

FLUOR CORP
Form DEF 14A
March 10, 2005

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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

Definitive

Proxy

Statement

Confidential, for

Use of the

Commission Only

(as permitted by

Rule 14a-6(e)(2))

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Additional

Materials

Soliciting

Material Pursuant

to §240.14a-12

FLUOR CORPORATION

(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):

Fee not required.

Fee computed

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per Exchange Act

Rules 14a-6(i)(4)

and 0-11.

(1) Title of each

class of securities

to which

transaction

applies:

(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:

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Fee paid previously with preliminary materials.
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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Fluor Corporation

One Enterprise Drive
Aliso Viejo, California 92656

March 10, 2005

Dear Shareholder:

You are cordially invited to attend the 2005 annual meeting of shareholders which will be held on Wednesday, April 27, 2005, beginning at 9:00 a.m. Pacific Daylight Time at the Fluor Engineering Campus, Three Polaris Way (formerly Fluor Daniel Drive), Aliso Viejo, California. A map showing the meeting location is included for your convenience on the back page of this booklet.

Information about the meeting is presented on the following pages. In addition to the formal items of business to be brought before the meeting, members of management will report on the company's operations and respond to shareholder questions.

It is important that your shares be represented at the meeting. Whether or not you plan to attend, we urge you to read this proxy statement and vote your shares as soon as possible. A return envelope for your proxy card or voting instruction card is enclosed for your convenience. Shareholders of record also have the option of voting via the Internet or by using a toll-free telephone number. If you hold your shares through an account with a brokerage firm, bank or other nominee, please follow the instructions you receive from them to vote your shares.

Thank you for your continued support of Fluor. We look forward to seeing you on April 27th.

Sincerely,

Alan L. Boeckmann
Chairman and Chief Executive Officer

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FLUOR CORPORATION

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 27, 2005

The annual meeting of shareholders of Fluor Corporation will be held at the Fluor Engineering Campus, Three Polaris Way (formerly Fluor Daniel Drive), Aliso Viejo, California, on Wednesday, April 27, 2005, at 9:00 a.m. Pacific Daylight Time. At the meeting, our shareholders will consider and vote on the following matters:

1. the election of four Class III directors to serve until the 2008 annual meeting of the shareholders and until their respective successors are elected and qualified;
 2. the ratification of the appointment by our Audit Committee of Ernst & Young LLP as auditor for the fiscal year ending December 31, 2005; and
 3. if properly presented at the meeting, a shareholder proposal to require the Board of Directors to initiate the appropriate process to amend the Fluor Corporation governance documents to require a majority vote standard in future director elections.
- The shareholders will also act on any other business that may properly come before the meeting.

All shareholders of record at the close of business on March 2, 2005 are entitled to receive notice of and to vote at the meeting. Shareholders are cordially invited to attend the meeting in person, however, regardless of whether you plan to attend the meeting in person, please complete, sign, date and promptly return the enclosed proxy card or voting instruction card in the postage-prepaid envelope we have provided. You may also authorize the voting of your shares over the Internet or by telephone as provided in the instructions set forth on the proxy card or voting instruction card. Your prompt response is necessary to assure that your shares are represented at the meeting.

By Order of the Board of Directors

Lawrence N. Fisher
Chief Legal Officer and Secretary

March 10, 2005
Aliso Viejo, California

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FLUOR CORPORATION

PROXY STATEMENT

March 10, 2005

This proxy statement is furnished in connection with the solicitation by the Board of Directors of Fluor Corporation (the Company or Fluor), of your proxy for use at the annual meeting of shareholders to be held at the Fluor Engineering Campus, Three Polaris Way (formerly Fluor Daniel Drive), Aliso Viejo, California, on Wednesday, April 27, 2005, at 9:00 a.m. Pacific Daylight Time, or at any adjournment thereof (the Annual Meeting). This proxy statement and the accompanying Proxy/ Voting Instruction Card are being mailed to all shareholders on or about March 24, 2005. The expense of the solicitation will be paid by the Company. Some officers and employees may solicit proxies personally, by telephone or electronically, without additional compensation. Georgeson & Company Inc. has been engaged to assist in the solicitation for which it will receive approximately \$14,000 from the Company. Except with respect to shares held in the Company retirement plans, your proxy is revocable by written notice to the Secretary of the Company at any time prior to 24 hours before the commencement of the Annual Meeting, and it shall be suspended if you are a record shareholder or valid proxyholder who attends the meeting and votes in person.

The mailing address of the principal executive offices of Fluor Corporation is One Enterprise Drive, Aliso Viejo, California 92656.

On March 2, 2005, the record date fixed by the Board of Directors, the Company had 85,555,584 shares of common stock outstanding. A majority of the outstanding shares of Fluor common stock will constitute a quorum at the Annual Meeting. Abstentions and broker non-votes are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting.

Shareholders have one vote for each share of Fluor common stock owned by them on the record date with respect to all business of the meeting. The four nominees for director receiving the highest number of votes at the meeting will be elected. With respect to the other proposals, the affirmative vote of the majority of shares represented in person or by proxy at the Annual Meeting and entitled to vote is required for approval. On proposals besides the election of directors, abstentions are counted in tabulations of the votes cast and thus have the same effect as a vote against a proposal, whereas broker non-votes are not counted for purposes of determining whether a proposal has been approved.

For shares, other than shares held in the Fluor retirement plans, unless otherwise directed in the accompanying proxy card, the proxyholders named therein will vote, in accordance with the recommendation of the Board of Directors, (1) FOR the election of the four director nominees listed below, (2) FOR the ratification of the appointment of Ernst & Young LLP as auditors for the year ending December 31, 2005, and (3) AGAINST the shareholder proposal to require the Board of Directors to initiate the appropriate process to amend the Company's governance documents to require a majority vote standard in future director elections. As to any other business that may properly come before the meeting, the proxyholders will vote in accordance with their best judgment, although the Company does not presently know of any other business.

For shares held in the Company retirement plans, voting instructions must be received by 8:59 p.m. Pacific Daylight Time on April 24, 2005 in order for the trustee to vote your shares in accordance with your instructions. If your voting instructions are not received by 8:59 p.m. Pacific Daylight Time on April 24, 2005, or if you do not provide properly completed and executed voting instructions, any shares you hold in the Company retirement plans will be voted by the trustee in favor of the four nominees for director, and in proportion to the manner in which the other Company retirement plan participants vote their shares with respect to the other proposals.

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ELECTION OF DIRECTORS

Proposal 1

Under the Company's *Amended and Restated Certificate of Incorporation* and *Amended and Restated Bylaws*, which provide for a classified board, the four Class III directors, Peter J. Fluor, David P. Gardner, Joseph W. Prueher and Suzanne H. Woolsey, have been nominated for election at the Annual Meeting to serve a three year term expiring at the annual meeting in 2008 and until their respective successors are elected and qualified. If elected at the Annual Meeting to continue as a director, Dr. Gardner, who reaches the Board's mandatory retirement age during 2005, will resign effective as of the conclusion of 2005.

Each of the four nominees listed below has agreed to serve as a director of the Company if elected. The Company knows of no reason why the nominees would not be available for election or, if elected, would not be able to serve. If any of the nominees decline or are unable to serve as a nominee at the time of the Annual Meeting, the persons named as proxies may vote either (1) for a substitute nominee designated by the present Board to fill the vacancy or (2) for the balance of the nominees, leaving a vacancy. Alternatively, the Board may reduce the size of the Board.

Pursuant to the Company's *Amended and Restated Bylaws*, which require the retirement of directors at the end of the calendar year in which they turn 72, Dr. Martha R. Seger, who served as a director of the Company since 1991, has retired from the Board. We thank Dr. Seger for her significant contributions while on the Board and wish her well in her future endeavors.

Biographical

The following biographical information is furnished with respect to each of the four nominees for election at the Annual Meeting and each of the Class I and Class II directors whose terms will continue after the Annual Meeting. The information presented includes information each director has given us about his or her age, all positions he or she holds with us, his or her principal occupation and business experience for the past five years, and the names of other publicly held companies of which he or she serves as a director. Directors are shown as serving from the dates of their original elections to the Board of Directors of Fluor prior to its reverse spin-off transaction in November 30, 2000 wherein Fluor's coal segment was separated from Fluor's other businesses and became Massey Energy Company.

Class III Director Nominees

PETER J. FLUOR, AGE 57.

Director since 1984; Lead Independent Director since February 2003; Chair of Organization and Compensation Committee and member of Executive and Governance Committees. Non-Executive Chairman of the Board, January to July 1998.

Chairman and Chief Executive Officer of Texas Crude Energy, Inc., an international oil and gas exploration and production company since 2001; formerly President and Chief Executive Officer of Texas Crude Energy, Inc. from 1980 to 2001; joined Texas Crude Energy, Inc. in 1972.

Mr. Fluor also is a director of Devon Energy Corp., Oklahoma City, Oklahoma; Cooper Cameron Corporation, Houston, Texas; and a member of the advisory board of J.P. Morgan Chase Houston, Houston, Texas.

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DAVID P. GARDNER, age 71.

Director since 1988; Chair of Governance Committee; member of Executive and Organization and Compensation Committees.

Professor of Educational Leadership and Policy, University of Utah, since 2001; formerly Chairman of the J. Paul Getty Trust from 2001 to 2004; formerly President of the William and Flora Hewlett Foundation, 1993-1999; formerly President of the University of California from 1983-1992; formerly President of the University of Utah from 1973-1983.

Dr. Gardner also is a director of Waddell and Reed Family of Funds, Shawnee Mission, Kansas.

JOSEPH W. PRUEHER, age 62.

Director since 2003; member of Governance and Organization and Compensation Committees.

Professor and Senior Advisor, Stanford University, since 2001; formerly U.S. Ambassador to the People's Republic of China from 1999 to 2001; Admiral, U.S. Navy (Retired), Commander-in-Chief of U.S. Pacific Command from 1996 to 1999.

Admiral Prueher is also a director of Merrill Lynch & Co., Inc., New York, New York; New York Life Insurance Company, a mutual insurance company, New York, New York; and Emerson Electric Co., St. Louis, Missouri.

SUZANNE H. WOOLSEY, age 63.

Director since 2004; member of Audit and Governance Committees.

Formerly Chief Communications Officer of The National Academies, an independent, federally chartered policy institution that acts as an advisor to the nation on science, engineering and medicine from 2000 to 2003; formerly Chief Operating Officer of The National Academies from 1993 to 2000.

Dr. Woolsey is a trustee for the mutual funds distributed by Van Kampen Funds, Inc., Oakbrook Terrace, Illinois; and is a director of Neurogen Corp., Branford, Connecticut.

Class I Directors Term Expires 2006

ALAN L. BOECKMANN, age 56.

Director since 2001; Chair of the Executive Committee.

Chairman and Chief Executive Officer of the Company since February 2002; formerly, President and Chief Operating Officer of the Company from February 2001 to February 2002; formerly President and Chief Executive Officer, Fluor Daniel, from March 1999 to February 2001; formerly Group President, Energy and Chemicals from 1996 to 1999; joined the Company in 1979 with previous service from 1974 to 1977.

Mr. Boeckmann also is a director of Burlington Northern Santa Fe Corporation, Fort Worth, Texas; and Archer Daniels Midland Company, Decatur, Illinois.

VILMA S. MARTINEZ, age 61.

Director since 1993; member of Governance Committee.

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Partner of Munger, Tolles & Olson LLP since 1982, a full service law firm located in Los Angeles, California.

Ms. Martinez is also a director of Anheuser-Busch Companies, Inc., St. Louis, Missouri; and Burlington Northern Santa Fe Corporation, Fort Worth, Texas.

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DEAN R. O HARE, age 62.

Director since 1997; Chair of Audit Committee and member of Executive and Governance Committees.

Formerly Chairman and Chief Executive Officer of The Chubb Corporation, the holding company for the Chubb Group of Insurance Companies, from June 1988 until his retirement in December 2002; joined The Chubb Corporation in 1963.

Mr. O Hare is also a director of H.J. Heinz, Pittsburgh, Pennsylvania.

Class II Directors Term Expires 2007

JAMES T. HACKETT, age 51.

Director since 2001; member of the Audit and Organization and Compensation Committees.

President and Chief Executive Officer of Anadarko Petroleum Corporation, an independent oil and gas exploration and production company since December 2003; formerly President and Chief Operating Officer of Devon Energy Corporation following its merger with Ocean Energy, Inc. from April 2003 to December 2003; formerly Chairman (from 2000), President and Chief Executive Officer (from March 1999) of Ocean Energy, Inc., an international oil and gas exploration and production concern until April 2003; formerly Chairman (from January 1999) and Chief Executive Officer (from September 1998) of Seagull Energy Corporation until its merger with Ocean Energy in March 1999.

Mr. Hackett also is a director of Temple-Inland, Inc., Austin, Texas; and Anadarko Petroleum Corporation, Houston, Texas.

KENT KRESA, age 66.

Director since 2003; member of the Audit and Organization and Compensation Committees.

Chairman Emeritus of Northrop Grumman Corporation, a global defense company since September 2003; formerly Non-Executive Chairman of Northrop Grumman Corporation from April 2003 to September 2003; formerly Chairman (from September 1990) and Chief Executive Officer (from January 1990) of Northrop Grumman Corporation until April 2003.

Mr. Kresa also is a director of Avery Dennison Corporation, Pasadena, California; General Motors Corporation, Detroit, Michigan; and MannKind Corporation, Valencia, California.

LORD ROBIN W. RENWICK, age 67.

Director since 1997; member of Audit and Governance Committees; Non-Executive Chairman of Fluor Limited⁽¹⁾ since 1996.

Vice Chairman, JPMorgan Cazenove, a United Kingdom investment bank joint venture of J.P. Morgan and Cazenove Group plc since February 2005; formerly Vice Chairman, Investment Banking, J.P. Morgan (Europe) from 2001 to 2005; formerly British Ambassador to the United States from 1991 to 1995.

Lord Renwick also is a director of BHP Billiton Group, London, England and Melbourne, Australia; British Airways plc, London, England; Compagnie Financiere Richemont AG, Geneva, Switzerland; and SAB Miller plc, London, England.

- (1) Fluor Limited, which provides engineering, procurement and construction services in the United Kingdom, is an indirect subsidiary of the Company.

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The Board of Directors recommends a vote FOR the election of Peter J. Fluor, David P. Gardner, Joseph W. Prueher and Suzanne H. Woolsey.

STOCK OWNERSHIP AND STOCK-BASED HOLDINGS OF**EXECUTIVE OFFICERS AND DIRECTORS**

The following table contains information regarding the beneficial ownership of our common stock as of March 1, 2005 by:

each director and nominee for director;

each executive officer named in the Summary Compensation Table below; and

all current directors and executive officers of the Company as a group.

Except as otherwise noted, the individual or his or her family members had sole voting and investment power with respect to such shares.

Both directors and executive officers are encouraged to hold Fluor common stock to align their financial interests with those of the shareholders. The Company has established ownership guidelines for both of these groups.

Name of Beneficial Owner	Shares Beneficially Owned ⁽¹⁾	Fluor Stock-Based Holdings ⁽²⁾	Percent of Shares Beneficially Owned ⁽³⁾
<i>Class III Nominees:</i>			
Peter J. Fluor	34,848	113,961	*
David P. Gardner	12,743	40,664	*
Joseph W. Prueher	2,595	3,925	*
Suzanne H. Woolsey	2,595	3,925	*
<i>Class I Directors:</i>			
Alan L. Boeckmann ⁽⁴⁾	673,425	673,425	*
Vilma S. Martinez	8,719	22,164	*
Dean R. O Hare	10,121	23,081	*
<i>Class II Directors:</i>			
James T. Hackett	4,845	16,095	*
Lord Robin W. Renwick	8,121	18,103	*
Kent Kresa	3,345	9,700	*
<i>Other Named Executive Officers:</i>			
Lawrence N. Fisher	90,638	90,638	*
John L. Hopkins	34,530	34,530	*
D. Michael Steuert	74,224	74,224	*
Mark A. Stevens	92,665	92,665	*
<i>All directors and executive officers as a group (20 persons)</i>	1,459,848	1,623,534	1.7

* owns less than 1% of the outstanding common stock

(1) The number of shares of common stock beneficially owned by each person is determined under rules promulgated by the Securities and Exchange Commission. Under these rules, a person is deemed to have beneficial ownership of any shares over which that person has or shares voting or investment power, plus any shares that the person may acquire within 60 days, including through the exercise of stock options. This number of shares beneficially owned therefore includes all restricted stock, shares held in the

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Company's Savings Investment Plan and Performance Plan, and shares that may be acquired within 60 days pursuant to the exercise of stock options. Included in the number of shares beneficially owned by Messrs. Boeckmann, Fisher, Hopkins, Steuert and Stevens, and all directors and executive officers as a group, are 354,900, 37,400, 7,750, 18,750, 41,250 and 656,582 shares, respectively, subject to stock options exercisable within 60 days after March 1, 2005.

- (2) Combines beneficial ownership of shares of our common stock with (i) deferred directors' fees held by certain non-employee directors as of March 1, 2005, in an account economically equivalent to our common stock (but payable in cash as described in Directors' Fees on page 27 of this proxy statement), and (ii) restricted units held by directors (which are payable in cash upon vesting of tandem restricted stock). This column indicates the alignment of the named individuals and group with the interests of the Company's shareholders because the value of their total holdings will increase or decrease correspondingly with the price of Fluor's common stock. The additional amounts described in clauses (i) and (ii) of this footnote are not included in the calculation of the percentages contained in the Percent of Shares Beneficially Owned column of this table.
- (3) The percent ownership for each shareholder on March 1, 2005 is calculated by dividing (1) the total number of shares beneficially owned by the shareholder by (2) 85,555,812 shares plus any shares acquirable (including stock options exercisable) by that person within 60 days after March 1, 2005.
- (4) This individual is also a Named Executive Officer.

STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table contains information regarding the beneficial ownership of our common stock as of March 1, 2005 by the shareholders our management knows to beneficially own more than 5% of our outstanding common stock. The percentage of ownership is calculated using the number of outstanding shares on March 1, 2005.

Name of Beneficial Owners	Shares Beneficially Owned	Percent of Class
Capital Group International, Inc.	13,315,310(1)	15.6%
FMR Corp. and related entities	12,595,620(2)	14.7%
Dodge & Cox	10,276,715(3)	12.0%
Wellington Management Company, LLP	4,962,400(4)	5.8%
Capital Research and Management Company	4,568,700(5)	5.3%

- (1) Based on Amendment No. 6 to Schedule 13G dated December 31, 2004, filed jointly by Capital Group International, Inc. and Capital Guardian Trust Company with the Securities and Exchange Commission, which indicates that Capital Group International, Inc. has sole voting power relative to 10,343,540 shares and dispositive power relative to 13,315,310 shares and that Capital Guardian Trust Company has sole voting power relative to 7,047,230 shares and dispositive power relative to 9,599,700 shares. Capital Group International, Inc. is a holding company for investment management companies, including one organized as a bank, Capital Guardian Trust Company. Capital Group International, Inc. disclaims beneficial ownership of all the shares shown. The address of Capital Group International, Inc. and Capital Guardian Trust Company is 11100 Santa Monica Blvd., Los Angeles, California 90025.
- (2) Based on information contained in Amendment No. 1 to Schedule 13G dated December 31, 2004, filed by FMR Corp. (FMR), Edward C. Johnson 3d (Mr. Johnson) and Abigail P. Johnson (Ms. Johnson) with the Securities and Exchange Commission, wherein they reported the beneficial ownership of 12,595,620 shares. They state that Fidelity Management & Research Company (Fidelity) is a wholly-owned subsidiary of FMR and is the beneficial owner of 10,529,387 shares as a result of acting as investment advisor to various investment companies; Mr. Johnson and FMR and the funds each have sole power to dispose of the 10,529,387 shares but neither FMR nor Mr. Johnson has the sole power to vote or direct the voting of the shares owned directly by the Fidelity funds, which power resides with the

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funds boards of trustees and is carried out by Fidelity; Fidelity Management Trust Company (FMTC) is a wholly-owned subsidiary of FMR and is the beneficial owner of 1,369,335 shares as a result of its serving as investment manager of institutional accounts; Mr. Johnson and FMR each has sole dispositive power over 1,369,335 shares and sole power to vote or to direct the voting of 1,342,435 shares, and no power to vote or direct the voting of 26,900 shares owned by institutional accounts; Strategic Advisors, Inc. (SAI) is a wholly-owned subsidiary of FMR and provides investment advisory services to individuals, and as such, FMR s beneficial ownership includes 798 shares beneficially owned through SAI; and Fidelity International Limited (FIL) is the beneficial owner of 696,100 shares. The address of FMR, Fidelity, FMTC and SAI is 82 Devonshire Street, Boston, Massachusetts 02109. The address of FIL is Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda. The Company believes that the address of Mr. Johnson and Ms. Johnson is the same as that of FMR.

- (3) Based on information contained in Amendment No. 5 to Schedule 13G dated December 31, 2004, filed by Dodge & Cox with the Securities and Exchange Commission, which indicates Dodge & Cox is a registered investment advisor having the sole power to vote 9,679,765 shares and shared voting power relative to 191,300 shares, and the sole power to dispose of 10,276,715 shares. All shares shown are owned beneficially by clients of Dodge & Cox. The address of Dodge & Cox is 555 California Street, 40th Floor, San Francisco, California 94104.
- (4) Based on information contained in a Schedule 13G dated December 31, 2004, filed by Wellington Management Company, LLP (WMC) with the Securities and Exchange Commission, which indicates that WMC is an investment advisor and has shared voting power relative to 4,680,600 shares and shared power to dispose of 4,962,400 shares. The address of WMC is 75 State Street, Boston, Massachusetts 02109.
- (5) Based on Amendment No. 6 to Schedule 13G dated December 31, 2004, filed by Capital Research and Management Company with the Securities and Exchange Commission, which indicates that Capital Research and Management Company holds such beneficial interest as the result of acting as investment advisor to various investment funds. In such capacity, it has dispositive power over all shares but has no voting power. Capital Research and Management Company disclaims beneficial ownership of all shares shown. The address of Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our directors, executive officers and holders of more than 10% of Fluor common stock, to file with the Securities and Exchange Commission reports regarding their ownership and changes in ownership of our securities. Based solely upon a review of filings with the Securities and Exchange Commission, a review of Company records and written representations by the persons required to file these reports, the Company believes that all of its executive officers and directors complied with the reporting requirements of Section 16(a) in a timely manner during 2004.

CORPORATE GOVERNANCE

General

We have long believed, and continue to believe, that good corporate governance practices promote the principles of fairness, transparency, accountability and responsibility and will ensure that Fluor is managed for the long-term benefit of its shareholders. During the past year, we continued to review our corporate governance policies and practices and to compare them to those suggested by various authorities in corporate governance and the practices of other public companies. We also continued to review the provisions of the Sarbanes-Oxley Act of 2002, the new and proposed rules of the Securities and Exchange Commission and the amendments to the New York Stock Exchange listing standards.

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Based on this review, in February 2005 our Board amended our *Corporate Governance Guidelines* and amended the charters for our Audit Committee, Governance Committee and Organization and Compensation Committee. You can access our current committee charters, *Corporate Governance Guidelines*, *Code of Business Conduct and Ethics for Members of the Board of Directors*, and *HR Policy re: Business Ethics and Conduct* for Fluor employees, as well as other information regarding our corporate governance practices, in the investor relations section of our website at www.fluor.com. All of this information is also available in print to any shareholder that requests it from our Chief Legal Officer and Secretary, at Fluor Corporation, One Enterprise Drive, Aliso Viejo, California 92656.

Determination of Independence of Directors

Under New York Stock Exchange Rules, as amended, a director of Fluor qualifies as independent only if the Board of Directors affirmatively determines that the director has no material relationship with Fluor (either directly, or as a partner, shareholder or officer of an organization that has a relationship with Fluor). Fluor's *Corporate Governance Guidelines* encompass the standards of independence set forth in Sections 303A.02(a) and 303A.02(b) of the New York Stock Exchange Listed Company Manual. In February 2005, the Board of Directors amended the *Corporate Governance Guidelines* in light of amendments made to New York Stock Exchange Rules.

Under the *Corporate Governance Guidelines*, an independent director is a director whom the Board has determined has no material relationship with Fluor, either directly, or as a partner, shareholder or officer of an organization that has a relationship with Fluor. A relationship is material if, in the judgment of the Board, the relationship would interfere with the director's independent judgment. In making independence determinations, the Board will consider each relationship not only from the standpoint of the director, but also from the standpoint of persons and organizations with which the director has a relationship.

A director, however, is not independent under the *Corporate Governance Guidelines* if:

The director is, or has been within the last three years, an employee of Fluor, or an immediate family member is, or has been within the last three years, an executive officer, of Fluor;

The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$100,000 in direct compensation from Fluor, other than director and committee fees, and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); provided, however, that compensation received by a director for former service as an interim Chairman or Chief Executive Officer or other executive officer need not be considered in determining independence under this test. Additionally, compensation received by an immediate family member for service as an employee of Fluor (other than an executive officer) need not be considered in determining independence under this test.

The director or an immediate family member is a current partner of a firm that is Fluor's internal or external auditor; the director is a current employee of such firm; the director has an immediate family member who is a current employee of such a firm and who participates in the firm's audit, assurance or tax compliance (but not tax planning) practice; or the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on Fluor's audit within that time.

The director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of

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Fluor's present executives at the same time serves or served on that company's compensation committee.

The director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, Fluor 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.

In addition, under the *Corporate Governance Guidelines*, a director is not independent if he or she (or his or her spouse) is an executive officer or a member of the board of directors of a non-profit organization that the Company or the Fluor Foundation made charitable contributions to in a single year in excess of the greater of 2% of such charitable organization's consolidated gross revenues or \$100,000, excluding any matching gifts made by the Fluor Foundation in connection with donations by Fluor employees or directors.

Pursuant to the *Corporate Governance Guidelines*, the Board of Directors undertook its annual review of director independence in February 2005. During this review, the Board of Directors considered transactions and relationships between each director (including any member of his or her immediate family) and the Company and its subsidiaries and affiliates, including those reported under "Other Matters" below. In making independence determinations, the Board considered each relationship not only from the standpoint of the director, but also from the standpoint of persons and organizations with which the director has a relationship. As provided in our *Corporate Governance Guidelines*, the purpose of this review is to determine whether any such relationships or transactions would interfere with the director's independent judgment, and therefore be inconsistent with a determination that the director is independent.

As a result of this review, the Board of Directors affirmatively determined that the following directors, which include each of those directors standing for election at the Annual Meeting, are independent of the Company and its management under the standards set forth in the *Corporate Governance Guidelines*: Peter J. Fluor, David P. Gardner, Joseph W. Prueher, Suzanne H. Woolsey, Vilma S. Martinez, Dean R. O'Hare, James T. Hackett, Lord Robin W. Renwick and Kent Kresa. The Board of Directors determined, however, that Alan L. Boeckmann was not independent under the standards because of his employment as the Chief Executive Officer of the Company. The Board of Directors also determined that each of the members of the Audit, Governance and Organization and Compensation Committees has no material relationship with Fluor and is independent within the meaning of Fluor's director independence standards.

Lead Independent Director

In February 2003, the Board created a new position of lead independent director, whose primary responsibility is to preside over and set the agenda for all executive sessions of the Board of Directors in which management directors and other members of management do not participate. The lead independent director also consults with the Chairman and Chief Executive Officer with respect to agendas, provides scheduling and information needs relating to Board and committee meetings, acts as a liaison between the independent directors and management, and provides guidance on the director orientation process for new Board members. The independent members of the Board of Directors designated Peter J. Fluor to serve in this position for a three-year term, which expires in February 2006.

Consideration of Director Nominees

Shareholder Nominees

The policy of the Governance Committee is to consider properly submitted shareholder recommendations for candidates for membership on the Board as described below under "Identifying and Evaluating Nominees for Director." In evaluating such recommendations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board and to address the membership criteria set forth under "Director Qualifications" below. Any shareholder wishing to recommend a nominee for consideration by the Governance Committee should submit a recommendation in writing indicating the nominee's

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qualifications and other relevant biographical information and provide confirmation of the nominee's consent to serve as director. This information should be addressed to the Chief Legal Officer and Secretary, Fluor Corporation, One Enterprise Drive, Aliso Viejo, California 92656. In addition, our *Amended and Restated Bylaws* permit shareholders to nominate directors for consideration at an annual shareholder meeting. See *Additional Information - Advance Notice Procedures* on page 31 of this proxy statement, and Section 2.04 of our *Amended and Restated Bylaws*, which are included in the investor relations portion of our website at www.fluor.com.

Director Qualifications

Our *Corporate Governance Guidelines* contain Board membership criteria that apply to current directors as well as nominees for director. The Governance Committee reviews the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board, at least annually. This assessment takes into consideration issues of diversity, remaining time available to serve and skills. The skills considered include judgment, ability to act on behalf of the shareholders, integrity, reputation, international background, industry experience and an understanding of such areas as marketing, finance, regulation and public policy—all in the context of an assessment of the perceived needs of the Board at that point in time.

Identifying and Evaluating Nominees for Director

The Governance Committee utilizes a variety of methods for identifying and evaluating nominees for director. The Governance Committee regularly assesses the appropriate size of the Board, and whether any vacancies on the Board are expected due to retirement or otherwise. In the event that vacancies are anticipated, or otherwise arise, the Governance Committee considers various potential candidates for director. Candidates may come to the attention of the Governance Committee through various means, including current Board members, professional search firms, shareholders or other persons. Candidates are evaluated at meetings of the Governance Committee, and may be considered at any point during the year. As described above, the Governance Committee considers properly submitted shareholder nominations for candidates for the Board. If a shareholder properly recommends to the Governance Committee an individual to serve as a director, all recommendations are aggregated and considered by the Governance Committee at a meeting prior to the issuance of the proxy statement for our annual meeting. Any materials provided by a shareholder in connection with the recommendation of a director candidate are forwarded to the Governance Committee, who will consider the recommended nominee in light of the director qualifications discussed above. The Governance Committee also reviews materials provided by professional search firms, if applicable, or other parties in connection with a nominee who is not proposed by a shareholder. In evaluating such nominations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

In February 2004, Suzanne H. Woolsey was appointed to the Board. Prior to Dr. Woolsey's appointment, Fluor paid a fee to a professional search firm to identify and assist the Governance Committee in identifying, evaluating and conducting due diligence on potential nominees, and this firm identified and recommended Dr. Woolsey.

Communications with the Board

Individuals may communicate with the Board and individual directors by writing directly to the Board of Directors c/o Chief Legal Officer and Secretary, Fluor Corporation, One Enterprise Drive, Aliso Viejo, California 92656. Shareholders and other parties interested in communicating directly with the lead independent director or with the independent directors as a group may do so by writing directly to the Lead Independent Director c/o the Chief Legal Officer and Secretary at the above address. The lead independent director will, with the assistance of Fluor's internal legal counsel, be primarily responsible for monitoring any such communication from shareholders and other interested parties to the Board, individual directors, the lead independent director or the independent directors as a group, and provide copies or summaries of such communications to the other directors as he or she considers appropriate.

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Communications will be forwarded to all directors if they relate to substantive matters and include suggestions or comments that the lead independent director considers to be important for the directors to know. The Board will give appropriate attention to written communications on issues that are submitted by shareholders and other interested parties, and will respond if and as appropriate.

Board of Directors Meetings and Committees

During 2004, the Board held six meetings, one of which was an extensive two-day strategic planning session. The Board took action by unanimous written consent once during 2004. Each of the directors attended at least 75% of the aggregate number of meetings of the Board and of the Board Committees on which he or she served.

As discussed earlier, the lead independent director presides over all executive sessions of the independent directors. Executive sessions of independent directors must take place at least quarterly according to our *Corporate Governance Guidelines*. During 2004, the four executive sessions of independent directors were held.

A Board meeting immediately follows our annual meeting of the shareholders. The Board has a policy that directors attend the annual meeting of shareholders. Nine directors attended the 2004 annual meeting of the shareholders.

The standing committees of the Board consist of an Audit Committee, Executive Committee, Governance Committee and Organization and Compensation Committee. Each committee has a charter that has been approved by the Board. With the exception of the Executive Committee, each committee must review the appropriateness of its charter and perform a self-evaluation at least annually.

Audit Committee

The current members of the Audit Committee are Dean R. O Hare (Chair), James T. Hackett, Kent Kresa, Robin W. Renwick and Suzanne H. Woolsey. All current members qualify, and all members during 2004 qualified, as independent within the meaning of SEC regulations, the listing standards of the New York Stock Exchange and the Company's *Corporate Governance Guidelines*. The Board has determined that Mr. O Hare qualifies as an audit committee financial expert under the rules of the Securities and Exchange Commission. None of the members serve on the audit committee of more than two other public companies. The Audit Committee held nine meetings during 2004, one of which was to review and approve the Company's 2003 Annual Report, Form 10-K and proxy materials for the 2004 annual meeting. At the end of the four regular meetings of the Committee, the members of the Audit Committee met privately with the Company's independent auditor and with the Company's internal auditors, in each case without the presence of any other Company officers or personnel.

The Audit Committee acts pursuant to the Audit Committee Charter, which was amended in February 2005. A copy of this charter, as amended, is attached as Appendix A to this proxy statement, and is also available on the investor relations portion of the Company's website at www.fluor.com. The functions of the Audit Committee and its activities during 2004 are described below under the heading Report of the Audit Committee.

Executive Committee

When the Board is not in session, the Executive Committee has all of the power and authority of the Board except the power to issue stock, approve mergers with nonaffiliated corporations, declare dividends and certain other powers specifically reserved by Delaware law for the Board only. The current members of the Executive Committee are Alan L. Boeckmann (Chair), Peter J. Fluor, David P. Gardner and Dean R. O Hare. In 2004, the Executive Committee took action by unanimous written consent on three occasions.

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Governance Committee

The current members of the Governance Committee are David P. Gardner (Chair), Peter J. Fluor, Vilma S. Martinez, Dean R. O. Hare, Joseph W. Prueher, Robin W. Renwick and Suzanne H. Woolsey. All current members qualify, and all members during 2004 qualified, as independent within the meaning of the listing standards of the New York Stock Exchange and the Company's *Corporate Governance Guidelines*. During 2004, the Governance Committee held four meetings.

The Governance Committee is responsible for identifying qualified candidates to become members of the Board and directors qualified to serve on the Company's committees. The Governance Committee develops, reviews and evaluates background information for any candidates for the Board, including those recommended by shareholders, and makes recommendations to the Board regarding such candidates. For information relating to nominations of directors by our shareholders, see *Director Nominations* above. The Governance Committee monitors the independence of the directors. The Governance Committee is also responsible for developing and implementing policies and practices relating to corporate governance, including the Company's *Corporate Governance Guidelines* and *Code of Business Conduct and Ethics for Members of the Board of Directors*. The Governance Committee also oversees the annual evaluation of the Board. The charter of the Governance Committee was amended in February 2005, and is available in the investor relations section of the Company's website at www.fluor.com.

Organization and Compensation Committee

The current members of the Organization and Compensation Committee are Peter J. Fluor (Chair), David P. Gardner, James T. Hackett, Kent Kresa and Joseph W. Prueher. All current members qualify, and all members during 2004 qualified, as independent within the meaning of the listing standards of the New York Stock Exchange and the Company's *Corporate Governance Guidelines*. The Organization and Compensation Committee held six meetings during 2004, including an extensive full day meeting to review the executive compensation program with its independent consultant.

The Organization and Compensation Committee is charged with reviewing the Company's organizational structure, functions of management, and senior management succession planning and recommending the appointment of corporate officers and group executive officers. The Organization and Compensation Committee is also responsible for reviewing general compensation strategy, establishing corporate goals and objectives relevant to the Chief Executive Officer and other key employees, evaluating their achievement of these goals and setting their compensation levels. It also approves and administers the Company's incentive-compensation plans and equity-based compensation plans, and makes recommendations to the Board regarding these plans. The charter of the Organization and Compensation Committee was amended in February 2005, and is available in the investor relations section of our website at www.fluor.com. The responsibilities of our Organization and Compensation Committee and its activities during 2004 are described in the report of the Organization and Compensation Committee contained in this proxy statement.

Other Matters

Vilma S. Martinez, a member of our Board, is a partner in the law firm of Munger, Tolles & Olson LLP. Certain subsidiaries of the Company have retained other members of that law firm, who have nationally recognized expertise, to defend them in various legal proceedings during 2002 and have continued to retain such legal counsel relative to such proceedings. Munger, Tolles & Olson LLP has 89 partners, and the fees of approximately \$66,000 paid by the Company in 2004 to that firm represent significantly less than 1% of the firm's gross revenues during its last fiscal year. Ms. Martinez receives distributions based on the firm's overall earnings and does not have a material interest in the fees paid by the Company.

Peter J. Fluor, a member of our Board, is the brother of J. Robert Fluor, II, who is our Vice President - Global Public Affairs. J. Robert Fluor, II has been employed by the Company since 1967 and does not perform a policy-making function. During 2004, he received compensation totaling approximately \$392,158, and restricted stock with a value of \$61,880 on the date of grant. Peter J. Fluor joined our Board in 1984.

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Lord Robin W. Renwick, a member of our Board, receives compensation from the Company in his capacity as the Non-Executive Chairman of Fluor Limited, a wholly-owned subsidiary of the Company located in the United Kingdom. In 2004, Lord Renwick received an annual fee of £30,000 (which amounts to approximately \$57,477 based on exchange rates as of December 31, 2004).

Since July 2002, Fluor has maintained a policy under which no new loans are allowed to be granted to any executive officers or directors of Fluor, and existing loans to these executive officers are not allowed to be extended or modified. Prior to the adoption of this policy, the Company had made the following loans to executive officers of the Company as described below:

Name⁽¹⁾	Largest Principal Amount Outstanding from January 1, 2004(\$)	Principal Amount Outstanding as of March 1, 2005(\$)	Interest Bearing/Rate	Nature of Indebtedness
John L. Hopkins Group President, Government	480,000	paid in full in March 2004	No	relocation loan
Mark A. Stevens Group Executive, Project Risk	544,000	272,000	No	relocation loan(2)
D. Michael Steuert Senior Vice President and Chief Financial Officer	700,000	475,000	No	relocation loan(3)
Jeffery L. Faulk Group President, Energy and Chemicals	440,000	paid in full in February 2004	No	relocation loan

(1) Messrs. Steuert, Stevens, Hopkins and Faulk are executive officers of the Company. These loans were grandfathered by the Sarbanes-Oxley Act because they were outstanding prior to July 30, 2002, the effective date of the Act.

(2) Payable in annual payments due on April 1 of each year, the last of which is due in 2007.

(3) Payable in annual payments due on April 1 of each year, the last of which is due in 2006.

REPORT OF THE AUDIT COMMITTEE

The charter of the Audit Committee, amended in February 2005, and attached as Appendix A to this proxy statement and also available on the investor relations portion of the Company's website at www.fluor.com, specifies that the purpose of the Committee is to assist the Board in fulfilling its oversight responsibility relating to the:

Company's accounting, reporting and financial practices, including the integrity of its financial statements;

surveillance of administration and financial controls and the Company's compliance with legal and regulatory requirements;

independent auditor's qualifications and independence;

performance of the Company's internal audit function and independent auditor; and

preparation of this report.

In carrying out these responsibilities, the Audit Committee, among other things, supervises the relationship between the Company and its independent auditor, including making decisions with respect to its appointment or removal, reviewing the scope of its audit services, pre-approving audit engagement fees and non-audit services and evaluating its independence. The Audit Committee oversees and evaluates the adequacy of the Company's systems of internal and disclosure controls and internal audit function. The Committee has the authority to investigate any matter brought to its attention and may retain outside counsel for such purpose.

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The Committee met nine times during fiscal year 2004. The Committee schedules its meetings with a view to ensuring that it devotes appropriate attention to all of its tasks. The Committee's meetings include, whenever appropriate, executive sessions with the Company's independent auditor and with the Company's internal auditors, in each case without the presence of the Company's management.

As part of its oversight of the Company's financial statements, the Committee reviewed and discussed with management and Ernst & Young LLP, the Company's independent auditor, the audited financi