

Corporate Governance

The Board of Directors (the “Board”) of KBR, Inc. (the “Corporation”) believes that the primary responsibility of the Directors of the Corporation is to provide effective governance over the Corporation’s affairs for the benefit of its stockholders.

That responsibility includes:

- Evaluating the performance of the Chief Executive Officer and taking appropriate action, including removal, when warranted;
- Reviewing, by its independent directors, the Chief Executive Officer’s compensation for the next year based upon the determination of the Compensation Committee;
- Selecting, evaluating and fixing the compensation of executive management of the Corporation and establishing policies regarding the compensation and benefits for the Corporation and other members of management;
- Reviewing succession plans and management development programs for members of executive management;
- Reviewing and approving periodically long-term strategic and business plans and monitoring corporate performance against such plans;
- Adopting policies of corporate conduct, including compliance with applicable laws and regulations and maintenance of accounting, financial, disclosure and other controls, and reviewing the adequacy of compliance systems and controls;
- Evaluating annually the overall effectiveness of the Board;
- Evaluating the Corporation’s overall risk profile and ensuring that a robust process of oversight of such risks is maintained by the Board and its committees, and by executive management; and
- Reviewing matters of corporate governance.

The Board has adopted these Corporate Governance Guidelines (these “Guidelines”) to assist it in the exercise of its responsibilities. These Guidelines are reviewed periodically and revised as appropriate to reflect the dynamic and evolving processes relating to the operation of the Board.

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Operation of the Board - Meetings of Directors

1. *Chairman of the Board.* The Board believes that, under normal circumstances, the Chief Executive Officer of the Corporation should also serve as the Chairman of the Board. The Chairman of the Board and Chief Executive Officer is responsible to the Board for the overall management and functioning of the Corporation.
2. *Executive Sessions of Non-Management Directors; Lead Director.* During each regular Board meeting, the Directors of the Corporation who are not also executive officers of

the Corporation (“Non-Management Directors”), who may include Directors who are not otherwise independent under the standards for independence enumerated by these Guidelines, shall meet in scheduled executive sessions. The Non-Management Directors shall either select a Non-Management Director to preside at each executive session or shall establish a procedure by which the presiding director at each executive session shall be selected. The Director selected to preside at Executive Sessions shall be the Corporation’s Lead Director. At least once each year, an executive session shall be held including only Non-Management Directors who are also independent under the standards for independence enumerated by these Guidelines. In addition, each December, the Non-Management Directors shall meet in executive session to evaluate the performance of the Chief Executive Officer. In evaluating the Chief Executive Officer, the Non-Management Directors shall take into consideration the executive’s performance in both qualitative and quantitative areas, including:

- leadership and vision;
- integrity;
- keeping the Board informed on matters affecting the Corporation 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 the Corporation;
- accomplishment of strategic objectives; and
- development of management.

In addition, the Non-Management Directors will review annually management succession plans and development programs for members of executive management, including the Chief Executive Officer. Specifically, the Nominating and Corporate Governance Committee will oversee a Chief Executive Officer succession process, which will:

8. Identify criteria for the Chief Executive Officer position that reflects the Company’s business strategy;
9. Identify and develop internal candidates for the Chief Executive Officer position or identify the need for external candidates if deemed appropriate; and
10. Develop and maintain an emergency CEO succession plan.

The evaluation and compensation of the Chief Executive Officer for the next full year, including an evaluation of the Chief Executive Officer’s efforts related to management succession plans and development programs will be communicated to the Chief Executive Officer by the Lead Director only after review and approval by the Compensation Committee (of the evaluation of compensation), the Nominating and Corporate Governance Committee (of management succession plans and development programs) and the full Board of Directors (other than the Chief Executive Officer).

3. *Attendance of Non-Directors at Board Meetings.* The Chief Financial Officer and the General Counsel will be present during Board meetings, except where there is a specific reason for one or both of them to be excluded. In addition, the Chairman of the Board

may invite one or more members of management to be in regular attendance at Board meetings and may include other officers and employees from time to time as appropriate to the circumstances.

4. *Frequency of Board Meetings.* The Board will have at least 4 regularly scheduled meetings per year. Special meetings will be called as necessary. It is the responsibility of the Directors to attend the meetings.
5. *Board Access to Management.* Directors have open access to the Corporation's management, subject to reasonable time constraints. In addition, members of the Corporation's executive management routinely attend Board and Committee meetings and they and other managers frequently brief the Board and the Committees on particular topics. The Board encourages executive management to bring managers into Board or Committee meetings and other scheduled events who (a) can provide additional insight into matters being considered or (b) represent managers with future potential whom executive management believe should be given exposure to the members of the Board.
6. *Board Access to Independent Advisors.* The Board has the authority to retain, set terms of engagement and dismiss such independent advisors, including legal counsel or other experts, as it deems appropriate, and to approve the fees and expenses of such advisors.
7. *Long-term Plans.* Long-term strategic and business plans will be reviewed annually at one of the Board's regularly scheduled meetings.
8. *Selection of Agenda Items for Board Meetings.* The Chairman of the Board and Chief Executive Officer will prepare a draft agenda for each Board meeting and the agenda and meeting schedule will be submitted to the Lead Director for approval. The other Board members are free to suggest items for inclusion on the agenda and each Director is free to raise at any Board meeting subjects that are not on the agenda.
9. *Board / Committee Forward Agenda.* A forward agenda of matters requiring recurring and focused attention by the Board and each Committee will be prepared and distributed prior to the beginning of each calendar year in order to ensure that all required actions are taken in a timely manner and are given adequate consideration.
10. *Information Flow; Advance Review of Meeting Materials.* In advance of each Board or Committee meeting, a proposed agenda will be distributed to each Director. In addition, to the extent feasible or appropriate, information and data important to the Directors' understanding of the matters to be considered, including background summaries and presentations to be made at the meeting, will be distributed in advance of the meeting. Information distributed to the Directors will be approved by the Lead Director. Directors also routinely receive quarterly and annual financial statements, earnings reports, press releases, analyst reports and other information designed to keep them informed of the material aspects of the Corporation's business, performance and prospects. It is each Director's responsibility to review the meeting materials and other information provided by the Corporation.

Board Structure

1. *Independent Directors.* Two-thirds of the members of the Board must be independent Directors. A Director will be considered independent if he or she:
 - o has no material relationship with the Corporation;

- has not been employed by the Corporation or its affiliate in the preceding three years and no member of the Director's immediate family has been employed as an executive officer of the Corporation or its affiliate in the preceding three years;
- has not received, and does not have an immediate family member that has received for service as an executive officer of the Corporation, within the preceding three years, during any twelve-month period, more than \$100,000 in direct compensation from the Corporation, other than director's fees, committee fees or pension or deferred compensation for prior service;
- is not (A) a current partner of the Corporation's independent auditor, (B) is not a current employee of the Corporation's independent auditor and (C) was not during the past three calendar years a partner or employee of the Corporation's independent auditor and personally worked on the Corporation's audit;
- does not have an immediate family member who (A) is a current partner of the Corporation's independent auditor, (B) is a current employee of the Corporation's independent auditor who participates in that firm's audit, assurance or tax compliance (but not tax planning) practice and (C) was during the past three calendar years, a partner or employee of the Corporation's independent auditor and personally worked on the Corporation's audit;
- is not a current employee, and does not have an immediate family member who is a current executive officer, of a company that has made payments to, or received payments from, the Corporation for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues;
- has not been within the preceding three years part of an interlocking directorate in which the Chief Executive Officer or another executive officer of the Corporation serves on the compensation committee of another corporation that employs the Director, or an immediate family member of the Director, as an executive officer.

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 the Board makes determinations of the independence of its members.

The Board believes that there should be no more than two Directors who are also employees of the Corporation. 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.

2. *Size of the Board.* The Board believes that, optimally, the Board should have no less than 5 members. The By-laws prescribe that the number of Directors will not be less than one nor more than 15.
3. *Service of Former Chief Executive Officers and Other Former Employees on the Board.* Directors who are also employees of the Corporation shall retire from the Board at the time of their retirement as an employee unless continued service as a Director is requested and approved by the Board.

4. *Annual Election of All Directors.* As provided in the Corporation's Bylaws, the Directors classes as set forth in the Company's certificate of incorporation, as amended from time to time. At each annual election of Directors, the Directors chosen to succeed those whose terms then expire will be of the same class as the Directors they succeed unless, by reason of intervening changes in the authorized number of directors, the Board of Directors assigns a directorship whose term is expiring to another class in order to more nearly achieve equality of the number of directors among the classes.
5. *Board Membership Criteria.* Candidates nominated for election or reelection 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; and
 - 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 the Corporation 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 the Corporation's principal operations.
 - Willingness to represent the best interests of all stockholders and objectively appraise management performance.
 - Involvement only in activities or interests that do not create a conflict with the Director's responsibilities to the Corporation 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 as deemed necessary. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

6. *Service on Other Boards.* Directors shall limit their service as directors on publicly held company and investment company boards to no more than five (including the Corporation's Board). Directors serving on the Audit Committee are also subject to the limitations on other audit committee service as described in the Audit Committee charter. Directors shall advise the chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another board. Extraordinary or transitional situations involving the number of directorships of any particular Director or potential Director in excess of the above limitation shall be subject to review and approval by the Nominating and Corporate Governance Committee.
7. *Process for the Selection of new Directors.* The Board is responsible for filling vacancies on the Board that may occur between annual meetings of stockholders. 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 Committee shall consider suggestions of candidates for Board membership made by current Committee and Board members, the Corporation's management and stockholders. The Committee may retain an independent executive search firm to identify candidates for consideration. A stockholder who wishes to recommend a prospective candidate should notify the Corporation's Corporate Secretary. The Committee shall also consider whether to nominate persons nominated by stockholders pursuant to the Corporation's By-laws relating to stockholder nominations.

When the Nominating and Corporate Governance Committee identifies a prospective candidate, it shall initially determine 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 in item 5 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 shall then evaluate the candidate and determine 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 will recommend to the Board of Directors the candidates who should be nominated. The Board makes a determination of nominees after review of the recommendation and the Committee's report.

8. *Director Tenure.* The Nominating and Corporate Governance Committee, in consultation with the Chief Executive Officer, will review each Director's continuation on the Board annually in making its recommendation to the Board concerning his or her nomination for election or reelection as a Director. There are no term limits on Directors' service, other than mandatory retirement.
9. *Director Retirement.* It is the policy of the Board that each Non-Management Director shall retire from the Board immediately prior to the annual meeting of stockholders following his or her seventy-fifth birthday. Directors who are also employees of the Corporation shall retire at the time of their retirement from employment with the Corporation unless continued service as a Director is requested and approved by the Board.
10. *Changes in Director Compensation.* At the request of the Nominating and Corporate Governance Committee, executive management of the Corporation shall report to the Nominating and Corporate Governance Committee on the status of the Corporation's Director compensation practices in relation to other companies of comparable size and the Corporation's competitors. Changes in Director compensation, if any, should come

upon the recommendation of the Nominating and Corporate Governance Committee, but with full discussion and approval by the Board.

11. *General Principles for Determining Form and Amount of Director Compensation* The Nominating and Corporate Governance Committee shall annually review the competitiveness of the Corporation's Director compensation practices. In doing so, the Committee compares the Corporation's practices with those of its comparator group, which includes both peer and general industry companies. Specific components reviewed include: cash compensation, equity compensation, benefits and perquisites. Information may be gathered directly from published proxy statements of comparator group companies. Additionally, the Committee utilizes external market data gathered from a variety of survey sources to serve as a reference point against a broader group of companies. Determinations as to the form and amount of Director compensation are based on the Corporation's competitive position resulting from this review.
12. *Stock Ownership Guidelines for Directors.* In an effort to link more closely the financial interests of Directors with those of the Corporation's shareholders, the Board has established share ownership guidelines for Non-Management Directors. Non-Management Directors are required to own Corporation stock in an amount equivalent to five times the annual cash retainer for Board service within five years of joining the Board. Vested and unvested shares of restricted stock and restricted stock units will qualify to meet this stock ownership guideline.
13. *Conflicts of Interest.* If an actual or potential conflict of interest develops because of significant dealings or competition between the Corporation and a business with which the Director is affiliated, the Director should report the matter immediately to the Chairman of the Board for evaluation by the Board. A significant conflict must be resolved or the Director should resign. If a Director has a personal interest in a matter before the Board, the Director shall disclose the interest to the full Board and excuse himself or herself from participation in the discussion and shall not vote on the matter.
14. *Board Attendance at Annual Meeting.* It is the policy of the Board that all Directors attend the Annual Meeting of Stockholders and the Corporation's annual proxy statement shall state the number of Directors who attended the prior year's Annual Meeting.
15. *Change in a Director's Circumstances.* Any Director who experiences a significant change in his or her personal or professional circumstances will notify the Chairman of the Nominating and Corporate Governance Committee and such Committee shall determine whether the affected Director should continue to serve on the Board of Directors or any Committee on which such Director serves.

Committees of the Board

1. *Number and Types of Committees.* A substantial portion of the analysis and work of the Board is done by standing Board Committees. A Director is expected to participate actively in the meetings of each Committee to which he or she is appointed.

The Board has established the following four standing Committees: the Audit Committee; the Compensation Committee; the Corporate Social Responsibility Committee; and the Nominating and Corporate Governance Committee. The charters for

the standing Committees will be reviewed periodically by the respective Committee and the Board.

2. *Composition of Committees.* It is the policy of the Board that only Non-Management Directors will serve on Board Committees. Following the transition periods permitted under the applicable NYSE and SEC requirements for independence of audit and compensation committee members, only Independent Directors will serve on the Audit Committee, Compensation Committee and the Nominating and Corporate Governance Committee.

A Director who is part of an interlocking directorate (i.e., one in which the Chief Executive Officer or another executive officer of the Corporation serves on the board of another corporation that employs the Director) may not serve on the Compensation Committee. The composition of the Board Committees will be reviewed annually to ensure that each of its members meet the criteria set forth in applicable rules and regulations of the SEC, the NYSE and the IRS and other applicable rules and regulations.

3. *Assignment and Rotation of Committee Members.* The Nominating and Corporate Governance Committee, with direct input from the Chairman, will recommend annually to the Board the membership of the various Committees and their Chairmen and the Board shall approve the Committee assignments. In making its recommendations to the Board, the Committee shall among other things, take into consideration the need for continuity; subject matter expertise; applicable SEC, NYSE and IRS requirements; tenure; and the desires of individual Board members.
4. *Frequency and Length of Committee Meetings.* Each Committee shall meet as frequently and for such length of time as may be required to carry out its assigned duties and responsibilities. The schedule for regular meetings of the Board and Committees for each year is submitted and approved by the Board in advance. In addition, the Chairman of a Committee may call a special meeting at any time if deemed advisable.
5. *Committee Agendas; Reports to the Board.* Members of management and staff will prepare draft agenda and related background information for each Committee meeting which, to the extent desired by the relevant Committee Chairman, will be reviewed and approved by the Committee Chairman in advance of distribution to the other members of the Committee. A forward agenda of recurring topics to be discussed during the year will be prepared for each Committee and furnished to all Directors. Each Committee member is free to suggest items for inclusion on the agenda and to raise at any Committee meeting subjects that are not on the agenda for that meeting.

Reports on and minutes of each Audit Committee meeting are made to the full Board. Reports on and minutes of other Committee meetings will be made and distributed at the discretion of each Chairman of that Committee.

Other Board Practices

1. *Director Orientation and Continuing Education.* An orientation program has been developed for new Directors which includes comprehensive information about the

Corporation's business and operations; general information about the Board and its Committees, including a summary of Director compensation and benefits; and a review of Director duties and responsibilities. The Corporation provides continuing education courses several times per year on business unit product and service line operations. Each Non-Management Director is encouraged to attend an accredited training program at least once every 24 months, the expenses of which will be paid by the Corporation at the Director's request. From time to time the Corporation's Law Department, in consultation with the Nominating and Corporate Governance Committee, will compile a list of properly accredited courses emphasizing those covering material related to issues of particular importance to the Corporation.

2. *Board Interaction with Institutional Investors and Other Stakeholders.* The Board believes that it is executive management's responsibility to speak for the Corporation. Individual Board members may, from time to time, meet or otherwise communicate with outside constituencies that are involved with the Corporation. In those instances, however, it is expected that Directors will do so only with the knowledge of executive management and, absent unusual circumstances, only at the request of executive management.
3. *Stockholder and Interested Parties Communications with Directors.* To foster better communication with the Corporation's stockholders, the Corporation has established a process for stockholders and interested parties to communicate with the Audit Committee and the Board of Directors. The process has been approved by both the Audit Committee and the Board, and meets the requirements of the NYSE, and the SEC. The methods of communication with the Board include mail (Board of Directors c/o Director of Business Conduct, KBR, Inc., P.O. Box 3406, Houston, Texas 77253-3406), a dedicated telephone number 1-855-231-7512 (toll-free from the U.S. or Canada) or 1-503-619-1884 (calling collect from any other country) and an e-mail address (fhokbrbod@kbr.com). Information regarding these methods of communication is also on the Corporation's website, www.kbr.com, under "Corporate Governance".

The Corporation's Director of Business Conduct shall review all stockholder 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 stockholder communications. Communications addressed to a named Director is promptly sent to the Director. A report summarizing all communications is sent to each Director quarterly and copies of communications are available for review by any Director.

4. *Periodic Review of These Guidelines.* The operation of the Board of Directors is a dynamic and evolving process. Accordingly, these Guidelines will be reviewed periodically by the Nominating and Corporate Governance Committee and any recommended revisions will be submitted to the full Board for consideration.
5. *Board Evaluation.* The Nominating and Corporate Governance Committee will conduct an annual evaluation to determine whether the Board and its Committees are functioning effectively. Based on the evaluation, the Committee will recommend to the Board what

actions, if any, should be taken to improve the performance of the Board and its Committees.