

Leidos Holdings, Inc.  
Form DEF 14A  
March 29, 2017  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**  
**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934

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 Pursuant to § 240.14a-12

**Leidos Holdings, Inc.**

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(Name of Registrant as Specified In Its Charter)

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(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:



4. Date Filed:

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LEIDOS **2017**

Notice of Annual Meeting  
of Stockholders and  
Proxy Statement

**Friday, May 12, 2017 at 9:00 a.m., ET**

Leidos Holdings, Inc.  
700 N. Frederick Avenue  
Gaithersburg, Maryland 20879



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Notice of Annual Meeting of Stockholders

**Friday, May 12, 2017**

Leidos Holdings, Inc.

**9:00 a.m., ET**

700 N. Frederick Avenue

Gaithersburg, Maryland 20879

**Items of Business:**

1. To elect twelve directors;
2. To approve, by an advisory vote, executive compensation;
3. To conduct an advisory vote on the frequency of future advisory votes on executive compensation;
4. To approve the Amended and Restated 2006 Employee Stock Purchase Plan;
5. To approve the 2017 Omnibus Incentive Plan;
6. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2017; and
7. To transact such other business as may properly come before the meeting or any adjournments, postponements or continuations of the meeting.

**Record Date: March 13, 2017**

**Audio Webcast:** The meeting will also be audio webcast simultaneously to the public through a link on the Investor Relations section of our website at [www.leidos.com](http://www.leidos.com).

**Annual Report:** The Leidos 2016 Annual Report on Form 10-K and the Leidos Proxy Statement are available at [www.proxyvote.com](http://www.proxyvote.com).

**YOUR VOTE IS IMPORTANT!**

**REVIEW YOUR PROXY STATEMENT AND VOTE IN ONE OF FOUR WAYS:**

**VIA THE INTERNET**

Go to [www.proxyvote.com](http://www.proxyvote.com) or scan the QR code on your proxy and voting instruction card with a smart phone.

**BY TELEPHONE**

Call 1-800-690-6903.

**BY MAIL**

Sign, date and return your proxy card in the enclosed envelope.

**IN PERSON**

Attend the Annual Meeting in Gaithersburg, MD.

By Order of the Board of Directors

Daniel J. Antal

Corporate Secretary

March 31, 2017

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## Summary Information

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

**Annual Meeting of Stockholders**

<b>Time and Date:</b>	9:00 a.m. (ET) on May 12, 2017 Leidos Holdings, Inc.
<b>Place:</b>	700 N. Frederick Avenue Gaithersburg, Maryland 20879
<b>Record Date:</b>	March 13, 2017
<b>Voting:</b>	Stockholders as of the record date are entitled to vote.
<b>Attendance:</b>	All stockholders and their duly appointed proxies may attend the meeting.

**Meeting Agenda and Voting Recommendations**

Agenda Item	Board Recommendation	Page
Election of twelve directors	FOR EACH NOMINEE	5
Advisory vote on executive compensation	FOR	22
Advisory vote on the frequency of vote on executive compensation	FOR EVERY YEAR	55
Approve the amended and restated 2006 Employee Stock Purchase Plan	FOR	56
Approve the 2017 Omnibus Incentive Plan	FOR	61
Ratification of independent registered public accounting firm	FOR	69

**Board Nominees**

The following table provides summary information about each director nominee. Each director nominee is elected annually by a majority of votes cast.

Nominee	Age	Director	
		Since	Principal Occupation
Gregory R. Dahlberg	65	2016	Former Senior Vice President, Washington Operations, Lockheed Martin Corporation; 26th Under Secretary of the Army
David G. Fubini	63	2013	Director Emeritus of McKinsey & Company, Inc.; Senior Lecturer, Harvard Business School
Miriam E. John	68	2007	Former Vice President of Sandia National Laboratories; Member, Defense Science Board



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John P. Jumper	72	2007	Former Chief Executive Officer and Chair of the Board; Retired U.S. Airforce General; Former Chief of Staff of the U.S. Air Force and member of the Joint Chiefs of Staff
Harry M.J. Kraemer, Jr.	62	1997	Executive Partner, Madison Dearborn Partners, LLC; Professor, Kellogg School of Management at Northwestern University
Roger A. Krone	60	2014	Chief Executive Officer and Chair of the Board
Gary S. May	52	2015	Dean of the College of Engineering, Georgia Institute of Technology
Surya N. Mohapatra	67	2016	Former Chairman, President and Chief Executive Officer, Quest Diagnostic Incorporated
Lawrence C. Nussdorf	70	2010	Chairman and Chief Executive Officer, Clark Enterprises, Inc.
Robert S. Shapard	61	2013	Chairman and Chief Executive Officer, Oncor Electric Delivery Company LLC
Susan M. Stalnecker	64	2016	Former Vice President, Corporate Productivity and Hospitality, E.I. du Pont de Nemours & Co.
Noel B. Williams	62	2013	Former President of HCA Information Technology & Services, Inc.

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**Corporate Governance Highlights**

**Ethics And Corporate Responsibility Highlights**

**Board Independence**

- u Independent Directors 10 of 12
- u Lead Director Lawrence C. Nussdorf
- u Mandatory Retirement Age 75

**Director Elections**

- u Annual Board Elections
- u Directors Elected by a Majority of Votes Cast

**Board Meetings in Last Fiscal Year**

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- u Classified Business Oversight 2
- u Ethics & Corporate Responsibility 4
- u Finance 5
- u Human Resources & Compensation 6
- u Nominating & Corporate Governance 3

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- u Annual Board Self-Evaluation Required
- u Annual Review of Independence of Board
- u Committee Self Evaluations Required
- u Board Orientation/Education Programs

**Aligning Director and Stockholder Interests**

- u Director and Executive Stock Ownership Guidelines
- u Annual Equity Grant to Non-Employee Directors

**Governance Policies and Practices**

(available at [www.leidos.com](http://www.leidos.com))

- u Corporate Governance Guidelines
- u Code of Business Conduct of the Board of Directors
- u Code of Conduct for Employees
- u Charters for Board Committees
- u Chair of the Board Position Description

The Leidos Board of Directors has long recognized the importance of creating and maintaining a strong ethical culture and being a good corporate citizen. We are committed to using our time and resources to support people, enrich communities and protect the environment. Leidos maintains an industry-leading ethics and compliance program with comprehensive policies, procedures, training and communications. Since founding the Employee Ethics Council in 1984, our leadership team has placed a premium on behavior and values and our employees proudly reflect these standards through their work and interactions.

Every year, we review progress and impact in areas important to our growth and sustainability, with an emphasis on strengthening our workforce, hiring veterans, reducing our carbon footprint, enhancing our already strong ethics programs and increasing our outreach in the communities where we live and work. We are focused on:

u **Community:** Our strong nonprofit relationships and philanthropic outreach programs are creating more sustainable communities.

u **Environment:** Our environmental services, coupled with our internal stewardship and GHG emission

reduction efforts, are creating a healthier world.

“ **Ethics and Compliance:** Our strong employee ethical conduct is a cornerstone of our culture and how we operate as a company.

“ **People:** Our development and training programs are creating a strong workforce focused on solving the world's most daunting challenges.

“ **Suppliers and Small Business:** Our thousands of suppliers and small businesses are crucial to our success as well as economic growth and prosperity.

For more information, visit

<https://www.leidos.com/about/corporate-responsibility>

“ Independent Lead Director Position Description

## Compensation Philosophy

We seek to closely align the interests of our executives with the interests of our stockholders. Our compensation programs are designed to:

“ pay for performance by tying a substantial majority of an executive's compensation to the achievement of specific performance measures;

“ enable us to recover, or clawback, incentive compensation if there is any material restatement of our financial results or if an executive is involved in misconduct;

“ provide the same types of benefits for executives as other employees, with no special or supplemental pension, health or death benefits for executives;

“ require our executives to own a significant amount of our stock;

“ target total direct compensation at approximately the median among companies with which we compete

“ avoid incentives that encourage unnecessary or excessive risk-taking; and

for executive talent;

<sup>u</sup> compete effectively for talented executives who will contribute to our long-term success.

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**LEIDOS HOLDINGS, INC.**

**Proxy Statement**

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**LEIDOS HOLDINGS, INC.**

**ANNUAL MEETING OF STOCKHOLDERS**

To Be Held May 12, 2017

**PROXY STATEMENT**

This proxy statement is being furnished to the stockholders of Leidos Holdings, Inc., a Delaware corporation, in connection with the solicitation of proxies by our Board of Directors for use at our annual meeting of stockholders to be held at the company's office at 700 N. Frederick Avenue, Gaithersburg, Maryland 20879, on Friday, May 12, 2017, at 9:00 a.m. ET. and at any and all adjournments, postponements or continuations of the meeting. This proxy statement and the proxy and voting instruction card are first being sent or made available to our stockholders on or about March 31, 2017.

Information About Voting Rights and Solicitation of Proxies

Who is entitled to vote at the annual meeting?

Only stockholders of record of our common stock as of the close of business on our record date of March 13, 2017 are entitled to notice of, and to vote at, the annual meeting. As of March 13, 2017, there were 150,489,840 shares of common stock outstanding.

We have no other class of capital stock outstanding. A list of stockholders entitled to vote at the meeting will be available for inspection at 11951 Freedom Drive, Reston, Virginia for at least 10 days prior to the meeting and will also be available for inspection at the meeting.

Do I need an admission ticket to attend the annual meeting?

Yes. If you attend the meeting, you will be asked to present an admission ticket or proof of ownership and valid photo identification. Your admission ticket is:

- u Attached to your proxy and voting instruction card if you received your proxy materials in the mail;
- u Can be printed from the online voting site; or
  
- u A letter or a recent account statement showing your ownership of our common stock as of the record date, if you hold shares through a bank or a broker.



What constitutes a quorum?

The presence, either in person or by proxy, of the holders of a majority of the total voting power of the shares of common stock outstanding as of March 13, 2017 is necessary to constitute a quorum and to conduct

business at the annual meeting. Abstentions and broker non-votes will be counted as present for purposes of determining the presence of a quorum.

What is a broker non-vote ?

A broker non-vote occurs when a broker, bank or other nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that matter and has not received voting instructions from the

beneficial owner. In tabulating the voting results for a particular proposal, broker non-votes are not considered entitled to vote on that proposal. Broker non-votes will not have an effect on the outcome of any matter being voted on at the meeting, assuming a quorum is present.

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Information About Voting Rights and Solicitation of Proxies

Unless you provide voting instructions to any broker holding shares on your behalf, your broker may not use discretionary authority to vote your shares on any of the matters to be considered at the annual meeting other

than the ratification of our independent registered public accounting firm. Please vote your proxy or provide voting instructions to your broker so your vote can be counted.

How many votes am I entitled to?

Each holder of common stock will be entitled to one vote per share, in person or by proxy, for each share of stock held in such stockholder's name as of March 13, 2017,

on any matter submitted to a vote of stockholders at the annual meeting unless a stockholder elects to cumulate votes for the election of directors as described below.

Is cumulative voting permitted for the election of directors?

In the election of directors, you may cumulate your vote. This means that you may allocate among the director nominees, as you see fit, the total number of votes equal to the director positions to be filled multiplied by the number of shares you hold. You may not cumulate your votes against a nominee and cumulative voting applies only to the election of directors.

If you are a stockholder of record and choose to cumulate your votes, you will need to notify our

Corporate Secretary in writing prior to the Annual Meeting or, if you vote in person at the annual meeting, notify the chair of the meeting prior to the commencement of voting at the annual meeting. You may not submit your proxy or voting instructions over the Internet or by telephone if you wish to distribute your votes unevenly among two or more nominees. If you hold shares beneficially through a broker, trustee or other nominee and wish to cumulate votes, you should contact your broker, trustee or nominee.

How do I vote my shares?

Shares of common stock represented by a properly executed and timely proxy will, unless it has previously been revoked, be voted in accordance with its instructions. In the absence of specific instructions, the shares represented by a properly executed and timely proxy will be voted in accordance with the Board's recommendations as follows:

- u FOR all of the company's nominees to the Board;
- u FOR the approval, on a non-binding, advisory basis, of the compensation of our named executive officers;
- u FOR the approval of an annual advisory vote on executive compensation;
- u FOR the approval of the Amended and Restated 2006 Employee Stock Purchase Plan;
- u FOR the approval of the 2017 Omnibus Incentive Plan; and
- u FOR the ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending December 29, 2017.

No other business is expected to come before the annual meeting; however, should any other matter properly come before the annual meeting, the proxy holders

intend to vote such shares in accordance with their best judgment on such matter.

There are four different ways to vote your shares:

**By Internet:** Go to [www.proxyvote.com](http://www.proxyvote.com) or scan the QR code on your proxy and voting instruction card with a smart phone.

**By Telephone:** Call 1-800-690-6903.

**By Mail:** If you received your proxy materials via the U.S. mail, you may complete, sign and return the accompanying proxy and voting instruction card in the postage-paid envelope provided.

**In Person:** Attend the meeting at the company's office at 700 N. Frederick Avenue, Gaithersburg, Maryland 20879, and vote in person if you are a stockholder of record or if you have obtained a valid proxy from the stockholder of record.

Submitting a proxy will not prevent you from attending the annual meeting and voting in person. Any proxy may be revoked at any time prior to exercise by delivering a written revocation or a new proxy bearing a later date to our mailing agent, Broadridge, as described below or by attending the annual meeting and voting in person. The mailing address of our mailing agent is Broadridge, 51 Mercedes Way, Edgewood, NY 11717. Attendance at the annual meeting will not, however, in and of itself, revoke a proxy.

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Information About Voting Rights and Solicitation of Proxies

What are the voting deadlines?

For shares not held in the Leidos, Inc. Retirement Plan (the Leidos Retirement Plan ), the deadline for submitting a proxy using the Internet or the telephone is 11:59 p.m. ET on May 11, 2017. For shares held in the

Leidos Retirement Plan, the deadline for submitting voting instructions using any of the allowed methods is 11:59 p.m. ET on May 9, 2017.

How are the shares held by the Leidos Retirement Plan voted?

Each participant in the Leidos Retirement Plan has the right to instruct Vanguard Fiduciary Trust Company, as trustee of the Leidos Retirement Plan (the Trustee ), on a confidential basis, how to vote his or her proportionate interests in all shares of common stock held in the Leidos Retirement Plan. The Trustee will vote all shares held in the Leidos Retirement Plan for which no voting instructions are received in the same proportion as the shares for which voting instructions have been received.

The Trustee's duties with respect to voting the common stock in the Leidos Retirement Plan are governed by the fiduciary provisions of the Employee Retirement Income Security Act of 1974, as amended ( ERISA ). The fiduciary provisions of ERISA may require, in certain limited circumstances, that the Trustee override the votes of participants with respect to the common stock held by the Trustee and to determine, in the Trustee's best judgment, how to vote the shares.

How are the shares held by the Stock Plans voted?

Under the terms of our Stock Compensation Plan, Management Stock Compensation Plan and Key Executive Stock Deferral Plan, Vanguard Fiduciary Trust Company, as trustee of these stock plans, has the power to vote the shares of common stock held in these stock plans. Vanguard will vote all such shares in the same

proportion that our other stockholders collectively vote their shares of common stock. If you are a participant in these stock plans, you do not have the right to instruct Vanguard on how to vote your proportionate interests in the shares of common stock held in these stock plans.

What is the difference between a stockholder of record and a beneficial holder?

These terms describe how your shares are held. If your shares are registered directly with Computershare, our transfer agent, then you are a stockholder of record of these shares. If your shares are held in an account at a broker, bank, trust or other similar organization, then you are a beneficial holder of these shares. The organization holding your account is considered the

stockholder of record for purposes of voting at the annual meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account. If you wish to vote in person at the annual meeting, you must obtain a valid proxy from the organization holding the shares.

Who is soliciting these proxies?

We are soliciting these proxies and the cost of the solicitation will be borne by us, including the charges and expenses of persons holding shares in their name as nominee incurred in connection with forwarding proxy materials to the beneficial owners of such shares. In addition to the use of the mail, proxies may be solicited

by our officers, directors and employees in person, by telephone or by email.

Such individuals will not be additionally compensated for such solicitation but may be reimbursed for reasonable out-of-pocket expenses incurred in connection with such solicitation.

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Information About Voting Rights and Solicitation of Proxies

What is householding and how does it affect me?

We have adopted a procedure approved by the Securities and Exchange Commission, or SEC, called householding. Under this procedure, we send only one proxy statement and one annual report to eligible stockholders who share a single address, unless we have received instructions to the contrary from any stockholder at that address. This practice is designed to reduce our printing and postage costs. Stockholders who participate in householding will continue to receive separate proxy and voting instruction cards. We do not use householding for any other stockholder mailings.

If you are a registered stockholder residing at an address with other registered stockholders and wish to receive a separate copy of the proxy statement or annual report, or if you do not wish to participate in householding and prefer to receive separate copies of these documents in

the future, please contact our mailing agent, Broadridge, either by calling toll-free at 1-800-542-1061, or by writing to Broadridge, Household Department, 51 Mercedes Way, Edgewood, NY 11717. If you own shares through a bank, broker, or other nominee, you should contact the nominee concerning householding procedures. We will promptly deliver a separate copy of the proxy statement or annual report to you upon request.

If you are eligible for householding, but you and other stockholders of record with whom you share an address currently receive multiple copies of the proxy statement or annual report and you wish to receive a single copy of each of these documents for your household, please contact our mailing agent, Broadridge, at the telephone number or address indicated above.

Where can I find the voting results of the annual meeting?

We intend to announce preliminary voting results at the annual meeting and publish final results in a Current



Report on Form 8-K to be filed with the SEC within four business days of the annual meeting.

### Internet Availability of Proxy Materials

As permitted by the rules of the SEC, we are using the Internet as a means of furnishing proxy materials to our stockholders. We believe this method will make the proxy distribution process more efficient, lower costs and help in conserving natural resources.

On or about March 31, 2017, we mailed to our stockholders a Notice of Internet Availability of Proxy Materials containing instructions on how to access our proxy materials, including our proxy statement and annual report. The Notice of Internet Availability of Proxy Materials also instructs you on how to access your proxy and voting instruction card to be able to vote through the Internet or by telephone. Other stockholders, in accordance with their prior requests, and employees with regular access to email have received email notification of how to access our proxy materials and vote via the Internet or by telephone or have been mailed paper copies of our proxy materials and a proxy and voting instruction card.

The proxy statement and annual report are available at [www.proxyvote.com](http://www.proxyvote.com).

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### Proposal 1 Election of Directors

At the annual meeting, twelve directors are to be elected to serve for one-year terms to hold such position until their successors are elected and qualified unless any such director resigns or is removed prior to the end of such term. All nominees have been nominated by the Board of Directors (the Board) based on the recommendation of the Nominating and Corporate Governance Committee. To the best knowledge of the Board, all of the nominees are able and willing to serve. Each nominee has consented to be named in this proxy statement and to serve if elected.

### **Majority Voting Standard in Uncontested Director Elections**

We have adopted majority voting procedures for the election of directors in uncontested elections. In an uncontested election, nominees must receive more for than against votes to be elected. Abstentions are not counted as votes cast. As provided in our bylaws, a contested election is one in which the number of nominees exceeds the number of directors to be elected. The election of directors at the 2016 annual meeting is an uncontested election.

If an incumbent director receives more against than for votes, he or she is expected to tender his or her resignation in accordance with our Corporate Governance Guidelines. The Nominating and Corporate Governance Committee will consider the offer of resignation and recommend to the Board the action to be taken. The Board will promptly disclose its decision as to whether to accept or reject the tendered resignation in a press release, Current Report on Form 8-K or some other public announcement.

Shares of common stock represented by properly executed, timely received and unrevoked proxies will be voted as instructed in the proxy. In the absence of specific instructions, the shares represented by properly executed, timely received and unrevoked proxies will be voted for each nominee. If any of the nominees listed below becomes unable to stand for election at the annual meeting, the proxy holders intend to vote for any person designated by the Board to replace the nominee unable to serve.

### **Recommendation of the Board of Directors**

*The Board of Directors unanimously recommends a vote FOR each nominee.*

### **Nominees for Election to the Board of Directors**

Set forth below is a brief biography of each nominee for election as a director and a brief discussion of the specific experience, qualifications, attributes or skills that led to the Board's conclusion that the nominee should serve as a director of our company. The Board evaluates each individual in the context of the Board as a whole, with the objective of recommending to stockholders a group of nominees with complementary skills and a diverse mix of backgrounds, perspectives and expertise beneficial to the broad business diversity of our company. Our board membership criteria and director nomination process are described in the Corporate Governance section of this proxy statement.



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Proposal 1 Election of Directors

**GREGORY R. DAHLBERG**

**Director Since 2016**

**Age: 65**

**Leidos Committees:**

Ethics & Corporate Responsibility

Classified Business Oversight

**Mr. Dahlberg** previously held several senior executive positions at Lockheed Martin, including Senior Vice President for Washington Operations from 2009 to 2015. Prior to his years at Lockheed Martin, Mr. Dahlberg served as Minority Staff Director of the House Appropriations Defense Subcommittee with jurisdiction over funding for all Department of Defense and intelligence agency programs. Mr. Dahlberg was confirmed by the Senate as the 26th Under Secretary of the Army in 2000 and also served as Acting Secretary of the Army in 2001.

Mr. Dahlberg's extensive background in government and the defense industry provides our Board with experience that is directly relevant to our business as a government contractor.

**DAVID G. FUBINI**

**Director Since 2013**

**Age: 63**

**Leidos Committees:**

Finance

Human Resources & Compensation

**Former Directorships During Past 5 Years:**

Compuware Corporation

**Mr. Fubini** is a Senior Lecturer at Harvard Business School and a Director Emeritus at McKinsey & Company. Previously, he was a Senior Director of McKinsey where he worked for over 33 years. He was McKinsey's Managing Director of the Boston Office, the past leader of the North American Organization Practice and the founder and leader of the Firm's Worldwide Merger Integration Practice.

Mr. Fubini's expertise in architecting and executing organizational transformations, his extensive involvement in a wide array of corporate transactions and his executive management experience at McKinsey offer valuable insights to our Board.

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Proposal 1 Election of Directors

**MIRIAM E. JOHN**

**Director Since 2007**

**Age: 68**

**Leidos Committees:**

Classified Business Oversight

Human Resources & Compensation (Chair)

Nominating & Corporate Governance

**Dr. John** retired from Sandia National Laboratories, a science and engineering laboratory, after serving since 1982 in a number of managerial and technical roles, most recently of which was as Vice President of Sandia's California Division. Dr. John is a member of the Department of Defense's Defense Science Board and Vice Chairman of its Threat Reduction Advisory Committee. She was elected to the AAAS Committee on Science and Public Policy and is the immediate past chair of the National Research Council's Naval Studies Board. She also serves on the boards of a number of federally funded national security laboratories, including MIT Lincoln Lab. She is a Senior Fellow and immediate past Chair of the California Council on Science and Technology. She has also been elected a National Associate of the National Academies and is the recipient of the Navy's Superior Public Service Award.

Dr. John is a highly respected scientist, speaker and consultant on both technical and leadership topics and brings to our Board her diverse experience managing multi-disciplinary science and engineering organizations supporting national security, energy and defense. Our Board believes that Dr. John's scientific background and leadership experience enable her to provide critical perspectives on technical, national security and organizational issues important to our business.

**JOHN P. JUMPER**

**Director Since 2007**

**Age: 72**

**Leidos Committees:**

Classified Business Oversight (Chair)

Ethics & Corporate Responsibility

**Current Public Directorships**

NACCO Industries, Inc

Hyster-Yale Materials Handling, Inc.

**Former Directorships During Past 5 Years**

Jacobs Engineering Group, Inc.

WESCO Aircraft Holdings, Inc.

Tech Team Global, Inc.

Goodrich Corp.

Somanetics Corp.

**Mr. Jumper** served as our Chief Executive Officer from March 2012 until July 2014 and Chair of the Board from June 2012 to March 2015, after having served as an independent director since 2007. Considered an expert on matters concerning the aerospace and defense sectors, Mr. Jumper served as a senior advisor for private equity firms including the Carlyle Group and the Four Star Group. Before joining the private sector in 2005, General Jumper served 39 years in the United States Air Force, retiring as the Air Force Chief of Staff, the Air Force's highest ranking officer, and as a member of the Joint Chiefs of Staff. In that capacity he was a direct advisor to the Secretary of Defense, National Security Council, and the President.

Mr. Jumper's proven leadership ability and management skills, demonstrated by his previous service as the highest-ranking officer in the U.S. Air Force and his expertise in defense and intelligence matters are valuable to our Board. His experience gives him a unique understanding of the needs of our largest customers.

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Proposal 1 Election of Directors

**HARRY M.J. KRAEMER, JR.**

**Director Since 1997**

**Current Public Directorships**

Dentsply Sirona

**Age: 62**

VWR International

**Leidos Committees:**

**Former Directorships During Past 5 Years**

Audit (Chair)

Catamaran Corporation

Finance

**Mr. Kraemer** has been an executive partner of Madison Dearborn Partners, LLC, a private equity investment firm, since April 2005, and has served as a professor at the Kellogg School of Management at Northwestern University since January 2005. Mr. Kraemer previously served as the Chairman of Baxter International, Inc., a healthcare products, systems and services company, from 2000 until 2004, as Chief Executive Officer of Baxter from 1999 until 2004, and as President of Baxter from 1997 until 2004. Mr. Kraemer also served as the Senior Vice President and Chief Financial Officer of Baxter from 1993 to 1997.

Mr. Kraemer brings comprehensive executive management experience to our Board as a former Chairman, Chief Executive Officer and Chief Financial Officer of a major global corporation. His investment and health expertise, background in commercial and international business, qualification as an audit committee financial expert as defined by SEC rules, and thought leadership as a distinguished educator at a leading business school provide valuable contributions to our Board.

**ROGER A. KRONE**

**Chair of the Board**



**Director Since 2014**

**Current Public Directorships**

BorgWarner Inc.

**Age: 60**

**Leidos Committees:**

Classified Business Oversight

Ethics & Corporate Responsibility

**Roger A. Krone** has served as our Chief Executive Officer since July 2014 and as the Chair of the Board since March 2015. Prior to his appointment as our Chief Executive Officer, Mr. Krone served as President of Network and Space Systems for The Boeing Company since 2006. Mr. Krone previously held various senior program management and finance positions at Boeing, McDonnell Douglas Corp. and General Dynamics, including Vice President and General Manager of Boeing's Army Systems division, Vice President of strategic programs at Boeing, Vice President and Treasurer of McDonnell Douglas and positions in program management, engineering and finance at General Dynamics. Mr. Krone earned a Bachelor's degree in Aerospace Engineering from Georgia Institute of Technology, a Master's Degree in Aerospace Engineering from the University of Texas at Arlington and a Master of Business Administration from Harvard Graduate School of Business.

Mr. Krone's in-depth knowledge of our industry gained by decades of experience in a variety of roles at leading companies provide valuable insights and leadership for our Board. In addition, our Board believes that the Chief Executive Officer should serve on the Board to help communicate the Board's priorities to management and management's perspective to the Board.

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Proposal 1 Election of Directors

**GARY S. MAY**

**Director Since 2015**

**Age: 52**

**Leidos Committees:**

Ethics & Corporate Responsibility

Human Resources & Compensation

**Dr. May** has served as the Dean of the College of Engineering at the Georgia Institute of Technology since June 2011. Prior to this, Dr. May served as the Chair of the School of Electrical and Computer Engineering from 2005 to 2011 and was the executive assistant to Georgia Tech President G. Wayne Clough from 2002 to 2005. May was a National Science Foundation and an AT&T Bell Laboratories graduate fellow and has worked as a member of the technical staff at AT&T Bell Laboratories. He is a member of the National Advisory Board of the National Society of Black Engineers. In February 2017, Dr. May was appointed as Chancellor of the University of California, Davis to begin in August 2017.

Dr. May is a distinguished researcher in the field of computer-aided manufacturing of integrated circuits (IC). He has authored over 200 articles and technical presentations in the area of IC computer-aided manufacturing and has been honored with numerous awards and distinctions for his work. As an accomplished engineer with leadership experience at a prominent academic institution and expertise in areas relevant to our business, Dr. May provides special insight and perspectives that the Board views as important to us as a leading science and technology company.

**SURYA N. MOHAPATRA**

**Director Since 2016**

**Current Public Directorships**

**Age: 67**

Xylem Inc.

**Leidos Committees:**

Nominating & Corporate Governance

Human Resources & Compensation

**Dr. Mohapatra** has held senior leadership positions in the health care industry for more than 30 years, most recently as the Chairman, President and Chief Executive Officer of Quest Diagnostics Incorporated, a leading provider of diagnostic testing, information and services where he had been a senior executive since 1999. Dr. Mohapatra is a past Board member of the ITT Corporation and is currently a member of the board of Xylem Inc., a leading global water technology and transport company. He is also a Trustee of The Rockefeller University and an Executive in Residence at the Columbia Business School.

Our Board believes that Dr. Mohapatra's extensive executive leadership experience in the health care industry and service on other major public company boards provides valuable perspectives to our Board.

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Proposal 1 Election of Directors

**LAWRENCE C. NUSSDORF**

**Former Directorships During Past 5 Years**

**Lead Director**

Pepco Holdings, Inc.

Capital Source, Inc.

**Director Since 2010**

**Age: 70**

**Leidos Committees:**

Audit

Finance

Nominating & Corporate Governance  
(Chair)

**Mr. Nussdorf** is Chairman and Chief Executive Officer Clark Enterprises, Inc., a privately held company with extensive interests in real estate, private equity and traditional investments. He previously served as President and Chief Operating Officer of Clark Enterprises from 1998 to 2015 and as Vice President and Treasurer of Clark Construction Group, LLC from 1977 through 2015.

Trained as an attorney and CPA, Mr. Nussdorf has been at the forefront of strategic and long-term planning and has vast experience managing operations and finance for multiple businesses. Our Board believes that this experience, as well as Mr. Nussdorf's public company board leadership experience, adds valuable perspectives to our Board. He is an audit committee financial expert as defined in SEC rules.

**ROBERT S. SHAPARD**

**Director Since 2013**

**Age: 61**

**Leidos Committees:**

Audit

Finance (Chair)

**Mr. Shapard** has served as Chairman and Chief Executive Officer of Oncor Electric Delivery Company LLC since April 2007. He previously served as a strategic advisor to Oncor, helping to implement and execute growth and development strategies. Between March and October 2005, he served as Chief Financial Officer of Tenet Healthcare Corporation, one of the largest for-profit hospital groups in the United States, and was Executive Vice President and Chief Financial Officer of Exelon Corporation, a large electricity generator and utility operator, from 2002 to February 2005. Before joining Exelon, he was Executive Vice President and Chief Financial Officer of Ultramar Diamond Shamrock, a North American refining and marketing company, since 2000. Previously, from 1998 to 2000, Mr. Shapard was CEO and managing director of TXU Australia Pty. Ltd., a subsidiary of the former TXU Corp., which owned and operated electric generation, wholesale trading, retail, and electric and gas regulated utility businesses.

As an experienced executive in the energy industry, Mr. Shapard brings to our Board a unique perspective on issues that are important to our business. In addition, his previous experience as a Chief Financial Officer provides expertise critical to his role as Chair of our Board's Finance Committee and as a member of the Audit Committee. He is an audit committee financial expert as defined by SEC rules.

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Proposal 1 Election of Directors

**SUSAN M. STALNECKER**

**Director Since 2016**

**Age: 64**

**Leidos Committees**

Audit

Finance

**Ms. Stalnecker** was employed by E.I. du Pont de Nemours & Co. from 1977 to 2016, serving in numerous senior roles during her tenure, including 10 years as Vice President and Treasurer and most recently as Vice President, Corporate Productivity and Hospitality. Ms. Stalnecker previously served on the board of directors of PPL Corporation, a public holding company of PPL Electric Utilities Corporation from December 2001 to January 2009, and on the board of trustees of Duke University from 2003 to 2015. She currently serves on the board of directors and audit committee at Duke University Health System, Inc.

Ms. Stalnecker brings to our Board diverse business experience, including financial acumen important to our Board's Finance and Audit Committees. She is an audit committee financial expert as defined by SEC rules.

**NOEL B. WILLIAMS**

**Director Since 2013**

**Age: 62**

**Leidos Committees**

Ethics & Corporate Responsibility (Chair)

Human Resources & Compensation

**Ms. Williams** is the retired President of HCA Information Technology & Services, Inc., a wholly owned subsidiary of Nashville-based HCA (Hospital Corporation of America). Ms. Williams has over 35 years of experience in healthcare IT. She spent 30 years in HCA's Information Service Department in a variety of positions. Ms. Williams has previously served on the boards of Franklin Road Academy, the United Way of Middle Tennessee, The Nashville Alliance for Public Education, the National Alliance for Health Information Technology (NAHIT), The HCA Foundation and the American Hospital Association Working Group for Health IT Standards. Ms. Williams is an Emeritus member of the Vanderbilt University School of Engineering Committee of Visitors and a member of the Leadership Nashville class of 2010. She also served as an adjunct professor in the Owen School of Management of Vanderbilt University for several years.

Ms. Williams brings to our Board extensive leadership experience in healthcare information technology and provides insights and perspectives that our Board views as important to us as a provider of information technology services and solutions.

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### Corporate Governance

#### **Corporate Governance Guidelines**

Our Board recognizes the importance of strong corporate governance as a means of addressing the various needs of our stockholders, employees, customers and other stakeholders. As a result, our Board has adopted Corporate Governance Guidelines which, together with our certificate of incorporation, bylaws, committee charters and other key governance practices and policies, provide the framework for our corporate governance. Our Corporate Governance Guidelines cover a wide range of subjects, including criteria for determining the independence and qualification of our directors. These guidelines are available on our website at [www.leidos.com](http://www.leidos.com) by clicking on the link entitled Corporate Governance. The Board recognizes that observing good corporate governance practices is an ongoing responsibility. The Nominating and Corporate Governance Committee regularly reviews corporate governance developments and recommends revisions to these Corporate Governance Guidelines and other corporate governance documents as necessary to promote our and our stockholders' best interests and to help ensure that we comply with all applicable laws, regulations and stock exchange requirements.

#### **Codes of Conduct**

All of our employees, including our executive officers, are required to comply with our Code of Conduct, which describes our standards for protecting company and customer assets, fostering a safe and healthy work environment, dealing fairly with customers and others, conducting international business properly, reporting misconduct and protecting employees from retaliation. This code forms the foundation of our corporate policies and procedures designed to promote ethical behavior in all aspects of our business.

Our directors also are required to comply with our Code of Business Conduct of the Board of Directors intended to describe areas of ethical risk, provide guidance to directors and help foster a culture of honesty and accountability. This code addresses areas of professional conduct relating to service on our Board, including conflicts of interest, protection of confidential information, fair dealing and compliance with all applicable laws and regulations.

These documents are available on our website at [www.leidos.com](http://www.leidos.com) by clicking on the links entitled Investors followed by Corporate Governance.

#### **Director Independence**

The Board annually determines the independence of each of our directors and nominees in accordance with the Corporate Governance Guidelines. These guidelines provide that independent directors are those who are independent of management and free from any relationship that, in the judgment of the Board, would interfere with their exercise of independent judgment. No director qualifies as independent unless the Board affirmatively determines that the director has no material relationship with us (either directly or as a partner, stockholder or officer of an organization with which we have a relationship). The Board has established independence standards set forth in the Corporate Governance Guidelines that include all elements of independence required by the listing standards of the New York Stock Exchange, or NYSE.



All members of the Audit, Human Resources and Compensation and Nominating and Corporate Governance Committees must be independent directors as defined by the Corporate Governance Guidelines. Members of the Audit Committee must also satisfy a separate independence requirement pursuant to the Securities Exchange Act of 1934 which requires that they may not accept directly or indirectly any consulting, advisory or other compensatory fee from us or any of our subsidiaries other than their directors' compensation or be an affiliated person of ours or any of our subsidiaries.

Each year, our directors are obligated to complete a questionnaire which requires them to disclose any transactions with us in which the director or any member of his or her immediate family might have a direct or potential conflict of interest. Based on its review of an analysis of the responses, the Board determined that all directors are independent under its guidelines and free from any relationship that would interfere with the exercise of their independent judgment, except for John P. Jumper and Roger A. Krone because of their roles as our former and current Chief Executive Officer, respectively, and their receipt of compensation from us for serving in that role.

### **Criteria for Board Membership**

To fulfill its responsibility to identify and recommend to the full Board nominees for election as directors, the Nominating and Corporate Governance Committee reviews the composition of the Board to determine the qualifications and areas of

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Corporate Governance

expertise needed to further enhance the composition of the Board. In evaluating potential nominees, the Committee and the Board consider each individual in the context of the Board as a whole, with the objective of recommending to stockholders a slate of individual director nominees that can best continue the success of our business and advance stockholders' interests. In evaluating the suitability of individual nominees, the Nominating and Corporate Governance Committee and the Board consider many factors, including:

- ⌞ expertise and involvement in areas relevant to our business such as defense, intelligence, science, finance, government or commercial and international business;
- ⌞ interpersonal skills, substantial personal accomplishments and diversity as to gender, age, ethnic background and experience;
- ⌞ commitment to business ethics, professional reputation, independence and understanding of the responsibilities of a director and the governance processes of a public company;
- ⌞ demonstrated leadership, with the ability to exercise sound judgment informed by diversity of experience and perspectives; and
- ⌞ benefits from the continuing service of qualified incumbent directors in promoting stability and continuity, contributing to the Board's ability to work together as a collective body and giving the company the benefit of experience and insight that its directors have accumulated during their tenure.

The Nominating and Corporate Governance Committee reviews the director selection process annually and the Committee and the Board assess its effectiveness through an annual written evaluation process. In addition, the Nominating and Corporate Governance Committee has been directed by the Board to observe the following principles contained in our Corporate Governance Guidelines:

- ⌞ a majority of directors must meet the independence criteria established by the Board;
- ⌞ based upon the desired number of 7 to 14 directors, no more than three directors may be an employee of ours;

- “ only a full-time employee who serves as either the Chief Executive Officer or one of his or her direct reports will be considered as a candidate for an employee director position; and
- “ no director nominee may be a consultant to us.

The Board expects a high level of commitment from its members and will review a candidate’s other commitments and service on other boards to ensure that the candidate has sufficient time to devote to us. In addition, non-employee directors may not serve on the boards of directors of more than four other publicly-traded companies. Moreover, directors are expected to act ethically at all times and adhere to our Code of Business Conduct of the Board.

### **Board Leadership Structure**

The Board is currently led by Roger A. Krone as Chair and Lawrence C. Nussdorf as independent Lead Director. Our Board believes that it is in the best interests of stockholders for the Board to have the flexibility to determine the most qualified and appropriate individual to serve as Chair of the Board, whether that person is an independent director or the Chief Executive Officer. The Board selects the Chair annually and may decide to separate or combine the roles of Chair of the Board and Chief Executive Officer, if appropriate, any time in the future. In cases where the Board determines it is in the best interests of our stockholders to combine the positions of Chair and Chief Executive Officer, the Nominating and Corporate Governance Committee nominates an independent director to serve as Lead Director, who then must be approved by a majority of the independent directors.

The Lead Director has specifically delineated duties, which include:

- “ reviewing and approving meeting agendas and the annual schedule of meetings;
- “ providing input to the Chair on the quantity, quality and timeliness of information provided to the Board;
- “ calling and chairing all meetings of the independent directors and apprising the Chair of the issues considered, as appropriate;
- “ presiding, in the Chair’s absence, at Board meetings and the annual meeting of stockholders;
- “ helping the Chair facilitate full and candid Board discussions, ensuring all directors express their views on key Board matters and assisting the Board in achieving a consensus;

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### Corporate Governance

- u being authorized to attend all committee meetings, as appropriate;
- u serving as the liaison between the independent directors and the Chair and Chief Executive Officer;
- u being available for consultation and direct communication with significant stockholders and other interested parties, if requested;
- u collaborating with the Human Resources and Compensation Committee on the annual performance evaluation of the Chief Executive Officer;
- u collaborating with the Nominating and Corporate Governance Committee on the performance and structure of the Board and its committees, including the performance of individual directors;
- u on behalf of the independent directors, retaining such counsel or other advisors as they deem appropriate in the conduct of their duties and responsibilities; and
- u performing such other duties as the Board may determine from time to time.

Our Board is committed to strong corporate governance and believes that Board independence and oversight of management are effectively maintained through the Board's current composition, committee structure and the position of Lead Director. Currently, 10 of our 12 directors are independent as defined by the NYSE rules and our Corporate Governance Guidelines. The Board's Audit, Finance, Human Resources and Compensation and Nominating and Corporate Governance Committees are each comprised entirely of independent directors.

### **The Board's Role in Risk Oversight**

As part of its oversight function, the Board and its committees monitor risk as part of their regular deliberations throughout the year. When granting authority to management, approving strategies, making decisions and receiving management reports, the Board considers, among other things, the risks facing the company. The Board also oversees risk in particular areas through its committee structure. The Audit Committee evaluates the company's guidelines and policies regarding risk assessment and risk management, including risks related to internal control over financial reporting, the company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The Human Resources and Compensation Committee evaluates risks potentially arising from the

company's human resources and compensation policies and practices. The Finance Committee oversees financial, capital investment and insurance risks. The Ethics and Corporate Responsibility Committee oversees risks associated with unethical conduct and political, social, environmental and reputational risks. The Classified Business Oversight Committee oversees risk review activities applicable to the company's classified business activities and receives reports from management on particular classified projects involving significant performance, financial or reputational risks. The company also utilizes an internal Enterprise Risk Management Committee, comprised of the Chief Executive Officer and senior management that, among other things, establishes the overall corporate risk strategy and ensures that policies, systems, processes and training are established to identify and address appropriate risk matters within the company. This committee reports periodically to the Audit Committee and annually to the full Board on its activities and findings, highlighting the key risks we face and management's actions for managing those risks.

### **Board of Directors Meetings**

During the 12-month period from January 2, 2016 to December 30, 2016 ( Fiscal 2016 ), the Board held 11 meetings of the entire Board. The independent directors met seven times during the year, either in executive session of regular board meetings or in separate meetings. Mr. Nussdorf, the independent Lead Director, presides at all executive sessions of our independent directors as provided by our Corporate Governance Guidelines. During Fiscal 2016, no director attended fewer than 75% of the aggregate of the meetings of the Board and committees of the Board on which they served. In addition, all directors, then serving as a director attended the 2016 annual meeting of stockholders. It is our policy to encourage all directors to attend our annual meeting.

### **Board Committees**

The Board has the following principal standing committees: Audit, Classified Business Oversight, Ethics and Corporate Responsibility, Finance, Human Resources and Compensation, and Nominating and Corporate Governance. The charters of these committees are available in print to any stockholder who requests them and are also available on our website at [www.leidos.com](http://www.leidos.com) by clicking on the links entitled "Investor Relations," "Corporate Governance" and then "Board Committees."

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Listed below are the members of each of the six standing committees as of the date of this proxy statement:

Audit	Classified Business Oversight	Ethics & Corporate Responsibility	Finance	Human Resources & Compensation	Nominating & Corporate Governance
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Gregory R. Dahlberg

David G. Fubini

Miriam E. John

John P. Jumper

Harry M.J. Kraemer, Jr.

Roger A. Krone

Gary S. May

Surya N. Mohapatra

Lawrence C. Nussdorf

Robert S. Shapard

Susan M. Stalnecker

Noel B. Williams

Committee Chair

Audit Committee Financial Expert

**Committee Responsibilities**

Following are descriptions of the primary areas of responsibility for each of the six standing committees:

**Audit Committee**

**Number of Meetings in Last Fiscal Year: 6**

- u Appoints and evaluates independent auditor and approves fees;
- u Pre-approves audit and permitted non-audit services;
- u Reviews any audit problems;
- u Reviews adequacy of internal controls over financial reporting and disclosure controls and procedures;
- u Reviews and updates the internal audit plan;
- u Reviews any significant risks and exposures and steps taken to minimize risks;
- u Reviews quarterly and annual financial statements prior to public release;
- u Reviews critical accounting policies or changes in accounting policies; and
- u Reviews periodically legal matters that may impact the financial statements.

**Classified Business Oversight Committee**

**Number of Meetings in Last Fiscal Year: 2**

- u Reviews policies, processes, procedures, training and risk review activities applicable to our classified business activities;
- u Reviews reports from management on particular classified projects involving significant performance, financial or reputational risks; and
- u Reviews other classified business issues that the Board or management would like the Committee to review.

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Corporate Governance

**Ethics & Corporate Responsibility Committee**

**Number of Meetings in Last Fiscal Year: 4**

- “ Oversees ethical responsibilities of employees and consultants under our policies and procedures;
- “ Reviews policies and procedures addressing the resolution of conflicts;
- “ Reviews procedures for the receipt, retention and treatment of complaints regarding violations of our policies related to ethical conduct and legal compliance;
- “ Monitors the effectiveness of our ethics, compliance and training programs and related administrative policies; and
- “ Reviews policies and practices in the areas of corporate responsibility including such political, social and environmental issues that may affect our business operations, performance, public image or reputation.

**Finance Committee**

**Number of Meetings in Last Fiscal Year: 5**

- “ Reviews and makes any necessary recommendations to the Board and management concerning:
  - capital structure, issuance of equity and debt securities and the incurrence of indebtedness;
  - payment of dividends and stock repurchases;
  - financial projections and guidance;
  - general financial planning, cash flow and working capital management, capital budgeting and expenditures;



tax planning and compliance;

mergers, acquisitions and strategic transactions; and

investor relations programs and policies.

**Human Resources & Compensation Committee**

**Number of Meetings in Last Fiscal Year: 6**

- u Determines CEO compensation and approves compensation of our other executive officers;
- u Exercises all rights, authority and functions under our stock, retirement and other compensation;
- u Approves non-employee director compensation;
- u Reviews and approves and annual report on executive compensation for inclusion in our proxy statement;
- u Reviews compensation risk; and
- u Periodically reviews our human resources strategy, policies and programs.

***Role of Independent Consultant***

The Human Resources and Compensation Committee has retained Frederic W. Cook & Co., as its independent compensation consultant to assist the Committee in evaluating executive compensation programs and in setting executive officer compensation. The consultant only serves the Committee in an advisory role and does not decide or approve any compensation actions. The consultant reports directly to the Committee and does not perform any services for management. The consultant's duties include the following:

- u reviewing our total compensation philosophy, peer group, and target competitive positioning for reasonableness and appropriateness;
- u reviewing our overall executive compensation program and advising the Committee on evolving best practices;
- u providing independent analyses and recommendations to the Committee on executive officers compensation and new programs that management submits to the Committee for approval; and
- u reviewing the Compensation Discussion and Analysis for our Proxy Statement.



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## Corporate Governance

The consultant interacts directly with members of management only on matters under the Committee's oversight and with the knowledge and permission of the Committee. The Committee has assessed the independence of Frederic W. Cook & Co. pursuant to SEC rules and concluded that the firm's work for the Committee does not raise any conflict of interest.

***Compensation Committee Interlocks and Insider Participation***

None of the members of our Human Resources and Compensation Committee has, at any time, been an officer or employee of ours. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our Board or Human Resources and Compensation Committee.

**Nominating & Corporate Governance Committee****Number of Meetings in Last Fiscal Year: 3**

- u Evaluates, identifies and recommends director nominees;
- u Reviews the composition and procedures of the Board;
- u Makes recommendations regarding the size, composition and charters of the Board's committees;
- u Reviews and develops long-range plans for CEO and management succession;
- u Develops a set of corporate governance principles;
- u Recommends an independent director to serve as non-executive Chair of the Board or as Lead Director; and
- u Develops and oversees an annual self-evaluation process of the Board and its committees.

***Director Nominations Process***

The Nominating and Corporate Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Committee regularly assesses the Board's current and projected strengths and needs by,

among other things, reviewing the Board's current profile, the criteria for board membership described in this proxy statement beginning on page 12 and our current and future needs.

To the extent that vacancies on the Board are anticipated or otherwise arise, the Committee prepares a target candidate profile and develops an initial list of director candidates identified by the current members of the Board, business contacts, community leaders and members of management. The Committee may also retain a professional search firm to assist it in developing a list of qualified candidates. The Nominating and Corporate Governance Committee would also consider any stockholder recommendations for director nominees that are properly received. The Committee then screens and evaluates the resulting slate of director candidates to identify those individuals who best fit the target candidate profile and Board membership criteria and provides the Board with its recommendations. The Board then considers the recommendations and votes on whether to nominate the director candidate for election by the stockholders at the annual meeting or to appoint the director candidate to fill a vacancy on the Board.

### *Stockholder Nominations*

Any stockholder may nominate a person for election as a director by complying with the procedures set forth in our bylaws.

Under Section 3.03 of our bylaws, in order for a stockholder to nominate a person for election as a director without inclusion in our Proxy Statement, such stockholder must give timely notice to our Corporate Secretary prior to the meeting at which directors are to be elected. To be timely, notice must be delivered to the Corporate Secretary not later than the close of business on the 90th day, nor earlier than the close of business on the 120th day, prior to the first anniversary of the preceding year's annual meeting. If the date of the annual meeting is more than 30 days before or more than 70 days after such anniversary date, however, notice by the stockholder must be delivered not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the 90th day prior to such annual meeting or the 10th day following the day on which we first publicly announce the date of such annual meeting, whichever occurs later.

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### Corporate Governance

On April 12, 2016, our board adopted a proxy access bylaw. Under Section 3.03(c) of our bylaws, a stockholder or group of stockholders (up to 20) who have owned at least three percent of common stock for at least three years to submit director nominees, limited to the greater of (a) two or (b) 20% of the board, for inclusion in our proxy statement if the nominating stockholder(s) satisfies the requirements specified in the bylaws. To be timely, the notice must be delivered to the Corporate Secretary not later than the close of business on the 120<sup>th</sup> day, nor earlier than the close of business on the 150<sup>th</sup> day, prior to the first anniversary of the date that the proxy statement for the annual meeting was sent to stockholders. In the event, however, that the annual meeting is not scheduled to be held within a period that begins 30 days before the first anniversary date of the preceding year's annual meeting of stockholders and ends 30 days after the first anniversary date of the preceding year's annual meeting of stockholders, then the notice of nomination must be provided by the later of the close of business on the date that is 180 days prior to the annual meeting or the tenth day following the date such annual meeting is first publicly announced or disclosed.

In each case, such stockholder's notice must include certain information as provided in our bylaws about the nominee, the stockholder and the underlying beneficial owner, if any, including his or her name, age, address, occupation, shares, information about derivatives, hedges, short positions, understandings or agreements regarding the economic and voting interests of the nominee, the stockholder and related persons with respect to our stock, if any, and such other information as would be required to be disclosed in a proxy statement soliciting proxies for the election of the proposed nominee. In addition, the notice must contain certain information about the stockholder proposing to nominate that person. We may require any proposed nominee to furnish such other information as may reasonably be required to determine the eligibility of such proposed nominee to serve as a director. A stockholder's notice must be updated, if necessary so that the information submitted is true and correct as of the record date for determining stockholders entitled to receive notice of the meeting.

#### ***Mandatory Retirement Policy***

The Board has adopted a mandatory retirement age of 75 for non-employee directors and 65 for employee directors. It is the general policy of the Nominating and Corporate Governance Committee not to nominate candidates for re-election at any annual stockholder meeting to be held after he or she has attained the applicable retirement age.

#### **Director Compensation**

The Board uses a combination of cash and stock-based incentives to attract and retain qualified candidates to serve as directors. In determining director compensation, the Board considers the significant amount of time required of our directors in fulfilling their duties, as well as the skill and expertise of our directors. The Human Resources and Compensation Committee periodically reviews director compensation with the assistance of independent compensation consultants and recommends to the Board the form and amount of compensation to be provided.

The following is a summary of the compensation that we provide to our non-employee directors:

#### ***Cash Compensation***

Our directors receive a cash retainer for their service on the Board. For Fiscal 2016 our directors were paid an annual retainer of \$50,000, except that our new directors, Mr. Dahlberg, Dr. Mohapatra, and Ms. Stalnecker, joined the board in August 2016 and so were each paid a pro-rata portion of the annual retainer in the amount of \$12,500. The Chairs of the Audit Committee and the Human Resources and Compensation Committee were paid an additional retainer of \$20,000 and \$15,000 respectively. The chair of each other committee of the Board was paid an additional annual retainer of \$10,000. The independent Lead Director also receives an additional annual retainer of \$25,000. In addition to the cash retainers, non-employee directors also received \$2,000 for each meeting of the Board and committee they attended. We also reimburse our directors for expenses incurred while attending meetings or otherwise performing services as a director.

### *Equity Compensation*

Directors receive annual equity awards under our equity incentive plan. For Fiscal 2016, each of our directors received equity awards valued at approximately \$150,000, of which two-thirds was in the form of restricted stock units and one-third

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## Corporate Governance

was in the form of stock options. These equity awards vest on the earlier of one year from the date of grant or on the date of the next annual meeting of stockholders following the date of grant. If a director retires due to our mandatory retirement policy, the director's equity awards continue to vest as scheduled and options remain exercisable for the remainder of the option term.

*Deferral Plans*

The directors are eligible to defer all or any portion of their cash retainers or fees or certain equity compensation into our Keystaff Deferral Plan or Key Executive Stock Deferral Plan, or both. These plans are described in further detail under the caption "Executive Compensation - Nonqualified Deferred Compensation" below.

*Stock Ownership Guidelines and Policies*

The Board believes that its members should acquire and hold shares of our stock in an amount that is meaningful and appropriate. To encourage directors to have a material investment in our stock, the Board has adopted stock ownership guidelines that call for directors to hold shares of our stock with a value of at least five times the amount of the annual cash retainer within three years of joining the Board. All of our directors met this requirement in Fiscal 2016. In addition to these ownership guidelines, our directors are also subject to policies that prohibit certain short-term or speculative transactions in our securities that we believe carry a greater risk of liability for insider trading violations or may create an appearance of impropriety. Our policy requires directors to obtain preclearance from our General Counsel for all transactions in our securities.

The following table sets forth information regarding the compensation paid to our directors for service in Fiscal 2016.

Name <sup>(1)</sup>	Fees earned or			Total (\$)
	paid in cash (\$) <sup>(3)</sup>	Stock awards (\$) <sup>(4)</sup>	Option awards (\$) <sup>(5)</sup>	
Gregory R. Dahlberg	24,500	100,004	50,372	174,876
David G. Fubini	84,000	100,004	50,372	234,376
John J. Hamre <sup>(2)</sup>	68,250			68,250
Miriam E. John	109,000	100,004	50,372	259,376
John P. Jumper	87,750	100,004	50,372	238,126
Harry M.J. Kraemer, Jr.	112,000	100,004	50,372	262,376
Gary S. May	90,000	100,004	50,372	240,376
Surya N. Mohapatra	24,500	100,004	50,372	174,876

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Lawrence C. Nussdorf	135,500	100,004	50,372	285,876
Robert S. Shapard	104,500	100,004	50,372	254,876
Susan M. Stalnecker	26,500	100,004	50,372	176,876
Noel B. Williams	104,500	100,004	50,372	254,876

- (1) Roger A. Krone, our Chief Executive Officer, is not included in this table because he did not receive additional compensation for his services as a director.
- (2) John J. Hamre retired from the board in August 2016.
- (3) Amounts in this column represent the aggregate dollar amount of all fees earned or paid in cash for services as a director for annual retainer fees, committee and/or chair fees and meeting fees. The directors are eligible to defer such cash fees into our Keystaff Deferral Plan and Key Executive Stock Deferral Plan. Dr. John and Mr. Kraemer elected to defer all of their fees earned in Fiscal 2016 into our Keystaff Deferral Plan.
- (4) Amounts in this column reflect the grant date fair value computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). For more information regarding our application of FASB ASC Topic 718, including the assumptions used in the calculations of these amounts, see Note 14 of Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K as filed with the SEC on February 24, 2017. For Fiscal 2016, each of our non-employee directors received restricted stock units with a grant date fair value of approximately \$100,000.



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## Corporate Governance

At the end of Fiscal 2016, the following non-employee directors held the following number of unvested stock units, including unvested stock units in our Key Executive Stock Deferral Plan:

Name	Unvested stock units (#)
Gregory R. Dahlberg	2,519
David G. Fubini	2,519
John J. Hamre	
Miriam E. John	2,519
John P. Jumper*	31,886*
Harry M.J. Kraemer, Jr.	2,519
Gary S. May	2,519
Surya N. Mohapatra	2,519
Lawrence C. Nussdorf	2,519
Robert S. Shapard	2,519
Susan M. Stalnecker	2,519
Noel B. Williams	2,519

\* Some of the unvested stock units held by Mr. Jumper were earned in his capacity as our Chief Executive Officer.

- (5) Amounts in this column reflect the grant date fair value computed in accordance with FASB ASC Topic 718. Option awards granted to directors in Fiscal 2016 vest on the earlier of one year from the date of grant or on the date of the next annual meeting of stockholders following the date of grant. During Fiscal 2016, our non-employee directors were each issued options to purchase shares of our common stock, with a grant date fair value of approximately \$50,000. At the end of fiscal 2016, our non-employee directors held vested and unvested options to purchase the following number of shares of our common stock:

Name	Aggregate shares subject to outstanding options (#)
Gregory R. Dahlberg	5,193
David G. Fubini	37,545
John J. Hamre	

Miriam E. John	51,528
John P. Jumper*	396,140*
Harry M.J. Kraemer, Jr.	51,528
Gary S. May	19,346
Surya N. Mohapatra	5,193
Lawrence C. Nussdorf	51,528
Robert S. Shapard	37,545
Susan M. Stalnecker	5,193
Noel B. Williams	37,545

\* Some of the stock options held by Mr. Jumper were earned in his capacity as our Chief Executive Officer.

### Related Party Transactions

The Board has adopted written policies and procedures for the review and approval of transactions between us and certain related parties, which are generally considered to be our directors and executive officers, nominees for director, holders of five percent or more of our outstanding capital stock and members of their immediate families. The Board has delegated to the Ethics and Corporate Responsibility Committee the authority to review and approve the material terms of any proposed related party transaction. If a proposed related party transaction involves a non-employee director or nominee for election

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### Corporate Governance

as a director and may be material to a consideration of that person's independence, the matter is also considered by the Chair of the Board and the Chair of the Nominating and Corporate Governance Committee.

In determining whether to approve or ratify a related party transaction, the Ethics and Corporate Responsibility Committee considers, among other factors it deems appropriate, the potential benefits to us, the impact on a director's or nominee's independence or an executive officer's relationship with or service to us, whether the related party transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. In deciding to approve a transaction, the Committee may, in its sole discretion, impose such conditions as it deems appropriate on us or the related party. Any transactions involving the compensation of executive officers, however, are to be reviewed and approved by the Human Resources and Compensation Committee. If a related party transaction will be ongoing, the Ethics and Corporate Responsibility Committee may establish guidelines to be followed in our ongoing dealings with the related party. Thereafter, the Ethics and Corporate Responsibility Committee will review and assess ongoing relationships with the related party on at least an annual basis to determine whether they are in compliance with the Committee's guidelines and that the related party transaction remains appropriate.

We engage in transactions and have relationships with many entities, including educational and professional organizations, in the ordinary course of our business. Some of our directors, executive officers or their immediate family members may be directors, officers, partners, employees or stockholders of these entities. We carry out transactions with these firms on customary terms. There were no transactions during fiscal 2016 in which any related party had a direct or indirect material interest.

### **Communications with the Board of Directors**

Stockholders and other interested parties may communicate with any of the independent directors, including Committee Chairs and the Lead Director, by using the following address:

Leidos Holdings, Inc.

Office of the Corporate Secretary

11951 Freedom Drive

Reston, Virginia 20190

Each communication should specify the intended recipient(s). The Office of the Corporate Secretary will initially process the communications, summarize lengthy or repetitive communications and forward them to the applicable member(s) of the Board as appropriate. Communications may also be referred to other departments within the Company for action and resolution. The Company will refrain from forwarding to the Board any communication that it determines to be primarily commercial in nature, mass mailings, resumes or job inquiries, any communication that

relates to an improper or irrelevant topic, or that requests general information about the Company.

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Proposal 2 Advisory Vote on Executive Compensation

We are providing our stockholders with the opportunity to vote to approve, on a nonbinding, advisory basis, the compensation of our named executive officers as disclosed in this proxy statement in accordance with the compensation disclosure rules of the SEC.

We urge stockholders to read our Compensation Discussion and Analysis ( CD&A ), which describes in detail how we seek to closely align the interests of our named executive officers with the interests of our stockholders. As described in the CD&A, our compensation programs are designed to:

- u pay for performance by tying a substantial majority of an executive s compensation to the achievement of financial and other performance measures that the Board believes promote the creation of long-term stockholder value and position the company for long-term success;
- u provide the same types of benefits for executives as other employees, with no special or supplemental pension, health or death benefits for executives;
- u target total direct compensation at approximately the median among companies with which we compete for executive talent;
- u enable us to recover, or clawback, incentive compensation if there is any material restatement of our financial results or if an executive is involved in misconduct;
- u require our executives to own a significant amount of our stock;
- u avoid incentives that encourage unnecessary or excessive risk-taking; and
- u compete effectively for talented executives who will contribute to our long-term success.

The Human Resources and Compensation Committee of the Board believes that these programs and policies are effective in implementing our pay for performance philosophy and achieving its goals. This advisory stockholder vote, commonly known as Say-on-Pay, gives you, as a stockholder, the opportunity to advise whether or not you approve of our executive compensation program and policies by voting on the following resolution:

RESOLVED, that the stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion & Analysis, compensation tables and any related material.

The vote on this resolution is not intended to address any specific element of compensation; rather, the vote relates to the compensation of our named executive officers, as described in the CD&A and Executive Compensation sections of this proxy statement in accordance with the compensation disclosure rules of the SEC. The vote is advisory, which means that the vote is not binding on the company, our Board or the Human Resources and Compensation Committee of the Board. Our Board values the opinions of our stockholders. To the extent there is any significant vote against our named executive officer compensation as disclosed in this proxy statement, the Human Resources and Compensation Committee will evaluate whether any actions are necessary to address the concerns of stockholders.

### **Vote Required**

The affirmative vote of a majority of the shares present or represented either in person or by proxy and entitled to vote is required to approve this proposal. Broker non-votes are not entitled to vote on this proposal and will not be counted in evaluating the results of the vote. This advisory vote on executive compensation is non-binding on the Board.

Shares of common stock represented by properly executed, timely received and unrevoked proxies will be voted as instructed. In the absence of specific instructions, properly executed, timely received and unrevoked proxies will be voted FOR the proposal.

### **Recommendation of the Board of Directors**

*The Board of Directors unanimously recommends a vote FOR the approval of the compensation of our named executive officers, as disclosed in this proxy statement.*

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### Compensation Discussion & Analysis

This Compensation Discussion and Analysis and the tables and narrative that follow provide important information about our executive compensation programs for the prior fiscal year. In this proxy statement, the term “named executive officers” refers to the following executive officers during Fiscal 2016:

- “ Roger A. Krone Chief Executive Officer
  
- “ James C. Reagan Executive Vice President and Chief Financial Officer
  
- “ Timothy J. Reardon President, Intelligence & Homeland Security Group
  
- “ Michael E. Leiter Former President, Defense Group
  
- “ Vincent A. Maffeo Executive Vice President and General Counsel
  
- “ Sarah K. Allen Former Executive Vice President and Chief Human Resources Officer

For purposes of this CD&A, the narrative as well as the tables, charts and other graphics below focus on the “active named executive officers” as of the end of the fiscal year. The tabular disclosures (e.g. the Summary Compensation Table) following this CD&A provide data on all of our named executive officers “current and former.”

In this CD&A, the “Committee” refers to the Human Resources and Compensation Committee of the Board of Directors, which is responsible for overseeing the compensation programs for all of our executives.

On August 16, 2016, we combined with Lockheed Martin’s realigned Information Systems & Global Solutions business (“IS&GS”) in a Reverse Morris Trust transaction (the “Transaction”). Timothy J. Reardon, previously a leader in the IS&GS business, became the President of what is now our new Defense & Intelligence Group. In connection with the Transaction, we entered into an Employee Matters Agreement (the “EMA”) with Lockheed Martin with respect to employees transferred to us pursuant to the Transaction, including Mr. Reardon. The EMA covers the terms of employment, benefit plan transition and coverage, and other compensation matters for a limited period of time. We will refer to the EMA and its specific terms where relevant to Mr. Reardon’s compensation in this CD&A and the following tables.

## **Executive Summary**

*Compensation Programs and Our Pay for Performance Philosophy*

Our executive compensation programs are designed to align the interests of senior management with stockholders by tying a significant portion of their potential compensation to the achievement of financial performance goals. Our programs are executed according to our pay for performance philosophy, by establishing and paying against performance targets that measure revenue, adjusted operating income, total backlog and days working capital as well as total stockholder return.



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Compensation Discussion & Analysis

We designed our annual incentive program to primarily measure quantitative or objective performance, with 80% of results measured against pre-established financial targets for adjusted operating income, total backlog, and days working capital, and the remaining 20% based on personal performance goals. While financial performance is the most significant factor, other factors such as leadership behaviors based on ethics, integrity, and collaboration also impacted the payout for our annual cash incentive program. We believe these factors contribute to a top-tier workplace environment, improve our efficiency and effectiveness, help us to win key business opportunities, and ultimately drive long-term value for stockholders. A substantial majority of total target compensation is awarded to our active named executive officers in the form of variable, performance-based incentive compensation, with only a small portion of the total potential compensation provided in the form of fixed compensation in the form of base salary, as shown below for our most recent fiscal year:

The pay mix charts above are solely based on target compensation. Target compensation consists of the annual rate of base salary and short-term and long-term incentive targets approved by the Committee, or in the case of Mr. Reardon, assumed by us pursuant to the EMA. The pay mix for the Other Active Named Executive Officers in the chart above does not include the special retention equity award granted to Mr. Reardon after the Transaction, or the one-time cash project-completion bonuses awarded to Messrs. Reagan and Leiter in September 2016 for successful completion of the Transaction. More information about the different elements that comprise our variable incentive compensation programs, the performance measures that we use to motivate our executives and the compensation mix for each of our active named executive officers is provided in the following pages.

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### Compensation Discussion & Analysis

#### *Business Performance*

Our financial performance for Fiscal 2016 was improved from the prior year. Despite industry challenges, we experienced organic revenue growth of 5% and improved income from continuing operations, reflecting strong execution across our businesses. During Fiscal 2016, with respect to the goals under our cash incentive awards, we achieved 113.7% of our adjusted operating income target, 97.5% of our backlog target, and 118.0% of our days working capital target at the enterprise level:

#### **Business Performance: Enterprise**

##### *Target vs. Actual*

#### *Compensation Decision Highlights*

Overall, our performance during Fiscal 2016 was better than anticipated and our results, on average, exceeded incentive targets approved by the Committee based on our annual operating plan. We believe that our above-target performance for this period which resulted in the payment of overall compensation at or above target for each of our active named executive officers demonstrates the alignment of pay and performance in our executive compensation programs. Pay for performance alignment is also reflected in these specific decisions described in this CD&A, including:

- u For our annual cash incentive program, active named executive officers with the exception of Mr. Reardon, received, on average, cash payouts at or above target, based on the above-target financial results described above which accounted for 80% of their payout. 20% of their annual cash incentive payouts are based on the executive's personal performance.
- u All of our Fiscal 2016 long-term incentives were performance based, with our named executive officers (except for Mr. Reardon) receiving 50% of their long-term incentives in the form of three-year performance share awards, 30% in performance restricted stock units (PRSUs), and 20% in the form of stock options.
- u For the performance share awards granted in April 2014 to Mr. Maffeo and in July 2014 to Mr. Krone, the third and final tranche, covering Fiscal 2016, earned 113.7% of the target share amount based on the achievement of adjusted operating income enterprise goals above the target level. Those performance share awards covered a

three-year period, with a separate adjusted operating income goals set for each year as discussed below under Long-Term Incentive Awards.

- u Beginning with our 2015 performance share awards, we added relative total shareholder return as a metric (weighted 50%) in addition to adjusted operating income (weighted 50%), with both metrics measuring cumulative results over the three-year performance period, not annual results.

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Compensation Discussion & Analysis

*Compensation Governance*

Other aspects of our compensation program are intended to further align our executives' interest with stockholders. Below is a list of our current compensation practices to help support this alignment:

**Checklist of Compensation Practices**

What We Do	What We Don't Do
Vast majority of pay is performance-based and not guaranteed	No special or supplemental pension, health or death benefits for executives
Mitigate undue risk in compensation programs by performing annual risk assessments	No excise tax gross-ups
Condition acceleration of equity on double-trigger change in control provisions in award agreements	No contracts with multi-year guaranteed salary increases or non-performance bonus arrangements
Prohibit pledging, hedging and short sales of company stock by executive officers and directors	No executive perks
Provide change in control severance protection in line with best practices	No discounting, reloading, or re-pricing stock options without stockholder approval
Clawback policy to recover both cash and equity incentives in case of a financial restatement or misconduct	
Require executives to hold company shares equal to 5 times their base salary	
<i>Stockholder Advisory Vote</i>	

At our last annual stockholders meeting in August 2016, we held a stockholder advisory vote on the compensation of our named executive officers, commonly referred to as a say-on-pay vote. Our stockholders overwhelmingly approved the compensation of our named executive officers, with approximately 91% of stockholder votes cast in favor of our say-on-pay resolution. As we evaluated our compensation practices during Fiscal 2016, we considered the support our stockholders expressed for our pay for performance compensation philosophy and that influenced our decision not to make any significant changes to our executive compensation programs this year. We continued to emphasize short- and long-term incentive compensation, targeted at competitive market median levels with a substantial majority of total compensation based on the achievement of financial performance goals designed to deliver value for our stockholders.

At our 2011 annual meeting of stockholders, our stockholders expressed a preference for an annual advisory vote on executive compensation, in accordance with our Board's recommendation. Accordingly, we held an advisory stockholder vote on the compensation of our named executive officers each subsequent year. This year, our Board again recommends that our stockholders support an annual advisory vote on executive compensation.

### **Elements and Objectives of Our Compensation Program**

The following principal elements of compensation are provided under our executive compensation program to our named executive officers:

*Base Salary.* Consistent with our philosophy of tying pay to performance, our executives receive a minority portion of their overall compensation in the form of base salary. In order to effectively attract and retain talented executives, we provide a fixed base salary to our executive officers that is competitive with peer company data based on their respective levels of responsibility, expertise, skills, knowledge and experience.

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## Compensation Discussion &amp; Analysis

*Variable Incentive Compensation.* We use a combination of cash and equity incentive awards to drive and reward performance in key areas over different time-frames. Our annual cash incentive awards were designed to measure performance against predetermined goals established for the fiscal year in order to encourage and to reward contributions to our annual financial, operating and strategic objectives. We provided long-term equity incentive awards to our executive officers to motivate them to stay with us and build stockholder value through their future performance. Because these equity awards are intended to help motivate our executive officers to stay with us and to continue to build future stockholder value, we do not generally consider an executive officer's current stock or option holdings in making additional awards. The following chart summarizes the relevant performance measures and time frames supporting our variable incentive compensation elements for the Fiscal Year 2016 ended December 30, 2016:

## Pay Element

	Description and Purpose	Time Period	Metrics
<b>Base Pay</b>	<ul style="list-style-type: none"> <li>u Fixed cash compensation recognizing individual performance, time in role, scope of responsibility, leadership skills and experience.</li> <li>u Reviewed annually and adjusted when appropriate.</li> </ul>	1 Year	<ul style="list-style-type: none"> <li>u Pay aligned to experience and job scope, targeted to median of applicable market data</li> </ul>
<b>Short-Term</b>	<ul style="list-style-type: none"> <li>u Variable compensation based on performance against annually established targets and individual performance; payable in cash.</li> <li>u Designed to reward executives for annual performance on key operational and financial measures, as well as individual performance.</li> </ul>	1 Year	<ul style="list-style-type: none"> <li>u Financial (80%) <i>Adjusted Operating Income (40%)</i> <i>Total Backlog (25%)</i> <i>Days Working Capital (15%)</i></li> <li>u Personal (20%) <i>Personal Achievements</i> <i>Adjustment factor of 0% to 125%</i> <i>applied based on evaluation of leadership values such as ethics and integrity</i></li> </ul>
<b>Long-Term</b>			

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Performance Shares	<ul style="list-style-type: none"> <li>⌞ Distributed in the form of shares of Leidos common stock based on the achievement of financial results.</li> </ul>	3 Years	<ul style="list-style-type: none"> <li>⌞ Adjusted Operating Income (50%)</li> <li>⌞ Total Stockholders Return (50%)</li> </ul>
Performance Restricted Stock Units (RSUs)	<ul style="list-style-type: none"> <li>⌞ Designed to drive sustainable performance that delivers long-term value directly tied to stockholder interest; distributed in the form of shares of Leidos common stock.</li> </ul>	4 Years	<ul style="list-style-type: none"> <li>⌞ One-year Revenue Goal (100%) must be met for Units to be eligible for vesting</li> </ul>
Stock Options	<ul style="list-style-type: none"> <li>⌞ Rewards longer-term stock price appreciation.</li> </ul>	7 Years	<ul style="list-style-type: none"> <li>⌞ Stock Price (100%)</li> </ul>

*Other Benefits.* We provide our executive officers with benefits generally available to our other employees, such as participation in our health, benefit and retirement programs. Our executive officers are also entitled to certain benefits (described in the section entitled *Potential Change in Control and Severance Benefits* ) if their employment is terminated following a change in control.

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### Compensation Discussion & Analysis

#### **Considerations in Determining Direct Compensation**

In determining the amounts of direct compensation (base salary, annual and long-term incentives) to be awarded to our executive officers, we considered the company's overall performance, the performance of operating units under the executive officer's management, individual performance as measured against performance goals and criteria, and competitive market data for our compensation peer group. The Committee reviews and approves the amounts of direct compensation to be provided to our executive officers for each fiscal year. Executive officers do not propose their own compensation.

At the beginning of each fiscal year, the Committee reviews and approves:

- u the amount of base salary and target incentive opportunities to be provided for the upcoming year;
- u the payout range for the cash incentive awards that may be earned for the year and the performance goals and criteria upon which the amounts of the awards will be determined;
- u the payout range for performance share awards that may be earned for the performance period beginning in that fiscal year and the performance goals and criteria upon which the amounts of the awards for the relevant performance period will be determined; and
- u the mix and amount of equity incentive awards (including performance share awards, performance restricted stock units and stock options) to be granted to our executive officers.

In approving payout ranges for our incentive programs, we determine the levels of performance that must be achieved in order to receive a minimum, target and maximum payout amount. Upon completion of each fiscal year, the Committee approves the payment, if any, of cash incentive awards and the number of performance shares, if any, that are earned based upon the achievement of the predetermined performance goals and criteria for the performance cycle just completed.

#### ***Company and Operational Sector Performance***

Our overall performance (or a combination of company enterprise and business group performance for executive officers with operational responsibilities) determines 80% of the amount of any cash incentive awards and 100% of any performance shares and PRSUs earned during the prior fiscal year. Amounts are principally determined based upon the company's or group's achievement of financial and operating objectives set at the beginning of the fiscal year, but the Committee retains the discretion to reduce the payouts when appropriate.



### *Individual Performance*

Individual performance is a factor in setting base salaries, and individual contributions to the achievement of our enterprise goals determine 20% of the amount of any cash incentive awards to be paid upon completion of the fiscal year for all of our named executive officers except for Mr. Reardon. Pursuant to the EMA, we agreed to provide Mr. Reardon with the same annual cash incentive opportunities provided to him prior to the Transaction for Fiscal 2016. Therefore, Mr. Reardon's short-term incentive goals were established by Lockheed Martin under their Management Incentive Compensation Plan (the MICP), with 70% based on Lockheed Martin Enterprise results and 30% based on his personal performance. In determining base salaries, the Committee reviews a performance assessment for each of our executive officers, as well as compensation recommendations provided by the Chief Executive Officer for the other named executive officers.

The Committee also considers market data and information provided by its independent compensation consultant. In addition, in determining annual incentive amounts, the Committee considers whether the executive officer has achieved predetermined personal goals applicable to his or her organization, and the way in which those personal goals were achieved, as demonstrated through leadership behaviors.

Personal performance goals and leadership behaviors relate to ethics and integrity, maintaining a top-tier workplace environment, collaboration, customer satisfaction and retention, business development in strategic areas and other financial and operating goals as appropriate. The payout of the portion of the incentive payment related to the personal performance goals is multiplied by a factor that reflects the Committee's assessment of the executive officer's leadership.

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### Compensation Discussion & Analysis

behaviors and ranges from 0% to 125%. An executive who meets our expectations for these leadership behaviors would receive 100%, with a threshold of 50% if the individual meets only the minimum leadership expectations. Performance below threshold with respect to leadership behaviors would result in no payout (0%) related to the portion of the cash incentive based on personal performance.

#### *Assessing Chief Executive Officer Performance*

In determining compensation for our Chief Executive Officer, the Committee meets in executive session and evaluates his performance based on his achievement of performance objectives that were established and agreed upon at the beginning of the fiscal year. For Fiscal 2016, a significant consideration in the evaluation of our Chief Executive Officer's performance was his leadership through the successful closing of our Transaction with Lockheed Martin. Formal input is received from the independent directors and senior management. The Committee also considers the Chief Executive Officer's general leadership contributions towards the company's performance, including financial and operating results, development and achievement of strategic objectives, progress in building capability among the senior management team and corporate governance leadership, as well as market data and information provided by the Committee's independent compensation consultant. The Committee determines the Chief Executive Officer's compensation and then reviews his evaluation and compensation with the Board's independent directors. The Lead Director and the Chair of the Committee then present the Committee's evaluation and compensation determination to the Chief Executive Officer.

#### *Comparable Market Compensation*

The Committee compares the amount of direct compensation that we provide to our executive officers to that provided by companies with whom we compete for executive talent in similar roles and with similar responsibilities. To assist with this effort, the Committee's independent compensation consultant, Frederic W. Cook & Co., Inc. ("FW Cook"), conducts an annual review and benchmarking analysis of each element of target total direct compensation (including salary and cash and equity incentives) provided to our executive officers. In December 2015, FW Cook compared the target compensation provided to members of senior management against that provided by other publicly traded engineering, information technology, consulting and defense companies, which we refer to as our compensation peer group as well as third-party survey data for general industry and the technology industry.

Peer group companies are chosen for having a similar industry focus as ours and for competing with us for talent as well as business and stockholder investment. Furthermore, the compensation peer group is initially structured so that no company within the group has annual revenues smaller than 40% or greater than 250% of ours, or a market capitalization smaller than 20% or greater than 500% of ours.

Our compensation peer group is periodically reviewed and updated to ensure the companies in our peer group are strong business and talent competitors and are comparable in size. In September 2015, the Committee consulted with FW Cook and reviewed the compensation peer group to be used for setting Fiscal 2016 target compensation. The Committee removed Exelis and URS from the peer group since each had been acquired by non-peer companies during

the prior year and added Motorola Solutions and Teradata Corporation. At the time the peer group for Fiscal 2016 was approved, the company was at the 45th percentile in terms of revenue and the 22nd percentile in terms of market capitalization.

*Our Fiscal 2016 Compensation Peer Group*

u AECOM Technology	u Harris	u Rockwell Collins
u CACI International	u Jacobs Engineering	u SAIC
u Cerner	u L-3 Communications	u Teradata
u CGI Group	u Man Tech International	u Tetra Tech
u Chicago Bridge & Iron	u Motorola Solutions	
u Computer Sciences	u Orbital ATK	

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### Compensation Discussion & Analysis

The Committee considers this market data and analysis when evaluating appropriate levels of target total direct compensation. To be competitive in the market for our executive-level talent, we generally will:

- u target overall compensation for our executive officers at the market median, although the actual cash paid and equity incentive awards earned will vary based on actual financial and individual performance and may therefore generate compensation that is higher or lower than the market median; and
- u award higher levels of compensation, when appropriate, in recognition of the importance or uniqueness of the role of an executive officer or to address retention concerns.

### *Compensation Mix*

The chart below depicts each principal element of targeted compensation as a percentage of total direct compensation for each of our active named executive officers for Fiscal 2016. Total direct compensation is comprised of the approved annual rate of base salary and the target annual cash incentive for Fiscal 2016. It also reflects the grant date fair value of long-term equity grants consisting of stock options, PRSUs, and performance shares for all named executive officers except for Mr. Reardon, who received his long-term incentive solely in the form of restricted stock units from Lockheed Martin in January 2016. Those restricted stock units were converted to awards to be paid in shares of Leidos common stock upon vesting. The compensation mix for the active named executive officers in the chart below does not include the special retention equity award granted to Mr. Reardon by us after the Transaction, or the one-time cash project-completion bonuses awarded to Messrs. Reagan and Leiter for successful completion of the Transaction.

As indicated above, base salary, which is the only component of fixed compensation for our named executive officers, represents a significantly smaller portion of total direct compensation than variable or performance-based compensation representing a range between 14% (for our Chief Executive Officer) and 30%. The allocation of a meaningful portion of compensation to annual cash incentive awards with target levels ranging from 18% to 23% of total direct compensation demonstrates our belief that a substantial portion of total direct compensation should reflect the actual achievement of predetermined company and individual goals. The allocation of a majority of compensation to long-term incentives or equity, represented by a mix of performance shares, PRSUs, and stock options ranging from 47% to 67% of target total direct compensation reflects our philosophy that a substantial portion of total compensation should be delivered in the form of equity awards. We do this because we believe that a combination of equity award types, with the ultimate value delivered dependent on attaining pre-established goals or increases in stock price, aligns the interests of our executives with those of our shareholders.

The various amounts of compensation provided to our named executive officers for Fiscal 2016 are included in the tables in this Proxy Statement under the caption Executive Compensation.

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### Compensation Discussion & Analysis

## **Compensation Decisions for Fiscal 2016**

### *Base Salary*

The Committee reviews executive officers' base salaries annually or at the time of promotion or a substantial change in responsibilities based on the criteria described above.

In approving the base salaries for our named executive officers and other executive officers for Fiscal 2016, the Committee considered its independent consultant's analysis of pay levels for comparable positions in the compensation peer group based on proxy and survey data. Such analysis indicated that base salaries for our executive officers were, on average, at approximately competitive median levels. Individual base salary amounts also reflect the Committee's judgment with respect to each executive officer's level of responsibility, individual performance, experience and other factors, including internal equity considerations, the individual's historical compensation and any retention concerns.

At the beginning of Fiscal 2016, the Committee approved increases in the base salaries for two of our five active named executive officers in order to bring them closer to the market median. Mr. Krone received a 5% increase and Mr. Reagan received a 3% increase at that time.

### *Annual Cash Incentive Awards for Fiscal 2016*

We provided cash incentive awards to executives for performance during Fiscal 2016 based on the achievement of pre-established financial and personal performance goals and other relevant factors. In the first quarter of Fiscal 2016, the Committee approved the threshold, target and maximum bonus amounts for each of our active named executive officers at the time, as well as the performance goals, relative weightings and criteria upon which awards would be determined. Following the end of the one-year performance period, the Committee approved the payment of cash incentive awards based upon performance achieved against the pre-established goals and other factors.

*Performance Measures and Weightings.* Our annual cash incentive plan for Fiscal 2016 was designed to incentivize and reward both company financial performance and individual contributions to enterprise goals. The intended purpose and relative weightings of the performance goals are shown below:

*Financial Goals.* Because our financial results are considered the most important factors in setting pay and are objectively measurable, we weight these metrics most heavily and they generally represent 80% of any potential payout. To the extent that performance for a financial metric is less than 80% of target (threshold performance) no bonus amount would be paid with respect to that metric. Potential payout for financial goals ranges from 60% at threshold performance (paid only when at least 80% of the objective is achieved) to 150% at maximum performance (paid when 125% or more of the objective is achieved), interpolated on a straight-line basis. In addition, failure to

achieve threshold performance of at least 70% of our annual adjusted operating income goal for the fiscal year would result in no payout for the annual cash incentive.

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*Personal Goals.* We believe that individual contributions towards other enterprise goals are responsible for the achievement of our financial goals over time. Such non-formulaic goals represent 20% of any potential payout to encourage individual efforts in an array of areas that we believe will ultimately lead to improved financial performance for the company. The payout range for the personal performance goals is also 60% at threshold and 150% at maximum. In addition, we believe that the way in which our executive officers achieve their results should be measured against desired leadership behaviors. Therefore, we determined that the payout for the portion of the incentive payment related to personal performance goals (20%) would be multiplied by a factor ranging from 0% to 125%, reflecting an assessment of the executive officer's leadership behaviors, with the expectation that an executive meeting expectations for those behaviors would receive a target, or 100%, factor.

*Financial Performance Targets and Achievement Levels.* The Committee established the performance targets for our annual cash incentive program at the beginning of the fiscal year, prior to our acquisition of the IS&GS business, which was completed in August 2016. Accordingly, amounts for Mr. Krone, Mr. Reagan, Mr. Leiter and Mr. Maffeo were determined with consideration to our consolidated financial information excluding of the financial results of the IS&GS business. As we mentioned above, Mr. Reardon's short-term incentive goals were established by Lockheed Martin under their Management Incentive Compensation Plan (the MICP), with 70% based on Lockheed Martin Enterprise results and 30% based on his personal performance. The enterprise results were approved by Lockheed Martin's board of directors on January 26, 2017.

For our active executive officers (other than Mr. Reardon) the targeted enterprise financial performance and actual performance for Fiscal 2016 were:

	Target	Actual	Achievement Level
Adjusted Operating Income <sup>(1)</sup>	\$366 million	\$416 million	113.7%
Total Backlog	\$10,183 million	\$9,932 million	97.5%
Average Days Working Capital <sup>(2)</sup>	37 days	30 days	118.0%

- (1) Adjusted Operating Income is not a measure of financial performance under generally accepted accounting principles (GAAP) in the United States. We believe that Adjusted Operating Income provides useful information to management and stockholders as it provides another measure of the company's profitability after adjusting for the impact of discrete events. A reconciliation of Adjusted Operating Income to the most comparable GAAP measure is set forth below:

(in millions)



GAAP Operating Income	\$ 303
Asset impairment charges (Corp)	\$ 4
Amortization	\$ 5
Acquisition and Integration Costs	\$ 90
Restructuring Expenses	\$ 14
Adjusted Operating Income	\$ 416

(2) Average Days Working Capital measures the efficiency of our use of capital. A score below target is a positive result.

*Determination of Annual Cash Incentive Awards.* Target payout amounts for our active named executive officers (other than Mr. Reardon) for Fiscal 2016 ranged between 70% and 130% of their base salary rate.

In evaluating the financial performance for Fiscal 2016, the Committee reviewed actual performance results against targeted performance levels. In analyzing personal performance results, the Committee reviewed each individual's level of achievement and also considered input from the Chief Executive Officer or the independent directors with respect to the Chief Executive Officer's compensation. Any circumstance considered relevant by Committee members or in the case of named executive officers other than the CEO, by the CEO can be a factor in the determination, including the degree of success and the difficulty of achieving personal performance goals and his or her leadership behavior.

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## Compensation Discussion &amp; Analysis

Following the end of the fiscal year, based on the Committee's review of the financial results, personal performance, and other relevant factors, the Committee determined the amount of compensation payable under our annual cash incentive programs for each of our active named executive officers.

The chart below provides the threshold, target and maximum cash incentive amounts established for each active named executive officer by the Committee, as well as their actual payout amounts. As stated above, Mr. Reardon's bonus was determined under the EMA, based on the design established by his former employer, Lockheed Martin. For our other named executive officers, because we surpassed the adjusted operating income goal threshold of 70% of target by achieving 113.7%, the Committee certified the payout of awards under the annual incentive plan. Information on all of the annual cash incentive payouts for Fiscal 2016 is provided below:

	Threshold (\$)	Target (\$)	Maximum (\$)	Actual (\$)
Roger A. Krone	702,000	1,300,000	2,047,500	1,638,000
James C. Reagan	274,590	508,500	800,888	625,964
Michael E. Leiter	226,800	420,000	661,500	420,000
Vincent A. Maffeo	243,045	450,084	708,882	534,250
Timothy J. Reardon	164,500	329,000	658,000	570,200

***Long-Term Incentive Awards***

Equity awards are granted primarily to motivate future performance and for retention purposes. For Fiscal 2016, each active named executive officer, except for Mr. Reardon, received a mix of equity awards comprised of performance shares, stock options, and performance restricted stock units. Mr. Reardon received a grant consisting only of restricted stock units or RSUs in January 2016 from his then-employer, Lockheed Martin, which units were then converted pursuant to the EMA into RSUs issued by Leidos. The grant amounts for the named executive officers, excluding Mr. Reardon, were determined based on market data and consideration of each executive officer's level of experience, position and responsibilities. The chart below shows the percentage of total direct compensation represented by each type of equity award using the grant date fair value for Mr. Krone, Mr. Reagan, Mr. Leiter and Mr. Maffeo in March 2016:

***Performance Share Awards.*** For all of our active named executive officers except for Mr. Reardon, 50% of the targeted total value of equity awards granted was in the form of three-year performance share awards. Shares will be issued under those awards at the end of the three-year period ending on December 27, 2019 only to the extent that the

company achieves specific financial performance goals as measured over such three-year period.

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Consistent with our prior fiscal year's awards, for Fiscal 2016, the Committee set two goals for the performance shares: 50% of the shares granted will vest based on the achievement of adjusted operating income goals, and 50% of the shares granted will vest based on the achievement of relative total stockholder return goals. Performance will be measured on a cumulative basis over the total performance period rather than annually for each year of the performance period.

We use adjusted operating income as a financial goal because it directly aligns with our growth strategy and we believe it is strongly correlated with potential stockholder value. We use total stockholder return because we believe that this metric is also closely aligned with and a clear measurement of growth in stockholder value.

The target number of shares for the Fiscal 2016 performance shares was determined by dividing the target value approved by the Committee by \$45.76, the closing sales price of our common stock on the NYSE on March 3, 2016, the trading day before the grant date of March 4, 2016. The following table sets forth the target number of shares and corresponding target value for performance share awards granted for Fiscal 2016, with the three-year performance period ending on December 28, 2019. Details about payout at threshold and maximum performance can be found in the table following this CD&A entitled "Grants of Plan-Based Awards."

	Target Value (\$)	Target Shares (#)
Roger A. Krone	2,350,000	51,355
James C. Reagan	600,000	13,112
Michael E. Leiter	450,000	9,834
Vincent A. Maffeo	450,000	9,834
Timothy J. Reardon	N/A	N/A

In the first quarter of Fiscal 2016, we also set the goals for the shares allocated to the third and final year of the fiscal 2015 performance share awards. These performance shares awards, granted in April 2014 to Mr. Maffeo, and in July 2014 to Mr. Krone, vest based on a single metric—adjusted operating income—with the Committee setting a one-year goal at the beginning of each respective year.

**Level of Performance**

Adjusted Operating Income (\$)

No payout	Less than 183 million
Threshold (50% payout)	183 million
Target (100% payout)	366 million

Maximum (150% payout)	549 million
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Payouts for performance between the threshold and maximum levels are calculated on a straight-line basis.

*Determination of Performance Shares Earned for Fiscal 2016.* The Committee determined that 113.7% of the target shares allocated to this performance period (one-third of the target grant amount) were earned based on the achievement of annual adjusted operating income of \$416 million. As of December 30, 2016 (the end of our prior fiscal year), the service-vesting requirements were met and therefore all shares determined to be earned over the last three fiscal years, including the third and final tranche described above, will be distributed. The following chart shows the adjusted operating income targets and actual results for each year during the three-year performance period:

Period	Target (\$)	Actual (\$)	Achievement Level (%)
12 months ended January 30, 2015	398M	356M	89.4
11 months ended January 1, 2016 <sup>(1)</sup>	320M	357M	111.5
12 months ended December 30, 2016	366M	416M	113.7

(1) Reflects an 11-month transition period due a change in our fiscal year.

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### Compensation Discussion & Analysis

*PRsUs/Restricted Stock Units.* Equity awards that vest contingent upon the achievement of pre-established financial goals help to ensure that a significant portion of an executive's total annual compensation is aligned with our performance and stockholder interests. Certain of our active named executive officers were granted PRsUs that vest 25% each year on the anniversary of grant date, but are forfeited if we fail to achieve a pre-established performance goal for the first year. The performance goal for Fiscal 2016 was \$3.8 billion in revenue on a pre-merger basis. The Committee certified such goal was met and therefore the PRsUs will be eligible to vest over four years. Mr. Reardon was granted restricted stock units or RSUs in lieu of PRsUs. His RSUs will vest 100% in January 2019 on the third anniversary of original grant date.

*Stock Options.* Stock options are an effective means of linking rewards to the creation of stockholder value over a longer term. We believe that stock options motivate our executives to build stockholder value because they may realize value only if our stock appreciates over the option term. The options vest 25% each year on the anniversary of grant date and expire on the seventh anniversary of grant date. The number of option shares granted on March 4, 2016 was determined by dividing the target value of options approved by the Committee by \$9.01, the Black-Scholes-Merton option value determined as of February 17, 2016.

### **Other Benefits**

In addition to the elements of direct compensation described above, we also provide our executive officers with the following benefits:

#### *Health and Welfare Benefits*

Our executive officers are entitled to participate in all health and welfare plans that we generally offer to all of our eligible employees, which provide medical, dental, health, group term life insurance and disability benefits. We believe that these health and welfare benefits are reasonable in scope and amount and are of the kind typically offered by other companies against which we compete for executive talent.

#### *Retirement Benefits*

Our executive officers are entitled to participate in the same defined contribution retirement plan that is generally available to all of our eligible employees. We make matching contributions to eligible participants' retirement plan accounts based on a percentage of their eligible compensation under applicable rules. We believe that this retirement program permits our executives to save for their retirement in a tax-effective manner.

#### *Deferred Compensation Plans*

To provide other tax-deferred means to save for retirement, we maintain certain deferred compensation plans that allow our named executive officers and other eligible participants to elect to defer all or a portion of any cash or certain equity incentive awards granted to them under our cash incentive or stock plans. We make no contributions to

named executive officers' accounts under these plans. In addition, we maintain a deferred compensation plan that allows our named executive officers and other eligible participants to elect to defer a portion of their eligible salary. The majority of current vested deferred balances under the plans will be paid upon retirement or termination. Beginning on January 1, 2016, all participants in these plans were able to defer to in-service accounts, which pay out in the year specified by the participant, including years prior to termination. These plans are described in more detail under Nonqualified Deferred Compensation.

### *Perquisites and Personal Benefits*

We generally do not provide perquisites and personal benefits to our executive officers that are not otherwise available to other employees.

### **Other Policies and Considerations**

#### *Assessment of Risks in our Compensation Programs*

During Fiscal 2016, the Committee directed management to undertake a risk assessment of our compensation programs and asked FW Cook, the Committee's independent compensation consultant, to review the assessment. In conducting the

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### Compensation Discussion & Analysis

assessment, we reviewed our pay practices and incentive programs to identify any potential risks inherent in our compensation programs. We also reviewed the risks facing the company and evaluated whether our compensation practices and programs could be expected to increase or help mitigate these risks. The finding of the assessment, with which the Committee concurred, was that our compensation programs are effectively designed to help mitigate excessive risk-taking that could harm our value or reward poor judgment by our executives or other employees. The factors considered in reaching this conclusion include:

- u short-term incentive measures are balanced among different financial measures, with targets that are intended to be achievable upon realistic levels of performance;
- u significant weighting towards long-term incentive compensation promotes long-term decision making and discourages short-term risk taking;
- u maximum payouts are capped at levels that do not reward excessive risk-taking;
- u goals are based on company and sector performance measures, which mitigates excessive risk-taking within any particular business unit;
- u leadership behaviors, such as ethics and integrity, are specifically addressed in our short-term incentive programs;
- u our compensation recoupment policy allows us to recover compensation based on financial results that are subsequently restated or if fraud or intentional misconduct is involved; and
- u our stock ownership guidelines encourage a long-term perspective.

### *Equity Award Grant Practices*

The Committee is responsible for the administration of the equity incentive programs for our 2006 Equity Incentive Plan in which our named executive officers participate. The Committee set the equity award Fiscal 2016 grant dates for new and existing employees, including executive officers, in December 2015. These grant dates were selected to occur after the dates we anticipate releasing our annual and quarterly financial results. We generally grant equity incentive awards to our executive officers and all other eligible employees on an annual basis shortly after we



announce our financial results for the recently completed fiscal year. In addition to these annual grants, the Committee set four quarterly dates on which any additional equity incentive awards could be made to eligible executive officers or other employees in connection with a new hire, for retention purposes or otherwise.

The Committee approves all equity awards made to our directors and executive officers. The exercise price of any option grant is determined by reference to the fair market value of the shares on the grant date, which our 2006 Equity Incentive Plan defines as the closing sales price of our common stock on the NYSE on the previous trading day.

### *Stock Ownership Guidelines and Policies*

We encourage our employees to own our stock so that they are motivated to maximize our long-term performance and stock value. Under our established stock ownership guidelines, our named executive officers are required to accumulate and maintain stock holdings in an amount of our stock with a value at least equal to five times their base salary. Because they must hold all shares acquired under our equity incentive programs until they meet this ownership requirement, which we expect will take several years, we do not have specific time-based holding periods following the exercise of stock options or vesting of other equity awards. In addition to these ownership guidelines, we have also established policies for our executive officers that prohibit certain short-term or speculative transactions in our securities. We believe that these prohibited transactions carry a greater risk of liability for insider trading violations and create an appearance of impropriety. For example, with respect to our securities, our executive officers are not permitted to engage in any short sales or any trading in puts, calls or other derivatives on an exchange or other organized market. They are also prohibited from holding company securities in a margin account or pledging securities as collateral for a loan. In addition, our executive officers are required to obtain pre-clearance from our General Counsel for all transactions in our securities.

### *Compensation Recoupment Policy*

Under our compensation recoupment policy, the Committee may require members of senior management to return incentive compensation if there is a material restatement of the financial results upon which the incentive compensation

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was originally based. Our recoupment policy includes both cash and equity forms of incentive compensation. If the Committee determines that recovery is appropriate, the company will seek repayment of the difference between the incentive compensation paid and the incentive compensation that would have been paid, if any, based on the restated financial results.

The policy also provides for recovery of incentive compensation from any employee involved in fraud or intentional misconduct, whether or not it results in a restatement of our financial results. In such a situation, the Committee would exercise its business judgment to determine what action it believes is appropriate under the circumstances.

We may seek to recover the applicable amount of compensation from incentive compensation paid or awarded after the adoption of the policy, from future payments of incentive compensation, cancellation of outstanding equity awards and reduction in or cancellation of future equity awards. In cases of fraud or misconduct, we may also seek recovery from incentive compensation paid or awarded prior to the adoption of the policy.

### *Post-Employment Benefits*

We do not maintain a defined benefit or other supplemental retirement plan that would entitle our executive officers to receive company-funded payments if they leave the company.

Upon certain terminations of employment, including death, disability, retirement or a change in control, our named executive officers may be eligible for continued vesting of equity awards on the normal schedule or accelerated vesting in full or on a pro-rata basis, depending on the nature of event and the type of award. The purpose of these provisions is to protect previously earned or granted awards by making them available following the specified event. Because these termination provisions are contained in our standard award agreements for all recipients and relate to previously granted or earned awards, we do not consider these potential termination benefits as a separate item in compensation decisions for our named executive officers. Our long-term incentive plans do not provide for additional benefits or tax gross-ups. For more information about potential post-employment benefits, see Executive Compensation Potential Payments Upon Termination or a Change in Control.

### *Potential Change in Control and Severance Benefits*

We have entered into severance protection agreements with each of our executive officers, other than Mr. Krone and Mr. Reardon, that would provide them with payments and benefits if their employment is involuntarily terminated following an acquisition of our company as further described in this Proxy Statement under Executive Compensation Potential Payment Upon a Change in Control. We believe that these agreements provide an important benefit to us by helping alleviate any concern the executive officers might have when contemplating a potential change in control of our company and permitting them to focus their attention on our business. In addition, we believe that these agreements are an important recruiting and retention tool, as many of the companies with which we compete for talent have similar arrangements in place for their senior management.

These severance protection agreements are designed to be renewed for successive one-year terms by the Committee, unless either the Committee or the executive officer decides not to renew the term. However, in September 2016, the Committee decided not to renew the severance protection agreements, and instead, to establish a severance plan, effective January 1, 2017 (after the end of the reported fiscal year). The new plan is designed to cover executive officers in certain cases where they terminate involuntarily from employment, with a separate schedule of benefits applicable if the termination occurs following a change of control of the company. Details regarding the new plan are included following the detailed charts for the benefits provided in Fiscal 2016 (the Potential Payment Upon a Change in Control Section). In addition to the change in control benefits described above for Fiscal 2016, we are not obligated to offer any kind of severance benefits to our executive officers, other than Mr. Krone and Mr. Reardon. Our executive officers, other than Mr. Krone, are employees-at-will and as such do not have any employment agreements with us, other than standard employment offer letters. Mr. Krone's employment agreement provides that if his employment is terminated by us for reasons other than cause or by Mr. Krone for good reason, he would receive an amount equal to one times the sum of his base salary and target bonus. Such payment will be subject to Mr. Krone's agreement to release us from any claims. However, if such termination is within three months prior to a change in control or within 24 months after a change in control, Mr. Krone would receive an amount equal to a maximum of two and one half times the sum of his base salary and target bonus. In addition, Mr. Krone would be entitled to receive payment for certain benefits, outplacement services and

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vesting of all or a portion of his initial equity awards, depending on whether the termination is during a change in control period. The Committee approved these severance benefits after considering the potential costs, as an inducement for Mr. Krone to join the company.

We have agreed to provide Mr. Reardon with severance benefits pursuant to the terms of the EMA we entered into with Lockheed Martin prior to the merger Transaction. Under the terms of the EMA, we agreed to maintain the same level of benefits offered by Lockheed Martin for a period of one-year following the Transaction for Mr. Reardon.

We have described the change in control and other termination benefits offered to Mr. Krone and Mr. Reardon in the Section entitled "Executive Compensation Potential Payment Upon a Change in Control" in the tables following this Compensation Discussion & Analysis.

### *Tax Deductibility of Executive Compensation*

Section 162(m) of the Internal Revenue Code generally limits the deductibility of certain compensation in excess of \$1,000,000 paid in any one year to the Chief Executive Officer and the three other most highly compensated named executive officers (other than our Chief Financial Officer). Qualified performance-based compensation will not be subject to this deduction limit if certain requirements are met.

The Committee periodically reviews and considers the deductibility of executive compensation under Section 162(m) in designing and implementing our compensation programs and arrangements. The Committee awards some of our compensation based upon the achievement of certain predetermined financial performance goals under a stockholder-approved plan, which is intended to permit us to deduct such amounts pursuant to Section 162(m). The rules and regulations promulgated under Section 162(m) are complex and subject to change from time to time, sometimes with retroactive effect. There can be no guarantee, therefore, that amounts potentially subject to the Section 162(m) limitations will be treated by the Internal Revenue Service as qualified performance-based compensation under Section 162(m) and/or deductible by the Company.

While we will continue to monitor our compensation programs in light of Section 162(m), the Committee considers it important to retain the flexibility to design compensation programs that are in the best long-term interests of our company and our stockholders. As a result, the Committee may conclude that paying compensation at levels that are not deductible under Section 162(m) is nevertheless in the best interests of our company and our stockholders.

### **Human Resources and Compensation Committee Report**

The Human Resources and Compensation Committee has reviewed and discussed with our management the CD&A included in this Proxy Statement. Based upon this review and discussion, the Committee recommended to the Board that the CD&A be included in this Proxy Statement.

Miriam E. John (Chair)

David G. Fubini

Gary S. May

Surya N. Mohapatra

Noel B. Williams

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## Executive Compensation

**Summary Compensation Table**

The following table sets forth information regarding compensation earned by our named executive officers for service to us during Fiscal 2016 and, if applicable, the 11-month period ended January 1, 2016, and the 12-month period ended January 30, 2015 and the 12-month period ended February 1, 2014, whether or not such amounts were paid in such year:

Name and principal position	Fiscal year ended <sup>(1)</sup>	Salary(\$) <sup>(2)</sup>	Bonus(\$) <sup>(3)</sup>	Stock awards(\$) <sup>(4)</sup>	Option awards(\$) <sup>(4)</sup>	Non-equity		Total(\$)
						compen- sation(\$) <sup>(5)</sup>	compen- sation(\$) <sup>(6)</sup>	
Roger A. Krone Chief Executive Officer	12/30/2016	988,462		4,243,439	995,298	1,638,000	19,698	7,884,897
	1/1/2016	876,923		3,478,358	699,493	1,468,720	12,637	6,536,131
	1/30/2015	493,269	1,860,822	2,732,044	396,498		57,792	5,540,425
James C. Reagan Executive Vice President, Chief Financial Officer	12/30/2016	561,538	200,000	960,096	254,121	625,964	7,204	2,608,923
	1/1/2016	253,846	150,000	1,169,586	278,308	347,079	5,300	2,204,119
Timothy J. Reardon <sup>(7)</sup> Group President, Defense and Intelligence	12/30/2016	162,240		1,304,649	251,645	570,200	11,091	2,299,825
Vincent A. Maffeo Executive Vice President, General Counsel	12/30/2016	575,000		900,254	190,591	534,250	14,496	2,214,591
	1/1/2016	530,769		857,329	157,385	537,488	7,954	2,090,925
	1/30/2015	574,723		374,986	152,162	414,401	13,276	1,529,548
	2/1/2014	575,000		937,497	312,512	383,000	58,436	2,266,445
Michael E. Leiter Former Executive Vice President	12/30/2016	525,000	175,000	720,072	190,591	420,000	13,752	2,044,415
	1/1/2016	484,615		669,005	157,385	380,000	12,421	1,703,426
Sarah K. Allen <sup>(8)</sup> Former Chief Human Resources Officer	12/30/2016	330,334		545,169	116,471		3,090,856	4,082,830
	1/1/2016	350,769		500,124	91,811	266,578	9,638	1,218,920
	1/30/2015	375,385		218,742	88,759	199,776	13,069	895,731

(1) Compensation is provided only for fiscal years for which an individual qualified as a named executive officer.

- (2) Amounts in this column include a compensation leave payout for Ms. Allen in the amount of \$72,393 in 2016.
- (3) Mr. Reagan and Mr. Leiter were awarded one-time discretionary bonuses in 2016 in connection with the successful completion of our acquisition of the IS&GS business.
- (4) These columns reflect the grant date fair value computed in accordance with stock-based compensation accounting rules (FASB ASC Topic 718). The awards shown in the **Stock awards** column in the above table include restricted stock units and performance share awards, both of which are subject to performance conditions (except for the restricted stock units granted to Mr. Reardon). The grant date fair value for the performance share awards includes both (i) the grant date fair value for the performance share awards granted in fiscal 2015 but which had an accounting grant date on February 18, 2016 when the goals were set for the third year performance period related to adjusted operating income and (ii) the grant date fair value for the performance share awards granted on March 3, 2016 for the three year performance period related to adjusted operating income and total stockholder return. Values for all performance share awards are computed based upon the probable outcome of the performance conditions as of the grant date of the award. Assuming the highest level of the performance conditions is achieved, the value of the Fiscal 2016 performance shares in the **Stock Awards** column would be as follows: Mr. Krone, \$5,660,156; Mr. Reagan, \$1,260,124; Mr. Maffeo, \$1,215,367; Mr. Leiter, \$945,093 and Ms. Allen, \$735,248. Because Ms. Allen's employment with the company ended in August 2016, a portion of the stock awards granted to her for Fiscal 2016 was forfeited. The awards shown in the **Options awards** column are not subject to performance conditions.

For more information regarding our application of FASB ASC Topic 718, including the assumptions used in the calculation of these amounts, please refer to Note 14 of the Notes to Consolidated Financial Statements contained in our Annual Report on Form 10-K filed with the SEC on February 24, 2017.

- (5) Amounts shown in this column represent the actual amounts paid to the named executive officers under our cash incentive award programs for the stated fiscal years. The threshold, target and maximum payouts are shown in the **Grants of Plan Based Awards** table under the column headed **Estimated future payouts under non-equity incentive plan awards**.

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- (6) Amounts shown in this column for Fiscal 2016 primarily represent company contributions that we made on behalf of the named executive officers under the Leidos Retirement Plan as follows: Mr. Krone, \$12,154, Mr. Reagan, \$7,204, Mr. Maffeo, \$14,496, Mr. Leiter, \$13,252 and Ms. Allen, \$12,812. Amount listed for Mr. Reardon in this column for Fiscal 2016 primarily represents company contributions that we made on his behalf into the Leidos, Inc. Deferred Compensation Plan for Former IS&GS Employees. In addition, for Fiscal 2016, the amount for Ms. Allen includes the payment of \$3,078,044 paid in August 2016 pursuant to a severance agreement.
- (7) Mr. Reardon joined our company in August 2016 in conjunction with the merger; therefore, the amount in the Salary column reflects a partial year of service in Fiscal 2016.
- (8) Ms. Allen's employment with us ended in August 2016; therefore, the amount in the Salary column reflects a partial year of service in Fiscal 2016.



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## Executive Compensation

**Grants of Plan-Based Awards**

The following table sets forth information regarding the cash and equity incentive awards made to our named executive officers in Fiscal 2016 pursuant to our 2006 Equity Incentive Plan, including any portion of such awards deferred into our Key Executive Stock Deferral Plan and Keystaff Deferral Plan.

Name	Award type	Grant date	Estimated future payouts under non-equity incentive plan awards <sup>(1)</sup>			Estimated future payouts under equity incentive plan awards <sup>(2)</sup>			All other securities underlying options <sup>(3)</sup>	All other stock awards; number of shares of stock or units <sup>(4)</sup>	Exercise price of option awards <sup>(5)</sup>	Grant date fair value of stock and option awards <sup>(6)</sup>
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Mr. Krone	Cash	2/18/2016	702,000	1,300,000	2,047,500							
	Options	3/4/2016							141,171	33.82	995,200	
	PRSU	3/4/2016					30,813				1,410,000	
	PSA	2/18/2016				5,459	10,918	16,377			483,200	
	PSA	3/4/2016				25,678	51,355	77,033			2,350,200	
Mr. Reagan	Cash	2/18/2016	274,590	508,500	800,888							
	Options	3/4/2016							36,044	33.82	254,100	
	PRSU	3/4/2016					7,868				360,000	
	PSA	3/4/2016				6,556	13,112	19,668			600,000	
Mr. Reardon	Cash	8/16/2016	164,500	329,000	658,000							
	Options	8/26/2016							23,785	39.70	251,600	
	RSU	8/16/2016									1,054,600	
	RSU	8/26/2016									250,000	
Mr. Maffeo	Cash	2/18/2016	243,045	450,084	708,882							
	Options	3/4/2016							27,033	33.82	190,500	
	PRSU	3/4/2016					5,901				270,000	
	PSA	2/18/2016				2,036	4,071	6,107			180,100	
	PSA	3/4/2016				4,917	9,834	14,751			450,000	
Mr. Leiter	Cash	2/18/2016	226,800	420,000	661,500							
	Options	3/4/2016							27,033	33.82	190,500	
	PRSU	3/4/2016					5,901				270,000	

	PSA	3/4/2016				4,917	9,834	14,751		450,0
s. Allen	Cash	2/18/2016	127,980	237,000	373,275					
	Options	3/4/2016							16,520	33.82
	PRSU	3/4/2016					3,606			116,4
	PSA	2/18/2016				1,188	2,375	3,563		105,1
	PSA	3/4/2016				3,005	6,010	9,015		275,0

- (1) As described in our Compensation Discussion & Analysis, cash incentive awards paid to our named executive officers for performance during Fiscal 2016 were based on achievement of pre-established goals. The actual payouts for the Fiscal 2016 performance period are provided in the Summary Compensation Table in the column headed Non-equity incentive plan compensation.
- (2) The PRSUs in these columns represent restricted stock units which are subject to a performance goal and vesting requirements as follows: 25% of the PRSUs vests on the first, second, third and fourth anniversaries of grant date. The PSAs in these columns represent the threshold, target and maximum number of shares issuable under three year performance share awards, subject to the Compensation Committee's discretion to decrease the number of shares that are ultimately issued at the end of the three year performance period. The grant date fair value for the performance share awards granted on February 18, 2016 for the third year performance period (related to awards granted in fiscal 2015 but for which metrics were set in fiscal 2016) related to adjusted operating income based on the probable outcome of the performance condition as of the grant date and the grant date fair value for the performance

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share awards granted on March 3, 2016 for the three year performance period related to adjusted operating income and total stockholder return are provided the Summary Compensation Table in the column headed Stock awards.

- (3) Amounts in this column represent the number of shares of our common stock underlying options issued in Fiscal 2016. All options vest 25% on the first, second, third and fourth anniversaries of grant date except those issued to Mr. Reardon which will vest in full on the third anniversary of the grant date provided continuous employment. Amounts are adjusted to reflect the special dividend.
- (4) Amounts in this column were time-based restricted stock units made as follows to Mr. Reardon: (a) converted units issued as a result of the merger and will vest in full on January 28, 2019 and (2) units issued as a retention award which will vest in full on the third anniversary of the grant date.
- (5) The 2006 Equity Incentive Plan defines fair market value as the closing sales price of our common stock on the NYSE on the trading day before the grant date which is the exercise price. Amounts are adjusted to reflect the special dividend.
- (6) Amounts represent the grant date fair value determined in accordance with FASB ASC Topic 718. These amounts do not reflect the value that may actually be realized by the recipient and do not reflect changes in our stock price after the date of grant.

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**Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information regarding outstanding option, restricted stock unit, performance restricted stock unit and performance share awards issued pursuant to our 2006 Equity Incentive Plan that were held by our named executive officers at the end of Fiscal 2016, including awards previously deferred under our Key Executive Stock Deferral Plan.

Name	Grant date	Option Awards <sup>(1)</sup>				Stock Awards			
		Number of securities underlying unexercised options	Number of securities underlying exercised options	Exercise price (\$)	Option expiration date	Number of shares of stock or units that have not vested	Market value of shares of stock or units that have not vested	Number of unearned shares, units, or other rights	Equity incentive plan awards; market or payout value of unearned shares, units or other rights
Mr. Krone	7/14/2014	45,466	45,469	27.34	7/13/2021	7/14/2014	8,040	411,166	
	4/10/2015	34,695	104,089	31.55	4/9/2022	7/14/2014	9,764	499,331	

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	3/4/2016		141,171	33.82	3/3/2023	3/23/2015	12,173	622,527		
						4/10/2015	19,326	988,332		
						4/10/2015			42,946	2,196,258
						2/18/2016	12,413	634,801		
						3/4/2016	30,813	1,575,777		
						3/4/2016			51,355	2,626,295
Mr. Reagan	9/11/2015	14,351	43,056	31.26	9/10/2022	9/11/2015	7,448	380,891		
	3/4/2016		36,044	33.82	3/3/2023	9/11/2015			16,549	846,316
						3/4/2016	7,868	402,370		
						3/4/2016			13,112	670,548
Mr. Reardon	8/26/2016	23,785		39.70	8/25/23	8/16/2016	33,808	1,728,941		
						8/26/2016	6,298	322,080		
Mr. Maffeo	4/1/2011	66,289		32.15	3/31/2018	4/5/2013	3,618	300,418		
	3/30/2012	72,298		25.10	3/29/2019	4/4/2014	3,054	156,182		
	4/5/2013	39,040	26,028	25.74	4/4/2020	4/4/2014	3,640	186,150		
	10/4/2013	12,419		33.97	10/3/2020	3/23/2015	4,539	232,124		
	4/4/2014	16,524	16,525	27.23	4/3/2021	4/10/2015	4,349	222,408		
	4/10/2015	7,806	23,420	31.55	4/9/2022	4/10/2015			9,663	494,166
	3/4/2016		27,033	33.82	3/3/2023	2/18/2016	4,628	236,676		