KBR, INC.
Form DEF 14A
April 07, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

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

Filed by the Registrant þ
Filed by a Party other than the Registrant o
Check the appropriate box:
o Preliminary Proxy Statement

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

þ Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to §240.14a-12

KBR, Inc.
(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):
þ No Fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
(1) Title of each class of securities to which transaction applies:

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

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

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

(3) Filing Party:

(4) Date Filed:

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April 5, 2010

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of KBR, Inc. The meeting will be held on Thursday, May 20, 2010, beginning at 9:00 a.m., local time in The Texas Room, located at 601 Jefferson Street, Houston, Texas 77002. The Notice of Annual Meeting of Stockholders, proxy statement and proxy card from the Board of Directors are enclosed. The materials provide further information concerning the meeting.

At the meeting, stockholders are being asked to:

elect two Class I directors to serve for three years and until their successors shall be elected and qualified;

ratify the selection of KPMG LLP as the independent registered public accounting firm to audit the consolidated financial statements of KBR, Inc. for the year ending December 31, 2010;

consider two stockholder proposals, if properly presented at the meeting; and

transact any other business that properly comes before the meeting or any adjournment or postponements of the meeting.

Please refer to the proxy statement for detailed information on each of these proposals.

It is very important that your shares are represented and voted at the meeting. Your shares may be voted electronically on the Internet, by telephone or by returning the enclosed proxy card. Your proxy will not be used if you are present and prefer to vote in person or if you revoke your proxy. We would appreciate your informing us on the proxy card if you expect to attend the meeting so that we can provide adequate seating.

We appreciate the continuing interest of our stockholders in the business of KBR, and we hope you will be able to attend the meeting.

Sincerely,

William P. Utt
Chairman of the Board, President
and Chief Executive Officer

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Notice of Annual Meeting of Stockholders
to be Held May 20, 2010

KBR, Inc., a Delaware corporation, will hold its Annual Meeting of Stockholders on Thursday, May 20, 2010, at 9:00 a.m., local time, in The Texas Room, located at 601 Jefferson Street, Houston, Texas 77002. At the meeting, stockholders will be asked to consider and act upon the following matters discussed in the attached proxy statement:

1. To elect two Class I directors to serve for three years and until their successors shall be elected and shall qualify.

2. To consider and act upon a proposal to ratify the appointment of KPMG LLP as the independent registered public accounting firm to audit the consolidated financial statements of KBR for the year ending December 31, 2010.

3. To consider two stockholder proposals, if properly presented at the meeting.

4. To transact any other business that properly comes before the meeting or any adjournment or postponements of the meeting.

These items are fully described in the following pages, which are made a part of this Notice. The Board of Directors has set Monday, March 22, 2010, at the close of business, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournment or postponement of the meeting.

We request that you vote your shares as promptly as possible. If you have shares registered in your own name, you may vote your shares in a number of ways:

electronically via the Internet at www.proxyvote.com,

by telephone, if you are in the U.S. or Canada, by calling 1-800-690-6903, or

by marking your votes, dating and signing the proxy card or voting instruction form enclosed and returning it in the postage-paid envelope provided.

If you hold KBR shares with a broker or bank, you may also be eligible to vote via the Internet or by telephone if your broker or bank participates in the proxy voting program provided by Broadridge Investor Communication Services.

IF YOU PLAN TO ATTEND:

Attendance at the meeting is limited to stockholders. No guests will be admitted. Admission will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and the meeting will begin promptly at 9:00 a.m. Each stockholder holding KBR shares in brokerage accounts is required to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Please note that you may be asked to present valid picture identification, such as a driver s license or passport.

By Order of the Board of Directors,

Jeffrey B. King
Secretary

April 5, 2010

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PROXY STATEMENT

GENERAL INFORMATION

The accompanying proxy is solicited by the Board of Directors of KBR, Inc. (KBR, the Company, we or us). By executing and returning the enclosed proxy or by following the enclosed voting instructions, you authorize the persons named in the proxy to represent you and vote your shares on the matters described in the Notice of Annual Meeting of Stockholders.

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the meeting. Admission to the meeting will be on a first-come, first-served basis and no guests will be admitted. Registration will begin at 8:00 a.m., and the meeting will begin at 9:00 a.m. Please note that you may be asked to present valid picture identification, such as a driver s license or passport, when you check in at the registration desk.

If you hold your shares in street name (that is, through a broker or other nominee), you are required to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the meeting.

If you attend the meeting, you may vote in person. If you are not present, your shares can be voted only if you have followed the instructions for voting via the Internet or by telephone, or returned a properly executed proxy; and in these cases, your shares will be voted as you specify. If no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. You may revoke the authorization given in your proxy at any time before the shares are voted at the meeting.

The record date for determination of stockholders entitled to vote at the meeting is Monday, March 22, 2010. KBR s common stock, par value $0.001, is the only class of capital stock that is outstanding. As of March 22, 2010, there were 160,538,968 shares of common stock outstanding. Each of the outstanding shares of common stock is entitled to one vote on each matter submitted to the stockholders for a vote at the meeting. A complete list of stockholders entitled to vote will be kept at our offices at the address specified below for ten days prior to, and will be available at, the meeting.

Votes cast by proxy or in person at the meeting will be counted by the persons appointed by us to act as election inspectors for the meeting. Except as set forth below, the affirmative vote of the majority of shares present in person or represented by proxy at the meeting and entitled to vote on the subject matter will be the act of the stockholders. Except as set forth below, shares for which a holder has elected to abstain on a matter will count for purposes of determining the presence of a quorum and will have the effect of a vote against the matter.

In the election of directors, the candidates for election receiving the highest number of affirmative votes of the shares entitled to be voted, whether or not a majority of the shares present, up to the number of directors to be elected by those shares, will be elected. Shares present but not voting on the election of directors will be disregarded, except for quorum purposes, and will have no legal effect.

The election inspectors will treat shares held in street name which cannot be voted by a broker on specific matters in the absence of instructions from the beneficial owner of the shares, known as broker non-vote shares, as shares that are present and entitled to vote for purposes of determining the presence of a quorum. In determining the outcome of any matter for which the broker does not have discretionary authority to vote, however, those shares will not have any effect on that matter. Those shares may be entitled to vote on other matters for which brokers may exercise their own discretion.

The proxy solicitor, the election inspectors and the tabulators of all proxies, ballots and voting tabulations that identify stockholders are independent and are not employees of KBR.

This proxy statement, the form of proxy and voting instructions are being made available to stockholders on or about April 5, 2010, at www.investoreconnect.com. You may also request a printed copy of this proxy statement and the form of proxy by any of the following methods: (a) telephone at 1-800-579-1639; (b) internet

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at www.investoreconnect.com; or (c) e-mail at sendmaterial@investoreconnect.com. Our Annual Report to Stockholders, including financial statements, for the fiscal year ended December 31, 2008, is being made available at the same time and by the same methods. The Annual Report is not to be considered as a part of the proxy solicitation material or as having been incorporated by reference.

Our principal executive office is located at 601 Jefferson Street, Suite 3400, Houston Texas 77002 and our website address is www.kbr.com. Information contained on our website, including information referred to in this proxy statement, is not to be considered as part of the proxy solicitation material and is not incorporated into this proxy statement.

QUESTIONS AND ANSWERS ABOUT VOTING

The following are answers to common questions about voting KBR shares at the meeting. If your question is not addressed below or elsewhere in this proxy statement, please contact KBR s Investor Relations Department at (713) 753-5082.

Who is entitled to vote?

Holders of record at the close of business on March 22, 2010, which is the record date for the meeting, will be entitled to one vote per share. Fractional shares will not be voted. On the record date, KBR had 160,538,968 shares of common stock, par value $0.001 per share, outstanding.

Who is soliciting my proxy to vote my shares?

KBR s Board of Directors is soliciting your proxy, or your authorization for our representatives to vote your shares. Your proxy will be effective for the May 20, 2010 meeting and at any adjournment or postponement of that meeting.

What constitutes a quorum?

For business to be conducted at the meeting, a quorum constituting a majority of the shares of KBR common stock issued and outstanding and entitled to vote must be in attendance or represented by proxy.

How do I give voting instructions?

As described on the enclosed proxy card, proxies may be submitted:

- over the Internet,
- by telephone or
- by mail.

Votes submitted over the Internet or by telephone must be received by 11:59 p.m., Eastern Time, on Wednesday, May 19, 2010.

Can I change my vote?

A proxy may be revoked by a stockholder at any time before it is voted by:

giving notice of the revocation in writing to KBR s Corporate Secretary at 601 Jefferson Street, Houston, Texas 77002,

submitting another valid proxy by mail, telephone or over the Internet that is later dated and, if mailed, is properly signed or

voting in person at the meeting.

What are voting requirements to elect the directors and approve each of the proposals?

KBR s Bylaws provide that, in general, holders of a majority of the voting stock, present in person or represented by proxy, will constitute a quorum at any meeting of the stockholders. The directors will be elected by a plurality of the shares of KBR s common stock cast in person or represented by proxy at the meeting. Adoption of the proposal to ratify the appointment of the independent registered public accounting firm and the stockholder proposals will require the affirmative vote of a majority of the shares of KBR s common stock present in person or represented by proxy at the meeting and entitled to vote.

If my shares are held in street name by my broker, how will my shares be voted?

Shares held in street name which are not voted by a broker on a matter in the absence of instructions from the beneficial owner, known as broker non-vote shares, will be counted as shares that are present and entitled to vote for purposes of determining the presence of a quorum. In determining the outcome of any matter for which the broker does not have discretionary authority to vote, however, those shares will not be counted for or against the matter unless you provide instructions to your broker. Your vote is important, and we request that you vote your shares as promptly as possible by returning your instructions to your broker.

What happens if I abstain or withhold my vote on any proposal?

Abstentions are counted as present in determining whether the quorum requirement is satisfied. Abstentions from voting will not be taken into account in determining the outcome of the election of directors. Abstentions will be included in the voting tally and will have the same effect as a vote against the ratification of the appointment of the independent registered public accounting firm and the stockholder proposals.

Does KBR offer electronic delivery of proxy materials?

Yes. KBR encourages you to reduce printing and mailing costs by signing up for electronic delivery of KBR stockholder communications. With electronic delivery, you will receive documents such as the Annual Report and the proxy statement as soon as they are available, without waiting for them to arrive in the mail. Electronic delivery also can help reduce the number of bulky documents in your personal files and eliminate duplicate mailings. To sign up for electronic delivery, please follow the instructions on your proxy card to vote by internet at www.proxyvote.com and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

What is householding?

In accordance with notices that KBR sent to certain stockholders, KBR is sending only one copy of its meeting materials to stockholders who share the same address, unless they have notified KBR that they want to continue receiving multiple copies. This practice, known as householding, is designed to reduce duplicate mailings and save significant printing and postage costs.

If you received a householded mailing this year and you would like to have additional copies of the Annual Report and/or proxy statement mailed to you, or you would like to revoke your consent to the householding of documents, please submit your request to 1-800-542-1061. You will begin to receive individual copies within 30 days after your request.

Unfortunately, householding for bank and brokerage accounts is limited to accounts within the same bank or brokerage firm. For example, if you and your spouse share the same last name and address, and you and your spouse each have two accounts containing KBR stock at two different brokerage firms, your household will receive two copies of the notice or meeting materials one from each brokerage firm. To reduce the number of duplicate sets of the notice or meeting materials your household receives, you may wish to enroll some or all of your accounts in our electronic delivery program. See Does KBR offer electronic delivery of proxy materials?

PROPOSAL No. 1

ELECTION OF DIRECTORS

Our Board of Directors is classified into three classes serving staggered three-year terms, with Messrs. Utt and Curtiss being designated Class I directors, Messrs. Huff, Lyles and Slater being designated Class II directors and Messrs. Carroll and Blount being designated Class III directors. The size of our Board of Directors is currently set at seven members.

Pursuant to our Certificate of Incorporation and Bylaws, the members of the Board of Directors serve for three-year terms and hold office until their successors are elected and qualified or until their earlier resignation or removal. Class II directors will serve until the annual meeting of our stockholders to be held in 2011, and Class III directors will serve until the annual meeting of our stockholders to be held in 2012. The terms of the current Class I directors will expire on the date of the upcoming Annual Meeting of Stockholders. Accordingly, two persons are to be elected to serve as Class I directors at the Annual Meeting of Stockholders. Management s nominees for election by the stockholders to those two positions are the current Class I members of the Board of Directors, Messrs. Curtiss and Utt. Both nominees have indicated his willingness to serve, if elected. If either of the nominees declines to serve or becomes unavailable for any reason, or if a vacancy occurs before the election, the proxies may be voted for such substitute nominee as we may designate. We have no reason to believe that either of the Class I nominees will be unable to serve if elected. If a quorum is present, the nominees for Class I director receiving the highest number of votes will be elected as Class I directors.

The Board of Directors recommends that you vote FOR the election of each Class I director nominee listed below. Properly dated and signed proxies, and proxies properly submitted over the Internet and by telephone, will be so voted unless stockholders specify otherwise.

The following biographical information is furnished with respect to each of the Class I director nominees for election at the meeting and each incumbent member of the Board of Directors. The information includes age as of March 22, 2010, present position, if any, with KBR, period served as director, and other business experience during at least the past five years. In each case, when reviewing the qualifications of the Directors, the Board considered expertise that is useful to KBR and complementary to the background and experience of other Board members so that an optimum balance of skills and expertise on the Board can be achieved and maintained. For additional information regarding the qualifications the Nominating and Corporate Governance Committee and the Board consider in the nomination process, see Corporate Governance Nominating and Corporate Governance Committee Qualifications of Directors.

Nominees for Class I Director Term Ending 2013

Jeffrey E. Curtiss, 61, is a private investor. From January 2000 to June 2006, Mr. Curtiss served as the Senior Vice President and Chief Financial Officer of Service Corporation International, a leading provider of funeral and cemetery services. Previously, Mr. Curtiss was the Senior Vice President and Chief Financial Officer of Browning-Ferris Industries, Inc. from January 1992 to July 1999. Mr. Curtiss holds two law degrees and a CPA certificate, and became a CFA charterholder in 2006. Mr. Curtiss joined the Board in November 2006 and is Chairman of the Audit Committee and a member of the Health, Safety and Environment Committee.

After assessing Mr. Curtiss s experience and skills, the Board concluded that he should continue to serve as a Director, primarily on the basis of his extensive experience supervising the finance and accounting functions for large organizations similar in size and complexity to KBR. In addition, Mr. Curtiss has legal training and qualifies as an audit committee financial expert under the rules of the NYSE and provides expertise that assists the Board and the Audit Committee in their risk oversight function.

William P. Utt, 53, was named President and Chief Executive Officer of KBR effective March 15, 2006. He was named Chairman in April 2007. Prior to joining KBR, he was President and CEO of SUEZ Energy North America from 2000 to 2006, with responsibility for the LNG, retail energy, energy marketing and

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trading, power generation and development businesses. From 1995 to 2000, he was President and CEO of Tractebel s North American energy businesses. Mr. Utt holds bachelor s and master s degrees in mechanical engineering from the University of Virginia and has a master s degree in business administration from The Colgate Darden Graduate School of Business Administration at the University of Virginia.

The Board concluded that Mr. Utt should continue to serve as a Director and as Chairman of the Board because of his role as the Chief Executive Officer of KBR. The Board has determined that having Mr. Utt serve as Chairman of the Board is the most effective form of governance for KBR, because of the complexity of KBR s business and Mr. Utt s accomplished leadership since the inception of KBR as an independent public company, among other factors. For additional information regarding Mr. Utt s role as Chairman of the Board, and the counter-balancing measures present in the Board leadership structure, see Corporate Governance Board of Directors Leadership Structure.

Incumbent Class II Directors Term Ending 2011

John R. Huff, 64, is currently Chairman of Oceaneering International, Inc. s Board of Directors. Mr. Huff served as the Chief Executive Officer of Oceaneering International, Inc., an oil field services company, from 1986 until his retirement from the position of Chief Executive Officer in May 2006. Mr. Huff is also a director of Suncor Energy, Inc. He served as a director of Rowan Companies from 2006 to 2009 and as a director of BJ Services Company from 1992 until its expected merger with Baker Hughes Incorporated, which was approved by the shareholders at a special meeting on March 31, 2010. Mr. Huff joined the Board in April 2007 and is a member of the Nominating and Corporate Governance Committee and the Compensation Committee.

Mr. Huff brings over forty years of engineering and executive management experience with the offshore oil and gas industry on both the exploration and production side and in oilfield services. In addition to his insights into KBR s customer base, he also brings twenty years of experience as the CEO of a publicly-traded company and relevant experience on public company board and various board committees. In light of his relevant executive management and industry experience, the Board concluded that Mr. Huff should continue to serve as a Director.

Lester L. Lyles, 63, has been an independent consultant since 2003. Prior to that, he served in the U.S. Air Force for over 35 years as: Commander of the Space and Missile Systems Center from 1994 to 1996; Director of the Ballistic Missile Defense Organization from 1996 to 1999; Vice Chief of Staff of the Headquarters of the U.S. Air Force from 1999 to 2000; and Commander of the U.S. Air Force Materiel Command from 2000 to 2003. Mr. Lyles is also a director of General Dynamics Corporation, where he also serves on the Audit Committee, The Dayton Power and Light Company and Precision Castparts Corp. and was previously a director of MTC Technologies, Inc. from 2003 until its acquisition by BAE Systems in 2007. Mr. Lyles joined the Board in November 2007 and is a member of the Audit Committee and the Health, Safety and Environment Committee.

In light of the importance of KBR s relationship with the U.S. government as a primary provider of logistical support for U.S. forces deployed in the Middle East and elsewhere, the Board of Directors considered Mr. Lyles s distinguished experience in the U.S. Air Force, especially his command of the Air Force Material Command, as the most important factor in concluding that Mr. Lyles should continue to serve on the Board.

Richard J. Slater, 63, has been chairman of ORBIS LLC, an investment and corporate advisory firm, since February 2003. Previously, Mr. Slater served in various executive positions with Jacobs Engineering Group Inc. (JEG), beginning in May 1980. Mr. Slater was employed as a consultant to the chief executive officer of JEG from January 2003 to October 2006, and prior to that, he served as Executive Vice President, Operations from March 1998 to December 2002. Mr. Slater presently serves as non-executive chairman of Bluebeam Software Inc. He served as an independent director of Reliance Steel & Aluminum Co. from 2006 to 2009. Mr. Slater joined the Board in November 2006 and is Chairman of the Health, Safety and Environment Committee and is a member of the Nominating and

Corporate Governance Committee.

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Mr. Slater had over 20 years experience with JEG, one of KBR s most closely-aligned competitors, including five years as JEG s Executive Vice President of Worldwide Operations. The Board concluded that Mr. Slater should continue to serve as a Director primarily because of his relevant executive experience supervising domestic and international engineering and infrastructure construction projects and acquisitions.

Incumbent Class III Directors Term Ending 2012

W. Frank Blount, 71, is currently Chairman and Chief Executive Officer of JI Ventures, Inc., which is a hi-tech venture capital company based in Atlanta, Georgia. From June 2000 to October 2002, he served as Chairman and Chief Executive Officer of Cypress Communications Corporation, a telecommunications company. From January 1992 until March 1999, he served as Chief Executive Officer of Telstra Communications Corporation, Australia s principal telecommunications company. Mr. Blount also serves on the Boards of Caterpillar, Inc., Alcatel-Lucent, Entergy, Inc. and the Advisory Board for China Telecom. Mr. Blount joined the Board in April 2007 and is Chairman of the Nominating and Corporate Governance Committee and a member of the Compensation Committee. Mr. Blount also serves as KBR s Lead Director.

The Board of Directors concluded that Mr. Blount should continue to serve as both a Director and the Lead Director for KBR based on his many years of experience dealing with risk oversight and governance issues for public companies in the United States, Australia and the United Kingdom. Mr. Blount has decades of experience in executive positions, including as one of four group presidents for AT&T, Inc. Through executive or board leadership positions, Mr. Blount also has extensive experience in several world regions that are a focus of KBR s business, including Europe, Australia and China.

Loren K. Carroll, 66, is currently an independent consultant and business advisor. From March 1994 until April 2006, Mr. Carroll served as President and Chief Executive Officer of M-I SWACO and Executive Vice-President of Smith International, Inc, a worldwide supplier of drilling fluids and related equipment and services to the oil and gas industry. M-I SWACO is owned 60% by Smith International, Inc. Mr. Carroll currently serves as a director of Smith International, Inc., Fleetwood Enterprises, Inc., Forest Oil Corporation and CGG Veritas, Inc. He serves as a member of the Compensation Committee of CGG Veritas, Inc. Mr. Carroll joined the Board in April 2007 and is Chairman of the Compensation Committee and a member of the Audit Committee.

The Board concluded that Mr. Carroll should continue to serve on the Board primarily because of his long experience dealing with the hydrocarbons industry as the chief executive of M-I SWACO and as the chief financial officer of Smith International, Inc., an NYSE listed company. Mr. Carroll also qualifies as an audit committee financial expert under the rules of the NYSE and provides the Board the insights from over 40 years of experience in finance and accounting, including experience as a managing partner at a major accounting firm.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information, as of February 28, 2010, regarding the beneficial ownership of KBR s common stock by persons known by KBR to beneficially own more than five percent of its outstanding common stock, each director or nominee, each of the named executive officers referenced in the Summary Compensation Table contained in this Proxy Statement, and all directors and executive officers as a group. Information regarding five percent stockholders in the table and footnotes is based on the most recent Statement on Schedule 13G or 13D or amendment thereto filed by each such person with the Securities and Exchange Commission (the SEC), except as otherwise known to KBR. To our knowledge, except as otherwise noted in the footnotes to this table or as provided by applicable community property laws, each individual has sole voting and investment power with respect to the shares of common stock listed in the second column below as beneficially owned by the individual.

	Shares of KBR Common Stock Beneficially Owned	
Name and Address of Beneficial Owner(1)	**Number of Shares(2)**	**Percentage of Class**
Capital World Investors(3) 333 South Hope Street Los Angeles, California 90071	19,273,920	12%
BlackRock, Inc.(4) 40 East 52nd Street New York City, New York 10022	13,880,059	8.66%
William P. Utt(5)(6)(7)	227,359	*
Susan K. Carter(8)	0	*
T. Kevin DeNicola(8)	0	*
Andrew Farley(5)(6)(7)	66,434	*
John L. Rose(5)(6)(7)	60,750	*
David Zimmerman(5)(6)(7)	42,174	*
W. Frank Blount(5)	11,300	*
Loren K. Carroll(5)	11,300	*
Jeffrey E. Curtiss(5)(9)	19,800	*
John R. Huff(5)	61,300	*
Lester L. Lyles(5)	11,300	*
Richard J. Slater(5)	14,800	*
All directors and executive officers as a group (15 persons)(5)(6)(7)	654,169	*

* Less than one percent (1%).

(1) The address of each of the named executive officers and directors is c/o KBR, Inc., 601 Jefferson Street, Suite 3400, Houston, Texas 77002.

(2)

Beneficial ownership means the sole or shared power to vote, or to direct the voting of, shares of KBR common stock, or investment power with respect to KBR common stock, or any combination of the foregoing. Each director and executive officer and the directors and executive officers as a group beneficially own less than 1% of the outstanding shares of KBR common stock.

(3) Based solely on a Schedule 13G filed February 8, 2010, Capital World Investors (CWI) is deemed to be the beneficial owner of 19,273,920 shares as a result of Capital Research and Management Company acting as investment adviser to various investment companies registered under Section 8 of the Investment Company Act of 1940. Capital World Investors disclaims beneficial ownership pursuant to Rule 13d-4.

(4) Based solely on a Schedule 13G filed January 20, 2010, BlackRock, Inc. is deemed to be the beneficial owner of 13,880,059 shares as a result of being a parent holding company or control person of several other entities in accordance with Rule 13d-1(b)(1)(ii)(G).

(5) Includes the following shares of restricted stock as to which the holder has sole voting power, but no investment power: Mr. Utt, 94,643; Mr. Farley, 11,000; Mr. Rose, 6,638; Mr. Zimmerman, 6,106; Mr. Blount, 1,400; Mr. Carroll, 1,400; Mr. Curtiss, 2,800; Mr. Huff, 1,400; Mr. Lyles, 1,400; Mr. Slater, 2,800; and all executive officers and directors as a group, 164,350. The restrictions lapse, and the holder acquires sole investment power, at a rate of 20% per year for a five-year period (except that 55,306 of Mr. Utt s restricted shares must also meet certain performance measures to vest (22,122 of which have met the performance measures to vest).

(6) Does not include the following shares of restricted stock units as to which the holder has no voting power and no investment power, but which will convert to common stock on a 1-to-1 ratio, subject to certain conditions: Mr. Utt, 55,316; Mr. Farley, 17,517; Mr. Rose, 17,387; Mr. Zimmerman, 11,394; and all executive officers and directors as a group, 126,214. With respect to the units held by Messrs. Utt, Farley, Rose, Zimmerman and all other executive officers, the restrictions lapse, and the holder acquires voting and investment power, at a rate of 20% per year over a five-year period. All of the units held by Mr. Utt and a portion of the units held by the other executive officers must also meet certain performance measures to vest.

(7) Includes the following option to purchase shares that vest on or before April 29, 2010: Mr. Utt, 20,711; Mr. Farley, 30,381; Mr. Rose, 28,290; Mr. Zimmerman, 23,133; and all executive officers and directors as a group, 140,211. These options become exercisable at a rate of 331/3% per year for a three-year period.

(8) Mr. DeNicola retired from his position as Senior Vice President and Chief Financial Officer as of October 29, 2009. Mrs. Carter replaced him as Senior Vice President and Chief Financial Officer on October 29, 2009.

(9) Includes 5,000 shares held in trust for the benefit of Mr. Curtiss s immediate family members, over which he has sole voting and investment power. These shares are held in margin accounts as security and are subject to customary margin account requirements.

EXECUTIVE OFFICERS

Klaudia Brace, 53, is Senior Vice President, Administration of KBR. Ms. Brace joined KBR in April 2006. Prior to joining KBR, Ms. Brace served as Senior Vice President, Business Control and Human Resources for SUEZ Energy North America from April 1996 to April 2006.

Dennis Calton, 56, is Executive Vice President, Operations. Mr. Calton was appointed to his current position in February 2008. Mr. Calton has been with KBR for 34 years during which time he has served as Senior Vice President, Project Management Oversight & Controls (PMOC) as well as Vice President of KBR s Onshore Project Operations, Vice President of Onshore Construction, Vice President of Construction/Maintenance Operations and Vice President of Business Segment Management. In December 2003, several subsidiaries of Halliburton Company, including Kellogg Brown & Root, Inc., commenced prepackaged Chapter 11 proceedings to discharge current and future asbestos and silica personal injury claims and an order confirming a plan of reorganization became final effective December 31, 2004. Mr. Calton served as a Vice President of two of such subsidiaries.

Susan K. Carter, 51, is Senior Vice President and Chief Financial Officer for KBR, Inc. Mrs. Carter joined KBR in late October 2009. Prior to joining KBR, she held the position of Executive Vice President and Chief Financial Officer at Lennox International, Inc., located in Richardson, Texas. Before joining Lennox, Mrs. Carter served as Vice President, Finance and Chief Accounting Officer at Cummins, Inc., based in Columbus, Indiana. Mrs. Carter also spent time at Honeywell, where she was involved in the financial management of several businesses including operations with defense aspects.

Andrew D. Farley, 46, is Senior Vice President and General Counsel. Mr. Farley was appointed to his position in June 2006. His appointment followed 13 years in the Law Department of KBR, having previously served as Vice President Legal of KBR s Energy and Chemicals segment since May 2003.

Tom Mumford, 67, is Senior Vice President, Commercial. Mr. Mumford was appointed to this position in December, 2008, to lead the Company s corporate Commercial Department. Prior to his current role,

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Mr. Mumford was Senior Vice President, Business Development Oversight. He is responsible for the Company s business development oversight, corporate development and strategic planning functions. He is also responsible for the Company s Ventures Business Unit, KBR s asset development and investment arm.

Previously, Mr. Mumford served as Senior Vice President, Business Development for SUEZ Energy North America, where he was responsible for wholesale power acquisition, divestiture and development efforts, LNG program efforts, investment management and portfolio rationalization.

John L. Rose, 64, is Group President, Hydrocarbons. In his current role, Mr. Rose is responsible for KBR s four hydrocarbon business units including Downstream, Gas Monetization, Oil & Gas, and Technology. Prior to his current role, Mr. Rose served as President, Upstream, directing KBR s upstream market covering onshore and offshore oil and gas projects, LNG and GTL. Mr. Rose was Executive Vice President of KBR s former Energy and Chemicals business segment from September 2005 to August 2007. He also served as Vice President, Subsidiary Operations and Production Services from April 2004 to September 2005. Between October 2000 and April 2004, Mr. Rose was the Executive Director in a major joint venture between KBR and Mitsubishi. During his 39 years with KBR, Mr. Rose has held various positions within KBR, including directing KBR s upstream market covering onshore and offshore oil and gas projects, LNG and GTL.

Mark Williams, 52, is Group President of KBR s Infrastructure, Government and Power Business Unit. Mr. Williams joined KBR in January 2010. Prior to joining KBR, Mr. Williams served as Group Vice President at Jacobs Engineering for the Northern Europe Region and Managing Director of the Dutch and German Corporations serving the oil, gas and chemicals private sector industries. Mr. Williams also previously served as Senior Vice President within Jacobs Aerospace and Defense Sector. Mr. Williams s tenure at Jacobs began in 1985. He has over 25 years experience in the government and defense business. Prior to joining Jacobs, Mr. Williams worked in various federal government services roles of increasing responsibility with Science Applications International Corporation (SAIC), Sverdrup Corporation and Veda, Inc.

David Zimmerman, 56, is President, Services. Mr. Zimmerman was appointed to his position in September 2007. Mr. Zimmerman has been with KBR for 34 years during which time he has held various operational responsibilities in the US and abroad. He is currently responsible for KBR s global construction operation which includes segmented product lines in industrial maintenance, US construction, Canadian fabrication and construction, offshore vessel operations, and KBR s Building Group. Prior to his current role, Mr. Zimmerman was KBR s Senior Vice President, Engineering, Procurement, Construction and Services from 2006 to 2007, Vice President of Construction from 2002 to 2006, Vice President Oil and Gas from 1999 to 2002, and Managing Director of Asia engineering and construction operations from 1994 to 1999.

CORPORATE GOVERNANCE

Corporate Governance Materials

We are committed to good corporate governance and to effective communication with our stockholders. The roles, duties and responsibilities of the Board of Directors and each committee of the Board of Directors are summarized below. To ensure that our stockholders have access to our governing documents, we provide copies of our Code of Business Conduct and Corporate Governance Guidelines and the charters of each of the committees of our Board of Directors on our website at www.kbr.com, and copies will be provided to any stockholder who requests them by writing to our Investor Relations Department at: 601 Jefferson Street, Suite 3400, Houston, Texas 77002.

Role of the Board of Directors

The Board of Directors represents the interests of our stockholders in perpetuating a successful business. It is the responsibility of the Board of Directors to provide oversight of the effectiveness of management s policies and decisions, including the execution of its strategies, with a commitment to enhancing stockholder value over the long term. To this end, Board members are expected to act in the best interests of all stockholders, be knowledgeable about our businesses, exercise informed and independent judgment and maintain an understanding of general economic trends and conditions as well as trends in corporate governance. In addition, it is our Board s policy that Board members are expected to make every effort to attend the meetings of the Board and committees of the Board upon which they serve, as well as stockholder meetings. All of KBR s incumbent directors attended seventy-five percent or more of the aggregate of all meetings of the Board and of committees on which they served during the periods that they served during 2009, except that Mr. Lyles did not attend three of the nine Audit Committee meetings and four of the ten Board meetings held during 2009. Our Corporate Governance Guidelines provide that all Directors should attend our annual stockholder meetings and all of our directors attended our 2009 Annual Meeting of Stockholders.

Independence Standards

At this time, all of our directors are independent, as set forth in our Corporate Governance Guidelines and outlined below, except our Chairman, President and Chief Executive Officer, Mr. Utt, who does not qualify as an independent director.

A director will be considered independent under our Corporate Governance Guidelines if he or she:

has no material relationship with KBR;

has not been employed by us or any affiliate of ours during the preceding three years, and no member of the director s immediate family has been employed as an executive officer of ours or any of our affiliates during the preceding three years;

has not received, and does not have an immediate family member who has received, during any twelve-month period within the preceding three years, more than $100,000 in direct compensation from KBR, other than director s fees, committee fees or pension or deferred compensation for prior service;

is not a partner or an employee of KBR s independent auditor, and was not during the past three calendar years a partner or employee of KBR s independent auditor who personally worked on KBR s audit;

does not have an immediate family member who is a partner of KBR s independent auditor or an employee of KBR s independent auditor who participates in that firm s audit, assurance or tax compliance (but not tax planning) practice or was during the past three calendar years a partner or employee of KBR s independent auditor who personally worked on KBR s audit;

is not a current employee and does not have an immediate family member who is a current executive officer of any company that has made payments to, or received payments from, KBR or any of its affiliates in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million or 2% of our or such other company s consolidated gross revenues; and

has not (and has not had a family member who) within the preceding three years served as an executive officer with a company for which a KBR executive served on its compensation committee.

The definition of independence and compliance with this policy will be reviewed periodically by the Nominating and Corporate Governance Committee. All directors complete independence questionnaires at least annually and our Board makes determinations of the independence of its members under the listing standards of the NYSE and the SEC requirements for Audit Committee members. Our Board believes that its membership should include no more than two directors who are also employees of KBR. While this number is not an absolute limitation, other than the Chief Executive Officer, who should at all times be a member of the Board, employee directors should be limited only to those officers whose positions or potential make it appropriate for them to sit on the Board.

Audit Committee Financial Expert Determinations

Our Board has determined that each member of its Audit Committee is financially literate and qualifies as an audit committee financial expert, as defined in Item 407(d) of Regulation S-K and, as described above,

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that each member of the Audit Committee is independent, as defined by our Corporate Governance Guidelines, the NYSE s listing standards and Rule 10A-3 under the Securities Exchange Act of 1934.

Board of Directors Leadership Structure

Since the inception of KBR as an independent public company in April 2007, Mr. Utt has served as CEO and Chairman of the Board. We believe that the leadership of KBR s Board of Directors is best served by combining the roles of Chairman and CEO, and that Mr. Utt is highly qualified to serve in his role.

The CEO and Chairman of the Board is responsible to the Board for the overall management and functioning of the company. The Chairman is joined in the leadership of the Board by our Lead Director, Mr. W. Frank Blount, who was elected by the non-management directors. Our Lead Director has significant board experience, as described in his biographical information in this proxy statement, and works closely with Mr. Utt and the Board on risk oversight and governance matters. Mr. Blount has served as the company s Lead Director, as well as Chairman of the Nominating and Corporate Governance Committee, since KBR s separation from its prior parent.

KBR s Corporate Governance Guidelines provide for the Lead Director to perform a strong role in the leadership of the Board, as follows:

The Lead Director presides at executive sessions of the non-management directors at each regular Board meeting and sets the agenda for these sessions.

The Lead Director approves meeting agendas for each regular Board and committee meeting and approves the information to be sent to the directors with respect to each meeting.

The Lead Director presided at the executive session of the Board held in December 2009 to evaluate the performance of our CEO. In addition, he has a key role in communicating to the CEO, after approval by the Compensation Committee, the evaluation and compensation of the CEO for the next full year and the results of the Board s review and approval of management succession plans and development programs.

As Chairman of the Nominating and Corporate Governance Committee, Mr. Blount leads the director selection and nomination process and the assignment of directors to committees of the Board.

KBR s Corporate Governance Guidelines provide for the following checks and balances regarding the role of the CEO and Chairman:

The CEO may not serve on any committees of the Board, as only non-management directors may do so.

One of the elements of the CEO s evaluation is the extent to which he keeps the Board informed on matters affecting the company and its operating units.

At least two-thirds of the Board must be independent directors. In practice, Mr. Utt has been the only management director at KBR since its inception as an independent public company. Each of our other directors is independent, as defined under the listing standards of the NYSE.

KBR s Board of Directors has determined that its current leadership structure is appropriate as of the date of this proxy statement, given the complexity and global nature of KBR s business and the risks inherent in our business. The Board believes that Mr. Utt, acting in his combined role as Chairman and CEO, is well positioned to facilitate communications with the Board of Directors and shareholders about our complex business. Mr. Utt was appointed

CEO in preparation for KBR s initial public offering by its former parent company, and has served in that capacity since 2006. Under Mr. Utt s leadership, KBR s business has undergone significant transformation, including a reorganization into more strategically-aligned business units, and evolution from a wholly-owned subsidiary with significant support from its parent company into an independent operating company. In addition, Mr. Utt has the full confidence of the Board. For all these reasons, the Board has determined that the most appropriate form of leadership for the Board of Directors is for the CEO, who is responsible for the day-to-day operations of the company, to serve as Chairman, with strong and independent oversight by the Lead Director and the other non-management directors.

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Risk Oversight Role of the Board of Directors

KBR s Board of Directors considers risk oversight to be an integral part of its role, and discussions regarding risks faced by the company are part of its meetings and deliberations throughout the year. Furthermore, at least twice each year, the entire Board receives a report from management regarding significant strategic, operational, financial, and hazard risks determined by management to have a potential significant impact on the company as a whole. The risk report involves both current and emerging risks and is the culmination of a process involving input from all business units and executive leadership. The risk report includes specific strategic, operational, financial and hazard risks, the perceived trend for each of those specific risks whether increasing, decreasing or stable and the measures being taken to monitor and mitigate those risks.

In addition to the enterprise risk management process described above, the Board of Directors also engages in risk oversight in the area of project revenues. At each meeting, the Board reviews aggregated KBR project revenues measured by type of contract fixed-price or reimbursable by country, client and project backlog. In this manner, the Board is informed of the overall risk profile of KBR s project revenues. The Board also engages in risk oversight through the project approval process, whereby projects reaching a threshold level of expected revenues require Board approval. Fixed-price contracts have a lower threshold level than reimbursable-type contracts because of their potential price and financial risks. In reviewing projects, the Board is presented with management s assessment of a particular project s cost exposure associated with operations risk, liabilities and funding risks, among others. In this manner, KBR s Board is engaged in risk oversight at the outset of the largest projects, which could have a material effect on KBR s operations.

The Board is also engaged in risk oversight through regular reports from its Audit Committee. The Audit Committee is charged with reviewing with management the company s major financial risk exposures and the steps management has taken to monitor and mitigate those exposures. The Audit Committee receives periodic reports from management on these areas of potential exposure, including litigation, liquidity and capital resources, financial reporting and disclosures, regulatory and tax risks, among others. The Audit Committee also receives reports from management regarding compliance risks and Code of Business Conduct matters. The Audit Committee also reviews at least annually KBR s processes for risk assessment and enterprise risk management and receives in-depth periodic reports from management regarding specific processes designed to monitor and manage risk, such as project estimation procedures and foreign exchange risk management. The Audit Committee conducts private sessions with KBR s Chief Financial Officer, Vice President of Internal Audit and General Counsel at each regular meeting and with KBR s independent auditors at each meeting prior to the release of quarterly and annual results. The Audit Committee Chairman gives a report of the Audit Committee s activities to the full Board at each regular meeting and in this manner the entire Board is informed of matters that the Audit Committee determines warrant full Board discussion.

Directors Meetings and Stockholder Communications with Directors

The Board of Directors will meet each year immediately following the Annual Meeting of Stockholders to transact such business as may properly be brought before the meeting. Additional regular meetings of the Board of Directors may be held without notice at such times as the Board of Directors may determine, but shall consist of at least four other regularly scheduled meetings. Special meetings may be called by the Chairman of the Board of Directors, the Chief Executive Officer, the President, the Corporate Secretary or a majority of the directors in office. KBR s Bylaws permit action to be taken without a meeting if all members of the Board of Directors consent to such action in writing or by electronic transmission. During 2009, the Board of Directors held 11 meetings. The Chairman of the Board presides at all Board meetings. KBR s Chairman of the Board, William P. Utt, is also our President and Chief Executive Officer.

During each regular Board meeting, KBR s non-employee directors, all of whom have been determined by our Board to be independent under the standards of our Corporate Governance Guidelines and the NYSE, meet in scheduled executive sessions. Our Lead Director, Mr. W. Frank Blount, presides at all executive sessions of the Board. During 2009, the non-employee directors met without management five times.

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In addition, each December our non-employee directors meet in executive session to evaluate the performance of our Chief Executive Officer. In evaluating our CEO, the non-employee directors consider qualitative and quantitative elements of the CEO s performance, including:

- leadership and vision;
- integrity;
- keeping the Board informed on matters affecting KBR and its operating units;
- performance of the business (including such measurements as total stockholder return and achievement of financial objectives and goals);
- development and implementation of initiatives to provide long-term economic benefit to KBR;
- accomplishment of strategic objectives; and
- development of management.

In addition, the non-employee directors review annually management succession plans and development programs for senior members of executive management. The evaluation and compensation for the next full year, and management succession plans and development programs will be communicated to the CEO only after review and approval by the Compensation Committee and the full Board of Directors (other than the CEO).

Management Succession Planning

The Board of Directors considers management evaluation and CEO succession planning an important responsibility of the Board. Our Corporate Governance Guidelines, which are available on our website at www.kbr.com/About/Corporate-Governance/, provide that the Board s responsibility for effective governance of the corporation includes reviewing succession plans and management development programs for members of executive management. In 2008, the Board of Directors, with input from the Nominating and Corporate Governance Committee and the Chairman and CEO, developed KBR s first comprehensive succession plan for all senior management positions. The development process included identification of internal candidates, any development needs for such candidates, and a determination of whether a search for external candidates would be more appropriate.

Issues relating to CEO succession planning are also addressed regularly, and no less than annually, by the entire Board. This process is led by the Lead Director on behalf of the non-management directors. As set out in our Corporate Governance Guidelines, KBR s non-management directors review succession plans and management development programs for members of executive management, including the CEO, on at least an annual basis. While the Nominating and Corporate Governance Committee performs the initial review of the succession plans and makes recommendations to the Board as necessary, the entire Board has primary responsibility for CEO succession planning and develops both long-term and contingency plans for succession of the CEO. This process necessarily involves the development and review of criteria for the CEO position and the assessment of internal candidates against those criteria. Additionally, one of the elements that the CEO is evaluated upon each year by the Compensation Committee is the existence and completeness of a succession plan, including assessment and development of internal candidates for the CEO and top level executive positions. The evaluation and compensation of the CEO for the next full year, including an evaluation of the completeness of aspects of the management succession plans and development programs that are the responsibility of the CEO, are communicated to the CEO by the Lead Director after review and approval by the Compensation Committee and the full Board of Directors (other than the CEO).

The Board of Directors and Standing Committees of Directors

KBR s Bylaws authorize the Board of Directors to appoint such committees as they deem advisable, with each committee having the authority to perform the duties as determined by the Board. A substantial portion of the analysis and work of the Board is done by standing Board committees. A director is expected to

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participate actively in the meetings of each committee to which he or she is appointed. At this time, the Board of Directors has four standing committees to which it has delegated certain duties and responsibilities: the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee and the Health, Safety and Environment Committee. Each of the standing committees is comprised entirely of non-employee and, in the business judgment of the Board, independent, directors. The members and chairmen of the respective committees are indicated below:

	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	HSE Committee
W. Frank Blount		X	X*	
Loren K. Carroll	X	X*		
Jeffrey E. Curtiss	X*			X
John R. Huff		X	X	
Lester L. Lyles	X			X
Richard J. Slater			X	X*

* Chairman

The Board of Directors has approved a charter for each of the standing committees, which sets forth the duties and responsibilities delegated to each of the committees by the Board of Directors and governs the committee s actions. The purpose, duties and responsibilities of each committee are briefly described below.

Audit Committee

The Audit Committee currently comprises Messrs. Carroll, Curtiss and Lyles. Mr. Curtiss serves as Chairman. The Board of Directors has determined that each member of the Audit Committee is independent and financially literate as defined in the listing standards of the NYSE and that each member of the Audit Committee is an audit committee financial expert, as defined in Item 407(d)(5) of Regulation S-K. The Audit Committee met nine times in 2009. A copy of the Audit Committee s charter is available on the Corporate Governance page of our website, www.kbr.com.

The Audit Committee reviews and reports to the Board of Directors the scope and results of audits by our principal independent public accountants and our internal auditing staff and reviews with the principal independent public accountants the effectiveness of our system of internal controls. It reviews transactions between us and our directors and officers, our policies regarding those transactions and compliance with our Code of Business Conduct. The Audit Committee also engages our principal independent registered public accounting firm for each fiscal year, reviews the audit and other professional services rendered by our principal independent registered public accounting firm and periodically reviews the independence of our principal independent registered public accounting firm. Additional information about the Audit Committee and its responsibilities is included in the section of this proxy statement entitled Audit Committee Report and in the charter of the Audit Committee, which was adopted by the Board of Directors.

Compensation Committee

The Compensation Committee currently comprises Messrs. Blount, Carroll and Huff. Mr. Carroll serves as Chairman. The Board of Directors has determined that each member of the Compensation Committee is independent as defined in the listing standards of the NYSE. The Compensation Committee met six times during 2009.

The Compensation Committee reviews and recommends to the Board of Directors the compensation and benefits of our executive officers, establishes and reviews general policies relating to our compensation and

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benefits and administers the compensation plans described in the Compensation Discussion and Analysis below. The Compensation Committee s responsibilities include, but are not limited to:

evaluating and advising the Board regarding the compensation policies applicable to our executive officers, including guidance regarding the specific relationship of corporate performance to executive compensation;

reviewing and recommending to the Board: the corporate goals and objectives relevant to compensation for the Chief Executive Officer; the CEO s performance in light of these established goals and objectives; the CEO s compensation, including salary, bonus, incentive and equity compensation based on this evaluation and considering, with respect to the long-term incentive compensation component of the CEO s compensation, KBR s performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies, the awards given to the CEO in past years and any other factors it deems relevant;

reviewing and making recommendations to the Board with respect to incentive compensation and other stock-based plans;

reviewing and discussing with management the Compensation Discussion and Analysis and determining whether to recommend to the Board that it be included in KBR s annual proxy statement or annual report on Form 10-K;

preparing and publishing, over the names of the members of the Committee, an annual executive compensation report as required by the SEC to be included in KBR s annual proxy statement or annual report on Form 10-K; and

evaluating its own performance and reviewing the adequacy of its charter, at least annually.

Health, Safety and Environment (HSE) Committee

The HSE Committee currently comprises Messrs. Curtiss, Lyles and Slater. Mr. Slater serves as Chairman. The HSE Committee met twice in 2009.

The Health, Safety and Environment Committee s responsibilities include, but are not limited to:

reviewing the status of KBR s health, safety and environmental policies and performance, including processes to ensure compliance with applicable laws and regulations;

reviewing KBR s health, safety and environmental performance to determine consistency with policies and goals; and

reviewing and providing input to KBR on the management of current and emerging health, safety and environmental issues.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee currently comprises Messrs. Blount, Huff and Slater. Mr. Blount serves as Chairman. The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent as defined in the listing standards of the NYSE. The Nominating and Corporate Governance Committee met five times during 2009.

The Nominating and Corporate Governance Committee s responsibilities include, but are not limited to:

- developing, implementing and periodically reviewing KBR s corporate governance guidelines;
- developing and implementing a process to assess Board and committee effectiveness;
- identifying individuals qualified to become Board members, consistent with Board-approved criteria;
- determining the composition of the Board and its committees; including selection of the Director nominees for the next annual meeting of stockholders; and

periodically reviewing the compensation paid to non-employee directors (including Board and committee chairpersons) in the form of annual retainers and meeting fees, if any, and making recommendations to the Board regarding any adjustments.

Stockholder Nominations of Directors. Stockholders may suggest candidates for nomination by the Nominating and Corporate Governance Committee by contacting the Committee in the manner provided above under Contact the Board. If selected for nomination by the Nominating and Corporate Governance Committee, as described below under Process for the Selection of Directors, such candidate will be included in KBR s proxy statement for the annual meeting of stockholders.

Nominations by stockholders may also be made at an annual meeting of stockholders in the manner provided in our Bylaws, although such nominees will not necessarily be included in KBR s proxy statement. The Bylaws provide that a stockholder entitled to vote for the election of Directors may make nominations of persons for election to the Board at a meeting of stockholders by complying with required notice procedures. Nominations shall be made pursuant to written notice to our Secretary at the address set forth on page 2 of this proxy statement, and must be received at our principal executive offices not less than ninety (90) days, nor more than one hundred twenty (120) days, prior to the anniversary date of the immediately preceding annual meeting of stockholders. The notice shall set forth:

as to each person the stockholder proposes to nominate for election or reelection as a Director:

the name, age, business address and residence address of the person;

the principal occupation or employment of the person;

the class and number of shares of KBR common stock that are beneficially owned by the person;

all other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and

such person s written consent to serve as a director if elected; and

as to the stockholder giving the notice:

the name and record address of the stockholder;

the class and number of shares of KBR common stock that are beneficially owned by the stockholder;

a representation that the stockholder intends to appear in person or by proxy at the meeting to propose the nomination;

any hedging or other transactions entered into with the effect or intent to mitigate loss to, or manage risk or benefit of share price changes for, or to increase or decrease the voting power of, the stockholder; and

a representation whether the stockholder intends to solicit proxies from the holders of at least the percentage of common stock required to elect the nominee.

The proposed nominee may be required to furnish other information as KBR may reasonably require to determine the eligibility of the proposed nominee to serve as a director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures.

Qualifications of Directors. Candidates nominated for election or re-election to the Board of Directors should possess the following qualifications:

- personal characteristics:
  - highest personal and professional ethics, integrity and values;

an inquiring and independent mind;

practical wisdom and mature judgment;

broad training and experience at the policy-making level in business, government, education or technology;

expertise that is useful to KBR and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained;

willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;

commitment to serve on the Board for several years to develop knowledge about KBR s principal operations;

willingness to represent the best interests of all stockholders and objectively appraise management performance; and

involvement only in activities or interests that do not create a conflict with the Director s responsibilities to KBR and its stockholders.

The Nominating and Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the needs of the Board at a given point in time and shall periodically review and update the criteria. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates, but KBR does not have a policy with regard to any particular aspect of diversity of its directors.

Process for the Selection of New Directors. The Board is responsible for filling vacancies on the Board. The Board has delegated to the Nominating and Corporate Governance Committee the duty of selecting and recommending prospective nominees to the Board for approval. The Nominating and Corporate Governance Committee considers suggestions of candidates for Board membership made by current Committee and Board members, KBR management, and stockholders. Each of the nominees for director at this meeting is an incumbent director recommended by the non-management directors. The Committee may also retain an independent executive search firm to identify candidates for consideration. The Nominating and Corporate Governance Committee will also consider candidates nominated by the stockholders in accordance with our Bylaws. A stockholder who wishes to recommend a prospective candidate should notify KBR s Secretary, as described in this proxy statement.

When the Nominating and Corporate Governance Committee identifies a prospective candidate, the Committee determines whether it will carry out a full evaluation of the candidate. This determination is based on the information provided to the Committee by the person recommending the prospective candidate, and the Committee s knowledge of the candidate. This information may be supplemented by inquiries to the person who made the recommendation or to others. The preliminary determination is based on the need for additional Board members to fill vacancies or to expand the size of the Board, and the likelihood that the candidate will meet the Board membership criteria listed above. The Committee will determine, after discussion with the Chairman of the Board and other Board members, whether a candidate should continue to be considered as a potential nominee. If a candidate warrants additional consideration, the Committee may request an independent executive search firm to gather additional information about the candidate s background, experience and reputation, and to report its findings to the Committee. The Committee then evaluates the candidate and determines whether to interview the candidate. Such an interview would be carried out by one or more members of the Committee and others as appropriate. Once the evaluation and interview are completed, the Committee recommends to the Board which candidates should be nominated. The Board makes a determination of nominees after review of the recommendation and the Committee s report.

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Code of Ethics

KBR has adopted a code of ethics, as defined in Item 406(b) of Regulation S-K. KBR s code of ethics, known as its Code of Business Conduct, applies to all directors, officers and employees of KBR, including its principal executive officer, principal financial officer, principal accounting officer and controller, and also applies to all employees of KBR and KBR s agents. KBR has posted its Code of Business Conduct on its website, www.kbr.com. In addition, KBR intends to satisfy the disclosure requirements regarding any amendment to, or waiver from, a provision of the Code of Business Conduct that relates to any element of the definition of code of ethics set forth in Item 406(b) of Regulation S-K, including the requirements of Item 5.05 of Form 8-K, by posting such information on its website, www.kbr.com.

In addition, we have agreed that, for five years following our initial public offering in November 2006, we will consistently implement and maintain the business practices and standards adopted by the Halliburton Board of Directors for us with respect to internal control procedures relating to the use of foreign agents. We may amend such procedures from time to time during the five-year period with Halliburton s prior consent, not to be unreasonably withheld. In December 2009, in conjunction with our review of all our anti-corruption policies, we sought and obtained Halliburton s consent to amend our Code of Business Conduct. The revised Code of Business Conduct was approved by the Board of Directors on December 16, 2009.

Contact the Board

To foster better communication with our stockholders, KBR has established a process for stockholders and other interested parties to communicate with the Audit Committee and the Board of Directors. The process has been approved by our Board and its Audit Committee and is designed to meet the requirements of the NYSE and the SEC. You may communicate with our Board of Directors or the non-management directors via mail (Board of Directors c/o Director of Business Conduct, KBR, Inc., P.O. Box 3406, Houston, Texas 77253-3406), telephone (1-800-536-4217 (toll-free from the U.S. or Canada) or 770-776-5639 (calling collect from any other country)), or e-mail (fhoukbrbod@kbr.com). Information regarding these methods of communication is also on our website, www.kbr.com, under Corporate Governance.

Our Director of Business Conduct reviews all communications directed to the Audit Committee and the Board of Directors. The Chairman of the Audit Committee is promptly notified of any significant communication involving accounting, internal accounting controls, auditing matters or any other significant communications. Communications addressed to a named director are promptly sent to the director. Communications directed to the non-management directors are promptly sent to the Lead Director. A report summarizing the significant communications is sent to each director quarterly and copies of communications are available for review by any director, except that those designated for the non-management directors are not available to management directors. The process has been approved by both the Audit Committee and the Board, and is designed to meet the requirements of the NYSE and the SEC. Concerns may be reported anonymously or confidentially.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis, as provided below, with KBR s management. Based on its review, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

Respectfully submitted,

The Compensation Committee of Directors
Loren K. Carroll, Chairman
W. Frank Blount
John R. Huff

March 11, 2010

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

This Compensation Discussion and Analysis explains our compensation philosophy, objectives, policies, and practices in place during 2009 with respect to our Chief Executive Officer (CEO), our current Chief Financial Officer (CFO), our previous CFO, and the other three most highly-compensated executive officers who were employed at the end of 2009, all of whom are collectively referred to as the Named Executive Officers. The Named Executive Officers, together with the other members of our Senior Executive Management whose compensation is determined by our Compensation Committee and our Board of Directors, are referred to as our Senior Executive Management.

During 2009, our Compensation Committee met six times to oversee, evaluate and revise our compensation programs.

KBR s Compensation Philosophy, Objectives, Policies and Practices

Overview

Our Compensation Committee regularly reviews the elements of the individual compensation packages for our Senior Executive Management. Our Compensation Committee delegates to our CEO the duty to approve and administer the individual compensation packages for our other executives and employees, subject to its annual review of such administrative delegation.

Our compensation plans are designed to achieve the following primary objectives:

- provide a clear and direct relationship between executive pay and Company (and Business Unit) performance, both on a short and long-term basis;
- emphasize operating performance measures;
- link executive pay to measures of stockholder value;
- support our business strategies and management processes in order to motivate our executives; and

generally target current market levels of total compensation opportunities near the 50th percentile of the competitive market for good performance and between the 50th and 75th percentile of the competitive market for outstanding performance.

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Our executive compensation program is regularly reviewed so that:

- the program s components support our objectives and motivate our executives to achieve business success and generate value for our stockholders; and
- the program is administered in a manner consistent with established compensation policies.

The basic elements of our 2009 executive compensation programs are summarized in the table below, and a detailed explanation of each element is set forth under the section titled Elements of Compensation. A number of these compensation elements, except for base salary, a portion of the restricted stock units, and certain retirement, health, and welfare benefits, are performance-based and therefore at risk of forfeiture. In addition, the vesting of 100% of our CEO s and 50% of our other Named Executive Officer s 2009 restricted stock unit grants and stock options are at risk of forfeiture under the net income performance condition described in the sections titled KBR Restricted Stock Units and KBR Stock Options.

Element	Characteristics	Purpose
Base Salary (including Supplemental Base Salary)	Fixed component of pay; targeted near the median of peer companies, with salary being less than or exceeding the median based on experience, performance, and other factors.	Support market-competitiveness of annual pay for skills and experience necessary to meet the requirements of the executive s role.
Short-Term Incentives (Annual)	Performance-based component of pay; payout dependent on Company/Business Unit performance relative to targeted levels. Targeted near the median of peer companies, with payouts being less than or exceeding the median based on Company and Business Unit performance.	Motivate and reward achievement of, and performance in excess of, our Company s and Business Unit s annual goals.
Long-Term Incentives (cash performance award units, restricted stock units, and stock options)	Performance-based cash awards that are realized based on total stockholder return in relation to our peer companies and return on capital; targeted near the median of peer companies. Restricted stock unit awards in which each unit equals the value of our common stock price and increases and decreases with our common stock price and which are all or partially earned based on the Company having positive net	Reward achievement of our total stockholder return and return on capital goals. Align interests of management and stockholders. Reward achievement of increases in the value of our common stock over the long term. Vesting over time facilitates retention and provides incentives to enhance long-term value.

	income. Stock options that are granted with an exercise price equal to the stock value on the grant date, increase in value to the extent our common stock price exceeds the exercise price, and are all or partially earned based on the Company having positive net income.	
Supplemental Retirement	Fixed component of pay. Nonqualified retirement plans.	Provide retirement benefits for executives whose ability to save in qualified plans is limited; vesting provisions retain talent.

Element	Characteristics	Purpose
Severance and Change-in-Control Protection	Agreements that provide (i) severance termination benefits (prior to a change-in-control), (ii) double-trigger change-in-control (which requires both a termination of employment and a change-in-control to receive benefits) termination benefits (on or after a change-in-control), and (iii) death, disability, and retirement benefits.	Support market-competiveness among the Company s peer companies and promote retention.
Other Generally Available Benefits	Fixed component of pay. 401(k) plan under which regular employees may defer compensation for retirement; matching contributions equal to 5.5% of eligible compensation. The same or comparable health and welfare benefits (medical, dental, vision, disability insurance and life insurance) are available to regular, full-time employees.	Provide employees the opportunity to save for their retirement. Provide benefits to meet the health care and welfare needs of employees and their families.

We believe that short-term compensation is an important factor to achieve our goals of attracting, retaining, and motivating high-performing, experienced executives. Annual performance criteria and award levels provide incentives for our executives to focus their efforts on adding value to our business on a day-to-day basis. We believe that long-term incentive compensation strengthens our executives stake in the Company and aligns their interests with the interests of our stockholders. The combination of performance and vesting components is designed to link the value that our executives receive with strong Company performance over time.

Our internal stock nomination process is designed and administered to provide equity award grant dates that are prospective and not retrospective, or back-dated. Stock awards approved by our Compensation Committee are generally effective on the later of the date of the meeting at which the approval occurs or the date of the last signature on the Compensation Committee resolution approving the award, if our Compensation Committee acts without a meeting. Stock option grants approved by our Compensation Committee are never issued with an exercise price below the fair market value of our common stock on the date of grant. For 2009, we granted restricted stock units, stock options, and cash performance awards.

Except for equity awards under our long-term incentive program, under which we granted equity compensation in the form of restricted stock units and stock options during 2009, our compensation elements are cash based. There is no pre-established formula for the allocation between cash and non-cash compensation or short-term and long-term compensation. Instead, each year our Compensation Committee determines, at its discretion and business judgment, the appropriate level and mix of short-term and long-term incentive compensation for our Senior Executive Management to reward near-term excellent performance and to encourage commitment to our long-range strategic business goals. To determine the appropriate combination of elements, we consider market pay practices and practices of peer companies, individual performance, and the burn rate of our equity grants in comparison to the burn rate of our E&C and Diversified Peer Groups, as defined below in the section titled Benchmarking Compensation.

Role of our Compensation Committee

Pursuant to its charter, which is available on the corporate governance page of our Web site, *www.kbr.com*, our Compensation Committee is primarily responsible for establishing our overall compensation philosophy and objectives and for overseeing and evaluating our compensation and employee benefit plans and practices, particularly executive compensation. In 2009, our Compensation Committee met six times, either in person or by telephone, and reviewed, approved, and recommended to our Board of Directors for final approval, the compensation and equity awards for our Senior Executive Management. Specifically, our Compensation Committee s role in our executive compensation program in 2009 was as follows:

Evaluated and advised our Board of Directors regarding the compensation policies applicable to our Senior Executive Management;

Reviewed and recommended to our Board of Directors:

A. our CEO s compensation, including salary, supplemental base salary, short-term incentive, and supplemental retirement; and

B. the long-term incentive compensation component of our CEO s compensation;

Reviewed our CEO s recommendations with respect to, and approved, the compensation to be paid to our Senior Executive Management under its purview, which generally included the Section 16 officers of the Company and the Vice President of Internal Audit;

Reviewed and made recommendations to our Board of Directors with respect to our incentive compensation and other stock-based plans;

Administered our incentive compensation and other stock-based plans;

Reviewed the risk of our executive compensation programs;

Developed a comprehensive, written appraisal of the CEO s performance in 2009 to provide vital input to the review of the CEO s 2010 total compensation package; and

Reviewed and discussed our annual Compensation Discussion and Analysis disclosure with management, and recommended to our Board of Directors that the Compensation Discussion and Analysis be included in both our annual proxy statement and our annual report on Form 10-K.

In addition, our Compensation Committee retained a compensation consultant to provide advice and support for executive compensation decisions, as it deemed appropriate. Our Compensation Committee has the sole authority to engage or terminate the services of compensation consultants.

Third-Party Consultants

Under its charter, our Compensation Committee is authorized to retain and terminate any compensation consultant and has the sole authority to approve the consultant s fees and other retention terms. While our Compensation Committee believes that using third-party consultants is an efficient way to keep current regarding competitive compensation practices, our Compensation Committee does not accord undue weight to the advice of outside professional advisors, but instead makes changes in our compensation program in light of whether the program s intended objectives are being achieved. In 2009, our Compensation Committee used the services of one compensation consultant, Hewitt Associates, LLC (Hewitt). Our Compensation Committee engaged, and managed its relationship with, the Hewitt executive compensation consultant directly, and Hewitt reported to the Compensation Committee with respect to all executive compensation matters.

During 2009, the nature and scope of Hewitt s assignment with the Compensation Committee included advising the Compensation Committee, as it needed, with respect to all executive compensation matters under the Compensation

Committee s purview. The material elements of the instructions or directions given to Hewitt with respect to the performance of its duties to the Compensation Committee included engaging Hewitt to provide the Compensation Committee with: (1) the realized compensation of the named executive officers of our Engineering and Construction (E&C) Peer Group; (2) an overview of Internal Revenue Code Section 162(m) and umbrella bonus pool arrangements; (3) a review of management s 2009 executive compensation recommendations for our Senior Executive Management; (4) a summary and observations of realized compensation at our E&C Peer Group; (5) review of the policies, methodologies, and evaluations conducted by our key shareholders advisors; (6) a review of our Supplemental Executive Retirement Plan in comparison to our E&C Peer Group and our Diversified Peer Group (as defined below in the section titled Benchmarking Compensation); (7) a review of the peer groups used to assess the competitiveness of the

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Company s executive compensation programs for the 2008-2009 compensation cycle, as well as consideration to be used for the 2009-2010 compensation cycle; (8) a summary of the key executive compensation and corporate governance topics, trends, and issues for the Compensation Committee to consider in 2009; (9) a competitive market study of executive compensation for the Senior Executive Management; (10) a comparison of the Company s policies and practices to the standards issued by prominent shareholder advisory groups; (11) a review and analysis of the performance metrics used in the Company s incentive plans, along with observations of the target-setting process; (12) an assessment of the risk profile of the proposed 2010 performance metrics for the Company s short-term and long-term incentive plans; (13) an update on executive compensation legislation and regulatory and corporate governance issues; (14) a summary of the progression of our Senior Executive Management s compensation; (15) a review of the proposed 2010 compensation for our Senior Executive Management; (16) a review of the CEO s total proposed 2010 compensation relative to the chief executive officers compensation at our E&C and Diversified Peer Groups.

Hewitt s fees for executive compensation services to the Compensation Committee in 2009 were $361,943. Outside of providing executive compensation advice, Hewitt provided the following additional services to the Company and its affiliates: (1) acted as our third-party benefit plan administrator, (2) performed limited communications consulting services, and (3) administered KBR s service award program. Hewitt s aggregate fees for these additional services, including third-party benefit plan administration and communications and service award work, for 2009 were $5,668,235. The management of our Hewitt relationship with respect to these additional services, including benefit plan administration, communications, and service award work, was the responsibility of our internal benefits department. Management made the decision to engage Hewitt for these additional services. The Compensation Committee reviewed these additional services but did not formally approve them.

In 2010, the individuals employed by Hewitt who are the primary consultants working for the Compensation Committee will move to an independent firm, Meridian Compensation Partners, LLC, which will provide no other services to the Company outside of executive compensation consulting to the Compensation Committee.

Benchmarking Compensation

The elements of compensation were benchmarked for our Senior Executive Management. In the design and administration of our 2009 executive compensation programs, our Compensation Committee considered competitive market data from two peer groups, our E&C Peer Group and our Diversified Peer Group. Our Compensation Committee also used its discretion and business judgment in determining overall compensation.

Our Compensation Committee used the same E&C Peer Group in 2009 as it did in 2008. The E&C Peer Group is comprised of ten companies with primary operations in the engineering, construction, and services industry, against which we believe KBR most competes for employees and business. The compensation data for our E&C Peer Group was obtained from publicly available sources, including proxy statements and Form 4 and 8-K disclosures, and were not adjusted. Following is the list of companies that comprise the E&C Peer Group:

E&C Peer Group

Chicago Bridge & Iron Company	Foster Wheeler Ltd	The Shaw Group Inc.
DynCorp International, Inc.	Granite Construction, Inc.	URS Corp
EMCOR Group, Inc.	Jacobs Engineering Group Inc.	
Fluor Corp.	McDermott International, Inc.	

As a supplement to publicly-available data for the E&C Peer Group, and because there is not a current source of executive pay data specific to the engineering, construction, and services industry, a supplemental group of companies was selected to provide additional data for assessing the competitiveness of our compensation programs. The Diversified Peer Group consisted of 19 companies that were participants in

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Hewitt s Total Compensation Measurement database, crossing multiple manufacturing and operations-focused industries of similar size and scope as KBR. The companies were generally selected based on company size, complexity and performance, and the nature of their principal business operations with specific emphasis on engineering, heavy manufacturing, and industrial services. Consideration was also given to companies based in Houston. In its competitive market review, Hewitt reviewed both raw data and performed regression analyses for benchmark matches made based on individual role and job content.

The Compensation Committee believes the Diversified Peer Group appropriately represents both the local Houston and the broader market for key management and technical talent. Following is the list of companies that comprise the Diversified Peer Group:

Diversified Peer Group

BJ Services Company	Dover Corporation	Rohm and Haas Company (removed in April 2009)
Baker Hughes Inc.	DynCorp International, Inc.	Service Corp International
Borg Warner Inc.	FMC Technologies Inc.	The Shaw Group Inc.
Cameron International Corporation	Foster Wheeler Ltd	Textron Inc.
Chicago Bridge & Iron Company	Goodrich Corporation	Waste Management Inc.
Cooper Industries Ltd.	ITT Corporation	
Cummins Inc.	McDermott International, Inc.	

In July 2009, our Compensation Committee asked Hewitt to review the appropriateness of our E&C and Diversified Peer Groups in the assessment of the competitiveness of our Company s executive compensation programs. The review analyzed the financial aspects of both our E&C and Diversified Peer Groups, including revenue, net assets, market capitalization, enterprise value, stock price history, and number of employees. It was concluded that the E&C and Diversified Peer Groups provide the basis for reasonable assessments of the competitiveness of pay for our Senior Executive Management, in terms of selected financial metrics and availability of market data. The Compensation Committee elected to maintain the current E&C Peer Group and consider future adjustments as warranted. The Compensation Committee elected to remove Rohm and Haas Company from the Diversified Peer Group because it was acquired by The Dow Chemical Company in April 2009.

Role of CEO in Compensation Decisions

During 2009, our CEO made recommendations to our Compensation Committee regarding the compensation and incentives for our Senior Executive Management. Our CEO also:

- recommended performance measures, target goals and award schedules for short-term and long-term incentive awards, and reviewed performance goals for consistency with our projected business plan;

- reviewed competitive market data for Senior Executive Management positions; and

- developed specific recommendations regarding the amount and form of equity compensation to be awarded to our Senior Executive Management and the aggregate amount and form of equity compensation, by employee level, corporate function, and Business Unit, to be awarded below the Senior Executive Management level.

In addition to what our CEO did in his role, our Compensation Committee annually reviews and approves the compensation and incentive awards for our Senior Executive Management.

Executive Compensation Policies

Our executive compensation program procedures are guided by policies. Our policies set the parameters around those positions that require approval of compensation by our Compensation Committee and those where delegation to our CEO is authorized. The responsibilities outlined in our Compensation Committee s charter are supported by an internal process that guides and details the actions to be taken by our Compensation Committee, our CEO, our Senior Executive Management, and staff. These processes coincide with our Compensation Committee s annual calendar, which details the timing of compensation events and associated Compensation Committee actions.

Elements of Compensation

Our executive compensation program has been designed to ensure that KBR is able to attract and retain the ideal individual for a position and that its compensation plans support KBR s strategies, focus efforts, help achieve business success, and align with KBR s stockholders interests.

Our 2009 executive compensation program consisted of the following core elements:

A. base salary;

B. short-term incentives (annual);

C. long-term incentives;

D. supplemental retirement;

E. severance and change-in-control protection; and

F. other generally available benefits.

A. Base Salary

To determine base salary for our Senior Executive Management, our Compensation Committee reviewed (1) market data for comparable positions within the E&C Peer Group, (2) individual performance, and (3) internal equity. Where no E&C Peer Group information was available, our Compensation Committee relied on market data for comparable positions within the Diversified Peer Group. In addition to considering market comparisons in making salary decisions, our Compensation Committee exercises discretion and judgment based on the following factors:

- level of responsibility;
- experience in current role and equitable compensation relationships among our executives;
- performance and leadership; and
- external factors involving competitive positioning, general economic conditions, and marketplace compensation trends.

No specific formula is applied to determine the weight of each factor, and the factors are considered by the Compensation Committee in its discretion. Salary reviews are conducted annually in which individual performance is evaluated; however, individual salaries are not necessarily adjusted each year. Our Compensation Committee generally established base salaries at competitive levels, using the median pay levels of comparable positions in both the E&C Peer Group and the Diversified Peer Group as reference points. Following the Company s spin-off from its former parent, a transition of base salaries toward the market median was made based on several factors, including the Company s (1) new status as an independent public company, (2) increased scope and responsibilities (i.e., the change in status from a division of a company to the corporate level), (3) evolving compensation philosophy, and (4) executives experience and performance.

During the last quarter of 2008, our CEO presented our Compensation Committee with 2009 salary recommendations for our Senior Executive Management. Our CEO explained to the Compensation Committee that he initially reviewed the median salaries of comparable positions in our E&C Peer Group and Diversified

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Peer Group, but took into account internal equity and performance in determining his recommendations. In addition, Hewitt presented its competitive compensation analysis of our Senior Executive Management compensation using E&C Peer Group proxy data and Diversified Peer Group data. After reviewing the information presented by our CEO and Hewitt, our Compensation Committee reduced our CEO s recommendations slightly to reflect the downturn in the economy. In addition, our Compensation Committee elected to postpone the base salary increases for our Senior Executive Management from January 1, 2009, to April 1, 2009, in light of the weakening of the U.S. financial markets and economy.

Messrs. DeNicola, Farley, Rose, and Zimmerman s base salaries were on average approximately 11.8% below the median for our E&C Peer Group. Messrs. DeNicola, Farley, Rose, and Zimmerman s salaries were increased by 5.6%, 9.3%, 6.3%, and 14.3%, respectively, because of individual factors, E&C and Diversified Peer Group comparisons and their positions within KBR. Specifically, Mr. DeNicola s base salary was increased to the median base salary for chief financial officers in our E&C Peer Group because of the depth of his experience as a chief financial officer and based on internal equity. Mr. Farley s base salary was increased to slightly above the median base salary for general counsel positions in our E&C Peer Group because of his strong leadership with respect to the Company s high profile legal matters. Mr. Rose s base salary was increased to be closer but still below the median base salaries for group presidents of both the E&C and Diversified Peer Groups because he had less experience in his role as compared to the other Senior Executive Management. Mr. Zimmerman s base salary was increased to be closer to the median base salaries for group presidents of both the E&C and Diversified Peer Groups because of his increased responsibility after his Business Unit more than doubled in size due to the Company s acquisition of BE&K, Inc. and based on internal equity. Our Compensation Committee approved Ms. Carter s base salary of $475,000, which was negotiated as part of her offer, effective as of her date of hire on October 21, 2009. Ms. Carter s base salary reflected approximately the median chief financial officer base salary of our E&C Peer Group companies.

In addition, our Compensation Committee separately reviewed our CEO s salary. Based on our Compensation Committee s review of the data from Hewitt s analysis of our E&C Peer Group and Diversified Peer Group and a written appraisal of our CEO s performance in 2008 submitted by the independent Board of Directors, our Compensation Committee elected to increase our CEO s 2009 base salary by 5% to $840,000 because he successfully managed a major reorganization of the Company and established effective long-term strategies. Our CEO s salary was approximately 10% below the median of chief executive officers in our E&C Peer Group.

Our Compensation Committee, based on recommendations from our CEO and Hewitt s review of the competitiveness of base salaries, elected to increase base salaries for our Named Executive Officers (other than the CEO) on average approximately 4.6%, to be effective March 1, 2010. Our Compensation Committee elected to maintain Ms. Carter s base salary at the level agreed to as part of the terms of her employment with the Company, which were negotiated only several months before. In December 2009, the Compensation Committee elected to increase the CEO s salary by 7.1% to $900,000, effective March 1, 2010, because of the strong performance evaluation that he received from the Board of Directors in December 2009.

In addition to the base salary for both 2009 and 2010, our Compensation Committee approved providing our CEO with $100,000 and our other Senior Executive Management with $30,000 in supplemental base salary, which is paid with regular payroll and which is treated as base salary, except for purposes of determining any benefits or payments under any medical, insurance, employee retirement, executive compensation or incentive, supplemental executive retirement, bonus, or severance and change in control plan, program, or agreement. These supplemental base salary payments were approved to provide our Senior Executive Management with additional compensation to make up for the fact that the Company does not provide any perquisites and to be competitive with the companies of our E&C and Diversified Peer Groups that do still provide perquisites.

B. Short-Term Incentives (Annual)

Our Senior Executive Management was eligible to participate in the KBR Senior Executive Performance Pay Plan (the Performance Pay Plan) for the 2009 calendar year. The Performance Pay Plan was adopted in

February 2007 as a performance program under the stockholder-approved KBR, Inc. 2006 Stock and Incentive Plan, as amended (the KBR Stock and Incentive Plan). The Performance Pay Plan was established under the KBR Stock and Incentive Plan to enable KBR to design the annual incentive awards as performance-based awards under section 162(m) of the Internal Revenue Code whenever appropriate and consistent with our compensation philosophy. Our Compensation Committee established the Performance Pay Plan to reward Senior Executive Management for improving financial results for stockholders of KBR and to provide a means to connect cash compensation directly to KBR s performance.

The Performance Pay Plan metrics are reviewed annually by our Compensation Committee. In March 2009, our Compensation Committee, based on the recommendation of our CEO, decided to adopt new performance metrics for the 2009 calendar year. The following performance metrics (and weightings) were adopted by our Compensation Committee for the Corporate officers (which apply for Ms. Carter and Messrs. DeNicola, Farley, and Utt):

30% KBR Earnings Per Share (EPS);

7.5% KBR Days Billed Accounts Receivable Outstanding (DBAR);

7.5% KBR Days Unbilled Accounts Receivable Outstanding (DUAR);

30% KBR Job Income Sold (JIS);

15% KBR Net Overhead Expense (NOE); and

10% KBR Safety Recordable Incident Rate (RIR).

The following performance metrics (and weightings) were adopted by our Compensation Committee for the Business Unit (BU) presidents (which apply for Messrs. Rose and Zimmerman):

10% KBR EPS;

7.5% BU DBAR;

7.5% BU DUAR;

25% BU Income before Corporate allocations and incentive expense (BUI);

25% BU JIS;

15% BU NOE; and

10% BU Safety RIR.

Our Compensation Committee has negative discretion to reduce the payout levels by up to 40% from the attained goals.

EPS (Earnings Per Share) measures net income from continuing operations divided by the weighted average number of fully diluted Company shares outstanding. EPS is a measure of the profit and loss statement from Business Unit operating results, overhead management, cash investment, tax management, and partnerships with other companies. This metric helps to align our Senior Executive Management with the interests of our stockholders. Target is the 2009

Budget, Threshold is Target minus 25%, and Maximum is Target plus 25%.

DBAR (Days Billed Accounts Receivable) and DUAR (Days Unbilled Accounts Receivable) measure the amounts owed by customers. Goals for Threshold, Target and Maximum were set for KBR in total. The result will be based on the December 31, 2009 outstanding billed or unbilled receivables, fourth quarter revenue, and days in the quarter.

BU DBAR (Business Unit Days Billed Accounts Receivable Outstanding) and BU DUAR (Business Unit Days Unbilled Accounts Receivable Outstanding) measure the amounts owed by BU customers. Goals for Threshold, Target and Maximum were set for each individual BU (except Ventures and Technology) and KBR in total. The result will be based on the December 31, 2009 outstanding billed or unbilled receivables, fourth quarter revenue, and days in the quarter.

BUI (Business Unit Income) before Corporate allocation and incentive expenses and accruals measures Business Unit job income less Business Unit overhead plus any gains or losses on sales, and excludes incentive-related expenses. Target is the 2009 Budget, Threshold is Target minus 25%, and Maximum is Target plus 25%.

JIS (Job Income Sold) measures the actual income from new project awards or growth, amendments, or scope adjustments to existing projects for the Company as a whole. JIS for 2009 is focused on maintaining 2008 realized job income in light of the present world-wide economic conditions. Target is set at the 2008 reported job income earned by the Company, less 2008 one-time or unusual transactions, and includes annualizing income from the BE&K acquisition. Threshold is Target minus 25%, and Maximum is Target plus 25%.

BU JIS (Business Unit Job Income Sold) measures the actual income from new project awards or growth, amendments, or adjustments to existing projects for each Business Unit. JIS focuses on the growth in backlog for each Business Unit through the signing of new contracts or changes to existing contracts. This metric helps measure and reward sales performance and promotes growth within each Business Unit. Target is 115% of the 2009 annual plan P&L for each Business Unit, Threshold is Target minus 25%, and Maximum is Target plus 25%.

NOE (Net Overhead Expense) measures corporate general and administrative overhead expense less any recoveries and without the expense and accruals related to short-term and long-term incentives. Target is the 2009 Budget, Threshold is Target plus 10%, and Maximum is Target minus 10%.

BU NOE (Business Unit Net Overhead Expense) measures Business Unit sales, general and administrative overhead expense less any recoveries without accruals related to short-term and long-term incentives. Target is the 2009 Budget, Threshold is Target plus 10%, and Maximum is Target minus 10%.

Safety or RIR (Recordable Incident Rate) measures the number of Recordable Incidents times 200,000 divided by total KBR work-hours. This metric promotes the safety of all Company employees and affiliates. Safety incentives also help reduce costs for the Company. Target is a 10% improvement over the 2008 actual rate, Threshold is Target minus 10%, and Maximum is Target plus 5%. Our Compensation Committee included a caveat on the safety performance metric such that if there are four or more non-warzone fatalities on an aggregate Company or Business Unit basis, then the safety performance metric payment would be zero. This caveat enforces the point that safety is an incentive for everyone with respect to fatalities.

BU Safety (Business Unit Safety) or BU RIR (Business Unit Recordable Incident Rate) measures the number of Recordable Incidents times 200,000 divided by total Business Unit work-hours. BU Safety is Business Unit specific since each Business Unit can have different rates based on type of work and environment the work is performed. This metric promotes the safety of all Company employees and affiliates. Target is a 10% (15% for the Services Business Unit) improvement over the 2008 actual rate, Threshold is Target minus 10%, and Maximum is Target plus 5%. Our Compensation Committee included a caveat on the safety performance metric such that if there are four or more non-theatre fatalities on an aggregate Company and Business Unit basis, then the safety performance metric payment would be zero. This caveat enforces the point that safety is a company-wide incentive.

The goals for the performance metrics for the Senior Executive Management in Corporate positions are based upon the performance measures of our Company on a consolidated basis. For our Named Executive Officers, this includes Ms. Carter and Messrs. DeNicola, Farley, and Utt. The performance metrics (other than EPS) used for the Senior Executive Management who are responsible for a Business Unit are based on that Business Unit s performance. For the Upstream Business Unit, that Named Executive Officer is Mr. Rose. For the Services Business Unit, that Named

Executive Officer is Mr. Zimmerman.

In March 2009, our Compensation Committee, based on the recommendation of our CEO, decided to revise the Performance Pay Plan incentive reward schedule that was used for the 2008 plan year with the

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threshold revised from 40% to 50% and the target revised from 100% to 125%, which allowed for more award potential for individual performance. The maximum payout level remained at 250%. The Compensation Committee has negative discretion for individual performance of up to 40% of the attained goals. The Compensation Committee expects to apply an average of 20% negative discretion to our Senior Executive Management s Performance Pay Plan achievement to keep the average level of payout similar to what would be paid out if the Performance Pay Plan had a target payout level of 100% and a maximum payout level of 200%, which were the levels used in 2007. The 40% negative discretion range allows for a greater range of measurement on individual performance, while still maintaining section 162(m) of the Internal Revenue Code qualification. The level of achievement of the annual performance metrics determines the dollar amount of incentive compensation payable to participants.

When establishing target levels for the incentive reward schedule for 2009, the Compensation Committee considered, among other things, projected Company performance, strategic business objectives, and forecasted general business and industry conditions. Generally, award target levels reflect the benchmarking objectives set by our Compensation Committee and are generally intended to approximate the 50th percentile of our E&C Peer Group (using the Diversified Peer Group data for additional input) for good performance and between the 50th and 75th percentile for outstanding performance. At the time the target levels are established, the outcome is intended to be substantially uncertain but achievable, and to require better than expected performance from our executives. Our Compensation Committee may adopt different target levels for its annual incentive reward schedule from time to time, as it deems appropriate.

During 2009, the bonus award opportunities were based on a percentage of base salary[1] assuming attainment of specified threshold, target, and maximum performance levels, which were, respectively: (i) for all of our Named Executive Officers (other than Messrs. Utt and Farley), 35%, 87.5%, and 175%, (ii) for Mr. Utt, 50%, 125%, and 250%, and (iii) for Mr. Farley, 32.5%, 81.25%, and 162.5%. Assuming an average of 20% negative discretion, which the Compensation Committee expected to apply in March 2009, the bonus award opportunities as a percentage of base salary were: (i) for all of our Named Executive Officers (other than Messrs. Utt and Farley), 28%, 70%, and 140%, (ii) for Mr. Utt, 40%, 100%, and 200%, and (iii) for Mr. Farley, 26%, 65%, and 130%. The target award percentages among our Named Executive Officers (other than Mr. Utt) were set (assuming an average of 20% negative discretion) to be consistent with the median of similar positions among our E&C Peer Group and Diversified Peer Group. On average, the median target bonus of our E&C Peer Group and Diversified Peer Group was between 60% and 70%; however, for internal equity purposes, our Compensation Committee elected to keep the target award percentage for Mr. Farley at 65% and Messrs. DeNicola, Rose, and Zimmerman at 70% (assuming an average of 20% negative discretion). With respect to Mr. Utt, our Compensation Committee elected to increase his target bonus to 100% (assuming an average of 20% negative discretion) because it was closer to the median target bonus of chief executive officers in our E&C Peer Group.

In February (for our Named Executive Officers other than our CEO) and March (for our CEO) 2010, our Compensation Committee certified the results under the Performance Pay Plan for the 2009 plan year. Our Compensation Committee elected to make negative adjustments to reduce the compensation due under the Performance Pay Plan for all of our Senior Executive Management based on individual performance and to comply with section 162(m) of the Internal Revenue Code. With respect to our Named Executive Officers, the payouts under the Performance Pay Plan were reduced by approximately 7% for Mr. Utt and 20% for Ms. Carter and Messrs. Farley, Rose, and Zimmerman. Mr. DeNicola did not receive payment under the Performance Pay Plan for the 2009 plan year because he was no longer employed by the Company on the date that the payouts were paid. The following table is a summary of the short-term incentives for the fiscal year 2009, including the target and maximum incentive compensation amounts, performance metric goals and the level attained, and amounts actually paid for each of our Named Executive Officers.

[1] Base salary for purposes of the Performance Pay Plan does not include certain supplemental base salary payments for our Senior Executive Management. With respect to our CEO, $100,000 was excluded, and for all other Senior Executive Management, $30,000 was excluded for 2009.

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2009 Short-Term Incentives Table

	2009 Short-Term Incentives (Annual Cash Incentive Compensation)			Performance Metric Goals		Goal Attainment Level (Dollar Amounts in Million Except for EPS, which is in Do		
Executive Officer	Target ($)	Maximum ($)	Actual ($)	Goal	Weighting (%)	Target	Maximum	Ac
n P. Utt	1,037,500	2,075,000	1,250,000	KBR EPS	30	$ 1.80	$ 2.25	$
				Days Billed	7.5	37.9	34.8	
				Days Unbilled	7.5	18.9	16.4	
				KBR Job Income Sold	30	$ 1,111.7	$ 1,396.3	1
				KBR Net Corp. OH	15	$ 223.8	$ 201.4	$
				KBR Safety (RIR)(1)	10	0.451	0.426	
K. Carter	69,271	138,542	71,488	KBR EPS	30	$ 1.80	$ 2.25	$
				Days Billed	7.5	37.9	34.8	
				Days Unbilled	7.5	18.9	16.4	
				KBR Job Income Sold	30	$ 1,111.7	$ 1,396.3	$ 1
				KBR Net Corp. OH	15	$ 223.8	$ 201.4	$
				KBR Safety (RIR)(1)	10	0.451	0.426	
n DeNicola	393,750	787,500		KBR EPS	30	$ 1.80	$ 2.25	$
				Days Billed	7.5	37.9	34.8	
				Days Unbilled	7.5	18.9	16.4	
				KBR Job Income Sold	30	$ 1,111.7	$ 1,396.3	$ 1

				KBR Net Corp. OH	15	$ 223.8	$ 201.4	$
				KBR Safety (RIR)(1)	10	0.451	0.426	
Rose	366,406	732,812	473,690	KBR EPS	10	$ 1.80	$ 2.25	$
				BU Days Billed	7.5	33.5	32.0	
				BU Days Unbilled	7.5	10.5	9.0	
				BU Income	25	$ 230.5	$ 288.1	$
				BU Job Income Sold	25	$ 275.0	$ 343.8	$
				BU Net OH	15	$ 42.2	$ 38.0	$
				BU Safety (RIR)(1)	10	0.173	0.164	
D. Farley	326,016	652,032	336,448	KBR EPS	30	$ 1.80	$ 2.25	$
				Days Billed	7.5	37.9	34.8	
				Days Unbilled	7.5	18.9	16.4	
				KBR Job Income Sold	30	$ 1,111.7	$ 1,396.3	$ 1
				KBR Net Corp. OH	15	$ 223.8	$ 201.4	$
				KBR Safety (RIR)(1)	10	0.451	0.426	
Zimmerman	339,063	678,126	308,411	KBR EPS	10	$ 1.80	$ 2.25	$
				BU Days Billed	7.5	43	40	
				BU Days Unbilled	7.5	12	11	
				BU Income	25	$ 139.8	$ 174.8	$
				BU Job Income Sold	25	$ 216.3	$ 270.4	$

BU Net OH	15	$	78.8	$	70.9	$
BU Safety (RIR)(1)	10		1.062		0.999	

(1) The safety metric goal number represents the number of injuries per 200,000 hours worked.

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Effective as of January 1, 2009, the Performance Pay Plan was amended and restated to include a clawback provision that allows recovery of any incentive award payments determined to be an overstatement due to a material restatement of the Company s financial results. In May 2009, our Compensation Committee approved revising the clawback provision, effective January 1, 2010, to remove the material requirement because the Compensation Committee wanted to strengthen its ability to use the clawback even with respect to an immaterial restatement.

In March 2010, our Compensation Committee adopted slightly revised performance metrics and target reward percentages under the Performance Pay Plan for the 2010 calendar year. For KBR Corporate, our Compensation Committee adopted the following revised performance metrics (and weightings): (1) KBR EPS (40%)-Target is $1.73, (2) KBR DBAR (7.5%)-Target is 40.0 days, (3) KBR DUAR (7.5%)-Target is 20.5 days, (4) KBR JIS (30%)-Target is $987 million, and (5) KBR NOE (15%)-Target is $211.2 million. For 2010, the Business Unit metrics for Messrs. Rose and Zimmerman were reclassified as Business Groups to reflect the recent organizational changes within our Company. For the Business Groups, our Compensation Committee adopted the following revised performance metrics (and weightings): (1) KBR EPS (20%)-Target is $1.73, (2) Group DBAR (7.5%)-Target is 48 days with respect to Mr. Rose and 41 days with respect to Mr. Zimmerman, (3) Group DUAR (7.5%)- Target is 11 days with respect to Mr. Rose and 14 days with respect to Mr. Zimmerman, (4) Group BUI (25%)- Target is $336.5 million with respect to Mr. Rose and $103.7 million with respect to Mr. Zimmerman, (5) Group JIS (25%)- Target is $467.6 million with respect to Mr. Rose and $180.1 million with respect to Mr. Zimmerman, and (6) Group NOE (15%)- Target is $88.6 million with respect to Mr. Rose and $60 million with respect to Mr. Zimmerman. In addition, our Compensation Committee maintains negative discretion (up to 40%) to reduce the payout levels based on personal performance.

C. Long-Term Incentives

KBR has two long-term incentive plans, the KBR Stock and Incentive Plan and the Transitional Stock Adjustment Plan. Under the KBR Stock and Incentive Plan, our Compensation Committee made the following grants to our Named Executive Officers in 2009: (1) KBR Performance Awards, (2) KBR Restricted Stock Units, and (3) KBR Stock Options. A description of the KBR Stock and Incentive Plan, the methodology used by our Compensation Committee to determine the mix of awards to grant, and the KBR Performance Awards, KBR Restricted Stock Units, and KBR Stock Options granted under the KBR Stock Incentive Plan are provided below.

The Transitional Stock Adjustment Plan was established solely to maintain the stock options and restricted stock granted to KBR employees under our former parent s stock and incentive plan that were still outstanding at the time of our separation from our former parent in April 2007 and subsequently converted to KBR stock options and restricted stock. No further grants may be made under the Transitional Stock Adjustment Plan.

KBR Stock and Incentive Plan

We use long-term incentives to achieve the following objectives:

- reward consistent achievement of value creation and operating performance goals;
- align management s interests with stockholders interests; and
- encourage long-term perspectives and commitment.

Long-term incentives represent the largest component of total executive compensation opportunity for our executives. We believe this is appropriate given our belief that executive pay should be closely tied to stockholders interests.

The KBR Stock and Incentive Plan provides for a variety of cash and stock-based awards, including nonqualified and incentive stock options, restricted stock/units, performance shares/units, stock appreciation rights, and stock value equivalents, also known as phantom stock. The KBR Stock and Incentive Plan allows

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the Compensation Committee the discretion to select from among these types of awards to establish individual long-term incentive awards. Our Compensation Committee met in February 2009 to review the amount of shares available under the KBR Stock and Incentive Plan for future stock-based awards. In addition, the Committee met in March 2009 to review and approve the amount and appropriate mix of long-term incentive awards to be granted to our Senior Executive Management. The Committee met in December 2009 to review the amount of long-term incentive awards granted to Ms. Carter, our newly-hired CFO, and agreed to defer her grant until March 2010 when 2010 awards would be granted to our Senior Executive Management.

For purposes of establishing the amount of the long-term incentive awards, our Compensation Committee engaged Hewitt to provide our Compensation Committee with a review of our Senior Executive Management s long-term incentive compensation. The Compensation Committee originally targeted the long-term incentive awards at approximately the 50th percentile of our E&C Peer Group, which would have resulted in long-term incentive target values of $4,000,000 for Mr. Utt, $700,000 for Messrs. DeNicola, Rose, and Zimmerman, and $600,000 for Mr. Farley. However, due to the weakening U.S. economy, in March 2009, the Compensation Committee elected to reduce all Named Executive Officers long-term incentive awards by 33%. Long-term incentive awards were delivered through a combination of cash-based PAs and equity-based RSUs and NQSOs. Ms. Carter did not receive a similar long-term incentive award in 2009, due to her late hire date.

Granting a mix of incentives allows us to provide a diversified yet balanced long-term incentive program that effectively addresses volatility in our industry and in the stock market and maintains an incentive to meet performance goals. Our Compensation Committee granted our Senior Executive Management a mixture of 60% performance awards (based on target value), 25% stock options, and 15% restricted stock units under the KBR Stock and Incentive Plan. The Co