

## **AUDIT COMMITTEE CHARTER**

**OF**

**KBR, INC.**

**(as of December 17, 2008)**

### **Article I. Purpose**

The Audit Committee (the "Committee") of KBR, Inc. (the "Corporation") is appointed by the Board of Directors of the Corporation (the "Board") to assist the Board in overseeing (1) the integrity of the financial statements of the Corporation, (2) the compliance by the Corporation with legal and regulatory requirements, (3) the independence, qualifications and performance of the Corporation's independent auditors and (4) the performance of the Corporation's internal audit function.

The Committee is also charged with making regular reports to the Board and delivering any reports that may from time to time be required by the rules of the New York Stock Exchange ("NYSE") or the Securities and Exchange Commission (the "SEC") to be included in the Corporation's annual proxy statement or annual report on Form 10-K.

Pursuant to the Sarbanes-Oxley Act of 2002 and the rules and regulations of the SEC, the Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (any such firm is referred to in this Charter as the Corporation's independent auditors). The Committee shall have and may exercise all the powers of the Board, except as may be prohibited by law, with respect to all matters encompassed by this Charter, and shall have all the power and authority required under the Sarbanes-Oxley Act of 2002.

### **Article II. Membership**

The Audit Committee shall be appointed by the Board of Directors and shall consist of one or more members of the Board. Each member of the Committee shall (i) first be nominated by the Nominating and Corporate Governance Committee (or similar committee) of the Corporation, and (ii) be elected by the full Board, with interested members of the Board recusing themselves as appropriate, and shall serve until the expiration of such member's term or until such member's earlier resignation, retirement or removal. The members of the Committee may be removed at any time, with or without cause, by majority vote of the Board.

Prior to their election and annually thereafter, members of the Committee shall have been affirmatively determined by the Board to meet the applicable independence, expertise, experience and financial literacy requirements of the NYSE, Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the rules and regulations of the SEC. At least one member of the Committee shall be a person who the Board determines is an "audit committee financial expert" as defined by Item 407(d)(5) of Regulation S-K promulgated by the SEC.

Unless otherwise determined by the Board, no member of the Committee shall simultaneously serve on the audit committees of more than two other public companies.

The Board shall elect a Chairperson of the Committee who will chair all regular sessions of the Committee and set the agendas for Committee meetings. This Chairperson shall serve until the expiration of his or her term or until his or her earlier resignation, retirement or removal. If the Chairperson is absent from a particular meeting, another member of the Committee shall serve as chairperson for purposes of that meeting.

### **Article III. Meetings**

The Committee will meet as often as the members shall determine to be necessary or appropriate, but at least five times during each year. In addition, the Committee will make itself available to the independent auditors and the internal auditors of the Corporation as requested.

A majority of Committee members shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the Committee. The Committee may meet by telephone or videoconference and may take action by unanimous written consent to the fullest extent permitted by the General Corporation Law of the State of Delaware.

The Committee will cause to be kept adequate minutes of all its proceedings and will report its actions to the next meeting of the Board, along with any recommendations to the Board approved by the Committee. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous written consent.

### **Article IV. Authority**

The Committee shall have the resources and authority necessary to discharge its duties and responsibilities, including the authority to engage and obtain advice and assistance from outside legal counsel, accounting or other experts and advisors, as it deems appropriate in its sole discretion and without seeking approval of the Board. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Corporation. The Committee will take all necessary steps to preserve the privileged nature of those communications. The Committee may request any officer or employee of the Corporation or the Corporation's outside counsel or independent auditors to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee.

The Corporation shall provide for appropriate funding, as determined by the Committee, for payment of compensation to the independent auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, compensation to any advisors employed by the Committee, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

The independent auditors of the Corporation are ultimately accountable to the Committee and the Board, as opposed to management of the Corporation. The Committee shall have the sole authority to appoint and, where appropriate, replace the Corporation's independent auditors (subject to stockholder ratification) and to approve all audit engagement fees and terms. The Committee shall be directly responsible for the compensation and oversight of the work of the independent auditors (including resolution of disagreements between management and the independent auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work or

performing other audit, review or attest services for the Corporation. The independent auditors shall report directly to the Committee.

The Committee shall preapprove all audit, review or attest engagements and permissible non-audit services, including the fees and terms thereof, to be performed by the independent auditors, subject to, and in compliance with, the *de minimis* exception for non-audit services described in Section 10A(i)(1)(B) of the Exchange Act and the applicable rules and regulations of the SEC.

The Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permissible non-audit services. The Committee also may delegate such preapproval authority to any of its members. Any decisions of such subcommittees or members to grant preapprovals shall be reported to the full Committee at its next scheduled meeting.

#### **Article V. Responsibilities and Duties**

The Committee shall, to the extent it deems necessary or appropriate:

- Review and discuss with management and the independent auditors the annual audited financial statements, disclosures made in management's discussion and analysis of financial condition and results of operations, the Corporation's internal controls report and the independent auditor's attestation of the Corporation's internal controls in the Corporation's Annual Report on Form 10-K.
- Recommend to the Board whether the Corporation's annual audited financial statements and accompanying notes should be included in the Corporation's Annual Report on Form 10-K.
- Prepare and approve the audit committee report as required by the SEC to be included in the Corporation's proxy statement for the annual meeting (or in the Corporation's Annual Report on Form 10-K if required to be included therein).
- Review and discuss with management and the independent auditors the Corporation's quarterly financial statements, as well as disclosures made in management's discussion and analysis of financial condition and results of operations, prior to the filing of the Corporation's Quarterly Reports on Form 10-Q, including any matters provided in Statement on Auditing Standards No. 100 arising in connection with the Corporation's quarterly financial statements.
- Review and discuss with management and the independent auditors:
  - Major issues and judgments (i) regarding accounting principles and financial statement presentations or (ii) otherwise made in connection with the preparation of the Corporation's financial statements, including any significant changes in the selection or application of accounting principles, any major issues concerning the adequacy of the Corporation's internal controls, any special audit steps adopted in light of material control deficiencies and the adequacy of disclosures about changes in internal control over financial reporting.

- Analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the Corporation's financial statements, including analyses of the effects of alternative methods of generally accepted accounting principles on the financial statements.
- The auditor's judgments about the quality, not just the acceptability, of the Corporation's accounting principles and such further matters as the independent auditors present to the Committee under generally accepted auditing standards.
- Review and discuss with management (including the senior internal audit executive) and the independent auditor the adequacy and effectiveness of the Corporation's disclosure controls and procedures and management's reports thereon.
- Review and discuss quarterly and annual reports from the independent auditors on:
  - All critical accounting policies and practices to be used.
  - All alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, including (1) ramifications of the use of such alternative disclosures and treatments and (2) the treatment preferred by the independent auditors.
  - Other material written communications between the independent auditors and management, such as any management letter provided by the independent auditors and management's response to that letter, any management representation letter, any reports on observations and recommendations on internal controls, any schedule of unadjusted audit differences and a listing of adjustments and reclassifications not recorded, if any, and any engagement or independence letters.
- Review with management the Corporation's earnings press releases, with particular emphasis on the use of any "non-GAAP financial measures," as well as financial information and earnings guidance provided to analysts and rating agencies. Such discussion may be done generally (covering, for example, the types of information to be disclosed and the type of presentation to be made).
- Review with management and the independent auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Corporation's financial statements.
- Meet periodically with management to review the Corporation's major financial risk exposures and the steps management has taken to monitor and control those exposures; and discuss the Corporation's policies and guidelines concerning risk assessment and risk management.
- Discuss with the independent auditors the matters required to be communicated by the independent auditors pursuant to Statement on Auditing Standards No. 61 relating to the conduct of the audit, including any problems or difficulties encountered in the course of

the audit work and management's response, any restrictions on the scope of activities or access to requested information and any significant disagreements with management.

- Review the disclosures that the Corporation's chief executive officer and chief financial officer make to the Committee and the independent auditors in connection with the certification process for the Corporation's Reports on Form 10-K and Form 10-Q concerning any significant deficiencies or weaknesses in the design or operation of internal control over financial reporting and any fraud that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting.
- Review the capabilities and performance of the lead partner of the independent auditors.
- At least annually, obtain and review a report by the independent auditors describing (i) the independent auditors' internal quality-control procedures; (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the independent auditors, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (iii) all relationships between the independent auditors and the Corporation as contemplated by the rules and regulations of the SEC and the Public Company Accounting Oversight Board ("PCAOB"). Evaluate the independent auditors' qualifications, performance and independence, including considering whether the independent auditors' quality controls are adequate and the provision of permitted non-audit services is compatible with maintaining the independent auditors' independence. In making this evaluation, the Committee shall take into account the opinions of management and internal auditors. The Committee shall present its conclusions with respect to the independent auditors to the full Board.
- Confirm the regular rotation of the audit partners as required by law. Consider whether there should be regular rotation of the independent auditing firm.
- Establish hiring policies for the Corporation's employment of the independent auditors' personnel or former personnel, which shall take into account whether a proposed employee participated in any capacity in the audit of the Corporation.
- Review with the independent auditors any communication or consultation between the Corporation's audit team and the independent auditors' national office respecting auditing or accounting issues presented by the engagement.
- Meet with the independent auditors prior to the audit to review the planning and staffing of the audit.
- Review the appointment and replacement of the senior internal auditing executive.
- Review the significant reports to management prepared by the internal auditing department and management's responses.

- Review with management and the independent auditors the responsibilities, budget and staffing of the internal auditors and any recommended changes in the planned scope of the internal audit. The internal audit function (which may be outsourced to a third-party service provider other than the independent auditor) is intended to provide management and the Committee with ongoing assessments of the Corporation's risk management processes and system of internal control.
- Obtain from the independent auditors assurance that Section 10A(b) of the Exchange Act has not been implicated.
- Advise the Board with respect to the Corporation's policies and procedures regarding compliance with applicable laws and regulations and with the Corporation's Code of Business Conduct and Corporate Governance Guidelines.
- Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Corporation's financial statements or accounting policies.
- Review with the Corporation's General Counsel legal matters that may have a material impact on the Corporation's financial statements, the Corporation's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
- Meet periodically in separate executive sessions with management (including the chief financial officer and the General Counsel), the internal auditors and the independent auditors and have such other direct and independent interaction with such persons from time to time as the members of the Committee deem appropriate.
- Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
- Review annually the Committee's own performance.
- Make regular reports to the Board.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. It is also not the duty of the Committee to conduct investigations or to assure compliance with laws and regulations and the Corporation's Code of Business Conduct and Corporate Governance Guidelines.