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We think of ethics as always doing the right thing — even when no one is looking. And we think of compliance as doing the right thing at all times because someone is always looking. At the intersection of ethics and compliance — and the foundation of Huntington Ingalls Industries’ business conduct culture — is always doing the right thing, especially when no one is looking.

As a government contractor, we have an obligation to be presently responsible. All HII employees — regardless of job titles — are empowered to lead in ethics and compliance, and it will take all of us working together to be the industry leader in this area. This Corporate Annual Compliance Plan, and similar ones at HII’s three divisions, was developed to help us prevent and detect misconduct in a way that others can follow. By always modeling ethical behavior and holding others accountable, we demonstrate our commitment to performing with integrity and are intentional about ethics and compliance as if everyone is following our lead.

This plan serves as a resource for doing the right thing, but it is only as effective as the people who execute it. HII’s employees can lead by reporting suspected ethics and compliance violations to a manager, HR business partner, business conduct officer, the Law Department or the OpenLine. And rest assured that HII does not, and will not, tolerate retaliation against any employee who in good faith reports misconduct or cooperates with an investigation.

Our commitment to doing the right thing at all times is the common thread in our company values: integrity, safety, honesty, engagement, responsibility and performance. It’s what builds trust — with our fellow employees, our customers, our communities, our suppliers and our shareholders. And it’s what will help us lead the industry.

MIKE PETTERS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
HUNTINGTON INGALLS INDUSTRIES, INC.
A strong Compliance and Ethics tone at all levels at HII helps ensure that employees are comfortable in reporting misconduct without fear of retaliation by co-workers or managers.
WHY HAVE ETHICS, COMPLIANCE, AND ANNUAL COMPLIANCE PLANS?

An effective ethics and compliance program is a requirement of performing with integrity. When employees have “blind spots” or commit misconduct because of unclear ethical and legal obligations, companies cannot perform with integrity.

The primary purpose of the Huntington Ingalls Industries, Inc. (“HII” or the “Company”) compliance program is to prevent, detect, and remediate misconduct by reducing the opportunity for employees to commit misconduct or fall prey to blind spots.

The chances of a compliance failure increase when employees have the opportunity to commit misconduct, can rationalize that misconduct, and feel the only way to relieve the pressure to perform is to commit misconduct.

A robust ethics program reduces the ability of employees to rationalize bad behavior by setting forth a set of standards applicable in the absence of clear rules and instructions.

An effective compliance program ensures that adequate controls are in place to reduce the opportunity for employees to commit misconduct. A strong leadership training and development program—that properly tests a leader’s assumptions, stretches a leader’s employees, properly paces work, and creates an environment where employees can act with courage, speak up, and seek innovation—will reduce the pressures and risks to commit misconduct.

"We are responsible to our employees, customers, shareholders, suppliers and communities to perform with integrity in a climate of complex compliance obligations. There is no level of performance that can outperform an ethics or compliance failure."

MIKE PETTERS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
HUNTINGTON INGALLS INDUSTRIES, INC.
THE PURPOSE AND OVERVIEW OF THIS PLAN

HII’s Chief Compliance Officer (“CCO”) developed this Corporate Annual Compliance Plan (the “HII Corporate Plan”) to fulfill several purposes: 1) provide a Compliance Plan that covers HII’s corporate employees and responsibilities not otherwise covered by a division Compliance Plan; 2) assist the CEO and senior leaders in overseeing the Company’s compliance obligations; and, 3) demonstrate HII’s commitment to compliance to its employees, customers, shareholders, suppliers, and communities.

The HII Corporate Plan—Covering Corporate Employees

The starting point for this HII Corporate Plan is the articulation of certain “Core Principles” derived from contractual requirements, federal law, the Company’s businesses and experiences, and best practices in the industry. Using these Core Principles as a guide, the CCO has developed a set of “Core Elements” based on the results of company-wide compliance review, industry best practices, and internal and external risk trends. For each Core Element, this HII Corporate Plan identifies a Corporate Vice President who is accountable for that Core Element with respect to corporate operations and employees and who has oversight and coordination responsibility for that Core Element throughout HII (See “Accountability by Function”). The Core Elements and the Core Principles allow the Company to tie its overall Compliance Plan to specific areas of compliance concern.

The corporate office’s compliance structure consists of: Corporate Vice Presidents accountable for having compliance systems in place (“Accountable VPs”); employees assigned by the Accountable VP to manage a particular area of compliance (“Core Element Managers”); and an attorney from the Law Department appointed by the Chief Legal Officer to assist the Accountable VPs and Core Element Managers (“Law Department Representatives”). Core Element Managers, working with their Law Department Representative, create corporate office compliance work plans (“Work Plans”) for the Core Elements. Each Work Plan includes a description of the Core Element, details of relevant policies and procedures, Risk Assessments, and action items for the next year. The Work Plans also define metrics to help assess the corporate office’s compliance performance. Each Work Plan is approved by the Accountable VP and the CCO.

The HII Corporate Plan identifies the Corporate Vice President with oversight responsibility for compliance across all of HII’s operating elements. That oversight, however, will neither alter the reporting relationships between corporate and division employees, nor eliminate or reduce the accountability of the leaders at each division.

Each division develops its own Annual Compliance Plan guided by the Core Principles and Core Elements developed by the CCO; those Core Principles and Core Elements in turn guide specific Work Plans that drive ownership, responsibility, and accountability for compliance to every employee throughout the Company. Each division Annual Compliance Plan is customized to address the risks presented by a particular division’s operations. For example, some of the Core Elements identified in the Newport News Shipbuilding Annual Compliance Plan may vary from the Ingalls Shipbuilding Annual Compliance Plan, Technical Solutions Annual Compliance Plans, or this HII Corporate Plan. Even for a single Core Element, the Newport News Shipbuilding Work Plan may be different from the Work Plan developed by Ingalls Shipbuilding, as different risks may require different responses. Each division coordinates additions or deletions of Core Elements through the applicable division Director of Compliance and the Law Department Representative. Any such changes require the approval of the CCO.

This approach is in line with HII’s management philosophy that promotes site management. At the same time, these plans promote partnerships between operating elements and corporate, and require continual inter-division consultation, communication, and team work, all oriented toward building an effective compliance program.

The HII Corporate Plan also provides a framework through which leaders can evaluate potential merger and acquisition targets and integrate closed acquisitions into HII’s compliance program.

THE HII CORPORATE PLAN—DEMONSTRATING HII’S COMMITMENT TO COMPLIANCE

Regulators all over the world will view HII through the lens of its ethics and compliance programs. At some point, most companies will have employees who engage in misconduct. This plan reduces the risk of such misconduct, and also gives the Company a framework to show regulators and enforcement agencies that we are committed to doing business the right way.

Partnership with Ethics & Business Conduct

The HII Corporate Plans support and operationalize HII’s Code of Ethics and Business Conduct by bolstering the values and rules set forth in that Code and in the Company’s policies and procedures. These plans help the compliance program and the ethics program work as a partnership to focus on ethical conduct and compliance with the law.
"We often say ethics is doing the right thing at all times—even when no one is looking. We can lead our industry by doing the right thing at all times—as if everyone is looking."

MIKE PETTERS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
HUNTINGTON INGALLS INDUSTRIES, INC.
Core principles guide HII’s commitment to ethical and compliant business practices. These eight Core Principles derive from contractual requirements set forth in the Federal Acquisition Regulations (“FAR”), the Federal Sentencing Guidelines Commission’s guidance regarding effective compliance programs, unique aspects of the Company’s businesses and experiences, and industry best practices.

MAINTAINING PRESENT RESPONSIBILITY
Maintaining the highest standards for business conduct and ethics are part of the culture at HII, whether operating in the government contractor or commercial marketplaces, but being a government contractor comes with even greater expectations. HII, inclusive of all of its divisions, must have an effective and “ongoing business ethics awareness and compliance program.” Such a program must maintain a “satisfactory record of integrity and business ethics” in order for HII to be deemed a “presently responsible” government contractor. Being presently responsible is a condition of receiving any contract from the U.S. Government.

This HII Corporate Plan and the divisions’ Annual Compliance Plans help satisfy the requirement of an ongoing compliance program and ensure a satisfactory record of integrity and business ethics. Core Element Managers, with the assistance of the Law Department, develop compliance Work Plans and perform compliance Evaluations for each Core Element. These Evaluations are used by the CCO and senior leaders in overseeing HII’s present responsibility requirements.

SETTING THE RIGHT TONE THROUGHOUT HII
Leaders at all levels take reasonable opportunities to stress the importance of complying with HII’s Code of Ethics and Business Conduct and with all laws, regulations, contract terms, Company rules, and work instructions that govern HII’s employee conduct. In addition, leaders should emphasize the importance of the Annual Compliance Plans and the effective execution of the plans.

HIRING THE RIGHT PEOPLE AND BUSINESS PARTNERS
Companies cannot have effective compliance programs if the individuals those companies hire are unethical or are willing to engage in misconduct.

The Core Principle of “Hiring the Right People” extends to the parties with whom HII contracts, including suppliers, business partners, and consultants. Conducting risk-based due diligence on contractual counter parties and third parties is an essential element of an effective compliance program.

PROVIDING EFFECTIVE POLICIES AND PROCEDURES
HII’s policies and procedures, otherwise known as Command Media, are a set of written policies and procedures designed to ensure the expectations for each employee are clearly communicated. Policies and procedures should be simple, searchable, and accessible; they should also clearly explain why the particular policy or procedure is important to the Company.
PROVIDING EFFECTIVE TRAINING

Training is one of the most effective ways to prevent misconduct from occurring and to remediate misconduct when it is discovered. Employees must receive training on all matters necessary to perform their current jobs, as well as training when they change jobs or responsibilities. Work Plans identify “at risk” departments and organizations and provide for targeted training of employees within those departments and organizations on the Core Elements impacting their day-to-day responsibilities.

In addition to providing training to employees identified in “at risk” departments and organizations, Accountable VPs and Core Element Managers will also, where appropriate, identify and provide training to those departments and organizations in a position to detect and respond to misconduct.

PROMOTING THE REPORTING OF MISCONDUCT

Healthy cultures value employees who raise issues of non-compliance or unethical behavior and protect them from retaliation. This fosters openness and early detection of possible ethics, compliance and contractual issues. Each employee must know how, and to whom, to report misconduct, and know that he or she will be protected from retaliation for making good-faith reports, even if the allegations turn out not to be substantiated. HII provides a number of ways for employees to report misconduct.

Employees are encouraged to report misconduct to:
- A manager or any other person in the supervisory chain,
- Core Element Managers, Accountable VP,
- Human Resources, Business Conduct Officers,
- The Law Department, or,
- The OpenLine

HII utilizes the toll-free OpenLine, telephone number: 877-631-0020, for the purposes of reporting allegations of potential misconduct related to HII, its employees, suppliers, representatives, or partners. OpenLine callers may identify themselves openly, remain anonymous, or request confidentiality. The OpenLine is hosted by an independent third party provider in order to ensure a confidential, anonymous and convenient way of reporting and is available 24 hours a day, seven days a week. Employees located outside of the U.S. may access the openline using each respective country direct access number. This information is available at https://hii-openline.alertline.com.

Employees may also use either the web reporting system, which may be accessed at: https://hii-openline.alertline.com; or by sending an email to: reportmisconduct@hii-co.com.

HII strictly prohibits retaliation of any kind against any employee who in good faith reports potential misconduct or cooperates in an investigation. Retaliation against anyone who reports potential misconduct or cooperates with an internal investigation may result in disciplinary action up to and including termination of employment.
Requirement to Report Certain Misconduct to the Government

When HII has credible evidence that certain reported misconduct may have occurred, HII has a contractual obligation to disclose such conduct to the Government.

HII implements these requirements by following corporate procedure CO A315, Mandatory Referral to the HII Law Department of Potentially Significant Allegations.

This issue is also addressed in HII’s Code of Ethics and Business Conduct. To ensure compliance with HII’s contractual obligations to report certain misconduct, any employee to whom any of the following misconduct is reported shall notify the Law Department as soon as possible:

- Procurement, financial or contract fraud;
- Conflicts of Interest;
- False statements;
- False claims made to the Government;
- Gratuities;
- Bribery;
- Trafficking in persons (sex trafficking, forced labor, involuntary servitude);
- Overpayment by the Government; and,
- Kickbacks.

A specific listing of the types of conduct that could result in a reported violation of the above categories of misconduct is contained in corporate procedure CO A315.
Investigating Misconduct

The Law Department investigations unit oversees, counsels, tracks, directs, and conducts investigations into alleged misconduct that could result in a disclosure to the Government. A suspected violation of law, regulation, company policy, or procedure that does not require a mandatory report to the Government is investigated at the appropriate level depending on the severity of the violation and its potential impact to the business operations and reputation of the Company. Many of those investigations are also elevated to the Law Department. The Law Department makes the determination as to whether to perform an investigation itself, engage outside counsel to conduct an investigation, prioritize investigations, or enlist the assistance of another department to assist with an investigation under the direction, control, and supervision of the Law Department investigations unit. The investigations unit also provides legal advice to the Company as to whether there is credible evidence of misconduct and advise the Company on its disclosure obligations.

ENSURING PROPER TIMEKEEPING

Proper timekeeping and time charging are essential to remaining a presently responsible government contractor. Work Plans ensure that the systems used to enter, track, and bill time are monitored and evaluated on a yearly basis. The effort to prevent and detect misconduct requires us to continue to design and implement metrics to measure timekeeping and time charging compliance.

CREATING INCENTIVES AND ENFORCING DISCIPLINE

Effective compliance programs reward compliance and ethical behavior and discourage misconduct through proper incentives and disciplinary measures. Enforcement agencies will determine if an organization’s compliance and ethics program is promoted and enforced consistently throughout the organization through (i) appropriate incentives to perform in accordance with the compliance and ethics program; and (ii) appropriate disciplinary measures for engaging in misconduct or for failing to take reasonable steps to prevent or detect misconduct. Employees are more likely to report future misconduct and a company can mitigate its compliance risks if reported misconduct is properly investigated and remediated and the wrongdoers are punished.

To ensure HII meets this Core Principle, compliance is included in each leader’s annual performance agreement. Further, compliance is identified as a performance measurement in each division’s Annual Incentive Plan (“AIP”).
DIVISION COMPLIANCE COUNCILS & CCO OVERSIGHT
The HII Corporate Plan is supported by the CCO and certain members of the corporate-level leadership team. The CCO and those individuals are responsible for making sure this HII Corporate Plan meets the requirements of the Core Principles. The CCO also has insight into the activities of the other compliance and ethics committees and councils throughout HII. Among other things, the CCO or his designee will participate in each of the divisions’ compliance councils.

ACCOUNTABLE VICE PRESIDENTS
Accountable VPs have primary responsibility and accountability with respect to his or her assigned Core Elements for:
• Having a system in place designed to prevent and detect misconduct;
• Making sure HII has the appropriate policies and procedures in place to ensure its compliance with the Core Elements and Core Principles;
• Ensuring that employees receive adequate training on policies and procedures, ethics and compliance;
• Providing the support needed by the relevant Core Element Manager;
• Measuring HII’s compliance through metrics, surveys, audits, internal assessments, etc.; and,
• Ensuring that potential misconduct is timely reported and investigated.

In addition to accountability with respect to HII’s corporate operations and employees, Corporate Accountable VPs have oversight and coordination of all of HII’s operations relating to that Core Element, where appropriate.

COMPLIANCE ADVOCATES
While not currently utilized at HII Corporate, some of the divisions have appointed “Compliance Advocates” in addition to Core Element Managers for certain “at risk” departments or organizations identified in the division’s Risk Assessments. In those cases, the Compliance Advocate works with the Core Element Manager to implement and champion the Work Plan applicable to the Compliance Advocate’s department or organization.

CORE ELEMENT MANAGERS
Core Element Managers, appointed by Accountable VPs, are responsible for developing or adopting Work Plans for their Core Element(s). Work Plans are reviewed and updated each plan year, and shall include: risk analysis; specific period of review and metrics by which to be evaluated; and action items. For the period specified, Core Element Managers complete a Core Element Evaluation, the results of which are reported to the Accountable VP and the CCO. Core Element Managers are responsible for tracking the implementation of the actions of their Work Plan.

For certain Core Elements that are more adequately covered by each division, the corporate Core Element Manager may only need to ensure each division addresses the Core Element and that, to the extent necessary, corporate employees are included in the appropriate training with respect to that Core Element.

Core Element Managers will immediately report any known or suspected violations of the Core Elements or Core Principles to his or her Law Department Representative, the Directors of Compliance, or the CCO.
LAW DEPARTMENT REPRESENTATIVES
The Chief Legal Officer appoints a Law Department Representative to support each Core Element Manager. Among other things, the Law Department Representative assists the Core Element Manager with all aspects of this HII Corporate Plan, including the development, execution, and evaluation of the Work Plans. Law Department Representatives also assist with drafting policies and procedures and developing of training, when appropriate.

INTERNAL AUDIT
HII’s internal controls are subject to periodic independent reviews and assessments by Internal Audit as set forth in corporate procedure CO F102, Internal Audit. The audits to be performed are identified in HII’s Annual Audit Plan based upon identification and evaluation of current and emerging enterprise risks. The CCO, with the concurrence of Internal Audit, may from time-to-time request subject specific testing of HII’s compliance with contractual, regulatory, and legal requirements.

ALL CORPORATE VICE PRESIDENTS
All Corporate Vice Presidents complete annual certifications related to HII’s ethical and compliance obligations via an online survey and certification. As part of the process, each Corporate Vice President executes appropriate compliance certifications, including the Certification Regarding Responsibility Matters. This certificate helps ensure that HII meets its reporting obligations under the Federal Awarded Performance and Integrity Information System (FAPIIS) program. This FAPIIS certification process helps ensure that HII submits compliant contract proposals to the U.S. Government.

THE CCO AND COMPLIANCE OFFICE
The Compliance Office is a team of compliance professionals led by the CCO, and includes the Directors of Compliance, the Compliance Program Manager, members of the Law Department, supporting staff, and the enterprise compliance team. The Compliance Office maintains the processes, develops and administers the Plan, and, promotes collaboration and the use of best practices across all of HII. The Compliance Office manages the content of the Corporate Compliance website, the Compliance Assessment Management System (CAMS), and serves as the knowledge resource center for compliance. In addition, the CCO will do the following with respect to this HII Corporate Plan:
- Develop strategies and Work Plans designed to enhance and monitor the Core Principles of the HII Corporate Plan and the Company’s other Compliance Plans;
- Oversee, review, and provide improvements to all of the Company’s Compliance Plans, including conducting enterprise-wide or limited compliance reviews, and assessing Compliance Plan/program effectiveness; and,
- Modify Command Media to accommodate Compliance Plans, including this HII Corporate Plan.

DIRECTORS OF COMPLIANCE
The Directors of Compliance report to the CCO. Each Director of Compliance is a member of the Law Department and provides oversight, leadership, and legal advice on compliance matters. The Directors of Compliance also lead enterprise compliance initiatives to ensure best practices, efficiencies, and consistent messaging is deployed throughout HII, when appropriate.

COMPLIANCE PROGRAM MANAGER
HII Corporate has a Compliance Program Manager, reporting to the CCO. The HII Compliance Program Manager is responsible for the following:
- Assisting the Accountable VPs and Core Element Managers with implementing, managing, and tracking the progress of this HII Corporate Plan and the compliance activities set forth in the plan;
- Tracking the significant messages used to promote a tone of compliance at the top and throughout the Company;
- Assisting the Accountable VP with creating accessible, understandable, clear, and simple policies and procedures;
- Reviewing the compliance training needed by HII’s employees and maintaining an integrated master training schedule that will track the compliance training of Corporate employees;
- Working with the Company’s contracting functions to develop and maintain a due diligence approach that meets the requirements of HII’s due diligence policies and requirements; and,
- Managing the requirements set forth in corporate procedure CO A301, Agreements with Third Party Representatives. The Compliance Office created the Third Party Management System to manage the Third Party Representatives due diligence process.

ENTERPRISE COMPLIANCE TEAM
The HII Enterprise Compliance Team is composed of the Compliance Program Managers from each division in the Company that has a Compliance Plan. The Enterprise Compliance Team leads compliance best practices and initiatives across the Company. The Enterprise Compliance Team along with the Directors of Compliance serve as key advisors to leadership personnel at each business division.

The Enterprise Compliance Team’s responsibilities are to:
- Develop continuous improvement opportunities to further mature the HII compliance program;
- Leverage communications and expertise on compliance matters across the Company;
- Maintain and continuously improve CAMS;
- Assist other divisions with similar remediation efforts;
- Continuously improve the HII compliance maturity model; and,
- Communicate a consistent compliance message across the Company.

HII ETHICS AND COMPLIANCE APP
The HII Ethics and Compliance App provides resources to all employees, regardless of where they are located. The App provides quick access to valuable sources of information, including the Code of Ethics, the HII Corporate Plan, and information on important Core Elements such as business gratuities and time charging. However, the App is more than just a source of information. Through the App, employees have access to the OpenLine to report concerns and even have the ability to submit an On-The-Spot Ethics Award nomination.
The following is a list of Core Elements that the divisions use based on their respective risk level. While the list of Core Elements covers many of the major compliance areas, it is not necessarily exhaustive. That an area is not listed as a Core Element does not diminish its importance or relieve the Company and its leaders of their obligations for that area. Not all of the Core Elements will apply to all HII employees in their day-to-day business activities.

**Core Elements**

- Anti-Boycott*
- Anti-Corruption*
- Anti-Money Laundering*
- Antitrust*
- Business Ethics Awareness*
- Business Gratuities*
- Conflict Minerals
- Cost Accounting System Requirements
- Cybersecurity*
- Data Breach
- Discrimination (EEO Compliance)*
- Due Diligence*
- EVMS Requirements
- Environmental, Health, and Safety*
- FAR Mandatory Disclosure*
- FAPIIS Reporting*
- Federal Political Activities*
- Handling of Nuclear Materials
- Handling of Proprietary Information*
- Harassment*
- Human Trafficking*
- Import/Export*
- Insider Trading*
- Material Management
- MTSA, CFATS & TWIC
- National Industrial Security Program Operating Manual ("NISPOM")
- NGO’s/Multi Lateral Development Banks
- Organizational Conflicts of Interest*
- Personal Conflicts of Interest*
- Personal Identity Verifications (I-9)
- Privacy*
- Procurement Integrity*
- Progressing
- Purchasing
- Responsible Suppliers, Subcontractors, and Vendors
- Retaliation (Whistleblower Protections)*
- Revolving Door*
- Sarbanes Oxley Act of 2002*
- Security Checks*
- State and Local Political Activities*
- Theft of Government Property and Company Assets
- Time Charging*
- Trade Sanctions
- Truthful Cost or Pricing Data (formerly TINA)*
- Handling of Proprietary Information*
- Harassment*
- Human Trafficking*
- Import/Export*
- Insider Trading*
- Material Management
- MTSA, CFATS & TWIC
- National Industrial Security Program Operating Manual ("NISPOM")
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- State and Local Political Activities*
- Theft of Government Property and Company Assets
- Time Charging*
- Trade Sanctions
- Truthful Cost or Pricing Data (formerly TINA)*


“One thing that will never change at HII is our commitment to ethics and compliance.”

MIKE PETTERS
PRESIDENT AND CHIEF EXECUTIVE OFFICER
HUNTINGTON INGALLS INDUSTRIES, INC.
Work Plans for most Core Elements contain:

- A general description of the Core Element;
- An identification of those departments in a position to detect and report misconduct;
- An identification of related corporate policies and procedures and divisional supplements;
- A description of how the policies and procedures are communicated to the work force (e.g., training, references in brochures, banners);
- A description of the processes or other controls in place to prevent and detect violations (e.g., OpenLine to report instances of retaliation and discrimination);
- A listing of anticipated internal or external assessments that are planned to determine the Company’s compliance with the Core Element;
- Identification of all available training in LX or otherwise;
- Identification of compliance metrics that will be used during the Core Element Evaluation to determine the Company’s state of compliance with the Core Element;
- A list and description of the actions for the plan year that seek to mitigate and manage the types and levels of compliance risks identified in the compliance Risk Assessment; and,
- Remedial measures identified through the investigative process or as needed based on Law Department guidance.

Some Core Elements in the Plan will have abbreviated Work Plans that focus primarily on training. Core Elements for which the corporate office does not provide oversight, but that HII leadership would like certain employees to understand, will have Work Plans that simply explain the Core Element and require the Accountable VP to assess if any employees need training.
Each year, using HII’s CAMS the Company conducts an “Evaluation” (backward looking review) and a “Risk Assessment” (forward looking analysis) for each Core Element. The following graphic depicts the Risk Assessment and Mitigation process.

To start that process, a senior officer of the Company requests that HII’s Law Department conduct a privileged and confidential review of how well the HII Corporate Plan and related activities comply with applicable law and legal standards. The Compliance Program Manager, the Core Element Manager, and the Law Department Representative will meet each fall to complete an Evaluation for each Core Element. In the following year, those individuals will meet to complete the Risk Assessment section within the CAMS for each Core Element.

**RISK ASSESSMENT**

Work Plans are informed by a privileged risk assessment of each Core Element conducted by the Compliance Program Manager, Core Element Manager, and Law Department Representative at the direction of the Law Department. In analyzing risk, they evaluate the risk likelihood and severity for each Core Element based on the three elements of the fraud triangle - Rationalization, Opportunity, and Pressure. Additionally, they will determine if “Enterprise Risk” exists. An “Enterprise Risk” is any risk that, when aggregated across programs, locations, or business, affects any of the following: the sustainability of the division or HII; the ability of the division or HII to achieve their respective objectives, strategies or models; or impact HII’s reputation. If “Enterprise Risk” exists with respect to a Core Element, the Core Element Manager will inform the head of HII’s Enterprise Risk Management program, the Accountable VP, and his or her Law Department Representative.

**RISK MITIGATION**

Core Element Managers, working with their Law Department Representative, may determine specific actions are appropriate to either reduce or sustain the assessed risk. These actions will be recorded in CAMS under the section titled Risk Mitigation, and should include a scheduled period of time for completion.

**EXTERNAL RISKS**

In addition to this Risk Assessment Process, when appropriate the Law Department will assist the Company in evaluating certain external risks.

**EVALUATION**

The Core Element Manager, with the advice and assistance of the Legal Representative, will evaluate the Core Element by completing the Evaluation section within CAMS.
In completing the Core Element Evaluation, the Core Element Manager will:
• Review and assess the level of performance against each established metric;
• Describe activities that supported awareness of the Core Element, such as training, publication of articles, speeches by key leaders, etc.;
• Report any internal or external evaluations or assessments that were conducted during the review period;
• Describe any known changes in regulations or industry standards, including industry trends or other considerations that might impact future regulations;
• Describe any changes in business activities, such as changes in process or procedure that impact the Core Element;
• Review action items and/or Risk Mitigation plans and discuss mitigation/action items that were scheduled but not completed successfully for the plan year, and where appropriate, provide completion plan for inclusion in the subsequent plan year;
• Consult with the Ethics and Business Conduct Office, and the Law Department investigation unit regarding any violations or reports of misconduct relative to the Core Element; and,
• Make a determination as to HII’s level of compliance relative to the Core Element and discuss Risk Assessment attributes for the plan year close-out.

Upon completion, the Evaluation section within CAMS should be certified by the Core Element Manager and the Accountable VP. Where appropriate, subsequent assessments of risk should incorporate elements or information revealed during the annual Core Element review and Evaluation.

EVALUATION VALIDATION
Based upon an agreed-upon schedule, Internal Audit independently validates a select number of Core Element Evaluations each year. Internal Audit reviews information contained within the Evaluation section of CAMS and validates key attributes. Core Element Managers, Accountable VPs, Compliance Office, and Internal Audit will resolve all validation observations.

PROGRAM MATURITY
An effective Compliance Program is one that involves a process of continuous improvement. While the Core Principles of the Plan are not likely to change, the HII Corporate Plan may be modified during the course of the year to reflect improved processes, changes to potential risks, organizational movements, and any other events that impact the administration and implementation of the HII Corporate Plan. The Compliance Office will note these modifications for inclusion in the following year’s plan.

In addition, the Compliance Office may measure the effectiveness of the overall Compliance Program through the use of a compliance maturity model, based on the Compliance Core Principles, and the development of effectiveness measures. The maturity model itself is subject to continuous improvement and will be adjusted as maturity levels are met, new areas of concentration are identified, and new methods of measured effectiveness are developed and implemented.
One of the most effective ways to mitigate the risks of misconduct is to set a tone that gets the message to each employee that “doing the right thing” is a priority. Part of making that tone and message meaningful is to reward employees for doing the right thing in much the same way that employees may be rewarded for performance associated with margin, cash flow, safety, quality, cost, and schedule. Many Fortune 500 companies have implemented incentives for ethical and compliant behavior. Indeed, regulators expect to see such incentives as part of an effective compliance program, as noted in the Federal Sentencing Guidelines and in many agreements between the U.S. Government and companies that defer prosecutions, or suspension, or debarments.

**ANNUAL PERFORMANCE AGREEMENTS**

All employees with Annual Performance Agreements, particularly those in leadership roles, will continue to have compliance included as a component of their Annual Performance Agreements. The metrics by which compliance is evaluated should vary depending on the nature of the employee’s role and responsibilities. The HII Performance and Development Agreement Form incorporates compliance into Section II, in which all employees are evaluated on whether or not their actions support specific aspects of the Company Values. These include: continually reinforcing compliance in training, decisions and actions, modeling the way for others to act with integrity; and, creating the right environment for accountability and compliance.

All employees should be involved in discussions with their leaders on how their job responsibilities support the Company Values and how their behaviors exhibit an understanding of ethics and compliance.

**CORPORATE AND DIVISION LEVEL PERFORMANCE EVALUATION**

Effective compliance programs are integrated in business planning, calendars, and processes. This HII Corporate Plan is part of the business calendar. As part of that process, compliance goals and metrics will factor into each division’s Annual Operating Plan and AIP.

**ACCOUNTABILITY BY FUNCTION**

The leadership responsibilities for each Core Element is divided into two parts (where appropriate):

(i) accountability with respect to HII’s corporate operations and employees, and (ii) oversight and coordination of all of HII’s operations related to that Core Element. A single Corporate Vice President has both types of responsibility for any given Core Element.

As applicable, Corporate Core Element Managers might have oversight responsibility over the other division Core Elements that the manager believes present compliance risks for the entire Company.
Even the most vigilant compliance program may be susceptible to occasional compliance failures. Accordingly, an effective compliance program not only enables a company to identify and investigate allegations and evidence of misconduct, but also takes remedial actions to reduce the likelihood of recurrence. Using a systematic process that ensures remedial actions are sustainable and that allows for sharing across an organization is an industry best practice.

In the event of compliance failures, HII will consider whether a root cause analysis is likely to help identify potential areas where remedial measures may prevent recurrence. Based on this analysis, HII will design and implement appropriate remedial measures. Accordingly, remedial measures will be incorporated into relevant Work Plans and implemented throughout HII as applicable.

1. Verbalizing your personal commitment to HII’s Code of Ethics and Business Conduct.
2. Talking about our Company Values—Integrity, Safety, Honesty, Engagement, Responsibility and Performance—on a regular basis and how they apply to you and your job.
3. Speaking up if and when you have any questions or concerns related to ethics and compliance.

HII’s sustainable compliance approach, when warranted, involves four major steps:

1. Problem identification and recommendation. This step may include root cause analysis or other forms of investigation;
2. Remediation consensus;
3. Implementation. The level of implementation across HII may vary; and,
4. Evaluation and Monitoring. Evaluation methods may include auditing or other types of observation.
WHAT’S NEW IN THE PLAN?

- Hill’s Ethics and Compliance App

FUTURE INITIATIVES…

- Further develop and expand Training Effectiveness
- Start utilizing self-assessments to continuously improve compliance