to amend our proxy access bylaw, if properly presented at the meeting
	Transact any other business that properly comes before the annual meeting
RECORD DATE	Stockholders of record at the close of business on March 9, 2017, are entitled to vote at the annual meeting.
PROXY VOTING	It is important you vote your shares so they are counted at the annual meeting. You can vote your shares over the Internet at the web address included in the Notice of Internet Availability of Proxy Materials and included in the proxy card (if you received a proxy card), by telephone through the number included in the proxy card (if you received a proxy card), or by signing and dating your proxy card (if you received a proxy card) and mailing it in the prepaid and addressed envelope.

Charles R. Monroe, Jr.

Corporate Vice President,

Associate General Counsel and Secretary

March 22, 2017

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to Be Held on May 3, 2017: The Notice of 2017 Annual Meeting and Proxy Statement and 2016 Annual Report are available as of today s date, March 22, 2017, at *www.envisionreports.com/HII*.

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2017 Proxy Statement Summary

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all the information you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting Information

Date and Time:	May 3, 2017, at 11:00 a.m. Eastern Daylight Time
Place:	Herbert H. Bateman Virginia Advanced Shipbuilding and Carrier Integration Center (VASCIC) 2401 West Avenue Newport News, Virginia 23607
Record Date:	March 9, 2017
Voting:	Holders of our common stock are entitled to one vote per share
Admission:	To attend the meeting in person, you will need to follow the instructions included on page 91

Items to be Voted at the Annual Meeting

		Board Vote Recommendation	Page Reference (for more information)
1.	Elect eight directors	FOR	82
2.	Approve the company s executive compensation on an advisory basis	FOR	83
3.	Ratify the appointment of our independent auditors	FOR	84
4.	Approve our Performance-Based Compensation Policy to preserve the tax deductibility of performance-based compensation payments	FOR	85
5.	Consider a stockholder proposal to amend our proxy access bylaw, if properly presented at the meeting	AGAINST	89

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2017 Proxy Statement Summary

Corporate Governance Highlights

Huntington Ingalls Industries, Inc. (HII, the company, we, us or our) is committed to high standards of corporate governance, which we believe promote the long-term interests of stockholders, strengthen accountability of the Board of Directors (the Board) and management and build public trust in the company. Highlights of our corporate governance practices include:

Board Structure and Governance	All directors are independent except for our Chief Executive Officer Each of the Audit, Compensation, Governance and Policy and Finance Committees is comprised of independent directors Independent directors meet in executive session at each regularly scheduled Board meeting Independent non-executive Chairman of the Board Annual Board and committee self-assessment process Director term limits Mandatory director retirement age Limits on outside public company board service by directors to prevent overboarding
Stockholder Rights	Annual election of directors beginning in 2018 (completing phase-out of classified Board) Director resignation policy if more votes are withheld than cast for any director Eligible stockholders may include their own director nominees in our proxy materials (proxy access) Stockholders have the right to call a special meeting of stockholders No stockholder rights plan (poison pill)
Stock Ownership	Stock ownership guidelines and holding requirements for non-employee directors and executives Clawback policy for all performance-based compensation Prohibition on directors and executives hedging or pledging our common stock

Stockholder Engagement

We believe that stockholder engagement is an essential element of strong corporate governance. Accordingly, the company s management actively engages with our investors through telephonic meetings, in-person meetings and email to understand their perspectives on our company, including our strategy, performance, matters of corporate governance and executive compensation. During 2016, management held six meetings with our largest institutional stockholders and other interested stockholders, representing approximately 23% of our outstanding shares. We are committed to understanding the perspectives of our stockholders and responding as appropriate.

The following sections of this proxy statement summary describe the matters on which our stockholders will vote at the 2017 annual meeting of stockholders.

ELECT EIGHT DIRECTOR NOMINEES

Director Nominees

The Board is asking you to elect, for terms ending in 2018, the eight nominees for director named below, each of whom is currently serving as a director of the company. The following table provides summary information about the nominees for director, including their names, ages and occupations, whether they are independent directors under the corporate governance listing standards of the New York Stock Exchange (NYSE), and the Board committees on which they currently serve. The directors will be elected by a plurality vote, but any director who receives a greater number of votes withheld from his or her election than votes for such election must tender to the Board his or her offer of resignation.

				Board Committees			
Name	Age	Occupation	Independent Director	A	C	F	GP
Augustus L. Collins	59	Chief Executive Officer of MINACT Incorporated	Yes	l			l
Kirkland H. Donald	63	Independent Business Consultant	Yes		l	l	
Thomas B. Fargo	68	Chairman of the Board of Directors of Huntington Ingalls Industries, Inc.	Yes		l		l
Victoria D. Harker	52	Executive Officer and Chief Financial Officer of Tegna, Inc.	Yes		l	l	
Anastasia D. Kelly	67	Co-Managing Partner of DLA Piper Americas	Yes				**C**
Thomas C. Schievelbein	63	Retired Chairman and Chief Executive Officer of The Brink s Company	Yes	l		**C**	
John K. Welch	67	Retired President and Chief Executive Officer of Centrus Energy Corp.	Yes	l			l
Stephen R. Wilson	70	Independent Business Consultant and Retired Executive Vice President and Chief Financial Officer of RJR Nabisco, Inc.	Yes	**C**			

C = Chair

A = Audit Committee

C = Compensation Committee

F = Finance Committee

GP = Governance and Policy Committee

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Continuing Directors

The following table provides summary information about the two directors of the company whose terms will continue after the annual meeting, including their names, ages and occupations, whether they are independent directors under the corporate governance listing standards of the NYSE, the Board committees on which they currently serve and the ends of their current terms.

Name	Age	Occupation	Independent Director	Board Committees A	C	F	GP
Paul D. Miller	75	Retired Chairman of Alliant Techsystems, Inc.	Yes		**C**	l	
C. Michael Petters	57	President and Chief Executive Officer of Huntington Ingalls Industries, Inc.	No				

C = Chair

A = Audit Committee

C = Compensation Committee

F = Finance Committee

GP = Governance and Policy Committee

We have amended our certificate of incorporation to phase out our classified Board. Eight of our ten directors are up for election by our stockholders at this annual meeting, to serve one-year terms. Phase-out of the Board classification will be completed next year, and all of our directors will be voted upon at our 2018 annual meeting to serve one-year terms.

Board Composition, Qualifications and Diversity

We believe the Board is comprised of an effective mix of experience, skills and perspectives. The following charts and graphs highlight the current composition of our Board.

Director Independence

Director Diversity

Director Age Mix

Director Experience and Skills

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The Board, through the Governance and Policy Committee, considers Board succession on a continuous basis. The committee s process includes evaluation of director attributes, including professional experience, skills, diversity, independence, tenure and age, to create a balanced Board that can effectively oversee the company s business and execution of its business strategy.

APPROVE EXECUTIVE COMPENSATION ON AN ADVISORY BASIS

The Board is asking you to approve, on an advisory basis, the compensation of our named executive officers for 2016.

Our stockholders have voted on our executive compensation, on an advisory basis, since 2012. We have consistently received exceptionally strong stockholder support, as reflected in the following table:

Annual Meeting	2016	2015	2014	2013	2012
Votes Cast FOR Say-On-Pay Proposal	99%	99%	99%	99%	84%

Executive Compensation

We have designed our executive compensation program to attract, motivate and retain highly qualified executives, incentivize our executives to achieve business objectives, reward performance and align the interests of our executives with the interests of our stockholders and customers. The fundamental philosophy of our executive compensation program, set by the Compensation Committee of the Board, is pay-for-performance. We describe below our financial performance and stockholder returns in 2016.

2016 Financial Performance

A strong operating performance in 2016 delivered a strong financial performance. The following table includes several of our 2016 financial highlights:

2016 Financial Highlights	2016 Results ($ in millions, except per share data)	
Revenues	$	7,068
Operating Income	$	858
Operating Margin		12.1%
Segment Operating Income*	$	715
Cash from Operations	$	822
Free Cash Flow*	$	537
Net Earnings	$	573
Diluted Earnings Per Share	$	12.14

Contract Awards	$	5,245

* Segment operating income and free cash flow are non-GAAP financial measures, and they are reconciled to comparable GAAP financial measures on pages 48 and 56, respectively, of our Annual Report on Form 10-K for the year ended December 31, 2016.

Our full year revenues of $7.1 billion increased 0.7% over 2015. Operating income was $858 million and operating margin was 12.1%, compared to $769 million and 11.0%, respectively, in 2015. New contract awards in 2016 totaled $5.2 billion, resulting in a backlog of $21 billion at the end of the year.

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2016 Stockholder Returns

Our operating performance continues to drive significant returns to our stockholders. Diluted earnings per share increased $3.78 per share from 2015, to $12.14 in 2016. We also increased dividends by 24.0%, from $1.70 per share in 2015 to $2.10 per share in 2016, and repurchased 1.3 million shares, to continue our commitment to return cash to stockholders.

The following graph and chart show total stockholder return for HII in 2016 compared to several benchmarks and total cash returned to stockholders in 2016, respectively.

1-YEAR TOTAL STOCKHOLDER RETURN OUTPERFORMED OTHER INDICES

RETURNED $292* MILLION TO STOCKHOLDERS IN 2016

Elements of Our Executive Compensation Program

Our compensation program for our Chief Executive Officer, the two individuals who served as Chief Financial Officers in 2016 and our three other most highly-compensated executive officers in 2016 (collectively, our NEOs) consisted primarily of the following direct compensation elements in 2016:

- Base salary, to provide a minimum fixed level of compensation.

- Annual incentive awards, generally paid in cash, under our AIP, to motivate our executives to achieve pre-determined annual financial and operational targets that are aligned with our strategic goals.

- Long-term equity-based incentive awards, paid under our LTIP, to promote achievement of pre-determined three-year performance goals aligned with long-term stockholder interests.

Our executive compensation program is rounded out with certain perquisites and other executive benefits.

A significant portion of the potential compensation of our executives is at risk, and that risk increases with each executive s level of responsibility. We have designed our compensation program to balance performance-based compensation over the short- and long-term to incentivize decisions and actions that promote stockholder value and focus our executives on performance that benefits our stockholders and customers, while discouraging inappropriate risk-taking behaviors.

2016 Total Direct Compensation Mix

The pay-for-performance philosophy of our executive compensation program is demonstrated by the compensation mix of our NEOs. Of the three primary elements of total direct compensation, our executive compensation is heavily weighted toward the variable, performance-based elements, and toward the long-term and equity-based elements, as reflected in the following graphs, which set forth the percentage of total compensation corresponding to each compensation element received by our CEO and by our other NEOs in the aggregate in 2016.

CEO Compensation Mix[1]

Other NEO Compensation Mix[2]

(1) Total direct compensation does not include perquisites and other benefits.

(2) Average allocation for the NEOs other than the CEO and Ms. Walker. Ms. Walker joined the company in 2015 and therefore did not receive long-term compensation in 2016. Total direct compensation does not include perquisites and other benefits.

Compensation Best Practices

We believe our compensation practices are aligned with and reinforce our pay-for-performance philosophy and our related executive compensation principles.

What We Do

- Consideration of annual stockholder say-on-pay advisory vote on executive compensation.
- Pay for performance compensation program heavily weighted toward variable, performance-based elements, and toward long-term and equity-based elements.
- Annual assessment of potential risk posed by our compensation programs.
- Executive compensation clawback policy.
- Targeted external compensation benchmarking.
- Independent compensation consultant engaged by Compensation Committee.
- Executive stock ownership guidelines based upon multiple of executive s base salary.
- Executive stock holding requirements, which require executives to hold one-half of their equity awards for three additional years after they vest.

What We Don t Do

&#10007 No employment agreements for executives.
&#10007 No change-in-control agreements for executives or related executive tax gross-up benefits.
Prohibitions against speculative transactions in our securities, pledging our securities as collateral and hedging transactions involving our securities.
No dividends or dividend equivalents paid on restricted performance stock rights during performance period.

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RATIFY THE APPOINTMENT OF INDEPENDENT AUDITORS

The Board is asking you to ratify the selection of Deloitte & Touche LLP as our independent auditors for 2017. The following table contains summary information with respect to fees billed to us by Deloitte & Touche for professional services in 2016.

($ in thousands)	2016
Fees Billed:	
Audit Fees	7,198
Audit-Related Fees	1,048
Tax Fees	5
All Other Fees	23
Total	8,274

APPROVE PERFORMANCE-BASED COMPENSATION POLICY

The Board is asking you to approve our Performance-Based Compensation Policy to preserve the tax deductibility of performance-based payments. We are asking for your approval under the requirements of the Internal Revenue Code to ensure that certain compensation payments to certain of our officers will qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code and therefore be fully deductible by us as a business expense in the year of payment.

CONSIDER A STOCKHOLDER PROPOSAL TO AMEND OUR PROXY ACCESS BYLAW, IF PROPERLY PRESENTED AT THE MEETING

You are being asked to consider a stockholder proposal requesting that the Board amend the company s proxy access bylaw to increase the limitation on the number of stockholders that may aggregate their shares to meet the stockholder ownership threshold. The Board is recommending a vote against this proposal.

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General Information About the Annual Meeting and Voting

The Board of Directors is providing you with these proxy materials in connection with its solicitation of proxies to be voted at our 2017 Annual Meeting of Stockholders and at any postponement or adjournment of the annual meeting. In this proxy statement, Huntington Ingalls Industries, Inc. may also be referred to as we, our, us, HII or the compan

ITEMS OF BUSINESS TO BE CONSIDERED AT THE ANNUAL MEETING

The Board is asking you to vote on the following items at the annual meeting:

- elect eight directors;
- approve the company s executive compensation on an advisory basis;
- ratify the appointment of our independent auditors;
- approve our Performance-Based Compensation Policy to preserve the tax deductibility of performance-based compensation payments; and
- consider a stockholder proposal to amend our proxy access bylaw, if properly presented at the meeting.

APPOINTMENT OF PROXY HOLDERS

The Board asks you to appoint Kellye L. Walker and Charles R. Monroe, Jr. as your proxy holders to vote your shares at the annual meeting. You make this appointment by submitting your proxy using one of the voting methods described below.

If appointed by you, the proxy holders will vote your shares as you direct on the matters described in this proxy statement. If you received a proxy card and you complete and return the proxy card but do not provide voting directions, they will vote your shares as recommended by the Board on all of the matters described in this proxy statement that are brought before the annual meeting.

The Board is not aware of any business that may properly be brought before the annual meeting other than those matters described in this proxy statement. If any other matters are properly brought before the annual meeting, your proxy gives discretionary authority to the proxy holders to vote the shares in their best judgment.

NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS

Pursuant to rules adopted by the Securities and Exchange Commission (SEC), we are permitted to furnish our proxy materials to our stockholders over the Internet by delivering a Notice of Internet Availability of Proxy Materials. The Notice of Internet Availability of Proxy Materials instructs you on how to access and review the proxy statement and 2016 Annual Report over the Internet. The Notice of Internet Availability of Proxy Materials also instructs you on how you may submit your proxy over the Internet. We believe this e-proxy process expedites receipt of proxy materials by stockholders, while also lowering our costs and reducing the environmental impact of our annual meeting. We have used this e-proxy process to furnish proxy materials to certain of our stockholders over the Internet.

If you received a Notice of Internet Availability of Proxy Materials in the mail and would like to receive a printed copy of our proxy materials, you should follow the instructions for requesting these materials provided in the Notice of Internet Availability of Proxy Materials.

RECORD DATE AND VOTING

Stockholders owning our common stock at the close of business on March 9, 2017, the record date, or their legal proxy holders, are entitled to vote at the annual meeting. The Board strongly encourages you to vote. Your vote is important. Voting early helps ensure we receive a quorum of shares necessary to hold the annual meeting. Many stockholders do not vote, meaning the stockholders who do vote influence the outcome of the matters on which they vote in greater proportion than their percentage ownership of HII shares.

We have two types of stockholders: stockholders of record and street name stockholders. Stockholders of record are stockholders who own their shares in their own names on the company s books. Street name stockholders are stockholders who own their shares through a bank, broker or other holder of record.

Voting by Stockholders of Record. If you are a stockholder of record, you have four voting options. You may vote:

- over the Internet at *www.envisionreports.com/HII*, the web address included in the Notice of Internet Availability of Proxy Materials and in the proxy card (if you received a proxy card);
- by telephone through the number included in the proxy card (if you received a proxy card);
- by signing and dating your proxy card (if you received a proxy card) and mailing it in the prepaid and addressed envelope; or
- by attending the annual meeting and voting in person.

If you have Internet access, we encourage you to vote over the Internet. It is convenient, and it saves us significant postage and processing costs. In addition, when you vote by proxy over the Internet or by telephone prior to the meeting date, your proxy vote is recorded immediately and there is no risk that postal delays will cause your proxy vote to arrive late and therefore not be counted.

Internet and telephone voting facilities for stockholders of record are available 24 hours a day and will close at 11:59 p.m. Eastern Daylight Time on Tuesday, May 2, 2017. The Internet and telephone voting procedures verify you are a stockholder of record by use of a control number and enable you to confirm your voting instructions have been properly recorded. If you vote by Internet or telephone, you do not need to return your proxy card (if you received a proxy card).

Whether or not you plan to attend the annual meeting and vote in person, we urge you to have your proxy vote recorded in advance of the meeting. If you attend the annual meeting and vote at the annual meeting, any prior proxy votes you submitted, whether by Internet, telephone or mail, will be superseded by the vote you cast at the annual meeting. Because it is not practical for most stockholders to attend the annual meeting, the Board recommends you vote using one of the other voting methods. In any event, the method by which you vote your proxy will not limit your right to vote at the annual meeting if you decide to attend in person.

Revoking Your Proxy for Stockholders of Record. If you are a stockholder of record and you vote by proxy using any method, you may later revoke your proxy and change your vote at any time before the polls close at the annual meeting. You may do this by:

- sending a written statement to that effect to Huntington Ingalls Industries, Inc., Attn: Corporate Secretary, 4101 Washington Avenue, Newport News, Virginia 23607, provided we receive your written statement before the annual meeting date; or

- voting again over the Internet or by telephone prior to 11:59 p.m. Eastern Daylight Time on Tuesday, May 2, 2017; or

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General Information About the Annual Meeting and Voting

signing and returning another proxy card with a later date, provided we receive the later proxy card before the annual meeting date; or

voting in person at the annual meeting.

Only the most recent proxy vote will be counted, and all others will be discarded regardless of the method of voting.

Voting by Street Name Stockholders. If your shares are held in street name through a broker, bank or other nominee, please refer to the instructions they provide regarding how to vote your shares or to revoke your voting instructions. The availability of telephone and Internet voting depends upon the voting processes of the broker, bank or other nominee. If you are a street name stockholder and would like to vote in person at the annual meeting, you must obtain a proxy, executed in your favor, from the bank, broker or other holder of record through which you hold your shares. Because it is not practical for most stockholders to attend the annual meeting, the Board recommends you vote using one of the other voting methods. In any event, the method by which you vote your proxy will not limit your right to vote at the annual meeting if you decide to attend in person.

Confidential Voting. We treat your vote as confidential to protect the privacy of our stockholders votes. Proxies and voting instructions provided to banks, brokers and other holders of record are kept confidential. Only the proxy solicitor, the proxy tabulator and the inspector of elections have access to the proxies and voting instructions.

QUORUM, VOTE REQUIRED AND METHOD OF COUNTING

At the close of business on the record date, 46,271,346 shares of our common stock were outstanding and entitled to vote at the annual meeting. Each outstanding share is entitled to one vote.

A quorum must be present to transact business at the annual meeting. A quorum will be present if a majority of the outstanding shares entitled to vote as of the record date are present, in person or by proxy. If you indicate an abstention as your voting preference on all matters, your shares will be counted toward a quorum but will not be voted on any matter. In the absence of a quorum, the chairperson of the meeting may adjourn the meeting, and, at any reconvened meeting following such an adjournment at which a quorum is present, any business may be transacted which might have been transacted at the original meeting.

If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record can vote your shares in its discretion only on Item 3 described in this proxy statement. If you do not give your bank, broker or other holder of record instructions on how to vote your shares on Items 1, 2, 4 and 5 described in this proxy statement, your shares will not be voted on those matters.

If you have shares in an employee benefit plan and do not vote those shares, your trustee will vote your shares in accordance with the terms of the relevant plan. Accordingly, your trustee may vote your shares in the same proportion as shares held by the plan for which voting instructions have been received, unless contrary to ERISA.

The required vote and method of calculation for the matters to be considered at the annual meeting are as follows:

Item 1 Proposal to Elect Directors

Directors will be elected by a plurality of the shares present in person or by proxy at the annual meeting or any adjournment thereof and entitled to vote on the election of directors. Plurality voting means the eight director nominees receiving the most votes will be elected to the Board. If you do not want your shares to be voted with respect to a particular director nominee, you may withhold your vote with respect to that nominee. If a director nominee receives a greater number of votes withheld for his or her election than votes cast for his or her election, such nominee will be required under the majority vote director resignation policy included in our Corporate Governance Guidelines to submit an offer of resignation to the Board for its consideration. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record cannot vote your shares on this item, and broker non-votes will have no effect on the outcome of the vote.

Item 2 Proposal to Approve Executive Compensation on an Advisory Basis

The executive compensation of our NEOs will be approved as an advisory recommendation to the Board if the number of shares voted in favor exceeds the number of shares voted against. Abstentions will have no effect on the results of the vote. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record cannot vote your shares on this item, and broker non-votes will have no effect on the outcome of the vote. Although the vote on this item is non-binding, the Compensation Committee will review the results of the vote and consider it in making future decisions concerning executive compensation.

Item 3 Proposal to Ratify Appointment of Our Independent Auditors

Ratification of appointment of our independent auditors will be approved if the number of shares voted in favor exceeds the number of shares voted against. Abstentions will have no effect on the results of the vote. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record can vote your shares at its discretion on this item.

Item 4 Proposal to Approve Our Performance-Based Compensation Policy to Preserve the Tax Deductibility of Performance-Based Compensation Payments

Our Performance-Based Compensation Policy will be approved if the number of shares voted in favor exceeds the number of shares voted against. Abstentions will have no effect on the results of the vote. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record cannot vote your shares on this item, and broker non-votes will have no effect on the outcome of the vote.

Item 5 Stockholder Proposal to Amend Our Proxy Access Bylaw

The stockholder proposal to amend our proxy access bylaw will be approved if the number of shares voted in favor exceeds the number of shares voted against the proposal. Abstentions will have no effect on the results of the vote. If you are a street name stockholder and do not vote your shares, your bank, broker or other holder of record cannot vote your shares on this item, and broker non-votes will have no effect on the outcome of the vote.

IMPORTANT REMINDER OF EFFECT OF NOT CASTING YOUR VOTE IF YOU ARE A STREET NAME STOCKHOLDER

If you are a street name stockholder, it is critical you vote your shares if you want your vote to count on Items 1, 2, 4 and 5. Your bank, broker or other holder of record is not permitted to vote your shares on Items 1, 2, 4 or 5, unless you instruct them how you wish to vote. Such broker non-votes will have no impact on the results of the vote on Items

1, 2, 4 or 5.

SOLICITING AND TABULATING VOTES

The Board has made these materials available to you in connection with its solicitation of proxies for use at our annual meeting. We will bear the costs of soliciting and tabulating your votes. Our

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employees, personally, by telephone, by email or otherwise, may solicit your votes without additional compensation. In addition, we have retained MacKenzie Partners, Inc. to assist in the solicitation of proxies for the 2017 annual meeting for a fee of $12,500, plus associated costs and expenses.

We will reimburse banks, brokers and other holders of record for reasonable, out-of-pocket expenses for forwarding these proxy materials to you, according to certain regulatory fee schedules. See Electronic Access to Proxy Statement and Annual Report below for information on how you can help reduce printing and mailing costs.

ELECTRONIC ACCESS TO PROXY STATEMENT AND ANNUAL REPORT

You can elect in advance to receive future proxy materials by email. If you choose to receive future proxy materials by email, you will receive an email with instructions containing a link to the website where those materials are available, as well as a link to the proxy voting website.

If you are a stockholder of record, you may enroll in the electronic delivery service by going directly to *www.envisionreports.com/HII*. You may revoke your electronic delivery election at this site at any time and request a paper copy of the proxy statement and annual report.

If you are a street name stockholder, you may also have the opportunity to receive copies of the proxy statement and annual report electronically. Please check the information provided in the proxy materials you received from your bank, broker or other holder of record concerning the availability of this service.

HOUSEHOLDING INFORMATION

We have adopted a procedure called householding. Under this procedure, stockholders of record who have the same address and last name and do not participate in electronic delivery of proxy materials will receive only one copy of the Notice of Internet Availability of Proxy Materials or the printed proxy materials, unless we have received contrary instructions from one or both such stockholders. This procedure reduces our printing costs and postage fees and is environmentally friendly.

If you and another stockholder of record with whom you share an address are receiving multiple copies of the Notice of Internet Availability of Proxy Materials or the printed proxy materials, you can request to receive a single copy of the printed proxy materials in the future by calling our transfer agent, Computershare, at 1-888-665-9610, or writing to us at Investor Relations, 4101 Washington Avenue, Newport News, VA 23607. If you and another stockholder of record with whom you share an address wish to receive a separate Notice of Internet Availability of Proxy Materials or separate printed proxy materials, we will promptly deliver them to you if you request them by contacting Computershare by phone or Investor Relations in writing in the same manner as described above.

Stockholders who participate in householding and who receive printed proxy materials will continue to receive separate proxy cards. If you are a street name stockholder, you can request householding by contacting your bank, broker or other holder of record through which you hold your shares.

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Governance of the Company

OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance addresses the relationships among the Board, company management and the company s stockholders, with the objectives of promoting the company s long-term success, improving corporate performance, strengthening Board and management accountability and promoting the long-term interests of our stockholders. The Board and senior management are committed to high standards of corporate governance. We believe those high standards are important not only to our stockholders, but also to our customers, employees, suppliers and other stakeholders.

The following sections provide an overview of our corporate governance model and processes. Among other topics, we describe the responsibilities of the Board, how directors are selected and certain key aspects of Board operations.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS

We believe the foundation for good corporate governance starts with a board of directors whose independence, skills, experience and judgment will enable the board to effectively oversee management of the company and to provide constructive advice and counsel to management. The Board and its committees perform a number of important functions for the company and its stockholders, including:

- providing advice on the company s strategic plan developed by management;
- assessing the significant enterprise risks to which the company is subject and overseeing management of those enterprise risks;
- selecting our chief executive officer and evaluating the performance of the chief executive officer and other senior executive officers;
- overseeing development and succession plans for our senior executives;
- monitoring the company s financial performance and reviewing and approving significant corporate actions; and
- overseeing processes that protect the integrity of the company, including the integrity of the company s financial statements and compliance with legal requirements and the company s ethics and business conduct standards.

The Board s oversight role is also effected through the Board s four standing committees the Audit Committee, the Compensation Committee, the Governance and Policy Committee and the Finance Committee. Each of these committees operates under a separate written charter to promote clarity in their responsibilities and to ensure the committees function in coordination with each other and with the full Board. Our committees are discussed in greater detail beginning on page 21 of this proxy statement.

CRITERIA FOR BOARD MEMBERSHIP

The Board believes all director candidates must possess certain basic qualifications and that specialized skills and experiences should be contributed to the Board by individual directors. The Board and the Governance and Policy Committee consider the qualifications of directors and director candidates individually and in the broader context of the Board s collective skills and experiences measured against the current and future needs of the Board.

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Governance of the Company

Qualifications for All Directors. The Board believes all its members must possess the following basic qualifications:

- high personal and professional integrity and ethical standards;
- substantial educational, business, military or professional accomplishments in leading organizations;
- ability to represent the best interests of all stockholders; and
- demonstrated leadership ability and sound judgment.

Prospective directors must also be willing to submit to a background check necessary for obtaining a security clearance.

Selection of Individual Candidates. In addition to the qualifications applicable to all director candidates, the Board and the Governance and Policy Committee consider, among other matters, a candidate s knowledge of and experience in such areas as:

- finance, accounting and capital markets
- the industries in which the company competes
- manufacturing and operations
- human resources
- military and government
- government relations
- legal, regulatory and compliance matters

technology

risk management

corporate development and strategy

We also consider whether a candidate can commit sufficient time and attention to Board activities and any potential conflicts with the company s interests. Our objective is to have the collective skills, experiences and perspectives that create an outstanding, dynamic and effective Board and strengthen the Board s ability to oversee the company s business, enhance its performance and represent the long-term interests of stockholders. All of our non-employee directors are expected to serve on Board committees, supporting the Board s mission by providing expertise to those committees, and the needs of those committees are considered when evaluating director candidates. The Board and the Governance and Policy Committee also consider diversity when selecting director nominees, seeking representation of a range of experiences, backgrounds and perspectives.

Service on Other Boards. In accordance with our Corporate Governance Guidelines, the Board considers the number of boards of other public companies and audit committees of those boards on which a director candidate serves. Under our Corporate Governance Guidelines, directors should not serve on more than four boards of publicly-traded companies in addition to our Board, and our directors who also serve as chief executive officers or in equivalent positions of other companies should not serve on more than two other boards of publicly-traded companies, in each case without the approval of the chairman of our Governance and Policy Committee. A director who is a full-time employee of our company may not serve on the board of directors of more than two other publicly-traded companies, unless approved by the Board. No member of our Audit Committee may serve on the audit committees of more than three publicly-traded companies (including our company) without the approval of the Board, which must determine annually that such simultaneous service would not impair the ability of the member to effectively serve on our Audit Committee.

Retirement Policy. Under the retirement policy of our Corporate Governance Guidelines, a director will not be re-nominated at the annual meeting following the earlier of his or her 76th birthday or 15 years of service on the Board. Upon the recommendation of the Governance and Policy Committee, the Board may waive either of these requirements as to any director, if the Board deems waiver to be in the best interests of the company. In addition to our retirement policy, when a director s principal occupation or business association changes substantially during his or her tenure as a director, the Board expects the affected director will tender his or her resignation for consideration by the Governance and Policy Committee and the Board, as provided in our Corporate Governance Guidelines.

Conclusion. Satisfaction of the foregoing criteria for Board membership is implemented and assessed through continuous consideration of director succession by the Governance and Policy Committee and the Board, as well as through the Board s self-evaluation process. The Board and the Governance and Policy Committee believe that, individually and collectively, the company s current directors possess the necessary qualifications to provide effective oversight of the company s business and contribute constructive advice and counsel to the company s management.

DIRECTOR NOMINATION PROCESS

The Governance and Policy Committee is responsible under its charter for recommending to the full Board director nominees for election by our stockholders and for identifying and recommending candidates to fill any vacancies that may occur on the Board. The Governance and Policy Committee may use a variety of sources to identify candidates. Candidates may be identified through recommendations from independent directors or members of management, search firms, discussions with other persons who may know of suitable candidates to serve on the Board and stockholder recommendations.

Evaluations of director candidates who would be new to the Board (other than nominees recommended by our stockholders, as described below) include consideration of the candidate s background and qualifications by the Governance and Policy Committee, interviews with the Chairman of the Board, members of the Governance and Policy Committee and one or more other Board members who desire to interview a candidate, and deliberations of the Governance and Policy Committee and the full Board. The Governance and Policy Committee then recommends the candidate(s) to the full Board, with the full Board selecting the candidate(s) to be nominated for election by our stockholders or to be elected by the Board to fill a vacancy.

In connection with its recommendations to the Board of director nominees for election at each annual meeting, the Governance and Policy Committee considers the size of the Board and the criteria set forth above to recommend nominees who, individually and as a group and collectively with directors who will continue to serve on the Board, the Governance and Policy Committee believes satisfies the qualifications the Board needs. Accordingly, the Governance and Policy Committee annually reviews the composition of the Board as a whole and makes recommendations, if necessary, to improve the Board to achieve what it believes is the optimal mix of experience, expertise, skills, specialized knowledge, diversity and other factors.

Stockholders who wish to recommend director candidates for consideration by the Governance and Policy Committee must submit the name and relevant information about the candidate in writing to the Corporate Secretary. All director candidates recommended by stockholders are required to meet the criteria for directors described above, and candidates who meet the criteria described above will be evaluated by the Governance and Policy Committee. In accordance with our Corporate Governance Guidelines, the Governance and Policy Committee will evaluate director candidates recommended by stockholders in the same manner as candidates identified through other means.

Stockholders who wish to nominate a person for election as a director at an annual meeting must follow the procedures set forth in our bylaws and described beginning on page 26 of this proxy statement. Additionally, our bylaws include a proxy access right, which enables a stockholder or a group of up to 20 stockholders owning 3% or more of our outstanding common stock continuously for at least three years to nominate and include in our proxy materials director candidates constituting up to the greater of 25% of the number of directors then in office or two directors, subject to the requirements specified in our bylaws. Stockholders who wish to nominate director candidates for inclusion in our proxy materials under our proxy access bylaw provisions must satisfy the requirements in our bylaws, as described under the heading Communications and Company Documents Future Stockholder Proposals and Nominations of Directors of this proxy statement. The Board expects to evaluate any director candidates nominated through the proxy access process in a manner similar to that for other director candidates.

MAJORITY VOTE DIRECTOR RESIGNATION POLICY

Our Corporate Governance Guidelines include a majority vote director resignation policy. Under such policy, any nominee for director who receives a greater number of votes withheld from his or her election than votes for such election (a Majority Withhold Vote) in an uncontested election of directors must tender to the Board his or her offer of resignation within five days following certification of the stockholder vote. The Governance and Policy Committee will promptly consider the resignation offer and make a recommendation to the Board to accept or reject the tendered offer of resignation. The Board will act on the Governance and Policy Committee s recommendation within 90 days following certification of the stockholder vote. The Board will then promptly disclose its decision to accept or reject the director s resignation offer, including its rationale, in a report furnished to or filed with the SEC.

The Governance and Policy Committee in making its recommendation, and the Board in making its decision, will consider the best interests of the company and our stockholders and may each consider any other factors or other information that it considers appropriate and relevant, including but not limited to:

- the stated reasons, if any, why stockholders withheld their votes;
- possible alternatives for curing the underlying cause of the withheld votes;
- the director s tenure;
- the director s qualifications;

- the director s past and expected future contributions to the company; and

- the overall composition of the Board and its committees, including whether, if the offer of resignation is accepted, the company will no longer be in compliance with any applicable law, rule, regulation or governing document.

Any director who tenders his or her offer of resignation under our majority vote director resignation policy will not participate in the Governance and Policy Committee deliberation or recommendation or Board deliberation or action to accept or reject the resignation offer. If a majority of the Governance and Policy Committee received a Majority Withhold Vote at the same election, then the independent directors (other than those who received a Majority Withhold Vote in that election) will instead appoint a committee among themselves to consider the resignation offers and recommend to the Board whether to accept them. If, however, the independent directors who did not receive a Majority Withhold Vote constitute two or fewer directors, all independent directors may participate in the action to accept or reject the resignation offers, except that each director who has tendered his or her offer of resignation will recuse himself or herself from the deliberations and voting with respect to his or her individual offer to resign.

If a director s resignation offer is not accepted by the Board, that director will continue to serve for the term for which he or she was elected and until his or her successor is duly elected, or his or her earlier resignation or removal. If a director s resignation offer is accepted by the Board, then the Board, in its sole discretion in accordance with our bylaws, may fill any resulting vacancy or may decrease the size of the Board.

STOCKHOLDERS RIGHT TO NOMINATE PROXY ACCESS NOMINEES

The Board amended our bylaws in 2016 to provide our stockholders proxy access rights. Under Section 2.15 of our bylaws, we are required to include in our proxy materials for an annual meeting any stockholder nominee who is nominated by an Eligible Stockholder. An Eligible Stockholder is any stockholder or group of up to 20 stockholders (counting as one stockholder, for this purpose, any two or more funds under common management) that has beneficially owned at least 3% of our outstanding common stock continuously for at least three years. Eligible Stockholders must provide proof of ownership of the requisite amount of stock for the three-year time period and represent that the shares were acquired in the ordinary course of business and not to change or influence control of the company. Eligible Stockholders must also provide certain other written representations, warranties and agreements to the company, including an agreement to assume liability from any legal or regulatory violation arising out of the Eligible Stockholder s communication with our stockholders and to comply with all applicable laws and regulations, as described in more detail in Section 2.15 of the bylaws.

The maximum number of directors who can be nominated by Eligible Stockholders, referred to as Stockholder Nominees, at any annual meeting is the greater of 25% of the number of directors then in office or two directors. Section 2.15 of our bylaws includes procedures to prioritize nominations if the number of Stockholder Nominees exceeds the maximum number of Stockholder Nominees we are required to include in our proxy materials for any annual meeting. Stockholder Nominees must provide written notice to the company, which must include specific information, including information similar to the information required from stockholders to propose business and director nominations through the advance notice provisions included in Section 2.08 of our bylaws. As described in Section 2.15 of our bylaws, this notice must include an express consent to be named as a director nominee in our proxy materials and to serve as a director if elected, as well as required disclosures and information about, and representations, undertakings and consents by, the Stockholder Nominee to enable the Board to determine whether the Stockholder Nominee meets the independence and other general requirements for directors set forth in our bylaws and corporate governance guidelines. We may request additional information to enable us to make these determinations.

Stockholders who would like to nominate candidates using proxy access should refer to Section 2.15 of our bylaws, which sets forth all the requirements for proxy access nominations. The Board may exclude any Stockholder Nominee from our proxy materials if the Stockholder Nominee or Eligible Stockholder(s) fail to meet the requirements or provide the undertakings set forth in our bylaws or corporate governance guidelines and for other reasons set forth in our bylaws. See Communications and Company Documents Future Stockholder Proposals and Nominations of Directors.

DIRECTOR INDEPENDENCE

The Board makes determinations regarding the independence of our directors on an annual basis, following the Governance and Policy Committee s consideration of director independence and related recommendations to the Board. In accordance with our Corporate Governance Guidelines, the Board

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determines independence on the basis of the definition of independence set forth in the corporate governance listing standards of the NYSE.

The Board has considered relevant relationships between the company and each non-employee director to determine compliance with NYSE independence requirements. Based upon its review, the Board has determined that Gen. Collins, Adm. Donald, Adm. Fargo, Ms. Harker, Ms. Kelly, Adm. Miller, Mr. Schievelbein, Mr. Welch and Mr. Wilson, who comprise the Board s non-employee directors, are independent. The Board has also determined that each current member of the Audit Committee satisfies the additional independence requirements of the SEC and that each current member of the Compensation Committee satisfies the enhanced independence requirements of the NYSE listing standards.

The Board also considered in 2016 relevant relationships between the company and each of Robert F. Bruner and Karl M. von der Heyden, each of whom retired from the Board effective April 29, 2016. Based upon its review, the Board determined that Messrs. Bruner and von der Heyden were independent. The Board also determined that Mr. von der Heyden satisfied the SEC s additional independence requirements for Audit Committee members.

BOARD LEADERSHIP STRUCTURE

The Board understands that one of its primary responsibilities is to evaluate and determine the optimal leadership structure for the Board from time to time to facilitate effective oversight of the company. Our bylaws establish the position of Chairman, and our Corporate Governance Guidelines state that the Board believes it is in the best interests of the company and its stockholders for the Board to have the flexibility to determine the best director to serve as Chairman. The independent directors consider this matter on at least an annual basis. This consideration includes the advantages and disadvantages of a combined chairman and chief executive officer role and separate chairman and chief executive officer roles in the context of our operating and governance environment over time, with the goal of achieving the optimal model for the Board s effective oversight of the company s affairs.

Non-Executive Chairman. The Board has considered the Board leadership matter and determined that an independent, non-executive chairman is the optimal model for the company at this time. This structure provides the Board with independent leadership and allows the chief executive officer to focus on the company s business operations. The independent directors appointed Adm. Fargo as our non-executive Chairman of the Board at the time the company was spun off in 2011, and he has served as Chairman since that time.

Our non-executive Chairman has the following responsibilities under our Corporate Governance Guidelines:

- chair all Board and stockholder meetings, including executive sessions of the independent directors;

- serve as a liaison between the chief executive officer and the independent directors;

ensure the quality, quantity and timeliness of the flow of information from management to the Board; although management is responsible for the preparation of materials for the Board, the non-executive Chairman may specifically request the inclusion of certain materials;

prepare the agendas of the Board meetings and assist the chairman of each standing committee with preparation of agendas for the respective committee meetings, taking into account the requests of other Board and committee members;

set an appropriate schedule for Board meetings to assure there is sufficient time for discussion of all agenda items;

along with the chairman of the Governance and Policy Committee, interview all Board candidates and make recommendations to the Governance and Policy Committee and the Board;

have the authority to call meetings of the Board and meetings of the independent directors; and

if requested by the chief executive officer, be available for consultation and direct communication with stockholders.

Conclusion. All of our directors play an active role in overseeing the company s business at both the Board and committee levels. The Board is currently comprised of one non-independent director who serves as our Chief Executive Officer and nine independent directors. Our independent directors are skilled and experienced leaders in industry and the military. Our independent directors are effective in collaborating with management and thoroughly considering proposals made by management, and an independent Board leader supports this relationship. We therefore believe a non-executive Chairman of the Board, along with eight other strong independent directors, is an appropriate and effective structure at this time to oversee the company s affairs and to provide advice and counsel to the Chief Executive Officer and other senior management of the company.

BOARD COMMITTEE FUNCTIONS AND MEMBERSHIP

The Board has four standing committees: Audit, Compensation, Governance and Policy and Finance. Each of the Audit, Compensation and Governance and Policy Committees is constituted and operated in accordance with SEC requirements and the NYSE s corporate governance listing standards; the Finance Company is not subject to any such requirements or standards. Each Board committee is governed by a written charter, which sets forth the responsibilities of the committee, including the responsibilities described in this section. Each charter can be viewed on our website at *www.huntingtoningalls.com* and is available in print to any stockholder requesting a copy. All members of each Board committee are independent, as determined under the corporate governance listing standards of the NYSE.

Audit Committee. The Audit Committee s responsibilities include meeting periodically with management and with each of our independent auditor and our Vice President of Internal Audit to review audit results and the adequacy of and compliance with our system of internal controls. In addition, the Audit Committee appoints and discharges our independent auditor, evaluates proposed audit and permissible non-audit services from the independent auditor for their impact on the independence of the auditor and, if appropriate, approves such services.

The members of the Audit Committee are Mr. Wilson (chair), Gen. Collins, Mr. Schievelbein and Mr. Welch. Gen. Collins was appointed to the Audit Committee on November 2, 2016. The Board has determined, in accordance with NYSE requirements, that each member of the Audit Committee is financially literate and that Mr. Wilson possesses accounting or related financial management expertise. The Board has also determined that Mr. Wilson qualifies as an audit committee financial expert, as defined under applicable SEC rules.

Compensation Committee. The Compensation Committee oversees all compensation and benefit programs and makes compensation decisions that affect our elected officers. The Compensation Committee also provides strategic direction for our overall compensation structure, policies and programs and reviews senior management succession plans. The Compensation Committee considers and makes recommendations to the Board of Directors regarding the compensation of directors.

The members of the Compensation Committee are Adm. Miller (chair), Adm. Donald, Adm. Fargo and Ms. Harker. Adm. Donald was appointed to the Compensation Committee effective January 1, 2017. The Board has determined that each member of the Compensation Committee qualifies as a non-employee director under SEC Rule 16b-3 and as an outside director for purposes of section 162(m) of the Internal Revenue Code of 1986. None of our executive officers served as a member of

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the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or our Compensation Committee. Accordingly, no interlocks with other companies, within the meaning of the SEC s proxy rules, existed during 2016.

Governance and Policy Committee. The Governance and Policy Committee is responsible for developing and recommending to the Board of Directors criteria for board membership; identifying, and reviewing the qualifications of, director candidates; and assessing the contributions and independence of incumbent directors in determining whether to recommend them for reelection to the Board. The Governance and Policy Committee also considers and makes recommendations to the Board regarding transactions with related persons and corporate governance matters generally and oversees the evaluation of the Board of Directors. The members of the Governance and Policy Committee are Ms. Kelly (chair), Gen. Collins, Adm. Fargo and Mr. Welch. Gen. Collins was appointed to the Governance and Policy Committee on November 2, 2016.

Finance Committee. The Finance Committee oversees and reviews our financial affairs, strategies and policies. The Finance Committee is responsible for reviewing and making recommendations to the Board regarding: our financial policies and strategies, capital structure and financial condition, our issuances of debt and equity securities and significant borrowing transactions, strategic transactions, our dividend policy and stock repurchase programs and significant capital expenditures. The Finance Committee also provides oversight to ensure that our financial policies and strategies are consistent with our capital budget, annual operating plan and strategic plan. The members of the Finance Committee are Mr. Schievelbein (chair), Adm. Donald, Ms. Harker and Adm. Miller. Adm. Donald was appointed to the Finance Committee effective January 1, 2017.

BOARD STRUCTURE

Prior to amendment of our certificate of incorporation in 2015, the Board was divided into three classes, with each class of directors elected for a three-year term of office and the terms staggered so the term of only one class of directors expired at each annual meeting. At our 2015 annual meeting, our stockholders approved an amendment to our certificate of incorporation to phase out the classification of the Board. We amended our certificate of incorporation accordingly, and all directors elected at and after our annual meeting held in 2016 were and will be elected for one-year terms. Directors elected prior to the 2016 annual meeting, and any directors who may be elected by the Board to replace any of those directors, will continue to serve for the respective three-year terms for which they were elected. Eight of our ten directors are up for election by our stockholders at our 2017 annual meeting, to serve for one-year terms. Phase-out of the Board classification will be completed next year, and all of our directors will be voted upon at our 2018 annual meeting to serve one-year terms.

EXECUTIVE SESSIONS OF NON-EMPLOYEE DIRECTORS

In accordance with our Corporate Governance Guidelines, our directors, with no members of management present (including directors who are also officers of the company), have the opportunity to meet in executive session at each regularly scheduled Board meeting. In addition, our Corporate Governance Guidelines provide that at least one executive session of independent directors will be held each year. In 2016, all of our directors, other than our Chief Executive Officer, were independent under NYSE corporate governance listing standards. The independent directors met in executive session at each of the five regular Board meetings during the year. The non-executive Chairman presides over the executive sessions.

The Audit Committee routinely meets in separate executive sessions with management, our independent auditor, our Vice President of Internal Audit and committee members only. The Compensation Committee, the Governance and Policy Committee and the Finance Committee also meet in executive session on a routine basis, with only members of the committee present.

THE BOARD S ROLE IN RISK OVERSIGHT

The Board s responsibilities include oversight of risk management, which includes overseeing our system of financial and operational internal controls, our compliance with applicable laws and regulations and our processes for identifying, assessing and managing other significant risks that may affect the company. To discharge these responsibilities, the Board must understand the significant risks to which the company is subject. Risks are inherent in virtually every business decision, and our business strategy creates risks. The Board understands it is neither possible nor prudent to eliminate all risk. Indeed, purposeful, appropriate and managed risk-taking is essential for the company to be competitive and profitable and successfully execute its business strategy. The Board s objective in overseeing risk management is to satisfy itself that management is identifying and appropriately assessing and managing our significant risks.

Management has implemented a robust enterprise risk management (ERM) program, which includes annual risk assessments, risk analyses, development of risk plans for enterprise risks, monitoring of enterprise risks and routine reports on enterprise risks and ERM program activities to senior management and the Board. Our ERM process is managed by an Enterprise Risk Committee, comprised of management from across business units and programmatic and functional disciplines within the company. The Enterprise Risk Committee is responsible for developing enterprise risk assessments, developing and monitoring risk mitigation plans for our enterprise risks, monitoring emerging and evolving risks and generating data and reports to facilitate management decision making and the Board s risk oversight function. While the Board and its committees oversee risk management, management is responsible for identifying, assessing and managing risks.

The Board and its committees are responsible for understanding and evaluating the company s ERM processes and determining whether they are achieving their objectives. Management briefs the Board on an annual basis on the company s overall program, which includes a report on the results of the company s latest enterprise risk assessment, a review of the company s latest roster of enterprise risks, assessments of the probabilities of such risks occurring and their potential severity and assessments of management s capability of mitigating individual enterprise risks. Management also briefs the Board or a Board committee on a periodic basis on significant risks, which includes a report on the risk by management s risk owner and the related risk mitigation plan. The Board is updated on an interim basis on any changes to the company s enterprise risk roster and any other material developments affecting the company s ERM program.

The Governance and Policy Committee is responsible under its charter for developing and recommending to the full Board a methodology for the Board s oversight of risk management and for monitoring the Board s oversight of risk management. In connection with this responsibility, the Governance and Policy Committee evaluates the enterprise risk roster developed by company management, allocates oversight responsibilities among the full Board and individual standing Board committees and develops a risk briefing schedule, based upon management s relative prioritization of enterprise risks.

Oversight of risk management is a continuous process and inherent in the company s strategic decisions. The Board and its committees facilitate open communication between management and the directors and foster an appropriate culture of integrity and risk awareness. The Board and its committees engage in communications throughout the year with management regarding risk assessment and risk management, and directors are encouraged to and do communicate directly with senior management.

While the full Board has ultimate responsibility for the oversight of risk management, Board committees oversee certain individual enterprise risks relating to matters within the scopes of their responsibilities and report to the full Board with respect to this oversight. All standing Board committees play significant roles in the risk management oversight function.

The Audit Committee oversees risks relating to the company s financial statements, the financial reporting process and accounting and legal matters. The Audit Committee also oversees the internal and external audit functions and compliance with our Code of Ethics and Business Conduct. The Audit Committee meets in executive sessions with our Vice President of Internal Audit and with representatives of our independent auditing firm to discuss our significant financial exposures and management s processes for monitoring and managing such exposures.

The Compensation Committee evaluates the risks associated with our compensation principles and practices. As discussed in more detail under Compensation Discussion and Analysis beginning on page 39 of this proxy statement, the Compensation Committee evaluates and approves compensation programs designed to discourage inappropriate risk taking without diminishing the incentive elements of our compensation programs. The Compensation Committee also considers management s processes for identifying and mitigating potential compensation risks. At least annually, the Compensation Committee is briefed, and reports to the Board, on our senior management succession plan.

The Governance and Policy Committee monitors potential risks to the effectiveness of the Board, including director succession and committee composition, and the principal policies that guide the company s governance. The Governance and Policy Committee also considers risks relating to the company s policies and practices with respect to significant public policy and corporate responsibility matters.

The Finance Committee oversees management of risks associated with proposed strategic transactions. The Finance Committee also monitors our financial policies and strategies to ensure their consistency with our capital budget, annual operating plan and strategic plan. In addition, the Finance Committee is responsible for monitoring and overseeing management of risks relating to our capital structure and financial condition, securities issuances, significant borrowing transactions and significant capital expenditures.

BOARD AND COMMITTEE EVALUATIONS

In accordance with our Corporate Governance Guidelines, the Board (under the oversight of the Governance and Policy Committee) conducts an annual assessment of the performance of the full Board and individual committees, and the evaluation results are discussed by the Board. The Board is also required to consider the performance of each individual director on a regular basis.

POLICY AGAINST HEDGING AND PLEDGING COMPANY SECURITIES

Our insider trading policy prohibits officers, directors and certain employees from engaging in any of the following transactions for their own account: speculative transactions in company securities, pledges of company securities as collateral for a loan or other transaction or hedging transactions involving company securities, including zero cost collar transactions and forward sale contracts.

CODE OF ETHICS AND BUSINESS CONDUCT

Our Board of Directors has adopted a Code of Ethics and Business Conduct, which applies to our directors, officers and employees. This code provides officers, directors and employees with guidelines for making ethical decisions while conducting business on behalf of HII and includes the commitments the company has made to its employees, customers, stockholders, communities and suppliers. The code provides guidance on, among other matters, conflicts of interest, corporate opportunities, trading in company securities, political contributions and confidential information. Employees are required to report any conduct they believe in good faith is an actual or apparent violation of the code. The Code of Ethics and Business Conduct includes provisions applicable to our senior financial officers, as required by SEC rules.

Our Code of Ethics and Business Conduct is available on our website at *www.huntingtoningalls.com* and is available in print to any stockholder requesting a copy. We will post any amendments to our Code of Ethics and Business Conduct on our website. If we waive a provision of the Code of Ethics and Business Conduct with respect to our chief executive officer, chief financial officer or principal accounting officer, we will post information about the waiver at the same location on our website.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of our executive officers served as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board or our Compensation Committee. Accordingly, no interlocks with other companies, within the meaning of the SEC s proxy rules, existed during 2016.

MEETINGS AND ATTENDANCE

The Board held six meetings in 2016, and each of the five regular Board meetings included an executive session of independent directors. In addition, the Board held 22 committee meetings, comprised of six Audit Committee, five Compensation Committee, five Governance and Policy Committee and six Finance Committee meetings. Each director attended 75% or more of the meetings of the Board and the committees on which he or she served during 2016.

Our Corporate Governance Guidelines establish an expectation that all directors will attend annual meetings of stockholders. All of our directors who were directors or nominees at the time of the 2016 annual meeting of stockholders attended the annual meeting.

INDEMNIFICATION

We indemnify our directors and our elected officers to the fullest extent permitted by law, so they can be free from undue concern about personal liability in connection with their service to HII. Our bylaws require this indemnification, and we have also entered into agreements with each director and elected officer contractually obligating us to provide this indemnification to him or her.

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Communications and Company Documents

We welcome communications from our stockholders and other interested parties, and we make information we believe is important to our stockholders and interested parties available on our website. The following sections describe: how stockholders and other interested parties can communicate with the Board; the information we make available to our stockholders and other interested parties and where you can find that information; and the procedures that stockholders must follow to propose matters for consideration at our annual meetings or to nominate persons for election as directors at our annual meetings.

COMMUNICATIONS AND COMPANY DOCUMENTS

Stockholders and other interested parties can communicate with the Board, our non-executive Chairman, our independent directors as a group, individual directors or any of the standing Board committees in care of the Corporate Secretary, Huntington Ingalls Industries, Inc., 4101 Washington Avenue, Newport News, Virginia 23607. At the direction of the Board, all mail received may be opened and screened for security purposes.

Communications from stockholders and other interested parties are distributed to the Board, a committee or an individual director or directors, as appropriate, depending on the facts and circumstances of the communication. The Board has requested that certain items unrelated to the duties and responsibilities of the Board be excluded or redirected, as appropriate, such as: business solicitations or advertisements; junk mail and mass mailings; resumes and other forms of job inquiries; and surveys. In addition, communications that are unduly hostile, threatening or similarly unsuitable will be excluded. Notwithstanding the foregoing, any communication will be made available to any director upon his or her request.

Our website contains our Restated Certificate of Incorporation, Certificates of Amendment of Restated Certificate of Incorporation, Restated Bylaws, Corporate Governance Guidelines, standing Board committee charters and Code of Ethics and Business Conduct. To view these documents, go to *www.huntingtoningalls.com*, click on Investor Relations and click on Leadership & Governance under the Company Information drop-down box. We will post any amendments to our Code of Ethics and Business Conduct on our website. If we waive a provision of the Code of Ethics and Business Conduct with respect to our chief executive officer, chief financial officer or principal accounting officer, we will post information about the waiver at the same location on our website. To view our SEC filings and Forms 3, 4 and 5 filed by our directors and executive officers, go to *www.huntingtoningalls.com*, click on Investor Relations and click on SEC Filings under the Financial Information drop-down box.

We will promptly deliver free of charge to any requesting stockholder a copy of our Annual Report on Form 10-K for the year ended December 31, 2016 (without exhibits), Corporate Governance Guidelines, standing Board committee charters and Code of Ethics and Business Conduct. Requests should be directed to: Corporate Secretary, Huntington Ingalls Industries, Inc., 4101 Washington Avenue, Newport News, Virginia 23607.

You can also print copies of these documents from our website at *www.huntingtoningalls.com*. The information on our website is not a part of this proxy statement.

FUTURE STOCKHOLDER PROPOSALS AND NOMINATIONS OF DIRECTORS

Stockholders may present proposals for consideration at a future meeting of stockholders only if they comply with the requirements of the proxy rules established by the SEC and the requirements of our bylaws.

Under SEC Rule 14a-8, if a stockholder wants us to include a proposal in our proxy statement and form of proxy for presentation at our 2018 annual meeting of stockholders, the proposal must be received by us by November 22, 2017, at our principal executive offices located at Huntington Ingalls Industries, Inc., 4101 Washington Avenue, Newport News, Virginia 23607. The proposal should be sent to the attention of the Corporate Secretary.

Article II, Section 2.08 of our bylaws contains the procedures that a stockholder must follow to nominate persons for election as directors or to introduce an item of business at an annual meeting of stockholders outside of SEC Rule 14a-8. Assuming that our 2018 annual meeting is held within 30 days before or after the anniversary of the 2017 annual meeting (May 3, 2017), we must receive the notice of your intention to introduce a nomination or to propose an item of business at our 2018 annual meeting not less than 90 days nor more than 120 days in advance of the anniversary of the date on which we first mailed the proxy materials for our 2017 annual meeting (March 22, 2017), or between November 22, 2017 and December 22, 2017.

The notice must be submitted in writing to our principal executive offices located at Huntington Ingalls Industries, Inc., 4101 Washington Avenue, Newport News, Virginia 23607. The notice should be sent to the attention of the Corporate Secretary. Our bylaws specify the information that must be contained in the notice. Our bylaws are posted on our website, *www.huntingtoningalls.com*, and can be accessed by clicking Investor Relations and Leadership & Governance under the Company Information drop-down box.

Article II, Section 2.15 of our bylaws contains the procedures eligible stockholders must follow to nominate persons for election as directors and to have those candidates included in our proxy materials (proxy access). Assuming that our 2018 annual meeting of stockholders is held within 30 days before or after the anniversary of the 2017 annual meeting (May 3, 2017), we must receive the notice of your intention to make a proxy access nomination not less than 120 days nor more than 150 days in advance of the anniversary of the date on which we first mailed the proxy materials for our 2017 annual meeting (March 22, 2017), or between October 23, 2017 and November 22, 2017.

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The Board of Directors

We believe the qualifications, skills and experiences of our directors are consistent with our criteria for the selection of directors and that, collectively, our directors have functioned effectively in overseeing the affairs of the company over the last year.

Gen. Collins was elected by the Board on November 1, 2016, to fill a vacancy created when the Board increased its size to nine directors. He was recommended as a candidate for director by a third party unaffiliated with the company. Adm. Donald was elected to the Board effective January 1, 2017, to fill a vacancy created when the Board increased its size to ten directors. He was recommended as a candidate for director by our chief executive officer and several non-management directors. The remaining eight directors have served on the Board since our last annual meeting.

Prior to amendment of our certificate of incorporation in 2015, the Board was divided into three classes, with each class of directors elected for a three-year term of office and the terms staggered so the term of only one class of directors expired at each annual meeting. We amended our certificate of incorporation in 2015 to phase out the classification of the Board, and all directors elected at and after our annual meeting held in 2016 have been and will be elected for one-year terms. Directors elected prior to the 2016 annual meeting, and any directors who may be elected by the Board to replace any of those directors, will continue to serve for the respective three-year terms for which they were elected. Eight of our ten directors are up for election by our stockholders at our 2017 annual meeting, to serve for one-year terms. Phase-out of the Board classification will be completed next year, and all of our directors will be voted upon at our 2018 annual meeting to serve one-year terms.

2017 DIRECTOR NOMINEES

AUGUSTUS L. COLLINS

Director since November 2016

Term will expire at 2018 annual meeting, if elected

Gen. Collins, age 59, has served as Chief Executive Officer of MINACT, Incorporated since September 2016.

Positions Held: From January 2012 to August 2016, Gen. Collins was a Major General in the Mississippi National Guard, serving as Adjutant General of both the Mississippi Army National Guard and the Mississippi Air National Guard. From July 2010 to January 2012, Gen. Collins served as Executive Vice President for Strategic Planning of MINACT. From August 2007 to July 2010, he served on Mississippi s Workers Compensation Commission as the commission s representative of labor. Gen. Collins served more than 35 years in the U.S. Army and Mississippi National Guard, which included command of the 155th Brigade Combat Team of the Mississippi National Guard, deploying to Iraq, where he was responsible for security operations in the southern and western provinces.

Other Directorships and Memberships and Education: Gen. Collins received a B.S. in Business Administration from the University of Mississippi, an M.B.A. from Jackson State University and a Master s Degree in strategic studies from the U.S. Army War College.

Qualifications, Experience, Attributes and Skills: We believe Gen. Collins is qualified to serve as a director based upon his 35 years of senior military experience with the U.S. Army and Mississippi National Guard and his experience as a senior executive and then chief executive officer of a company that contracts with the U.S. government, as well as private sector customers.

KIRKLAND H. DONALD

Director since January 2017

Term will expire at 2018 annual meeting, if elected

Adm. Donald, age 63, has served as an independent business consultant since January 2013.

Positions Held: From January 2014 to October 2015, Adm. Donald served as chief executive officer of Systems Planning and Analysis, Inc. Prior to that and from June 2013, he served as chief operating officer of the same company. Prior to that, Admiral Donald served 37 years in the U.S. Navy. In his last assignment, he served as director of the naval nuclear propulsion program from November 2004 to November 2012.

Current Public Company Directorships: Adm. Donald has served on the board of directors of Entergy Corporation since June 20, 2013, and serves on its Finance Committee and Nuclear Committee.

Other Directorships and Memberships and Education: Admiral Donald currently serves on the boards of directors of Battelle Memorial Institute, Cybercore Technologies and the Naval Submarine League. He also serves on the executive advisory board of Moelis Capital Partners/NexPhase Capital Partners. Adm. Donald is a graduate of the U.S. Naval Academy, holding a B.S. in Ocean Engineering. He also received an M.B.A. from the University of Phoenix and completed Harvard University s John F. Kennedy School of Government Senior Executive Fellows Program.

Qualifications, Experience, Attributes and Skills: We believe Adm. Donald is qualified to serve as a director based upon his 37 years of senior military experience with the U.S. Navy, the last eight years of which he served as director of the naval nuclear propulsion program, his experience serving on the boards of directors of other public and private companies and his experience serving as a senior operating officer and chief executive officer of a private company that provides services primarily to the U.S. Department of Defense and U.S. Department of Homeland Security.

THOMAS B. FARGO

Director since March 2011

Term will expire at 2018 annual meeting, if elected

Adm. Fargo, age 68, is Chairman of the Board of Directors of Huntington Ingalls Industries, Inc. and has served in that capacity since March 2011.

Positions Held: Adm. Fargo has led companies in both the transportation and research and development sectors. He served as Commander of the U.S. Pacific Command, leading the largest unified command while directing the joint operations of the Army, Navy, Marine Corps and Air Force from May 2002 until his retirement from the U.S. Navy in March 2005. His 35 years of service included six tours in Washington, D.C. and five commands in the Pacific, Indian Ocean and Middle East, which included Commander-in-Chief of the U.S. Pacific Fleet, Commander Fifth Fleet and Naval Forces of the Central Command.

Current Public Company Directorships: Adm. Fargo serves on the boards of directors of Matson, Inc., the Greenbrier Companies, Inc. and Hawaiian Electric Industries, Inc.

Prior Public Company Directorships (within the last five years): Adm. Fargo served on the board of directors of Northrop Grumman Corporation, Alexander & Baldwin, Inc. and Hawaiian Holdings, Inc. (Hawaiian Airlines, Inc.), including as Chairman of its Compensation Committee.

Other Directorships and Memberships and Education: Adm. Fargo serves on the boards of directors of United Services Automobile Association (USAA), the U.S. Naval Academy Foundation, the Japan-America Society of Hawaii, the Iolani School Board of Governors and the Friends of Hawaii Charities. He is a graduate of the U.S. Naval Academy.

Qualifications, Experience, Attributes and Skills: We believe that Adm. Fargo is qualified to serve as a director based upon his service as Commander of the largest military command in the world and his senior military, government and operations expertise. His public company board experience has given him expertise in corporate governance, aerospace and defense, transportation and finance. Adm. Fargo has received formal training in board service at Harvard University and Stanford University. He also possesses specialized knowledge in both national and homeland security that is directly relevant to our core business and customers.

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The Board of Directors

VICTORIA D. HARKER

Director since August 2012

Term will expire at 2018 annual meeting, if elected

Ms. Harker, age 52, is an Executive Vice President and the Chief Financial Officer of Tegna, Inc.

Positions Held: Ms. Harker began serving in her current position in June 2015, when Tegna separated from Gannett Co., Inc. Prior to that and from July 2012, she served as Chief Financial Officer of Gannett. Ms. Harker served as Chief Financial Officer from 2006 to 2012 and as President of Global Business Services from 2011 to 2012 of The AES Corporation, a multinational power company. Before joining AES, she was the acting Chief Financial Officer and Treasurer of MCI, Inc. from November 2002 through January 2006, and Chief Financial Officer of MCI Group, a unit of Worldcom, Inc., from 1998 to 2002.

Current Public Company Directorships: Ms. Harker serves on the board of directors of Xylem, Inc. (formerly ITT), a global water infrastructure company, and as Chair of its Audit Committee and a member of its Leadership Development and Compensation Committee.

Prior Public Company Directorships (within the last five years): Ms. Harker served on the board of directors and as a member of the Finance and Audit Committees of the Board of Darden Restaurants, Inc. from 2009 to 2014.

Other Directorships and Memberships and Education: Ms. Harker is a member of the University of Virginia s Board of Visitors, where she chairs the Finance Committee and serves as a member of the Executive Committee, the Special Committee on Governance and the Committee on the University of Virginia s College at Wise. She is a trustee of the University of Virginia Alumni Association s $250M Jefferson Trust and participates as an emeritus society member of the Board of WolfTrap Foundation for the Performing Arts. Ms. Harker received a B.A. from the University of Virginia and an M.B.A. from American University.

Qualifications, Experience, Attributes and Skills: We believe Ms. Harker is qualified to serve as a director based upon the significant experience in business and finance she has accumulated serving as chief financial officer and in other senior management positions with large publicly-traded companies, as well as her experience serving on boards and board committees of other publicly-traded companies.

ANASTASIA D. KELLY

Director since March 2011

Term will expire at 2018 annual meeting, if elected

Ms. Kelly, age 67, is a Co-Managing Partner of DLA Piper Americas and has served in such capacity since 2013.

Positions Held: Prior to joining DLA Piper, Ms. Kelly was an executive officer of American International Group, Inc. from 2006 to 2010, serving as Executive Vice President and General Counsel from 2006 to January 2009 and as Vice Chairman from January to December 2009, positions for which she was responsible for addressing legal, regulatory, corporate governance and risk management issues. Prior to joining American International Group, Ms. Kelly was an executive and general counsel of several large, publicly-traded companies, including MCI WorldCom, Sears, Roebuck and Co. and the Federal National Mortgage Association (Fannie Mae).

Current Public Company Directorships: Ms. Kelly serves as a director and Chair of the Risk Committee and a member of the Governance and Nominating Committee of Owens-Illinois, Inc., the world s largest manufacturer of glass containers.

Other Directorships and Memberships and Education: Ms. Kelly serves on the boards of numerous philanthropic organizations. She serves as a director of the Cardiovascular Institute at George Washington University Hospital, and is a member of the Rock Center for Corporate Governance at Stanford University Law School. Ms. Kelly is also past Chair of Equal Justice Works and a director of Lawyers for Children America. She was a director of Saxon Capital from 2005 to 2007. Ms. Kelly received a B.A., cum laude, from Trinity University and a J.D., magna cum laude, from George Washington University Law School. She is a member of the Texas Bar and the District of Columbia Bar and a Fellow of the American Bar Foundation.

Qualifications, Experience, Attributes and Skills: We believe Ms. Kelly is qualified to serve as a director based upon her many years of experience as a senior executive and general counsel of several large, publicly traded companies, her experience as a director of another public company, and her varied business and legal experience.

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THOMAS C. SCHIEVELBEIN

Director since March 2011

Term will expire at 2018 annual meeting, if elected

Mr. Schievelbein, age 63, served as Chairman, President and Chief Executive Officer of The Brink s Company from June 2012 until his retirement in May 2016.

Positions Held: Mr. Schievelbein served as President of Northrop Grumman Newport News and was a member of the Northrop Grumman Corporate Policy Council from November 2001 until November 2004. He served as Chief Operating Officer of Newport News Shipbuilding Inc. from 1995 until 2001 and was responsible for the design, construction and maintenance of nuclear-powered aircraft carriers and submarines. His experience includes the *Virginia*-class submarine program, CVN-76, CVN-77 and CVN-21 aircraft carrier programs, aircraft carrier overhaul and refueling, submarine fleet maintenance, commercial and naval ship repair and business development.

Current Public Company Directorships: Mr. Schievelbein has served on the board of directors of New York Life Insurance Co. since 2006 and currently serves as Chairman of the Compensation Committee and a member of the Investment Committee and Governance and Policy Committee.

Prior Public Company Directorships (within the last five years): Mr. Schievelbein previously served on the board of directors of The Brink s Company from March 2009 until his retirement in May 2016, serving as Chairman of that board from June 2012. Before serving as Chairman, he served as a member of its Audit and Compensation Committees. Mr. Schievelbein served on the board of directors of McDermott International Inc. from 2004 to 2012.

Other Directorships and Memberships and Education: Mr. Schievelbein is a past member of the Secretary of the Navy s Advisory Panel and was a director of the U.S. Naval Academy Foundation from 2004 through 2012. He received a B.S. in Marine Engineering from the U.S. Naval Academy and a Master s Degree in Nuclear Engineering from the University of Virginia.

Qualifications, Experience, Attributes and Skills: We believe Mr. Schievelbein is qualified to serve as a director based upon his experience as the President and Chief Operating Officer of Northrop Grumman Newport News and Chief Operating Officer of Newport News Shipbuilding Inc., his prior experience as Chairman, President and Chief Executive Officer of a public company and his experience serving as a director of other public companies.

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The Board of Directors

JOHN K. WELCH

Director since February 2015

Term will expire at 2018 annual meeting, if elected

Mr. Welch, age 67, was President and Chief Executive Officer of Centrus Energy Corp. (formerly USEC Inc.) from October 2005 until his retirement in October 2014.

Positions Held: He was previously a senior executive with General Dynamics Corporation, retiring from the company in 2003 as Executive Vice President for the Marine Systems Group, which included Bath Iron Works, Electric Boat and National Steel and Shipbuilding Company (NASSCO). During his career with General Dynamics, which began in 1989, Mr. Welch also served as President of Electric Boat, Vice President of Programs for Electric Boat, with responsibility for new construction, overhaul and repair programs, material acquisition and information technology, and Vice President for Program Development at Electric Boat, with responsibility for strategic planning, program and product marketing and high-technology program acquisition and management. Mr. Welch served over seven years on active duty with the U.S. Navy as a nuclear submarine officer and retired from the Naval Reserve.

Prior Public Company Directorships (within the last five years): Mr. Welch served on the board of directors of Centrus Energy Corp. and its predecessor, USEC Inc., from 2005 until 2013.

Other Directorships and Memberships and Education: Mr. Welch is Chairman of the Board of Battelle Memorial Institute and serves on the board of Mount St. Joseph High School. He received a B.S. in Aerospace Engineering from the U.S. Naval Academy, a Master s Degree in Aeronautical Engineering from the Naval Postgraduate School and an M.B.A. from Loyola College.

Qualifications, Experience, Attributes and Skills: We believe Mr. Welch is qualified to serve as a director based upon his senior executive experience at other public companies in the shipbuilding and energy markets, including his experience as executive vice president of the primary competitor to our core shipbuilding business. Mr. Welch also brings experience as a director of other public and private companies and not-for-profit entities.

Additional Information. Mr. Welch is the retired President and Chief Executive Officer of Centrus Energy Corp. (formerly USEC Inc.). Centrus Energy filed a voluntary petition under Chapter 11 of the federal bankruptcy code on March 5, 2014. On September 30, 2014, Centrus Energy emerged from Chapter 11, prior to Mr. Welch s retirement from the company.

STEPHEN R. WILSON

Director since October 2015

Term will expire at 2018 annual meeting, if elected

Mr. Wilson, age 70, is an independent business consultant and retired Executive Vice President and Chief Financial Officer of RJR Nabisco, Inc.

Positions Held: Mr. Wilson has served in general management, finance and planning capacities at major companies for nearly 30 years. Since 2015, he has served as an independent consultant at Arthur J. Gallagher & Co., a global insurance brokerage and risk management services firm. Prior to that, Mr. Wilson was an independent consultant at Brock Capital Group LLC, an investment bank, from 2010 until 2014. He was a partner at Camelot Equity Partners from 2007 until 2010. Mr. Wilson has also served in various executive roles, including as: Executive Vice President and Chief Financial Officer of RJR Nabisco, Inc.; Chief Financial Officer of Pepsi Cola USA; Chief Financial Officer of Frito-Lay International and President of Frito-Lay Brazil; Senior Vice President and Chief Financial Officer and, later, President of Cadbury Beverages North America; and Executive Vice President, Finance and Administration and Chief Financial Officer and, later, Chief Administrative Officer of Footstar, Inc.

Prior Public Company Directorships: Mr. Wilson served on the board of directors of Newport News Shipbuilding, Inc. from 1996 until the company was acquired by Northrop Grumman Corporation in 2002. He also served as chairman of the Audit Committee and as a member of the Compensation and Executive Committees. Mr. Wilson served on the board of directors of Majesco Entertainment Company from 2006 through 2015 and as chairman of the Nominating and Governance Committee and the Audit Committee.

Other Directorships and Memberships and Education: Mr. Wilson currently serves on the board of directors of Blue Man Productions. He previously served: as Finance Director and on the board of directors of Reckitt & Colman PLC; on the statutory board of Natwest Bancorp North America; on the board of directors of Middlesex Mutual Assurance; on the national advisory board of LEK Consulting; on the national advisory board of Chase Bank; on the national advisory board of Parson Consulting; and on the board of directors of Knobias, Inc. Mr. Wilson currently serves on the board of directors of Blue School and previously served on the boards of the South Bronx Educational Foundation and the Manhattan Theatre Club. He graduated from the U.S. Naval Academy, served as a Lieutenant in the U.S. Navy and received an M.B.A. from the Harvard Business School.

Qualifications, Experience, Attributes and Skills: We believe Mr. Wilson is qualified to serve as a director based upon his experience as chief financial officer, and chief executive officer of significant operating units, of several large public companies and his prior service on the board of directors of Newport News Shipbuilding, prior to its acquisition by Northrop Grumman, and more recently on the board of another public company.

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The Board of Directors

CONTINUING DIRECTORS

PAUL D. MILLER

Director since March 2011

Term will expire at 2018 annual meeting

Adm. Miller, age 75, served as Chairman and CEO of Alliant Techsystems Inc., an aerospace and defense company, from 1999 until his retirement in 2005.

Positions Held: Adm. Miller was President and CEO of Sperry Marine, Inc. from 1994 to 1998. During his 30-year career with the U.S. Navy, Adm. Miller served as Commander-in-Chief, U.S. Atlantic Command, one of five U.S. theater commands, and served concurrently as NATO Supreme Allied Commander-Atlantic.

Current Public Company Directorships: Since 2001, Adm. Miller has served on the board of directors and as a member of the Audit Committee of Teledyne Technologies, Incorporated.

Prior Public Company Directorships (within the last five years): Adm. Miller served on the board of directors and as a member of the Audit Committee of Donaldson Company, Inc. from 2001 until 2015.

Other Directorships and Memberships and Education: Adm. Miller was a director of Atlantic Marine Inc., a private company, from 2009 until the company was sold in 2010. He received a B.A. from Florida State University, completed the U.S. Navy War College, received an M.B.A. from the University of Georgia and completed the Executive Management Program (PDM) at Harvard Business School.

Qualifications, Experience, Attributes and Skills: We believe Adm. Miller is qualified to serve as a director based upon his 30 years of senior military experience with the U.S. Navy, his experience as the chairman and chief executive officer of an aerospace and defense company and his experience as a director of other public and private companies.

C. MICHAEL PETTERS

Director since March 2011

Term will expire at 2018 annual meeting

Mr. Petters, age 57, is President and Chief Executive Officer of Huntington Ingalls Industries, Inc. and has served in such capacity since March 2011.

Positions Held: Mr. Petters served as President of Northrop Grumman Shipbuilding from 2008, when it was formed, until 2011, when it was spun off to form HII. Prior to that, he was President of Northrop Grumman Newport News beginning in 2004. Since joining Newport News Shipbuilding and Dry Dock Company, Inc. in 1987, his responsibilities have included oversight of the *Virginia*-class submarine program, the nuclear-powered aircraft carrier programs, aircraft carrier overhaul and refueling, submarine fleet maintenance, commercial and naval ship repair, human resources and business and technology development. During his service in the U.S. Navy, Mr. Petters served aboard the nuclear-powered submarine USS *Bancroft*, and he spent five years in the Naval Reserve.

Other Directorships and Memberships and Education: Mr. Petters serves on the board of directors of the U.S. Naval Academy Foundation, the National Bureau of Asian Research and the Virginia Community College Foundation. He serves on the Board of Advisors to the Center for a New American Security and The Executive Committee of the Aerospace Industries Association, and is Chairman of the Virginia Business Council. He received a B.S. in Physics from the U.S. Naval Academy and an M.B.A. from the College of William and Mary.

Qualifications, Experience, Attributes and Skills: We believe Mr. Petters is qualified to serve as a director based upon his experience as our President and Chief Executive Officer, his experience as President of our predecessor companies, his experience in operations and other senior management positions of our predecessor companies and his military experience as a naval officer.

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Director Compensation

Compensation elements for the Board of Directors are designed to:

- promote alignment with long-term stockholder interests;
- enable us to attract and retain outstanding directors who meet the criteria described under Governance of the Company above;
- recognize the substantial time commitments necessary to oversee the affairs of our company; and
- support the independence of thought and action expected of directors.

Non-employee director compensation is evaluated by the Compensation Committee, which makes recommendations to the full Board for consideration and approval. In 2016, our independent compensation consultant, Exequity LLP (Exequity), conducted an assessment of the competitive market with respect to outside director compensation. Exequity s assessment considered the following director compensation elements: board-related pay, committee-related pay, equity pay, total director compensation and chairman of the board compensation. Based upon an analysis of the 16 companies that comprise the peer group for our 2016 NEO compensation analysis, as well as supplemental general industry data gathered from Fortune 500 companies, Exequity concluded that HII s outside director total compensation is competitive within our market. Our CEO is not paid additional compensation for his service on our Board of Directors.

DIRECTOR COMPENSATION PROGRAM

Our director compensation program for non-employee directors is comprised of both cash retainers and equity awards in the form of either restricted stock units or shares of our common stock, in each case granted under our 2012 Long-Term Incentive Stock Plan.

Non-employee directors receive an annual cash retainer of $100,000. Our non-executive Chairman of the Board receives an additional annual cash retainer of $250,000. The additional annual cash retainers for serving as chairs of our standing Board committees are: $20,000 for Audit; $15,000 for Compensation; $15,000 for Governance and Policy; and $15,000 for Finance. The additional annual cash retainers for serving as members (but not as chairs) of the Board committees are: $15,000 for Audit; $5,000 for Compensation; $5,000 for Governance and Policy; and $5,000 for Finance. Cash retainers are paid on a quarterly basis at the end of each quarter in arrears.

Non-employee directors receive an annual equity award of restricted stock units or shares of our common stock, valued at $100,000. On the first trading day of each quarter, each non-employee director is granted a number of restricted stock units or shares determined by dividing $25,000 by the per share closing price of our common stock on the NYSE on the date of grant, rounded down to the nearest whole unit or share.

Restricted stock unit awards are fully vested at date of grant but do not generally become payable until 30 days following the date a non-employee director ceases to serve on the Board. Non-employee directors receive dividend equivalents on their outstanding and unpaid restricted stock units. Dividend equivalents are paid in the form of a credit of additional restricted stock units and are subject to the same vesting, payment and other provisions as the underlying restricted stock units.

If a non-employee director owns shares of our common stock having a value at least five times the director s annual cash retainer, the director may elect to receive his or her annual equity award in the form of either shares of our common stock or stock units that are payable in the fifth calendar year after the year in which the annual equity award is earned (or, if earlier, upon termination of the director s board service). The common stock or stock units are fully vested on the date of grant.

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Director Compensation

2016 DIRECTOR COMPENSATION TABLE

The following table sets forth the compensation for the year ended December 31, 2016, of our non-employee directors who served during any part of 2016.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)(1)	All Other Compensation ($)	Total ($)
Robert F. Bruner*	34,616	49,848		84,464
Augustus L. Collins**	19,837	0		19,837
Thomas B. Fargo	350,000	99,632		449,632
Victoria D. Harker	110,000	99,632		209,632
Anastasia D. Kelly	115,000	99,632		214,632
Paul D. Miller	120,000	99,632		219,632
Thomas C. Schievelbein	130,000	99,632		229,632
Karl M. von der Heyden*	39,561	49,848		89,409
John K. Welch	120,000	99,632		219,632
Stephen R. Wilson	118,352	99,632		217,984

* Messrs. Bruner and von der Heyden retired from the Board effective April 29, 2016.

** Gen. Collins was elected to the Board on November 1, 2016.

(1) The values for stock awards represent the grant date fair values of restricted stock units or shares of common stock granted in 2016, computed in accordance with FASB ASC Topic 718. Information about the assumptions used to value these awards can be found in Note 19 of the financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2016. As of December 31, 2016, our non-employee directors serving as directors as of December 31, 2016, held the following number of restricted stock units: Collins 0, Fargo 15,823, Harker 5,169, Kelly 14,871, Miller 14,871, Schievelbein 14,871, Welch 1,343 and Wilson 698; and the following number of shares of common stock: Fargo 1,288, Schievelbein 481 and Welch 1,000.

INTRODUCTION

This section provides information about our executive compensation program with respect to the 2016 compensation of our Principal Executive Officer, the two individuals who served as Chief Financial Officers in 2016 and our three other most highly-compensated executive officers in 2016 (our NEOs). This section includes biographies of our NEOs, the Compensation Discussion and Analysis, which explains how and why the Compensation Committee made its compensation decisions for the NEOs, the Report of our Compensation Committee, and the detailed executive compensation tables required by the SEC, with related narrative disclosure.

NAMED EXECUTIVE OFFICER BIOGRAPHIES

The following biographies provide information regarding the experience and education of our NEOs.

C. Michael Petters, President and Chief Executive Officer

Mr. Petters is President and Chief Executive Officer of HII. He assumed this role on March 31, 2011, when Northrop Grumman Shipbuilding began operating as the newly-formed and publicly-owned Huntington Ingalls Industries following a spin-off from Northrop Grumman Corporation. Mr. Petters is also a member of our Board of Directors.

Mr. Petters is responsible for leading the design, construction and overhaul of conventionally-powered surface combatants, amphibious and auxiliary ships and nuclear-powered submarines and aircraft carriers, as well as business opportunities in adjacent markets. From 2008 until he assumed his current position, he served as president of Northrop Grumman Shipbuilding. Prior to that, he served as president of the Newport News sector of Northrop Grumman Corporation.

Mr. Petters joined Newport News Shipbuilding in 1987 in the *Los Angeles*-class submarine construction division. He subsequently held a number of positions of increasing responsibility throughout the organization, including production supervisor for submarines, marketing manager for submarines and carriers, vice president for aircraft carrier programs, vice president for contracts and pricing, and vice president for human resources.

A native of Florida, Mr. Petters earned a B.S. in Physics from the U.S. Naval Academy in 1982, served aboard the nuclear-powered submarine *USS George Bancroft* and spent five years in the Naval Reserve. He earned an M.B.A. from the College of William and Mary.

Mr. Petters serves on the board of directors of the U.S. Naval Academy Foundation, the National Bureau of Asian Research and the Virginia Community College Foundation. He serves on the Board of Advisors to the Center for a New American Security and The Executive Committee of the Aerospace Industries Association, and is Chairman of the Virginia Business Council.

Christopher D. Kastner, Executive Vice President, Business Management and Chief Financial Officer

Mr. Kastner was elected Executive Vice President, Business Management and Chief Financial Officer effective March 2016. In this role, he is responsible for directing the business strategy and processes in support of business growth and profitability goals. Mr. Kastner also has responsibility for corporate business management functions, including investor relations, treasury, internal audit, contracts, accounting, financial reporting, planning and analysis, rates and budgets and mergers and acquisitions. He also provides oversight for segment business management, contracts and estimating and pricing.

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From August 2012 until he assumed his current position, Mr. Kastner served as Corporate Vice President and General Manager, Corporate Development, responsible for strategy and development activities, including the development and integration of strategic planning efforts, as well as the analysis and entrance into new adjacent markets. Prior to that and from March 2011, he served as Vice President and Chief Financial Officer of our Ingalls Shipbuilding segment. Before that and from 2008, Mr. Kastner served as Vice President, Business Management and Chief Financial Officer of Northrop Grumman Shipbuilding, Gulf Coast, and served as Vice President, Contracts and Risk Management of Northrop Grumman Ship Systems from 2006 to 2008. Prior to that, he held several positions at other Northrop Grumman businesses, including Corporate Director of Strategic Transactions.

Mr. Kastner holds a B.A. in Political Science from the University of California at Santa Barbara and an M.B.A from Pepperdine University. He serves on the board of directors of WHRO, the only public broadcasting station in the United States owned by a collaboration of 19 local public school districts, and on the board of trustees for Eastern Virginia Medical School.

Kellye L. Walker, Executive Vice President and General Counsel

Ms. Walker has served as Executive Vice President and General Counsel since joining HII in January 2015. In this position, she has overall leadership responsibility for our law department and outside counsel, which provide a broad range of legal advice and support for the company s business activities.

Prior to joining us, Ms. Walker was with American Water Works Company, Inc., the country s largest investor-owned water and wastewater utility company, where she served as Senior Vice President, General Counsel and Secretary from January 2010 to January 2015. During her tenure at American Water, she also served as Chief Administrative Officer from September 2010 through May 2014. From February 2007 to June 2009, Ms. Walker served as Senior Vice President and General Counsel of Diageo North America, Inc., the largest operating company of Diageo plc. From February 2003 to December 2006, she served as Senior Vice President, General Counsel and Secretary of BJ s Wholesale Club, Inc., a leading warehouse club operator. Prior to that, Ms. Walker served as a corporate partner in major law firms in Boston, Massachusetts and in New Orleans, Louisiana.

Ms. Walker s professional affiliations include the American Bar Association, the Association of Corporate Counsel (former Board member) and the Executive Leadership Council. She also serves on the Board of Visitors of Christopher Newport University. Ms. Walker received a B.S. in Business Administration, Marketing from Louisiana Tech University and a J.D. from Emory University School of Law.

Matthew J. Mulherin, Executive Vice President and President, Newport News Shipbuilding

Mr. Mulherin has served as Executive Vice President and President of Newport News Shipbuilding since March 2011. He is responsible for all Newport News Shipbuilding engineering, operations and programs, including the most complex ships in the world: nuclear-powered aircraft carriers and nuclear-powered submarines.

From 2008 until he assumed his current position, Mr. Mulherin served as sector vice president and general manager of site operations at Newport News as part of Northrop Grumman Shipbuilding. His responsibilities included all aspects of the company s Newport News operations, where he successfully led the sector s aircraft carrier design and construction programs, carrier refueling and overhaul programs, and the submarine program.

Mr. Mulherin earned a B.S. in Civil Engineering from Virginia Tech in 1981 and began his career at Newport News Shipbuilding as a nuclear test engineer. Since then, he has held positions of increasing responsibility, including nuclear project manager for Los Angeles-class submarines, director of facilities, director of nuclear engineering and refueling, and director of carrier refueling and overhaul construction. Mr. Mulherin also served as director and vice president for the next generation of aircraft carriers, the *Gerald R. Ford* class, and vice president of all programs, including shipbuilding and repair, Department of Energy programs, and commercial energy programs.

Mr. Mulherin serves on the boards of directors of the Shipbuilders Council of America and the Naval Submarine League. He also serves on the board of trustees of The Mariners Museum, as a committee member of Greater Peninsula NOW, as a member of the Hampton Roads Business Roundtable, and as a member of the Peninsula Towne Bank Community Board. Mr. Mulherin was appointed by the governor of Virginia to serve on the board of directors for the Virginia Nuclear Energy Consortium Authority and the board of directors of the Virginia Growth and Opportunity Board.

Brian J. Cuccias, Executive Vice President and President, Ingalls Shipbuilding

Mr. Cuccias has served as Executive Vice President and President of Ingalls Shipbuilding since April 2014. He is responsible for all programs and operations at Ingalls, including U.S. Navy destroyers, amphibious assault and surface combatant programs, and the U.S. Coast Guard cutter program.

Prior to his current position and from February 2011, Mr. Cuccias served in several different positions at our Ingalls Shipbuilding segment, including vice president, program management, vice president, amphibious ship programs, and vice president, large deck amphibious ships. From 2008 to February 2011, he was vice president, surface combatants for Northrop Grumman Shipbuilding. After joining a predecessor of Northrop Grumman in 1979, he held a variety of positions, including assistant to the group vice president of Avondale Industries, sector vice president, material, for Northrop Grumman Ship Systems, and DDG(X) and DDG 1000 program manager and vice president.

Mr. Cuccias earned a B.S. in Accounting from the University of South Alabama and has attended executive education programs at Harvard Business School and the University of Pennsylvania s Wharton School. He is a member of the Executive Committee of the Mississippi Gulf Coast Business Council and serves on the boards of directors of the Mississippi Economic Council (the state s chamber of commerce), the Jackson County Economic Development Foundation and the Salvation Army of Mobile.

Barbara A. Niland, Corporate Vice President of Business Management and Chief Financial Officer (Retired)

Ms. Niland served as Corporate Vice President, Business Management and Chief Financial Officer of HII from March 2011 until she retired from the company effective March 1, 2016.

COMPENSATION DISCUSSION AND ANALYSIS

The following Compensation Discussion and Analysis, or CD&A, provides information relevant to understanding the 2016 compensation of our Named Executive Officers.

Huntington Ingalls Industries is America s largest military shipbuilding company and a provider of professional services to partners in government and industry. For more than a century, HII s Newport News and Ingalls shipbuilding segments in Virginia and Mississippi have built more ships in more ship classes than any other U.S. naval shipbuilder. HII s Technical Solutions segment provides a wide range of professional services through its Fleet Support, Integrated Missions Solutions, Nuclear and Environmental, and Oil and Gas groups. Headquartered in Newport News, Virginia, HII employs nearly 37,000 people operating both domestically and internationally. The goal of our executive compensation program is to support a pay-for-performance culture by implementing compensation programs that are market competitive, customer-focused and fair to our stockholders.

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Executive Compensation

Our 2016 Named Executive Officers (NEOs) are:

C. Michael Petters	President and Chief Executive Officer
Christopher D. Kastner*	Executive Vice President, Business Management and Chief Financial Officer
Kellye L. Walker	Executive Vice President and General Counsel
Matthew J. Mulherin	Executive Vice President and President, Newport News Shipbuilding
Brian J. Cuccias	Executive Vice President and President, Ingalls Shipbuilding
Barbara A. Niland**	Corporate Vice President, Business Management and Chief Financial Officer (retired)

* Mr. Kastner became Executive Vice President, Business Management and Chief Financial Officer on March 1, 2016. Prior to that, he served as Corporate Vice President, Corporate Strategy and Development.

** Ms. Niland served as Corporate Vice President, Business Management and Chief Financial Officer until her retirement from the company on March 1, 2016.

Executive Summary

Our executive compensation program and practices are described in detail over the following pages. We have designed our executive compensation program to attract, motivate and retain highly qualified executives, incentivize our executives to achieve business objectives, reward performance and align the interests of our executives with the interests of our stockholders and customers. The fundamental philosophy of our executive compensation program, set by the Compensation Committee of the Board, is pay for performance. We have also designed our compensation program to balance performance-based compensation over the short- and long-term to incentivize decisions and actions that promote stockholder value and focus our executives on performance that benefits our stockholders and customers, while discouraging inappropriate risk-taking behaviors.

The pay-for-performance philosophy of our executive compensation program is demonstrated by the compensation mix of our NEOs. Of the three primary elements of total direct compensation, our executive compensation is heavily weighted toward the variable, performance-based elements, and toward the long-term and equity-based elements, as reflected in the following graphs, which set forth the percentage of total compensation corresponding to each compensation element received by our CEO and by our other NEOs in the aggregate in 2016.

CEO[1]

Other NEOs[2]

(1) Total direct compensation does not include perquisites and other benefits.

(2) Average allocation for the NEOs other than the CEO and Ms. Walker. Ms. Walker joined the company in 2015 and therefore did not receive long-term compensation in 2016. Total direct compensation does not include perquisites and other benefits.

98% of Mr. Petters total direct compensation in 2016 was directly linked to our performance through his annual and long-term incentive awards. Approximately 88% of the total direct compensation of our other NEOs, with the exception of Ms. Walker, was comprised of performance-based incentive awards. Ms. Walker, whose performance based compensation comprised 55% of her total compensation, joined the company in 2015 and therefore did not receive a long-term compensation payout for the performance period that ended on December 31, 2016.

Our underlying philosophy of pay for performance focuses us consistently on achieving our financial and operational goals. Above all, these goals are customer-focused, rewarding safety, quality, cost and schedule performance, and stockholder-friendly, rewarding consistent achievement of strong financial results and increasing stockholder value.

2016 Business Highlights

2016 was another successful year for HII and our employees as we continued to achieve our performance objectives consistent with our strategic plan. Our accomplishments in 2016 included:

- $5.2 billion in new contract awards.
- $7.1 billion in revenues and $573 million in net earnings, a 42% increase over the prior year.
- $12.14 diluted earnings per share, a 45% increase over the prior year.
- $192 million of common stock repurchases and quarterly cash dividend increase of 20% to $0.60 per share in the fourth quarter.
- Delivery of the National Security Cutter *Munro* (WMSL 755) to the U.S. Coast Guard.
- Christening of the *Washington* (SSN 787), the 14th *Virginia*-class submarine.
- Launching of the *Kimball* (WMSL 756), the company s seventh U.S. Coast Guard National Security Cutter.
- Delivery of the *John Finn* (DDG 113) to the U.S. Navy.
- Launching of the *Paul Ignatius* (DDG 117), the company s 31st *Arleigh Burke*-class (DDG 51) guided missile destroyer.

Delivery of the *John P. Murtha* (LPD 26) to the U.S. Navy.

Christening of the Amphibious Transport Dock *Portland* (LPD 27) and the Guided Missile Destroyer *Ralph Johnson* (DDG 114).

Establishment of Technical Solutions segment to enhance strategic and operational alignment among our services businesses.

Acquisition of Camber Corporation, a government services company that broadens HII s existing capabilities and customer base.

Opening of the HII Family Health Center at Newport News Shipbuilding for all eligible employees and their covered dependents.

Establishment of an Educational Assistance Fund for children of HII employees.

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Commitment to Compensation Best Practices

We highlight below certain executive compensation practices we have implemented to drive performance, as well as certain practices we have avoided, in the belief they would not serve our customers or stockholders long-term interests.

WHAT WE DO	
Consideration of Annual Say-on-Pay Advisory Vote	The Compensation Committee considers the results of the annual stockholder Say-on-Pay advisory vote on executive compensation.
Pay for Performance	Our executive compensation program is heavily weighted toward variable, performance-based elements, and toward long-term and equity-based elements. Variable compensation is tied to the achievement of performance goals and includes annual incentive awards and restricted performance stock rights, which are described in detail in this CD&A.
Compensation Risk Assessment	We assess the risk of our compensation programs on an annual basis both internally and with the engagement of the Compensation Committee s independent compensation consultant. The Compensation Committee agreed with the consultant s conclusion that there was no undue risk associated with the design or delivery of the programs in 2016.
Executive Compensation Recoupment (Clawback) Policy	Our executive compensation recoupment, or clawback, policy allows us to seek reimbursement in certain circumstances of all or a portion of any performance-based short- or long-term cash or equity incentive compensation paid or awarded to executive officers.
Targeted Compensation Benchmarking	HII is a unique business with few direct competitors. The Compensation Committee therefore strikes a balance between internal equity and external benchmarking when setting executive pay levels.
Independent Compensation Consultant	The Compensation Committee engages an independent compensation consultant to assess the market for the determination of our executive compensation elements and targets on an annual and ongoing basis.
Executive Stock Ownership Guidelines and Holding Requirements	Our stock ownership guidelines provide that each NEO must own a multiple of his or her annual base salary in our common stock, and we have instituted holding requirements prohibiting our NEOs from selling HII common stock received as compensation until their stock ownership requirements have been met. The holding requirements also require our NEOs to continue to hold one-half of their long-term incentive awards for three additional years after they vest.
Director Stock Ownership Guidelines and Holding Requirements	Although our directors do not have specific stock ownership guidelines, the restricted stock units our non-employee directors receive do not become payable until a director ceases to serve on the Board. Non-employee directors who own shares of our common stock having a value at least five times the amount of their annual cash retainer may elect, on an annual basis, to receive

their annual equity award directly in shares of our common stock or

WHAT WE DO	
	stock units that are payable in the fifth calendar year after the year in which the annual equity award is earned (or, if earlier, upon termination of the director s board service).

WHAT WE DON T DO	
No Employment Agreements for Executives	None of our NEOs have employment agreements, so each NEO is employed by the company at will. We maintain a severance plan that provides for the payment of severance benefits in limited termination circumstances.
No Change-in-Control Agreements for Executives	We have no change-in-control agreements or related executive tax gross-up benefits. The only change-in-control provision in our compensation plans, which applies to all employees who hold equity awards, is the possible acceleration of equity vesting in certain limited circumstances within the parameters of a change-in-control transaction, as defined in the related plans.
No Hedging or Pledging by Officers or Directors	Officers, directors and certain other employees are prohibited from engaging in speculative transactions in our securities, pledging our securities as collateral for a loan or other transaction or engaging in any hedging transactions involving our securities.
No Dividends or Dividend Equivalents on Unearned RPSRs	No dividends or dividend equivalents are paid out on restricted performance stock rights during the performance period. Dividend equivalent units are paid only at the time and to the extent that the underlying shares vest and are paid.

Executive Compensation Principles

The Compensation Committee of the Board of Directors (which we refer to as the Committee in this CD&A) is comprised exclusively of independent directors, as determined under NYSE corporate governance listing standards, including the enhanced independence considerations applicable to members of the Committee. The Committee oversees all of our compensation and benefit programs that affect our NEOs, as well as other officers elected by the Board. The Committee also provides strategic direction for our overall compensation and benefits structure and reviews and considers CEO and senior executive succession plans. In conducting oversight of these programs, the Committee is guided by the following compensation principles it has approved.

Our compensation programs will be primarily customer-focused, rewarding safety, quality, cost and schedule performance, and stockholder friendly, rewarding consistent achievement of strong financial results and increasing stockholder value.

Compensation programs will be designed to influence outcomes and will provide a balance between short- and long-term performances.

Compensation programs will be based on achievement of clear and measurable financial results and accountabilities, with an emphasis on performance-based compensation, and will be formula-based with appropriate levels of discretion for adjustments.

Compensation and benefits will be competitive within the market. Alignment with peer companies will be considered when developing programs and goals, but measures oriented to strongly improving our own business results will be the predominant factor.

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Executive Compensation

Compensation will be disclosed and explained in a transparent and understandable manner. Clear and concise goals will be established to enable the assessment of performance by the Committee and by stockholders through the CD&A.

Achievement of business goals through both annual operating performance and increased stockholder value will produce significant individual rewards; failure to achieve business goals will negatively affect the pay of our executives.

To promote alignment of management and stockholder interests, elected officers will meet stock ownership guidelines in the following multiples of base salary: CEO and President, seven times; all other elected officers reporting to the CEO, three times. The Committee will monitor attainment of the ownership guidelines on an annual basis. The restricted stock units our non-employee directors receive do not become payable until a director ceases to serve on the Board. Non-employee directors who own shares of our common stock having a value at least five times the amount of their annual cash retainer may elect, on an annual basis, to receive their annual equity award directly in shares of our common stock or stock units that are payable in the fifth calendar year after the year in which the annual equity award is earned (or, if earlier, upon termination of the director s board service).

The mix of long-term awards, selection of performance criteria and oversight of compensation programs, together with other features, such as our stock ownership guidelines and holding requirements, will be designed to discourage excessive risk taking by emphasizing a long-term focus on compensation and financial performance.

Our NEO compensation strategy will be consistently applied for all incentive plan participants to promote proper alignment, accountability and