

KBR, INC.
Form PRE 14A
March 21, 2012
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

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

(Amendment No.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §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):

- No fee required
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

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

Edgar Filing: KBR, INC. - Form PRE 14A

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

.. Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

Table of Contents

PRELIMINARY COPY SUBJECT TO COMPLETION

April [], 2012

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 17, 2012, 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 as directors the nominees named in the accompanying proxy statement;

approve an amendment to KBR's Amended and Restated Certificate of Incorporation, as amended, to eliminate the classified structure of our Board of Directors and provide for the annual election of directors;

approve an amendment to KBR's Amended and Restated Certificate of Incorporation, as amended, to remove unnecessary and outdated provisions;

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, 2012;

approve KBR's named executive officers' compensation with an advisory vote;

approve an amendment and restatement of the KBR, Inc. 2006 Stock and Incentive Plan, as amended (the "Stock Plan"), to:

(i) Add 2,000,000 shares of our common stock to the pool of shares available for issuance under the Stock Plan. As of December 31, 2011, 4,202,142 shares remained available for grant under the existing Stock Plan. Therefore, the total number of shares that would be available under the amended and restated Stock Plan would be 6,202,142.

(ii) Increase the sublimit on the number of shares of common stock that may be delivered under the Stock Plan in the form of restricted stock awards, restricted stock unit awards, or pursuant to performance awards by 2,000,000 from 3,500,000 to 5,500,000.

(iii) Increase the maximum cash value of performance awards that may be granted to a participant in any one calendar year from \$10 million to \$12 million.

(iv) Expand the list of performance measures.

(v) Add performance measures under stock value equivalent awards, restricted stock awards, and restricted stock unit awards to allow for us to deduct the value of future performance-based restricted equity awards and stock value equivalent awards.

Edgar Filing: KBR, INC. - Form PRE 14A

(vi) Revise the definition of corporate change to remove references to our prior parent, Halliburton, and to add a provision to comply with Section 409A of the Code and related regulation or pronouncements of the U.S. Department of Treasury.

(vii) Replace a single-trigger vesting upon change in control provision with a double-trigger change in control provision consistent with the double-trigger change in control that is already standard for our Senior Executive Management in their severance and change in control agreements.

(viii) Eliminate liberal share counting provisions for stock appreciation rights.

(ix) Add that shares available for issue under the Stock Plan will not be increased by any shares repurchased by us in connection with the exercise of a stock option.

Table of Contents

(x) Add that shares that have been issued under the Stock Plan under any award will not be available for new grants, except that if an award expires without having been exercised in full, or with respect to restricted stock, restricted stock units, performance awards, or stock value equivalents, is forfeited or settled in cash, the unpurchased shares (or for awards other than stock options and stock appreciation rights, the forfeited or repurchased shares) that were subject thereto, will become available for the grant of a new award under the Stock Plan.

(xi) Apply the individual 500,000 share limit to all equity-based awards that are subject to Section 162(m) to be able to deduct such awards.

(xii) Incorporate Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 compliance language;

consider a stockholder proposal, 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

Table of Contents

PRELIMINARY COPY SUBJECT TO COMPLETION

Notice of Annual Meeting of Stockholders

to be Held May 17, 2012

KBR, Inc., a Delaware corporation, will hold its Annual Meeting of Stockholders on Thursday, May 17, 2012, 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 as directors the nominees named in the attached proxy statement.
2. To consider and act upon a proposal to amend the Amended and Restated Certificate of Incorporation of KBR, Inc., as amended, to eliminate the classified structure of our Board of Directors and provide for the annual election of directors.
3. To consider and act upon a proposal to amend the Amended and Restated Certificate of Incorporation of KBR, Inc., as amended, to remove unnecessary and outdated provisions.
4. 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, 2012.
5. To consider and act upon an advisory vote to approve the named executive officer compensation as described in the Compensation Discussion and Analysis herein.
6. To consider and act upon a proposal to amend and restate the KBR, Inc. 2006 Stock and Incentive Plan, as amended, to:
 - (i) Add 2,000,000 shares of our common stock to the pool of shares available for issuance under the Stock Plan. As of December 31, 2011, 4,202,142 shares remained available for grant under the existing Stock Plan. Therefore, the total number of shares that would be available under the amended and restated Stock Plan would be 6,202,142.
 - (ii) Increase the sublimit on the number of shares of common stock that may be delivered under the Stock Plan in the form of restricted stock awards, restricted stock unit awards, or pursuant to performance awards by 2,000,000 from 3,500,000 to 5,500,000.
 - (iii) Increase the maximum cash value of performance awards that may be granted to a participant in any one calendar year from \$10 million to \$12 million.
 - (iv) Expand the list of performance measures.
 - (v) Add performance measures under stock value equivalent awards, restricted stock awards, and restricted stock unit awards to allow for us to deduct the value of future performance-based restricted equity awards and stock value equivalent awards.
 - (vi) Revise the definition of corporate change to remove references to our prior parent, Halliburton, and to add a provision to comply with Section 409A of the Code and related regulation or pronouncements of the U.S. Department of Treasury.
 - (vii) Replace a single-trigger vesting upon change in control provision with a double-trigger change in control provision consistent with the double-trigger change in control that is already standard for our Senior Executive Management in their severance and change in control agreements.
 - (viii) Eliminate liberal share counting provisions for stock appreciation rights.

Edgar Filing: KBR, INC. - Form PRE 14A

(ix) Add that shares available for issue under the Stock Plan will not be increased by any shares repurchased by us in connection with the exercise of a stock option.

Table of Contents

(x) Add that shares that have been issued under the Stock Plan under any award will not be available for new grants, except that if an award expires without having been exercised in full, or with respect to restricted stock, restricted stock units, performance awards, or stock value equivalents, is forfeited or settled in cash, the unpurchased shares (or for awards other than stock options and stock appreciation rights, the forfeited or repurchased shares) that were subject thereto, will become available for the grant of a new award under the Stock Plan.

(xi) Apply the individual 500,000 share limit to all equity-based awards that are subject to Section 162(m) to be able to deduct such awards.

(xii) Incorporate Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 compliance language.

7. To consider and act upon a stockholder proposal, if properly presented at the meeting.

8. 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 Thursday, March 29, 2012, 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 1-800-579-1639, 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 [], 2012

Table of Contents

TABLE OF CONTENTS

<u>PROXY STATEMENT GENERAL INFORMATION</u>	1
<u>QUESTIONS AND ANSWERS ABOUT VOTING</u>	2
<u>PROPOSAL No. 1: ELECTION OF DIRECTORS</u>	4
<u>PROPOSAL No. 2: PROPOSAL TO AMEND KBR S CERTIFICATE OF INCORPORATION TO ELIMINATE THE CLASSIFIED STRUCTURE OF THE BOARD OF DIRECTORS AND PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS</u>	8
<u>PROPOSAL No. 3: PROPOSAL TO AMEND KBR S CERTIFICATE OF INCORPORATION TO REMOVE UNNECESSARY AND OUTDATED PROVISIONS</u>	9
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	11
<u>EXECUTIVE OFFICERS</u>	12
<u>CORPORATE GOVERNANCE</u>	14
<u>COMPENSATION COMMITTEE REPORT</u>	24
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	25
<u>DIRECTOR COMPENSATION</u>	66
<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	67
<u>RELATED PERSON POLICIES</u>	67
<u>SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u>	67
<u>AUDIT COMMITTEE REPORT</u>	68
<u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	69
<u>PROPOSAL No. 4: RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	70
<u>PROPOSAL No. 5: ADVISORY VOTE TO APPROVE NAMED EXECUTIVE OFFICER COMPENSATION</u>	70
<u>PROPOSAL No. 6: APPROVE AN AMENDMENT AND RESTATEMENT OF THE KBR, INC. 2006 STOCK AND INCENTIVE PLAN, AS AMENDED</u>	72
<u>ADDITIONAL INFORMATION</u>	80
<u>OTHER MATTERS</u>	80
<u>ADDITIONAL INFORMATION AVAILABLE</u>	80
<u>AMENDED AND RESTATED CERTIFICATE OF INCORPORATION, AS AMENDED</u>	A-1
<u>AMENDED AND RESTATED 2006 STOCK AND INCENTIVE PLAN, AS AMENDED</u>	B-1

Table of Contents

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 Thursday, March 29, 2012. KBR's common stock, par value \$0.001, is the only class of capital stock that is outstanding. As of March 29, 2012, there were [] 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.

Table of Contents

This proxy statement, the form of proxy and voting instructions are being made available to stockholders on or about April [], 2012, 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 at www.proxyvote.com; or (c) e-mail at sendmaterial@proxyvote.com. Our Annual Report to Stockholders, including financial statements, for the fiscal year ended December 31, 2011, 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 or (886) 380-7721.

Who is entitled to vote?

Holders of record at the close of business on March 29, 2012, 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 [] 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 17, 2012 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 16, 2012.

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,

Table of Contents

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 majority of the shares of KBR's common stock cast in person or represented by proxy at the meeting. Adoption of all other 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 all other 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?**

Table of Contents

PROPOSAL No. 1

ELECTION OF DIRECTORS

Pursuant to our Certificate of Incorporation, our Board of Directors is classified into three classes serving staggered three-year terms, with Messrs. Curtiss and Utt being designated Class I directors, Messrs. Huff, Lyles and Slater being designated Class II directors and Ms. Cook and Messrs. Blount, Carroll and Moore being designated Class III directors. The members of our Board of Directors hold office until their successors are elected and qualified or until their earlier resignation or removal. The size of our Board of Directors is currently set at nine members.

Effective July 1, 2011, our Board of Directors elected Linda Z. Cook to fill a vacancy created when the Board of Directors was expanded on June 28, 2011, from seven to eight members. Ms. Cook was appointed to serve on the Compensation and the Corporate Social Responsibility Committees of the Board of Directors.

Effective January 1, 2012, our Board of Directors elected Jack B. Moore to fill a vacancy created when the Board of Directors was expanded on December 14, 2011, from eight to nine members. Mr. Moore was appointed to serve on the Audit and the Corporate Social Responsibility Committees of the Board of Directors.

Class I directors will serve until the annual meeting of our stockholders to be held in 2013, and Class II directors will serve until the annual meeting of our stockholders to be held in 2014. The terms of the current Class III directors will expire on the date of the upcoming Annual Meeting of Stockholders. Accordingly, four persons are to be elected to serve as Class III directors at the Annual Meeting of Stockholders. Management's nominees for election by the stockholders to those four positions are the current Class III members of the Board of Directors, Ms. Cook and Messrs. Blount, Carroll and Moore.

As explained in further detail in Proposal No. 2 of this proxy statement, the Board of Directors is proposing to amend our Certificate of Incorporation to move to annual elections of all our directors. This action cannot take place, however, until approved by stockholders. Accordingly, if the proposed amendment in Proposal No. 2 is not approved by our stockholders, the four Class III nominees will be elected to a three-year term expiring at the 2015 annual meeting of our stockholders. If our stockholders approve Proposal No. 2 to amend our Certificate of Incorporation to move to annual election of all our directors, then the Class III nominees will be elected to a one-year term expiring at the 2013 annual meeting of our stockholders.

Each nominee has indicated his willingness to serve, if elected. If any 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 any of the Class III nominees will be unable to serve if elected. If a quorum is present, the nominees for Class III director receiving the highest number of votes will be elected as Class III directors.

The Board of Directors recommends that you vote FOR the election of each Class III 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 III director nominees for election at the meeting and each incumbent member of the Board of Directors. The information includes age as of March 29, 2012, 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.

Table of Contents

Nominees for Class III Directors

Term Ending 2013 if Proposal No. 2 is Approved or Term Ending 2015 if Proposal No. 2 is Not Approved

W. Frank Blount, 73, 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 Audit 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. In addition, Mr. Blount qualifies as an audit committee financial expert under the rules of the NYSE and provides expertise that assists the Board and the Audit Committee with their risk oversight function.

Loren K. Carroll, 68, 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 and Chief Financial Officer 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 began his career with Smith International in 1984. Mr. Carroll currently serves as a director of Forest Oil Corporation and CGG Veritas, Inc. He serves as a member of the Compensation Committee of Forest Oil Corporation and is Chairman of the Nominations and Corporate Governance Committee. He also serves on the Audit 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 Nominating and Corporate Governance 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.

Linda Z. Cook, 53, served as Executive Director of Royal Dutch Shell plc (oil, gas and petroleum) from August 2004 to December 2009 with executive responsibilities for global natural gas, trading and technology. She also served as a member of the Royal Dutch Shell board of directors. Previously, she served as President and Chief Executive Officer and a member of the board of directors of Shell Canada Limited from August 2003 to August 2004. She served as Chief Executive Officer for Shell Gas & Power from January 2000 to July 2003. Ms. Cook also serves on the boards of The Boeing Company, Cargill, Inc. and Marathon Oil Corporation. She is a member of the Society of Petroleum Engineers, the Board of Trustees for the University of Kansas Endowment Association and the Advisory Board for the University of Texas Energy Institute. Ms. Cook joined the Board in July 2011 and is a member of the Compensation Committee and the Corporate Social Responsibility Committee.

The Board concluded that Ms. Cook should continue to serve on the Board because of her extensive senior management and board experience at Royal Dutch Shell, which enables her to advise management on a wide range of strategic, financial, and governance matters. Ms. Cook also has vast international business experience, which has proven to be valuable given KBR's numerous relationships with non-U.S. suppliers and customers. Ms. Cook has an engineering background, and her expertise in this area is invaluable to the Board's deliberations with respect to project management and the many technical aspects of our business.

Table of Contents

Jack B. Moore, 58, is Chairman, President and Chief Executive Officer of Cameron. He was named President and Chief Executive Officer in April 2008 and became Cameron's Chairman of the Board in May 2001. He joined Cameron's Drilling & Production Systems group in July 1999 as Vice President and General Manager, Western Hemisphere, and was named President of this group in July 2002. He became President and Chief Operating Officer in January 2007 and has been a Director of Cameron since 2007. Prior to joining Cameron, Moore held various management positions with Baker Hughes Incorporated where he was employed for twenty-three years. Mr. Moore joined the Board in January 2012 and is a member of the Audit Committee and the Corporate Social Responsibility Committee.

Mr. Moore holds a B.B.A. degree from the University of Houston and is a graduate of the Advanced Management Program at Harvard Business School. He serves on the board of directors of the American Petroleum Institute (API), the National Ocean Industries Association (NOIA) and the Petroleum Equipment Suppliers Association. He also serves in positions of leadership for the Greater Houston Partnership, Spindletop Charities, Memorial Drive United Methodist Church, and The University of Houston C.T. Bauer College of Business Dean's Executive Board.

The Board concluded that Mr. Moore should continue to serve on the Board because he has a wealth of experience in the oilfield service sector and so brings important insight into the hydrocarbons sector, which includes many of the Company's most important customers. He is also a currently active Chief Executive Officer of a public company and so provides the Board with an independent perspective on the needs and pressures facing a senior executive. Mr. Moore's experience in manufacturing also provides perspective from outside of service focused companies such as the Company. In addition, Mr. Moore qualifies as an audit committee financial expert under the rules of the NYSE and provides expertise that assists the Board and the Audit Committee with their risk oversight function.

Incumbent Class II Director Term Ending 2014

John R. Huff, 66, 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 was a director of BJ Services Company from 1992 until its merger with Baker Hughes Incorporated in 2010. Mr. Huff joined the Board in April 2007 and is a member of the Corporate Social Responsibility Committee and the Compensation Committee.

Mr. Huff brings to KBR 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 boards 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, 65, has been an independent consultant since 2003. Prior to that time, 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. Mr. Lyles 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 Chairman of the Corporate Social Responsibility Committee and a member of the Audit 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

Table of Contents

Mr. Lyles' distinguished experience in the U.S. Air Force, especially his command of the Air Force Materiel Command, as the most important factor in concluding that Mr. Lyles should continue to serve on the Board. In addition, Mr. Lyles qualifies as an audit committee financial expert under the rules of the NYSE and provides expertise that assists the Board and the Audit Committee with their risk oversight function.

Richard J. Slater, 65, 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 a member of the Compensation Committee and the Nominating and Corporate Governance Committee.

Mr. Slater had over 20 years experience with JEG, 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 I Directors Term Ending 2013

Jeffrey E. Curtiss, 63, 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 Nominating and Corporate Governance Committee.

After assessing Mr. Curtiss' 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, 55, was named President and Chief Executive Officer of KBR effective March 15, 2006. He was named Chairman in April 2007. Prior to joining KBR, Mr. Utt was President and CEO of SUEZ Energy North America from 2000 to 2006, with responsibility for the LNG, retail energy, energy marketing and 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.

Table of Contents

PROPOSAL No. 2

PROPOSAL TO AMEND KBR'S CERTIFICATE OF INCORPORATION TO ELIMINATE THE CLASSIFIED STRUCTURE OF THE BOARD OF DIRECTORS AND PROVIDE FOR THE ANNUAL ELECTION OF DIRECTORS

KBR's Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") currently provides that the Board of Directors be divided into three classes with each class as nearly equal in number of directors as possible. Directors in each class are elected to a three-year term on a staggered basis so that a single class of directors is nominated for election at each annual meeting of KBR's stockholders. After careful consideration, the Board of Directors has unanimously determined that it would be in the best interests of KBR and its stockholders to amend the Certificate of Incorporation to declassify the Board of Directors and provide for the annual election of all directors, as described below. If this Proposal No. 2 is approved by KBR's stockholders, the Certificate of Incorporation will be amended by making the additions and deletions related to the classification and election of the Board of Directors shown in the text of Article FIFTH of the Certificate of Incorporation attached hereto as Appendix A.

If this Proposal No. 2 is approved by KBR's stockholders, then:

all current directors will continue to serve for the remainder of their existing three-year terms;

at the 2012 Annual Meeting of Stockholders, nominees for Class III directors will stand for election to a one-year term;

at the 2013 Annual Meeting of Stockholders, nominees for Class I and Class III directors will stand for election to one-year terms;
and

commencing with the 2014 Annual Meeting of Stockholders, the Board of Directors will cease to be classified and all directors will be elected annually, with nominees standing for election to one-year terms.

Vacancies and newly created directorships that arise during the year will be filled by the Board of Directors and each director so named shall serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred, and if no such class exists, as shall be the case beginning with the 2014 Annual Meeting of Stockholders, each director so named shall serve for a term that will expire at the next Annual Meeting of Stockholders.

If this Proposal No. 2 and Proposal No. 3 (removing unnecessary and outdated provisions in the Certificate of Incorporation) are approved by KBR's stockholders, these proposals will become effective upon the filing of an Amended and Restated Certificate of Incorporation, which would reflect the additions and deletions set forth in the Certificate of Incorporation attached hereto as Appendix A, with the Secretary of State of the State of Delaware. If this Proposal No. 2 is approved by KBR's stockholders, but Proposal No. 3 is not, then the Amended and Restated Certificate of Incorporation submitted for filing with the Secretary of State of the State of Delaware will only contain those amendments contemplated by this Proposal No. 2. KBR would cause the filing of the Amended and Restated Certificate of Incorporation to occur promptly after it is determined that the proposed amendments have been approved by the requisite vote of stockholders at the 2012 Annual Meeting of Stockholders.

If this Proposal No. 2 is not approved by KBR's stockholders, then the Board of Directors will remain classified, and the Class III directors who are elected at the 2012 Annual Meeting of Stockholders will be elected for three-year terms, expiring in 2015. All other directors will continue in office for the remainder of their full three-year terms, subject to their earlier resignation, removal, disqualification, departure or death, and subsequent nominees for seats on the Board of Directors will continue to stand for election for three-year terms.

The Board of Directors recognizes that a classified structure may offer several advantages, such as promoting board continuity and stability, encouraging directors to take longer-term perspectives and ensuring

Table of Contents

that a majority of the Board of Directors will always have prior experience with KBR. Additionally, classified boards may provide protection against unwanted takeovers and proxy contests as they make it more difficult for a stockholder to gain control of the Board of Directors without the cooperation or approval of incumbent directors. However, the Board of Directors also recognizes that a classified structure may reduce directors' accountability to stockholders because such a structure does not enable stockholders to express a view on each director's performance by means of an annual vote. Moreover, many institutional investors believe that the election of directors is the primary means for stockholders to influence corporate governance policies and to hold management accountable for implementing those policies.

In determining whether to support declassification of the Board of Directors, the Board of Directors considered the arguments in favor of and against continuation of the classified board structure and determined that it would be in the best interests of KBR and its stockholders to declassify the Board of Directors.

This Proposal No. 2 to amend KBR's Certificate of Incorporation to eliminate the classified structure of the Board of Directors and provide for the annual election of directors will be approved if it receives the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the 2012 Annual Meeting of Stockholders.

For all the reasons set forth above, the Board of Directors recommends that you vote FOR Proposal No. 2 to amend KBR's Certificate of Incorporation to eliminate the classified structure of the Board of Directors and provide for the annual election of directors. Properly dated and signed proxies, and proxies properly submitted over the Internet and by telephone, will be so voted unless stockholders specify otherwise.

PROPOSAL No. 3

PROPOSAL TO AMEND KBR'S CERTIFICATE OF INCORPORATION TO REMOVE UNNECESSARY AND OUTDATED PROVISIONS

KBR's Certificate of Incorporation currently includes unnecessary and outdated provisions relating to KBR's prior relationship with Halliburton Company when KBR was a wholly or majority-owned subsidiary of Halliburton and which are no longer needed or relevant (the Halliburton-related language). After careful consideration, the Board of Directors has unanimously determined that it would be in the best interests of KBR and its stockholders to amend the Certificate of Incorporation to eliminate the Halliburton-related language. If this Proposal No. 3 is approved by KBR's stockholders, the Certificate of Incorporation will be amended by making the deletions of references to Halliburton shown in the text of Articles FIFTH, SIXTH and EIGHTH of the Amended and Restated Certificate of Incorporation attached hereto as Appendix A. If this Proposal No. 3 and Proposal No. 2 (amending the Certificate of Incorporation to eliminate the classified structure of the Board of Directors and provide for the annual election of directors) are each approved, these proposals will become effective upon the filing of an Amended and Restated Certificate of Incorporation, which would reflect all of the additions and deletions set forth in the Certificate of Incorporation attached hereto as Appendix A, with the Secretary of State of the State of Delaware. If this Proposal No. 3 is approved by KBR's stockholders, but Proposal No. 2 is not, then the Amended and Restated Certificate of Incorporation submitted for filing with the Secretary of State of the State of Delaware will only contain those amendments contemplated by this Proposal No. 3. KBR would cause the filing of the Amended and Restated Certificate of Incorporation to occur promptly after it is determined that the proposed amendments have been approved by the requisite vote of stockholders at the 2012 Annual Meeting of Stockholders. If this Proposal No. 3 is not approved by KBR's stockholders, then the Certificate of Incorporation will retain the Halliburton-related language.

The Halliburton-related language in the Certificate of Incorporation related to a time when KBR was a wholly or majority-owned subsidiary of Halliburton Company. KBR's separation from Halliburton was completed in 2007, and, as a result, the Halliburton-related language is no longer necessary or relevant.

Table of Contents

The Board of Directors has determined that the amendment and restatement of KBR's Certificate of Incorporation to remove these unnecessary and outdated provisions is in the best interests of KBR and its stockholders.

This Proposal No. 3 to amend KBR's Certificate of Incorporation to remove unnecessary and outdated provisions will be approved if it receives the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at the 2012 Annual Meeting of Stockholders.

For all the reasons set forth above, the Board of Directors recommends that you vote FOR Proposal No. 3 to remove unnecessary and outdated provisions in KBR's Certificate of Incorporation. Properly dated and signed proxies, and proxies properly submitted over the Internet and by telephone, will be so voted unless stockholders specify otherwise.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The table below sets forth certain information, as of February 29, 2012, 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 first column below as beneficially owned by the individual.

Name and Address of Beneficial Owner(1)	Shares of KBR Common Stock Beneficially Owned	
	Number of Shares(2)	Percentage of Class
BlackRock, Inc.(3) 40 East 52(nd) Street New York City, New York 10022	11,878,465	7.98%
Capital World Investors(4) 333 South Hope Street Los Angeles, California 90071	9,571,790	6.43%
FMR LLC(5) Edward C. Johnson III 82 Devonshire Street, Boston, Massachusetts 02109	9,003,695	6.05%
William P. Utt(6)(7)	298,849	*
Susan K. Carter(6)(7)	15,180	*
Andrew D. Farley(6)(7)	95,276	*
John L. Rose(6)(7)	81,655	*
David L. Zimmerman(6)(7)	73,523	*
W. Frank Blount(6)(7)	18,981	*
Loren K. Carroll(6)(7)	18,981	*
Linda Z. Cook(6)(7)	2,645	*
Jeffrey E. Curtiss(6)(7)	22,481	