

FLUOR CORP  
Form PRE 14A  
March 02, 2012

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

**FLUOR CORPORATION**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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  - (1) Title of each class of securities to which transaction applies:
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Fluor Corporation  
6700 Las Colinas Boulevard  
Irving, Texas 75039

March 13, 2012

Dear Stockholder:

You are cordially invited to attend the 2012 annual meeting of stockholders. The meeting will be held on Thursday, May 3, 2012, beginning at 9:00 a.m. Central Daylight Time, at Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039. 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 stockholder questions.

We are pleased to be using the U.S. Securities and Exchange Commission rule that allows companies to furnish proxy materials to their stockholders primarily over the Internet. We believe that this process expedites stockholders' receipt of proxy materials, lowers the costs of the annual meeting and helps to conserve natural resources. On or about March 13, 2012, we will begin mailing our stockholders a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access our 2012 Proxy Statement and 2011 Annual Report and how to vote online. The Notice will also include instructions on how to request a paper copy of the proxy materials, including the notice of annual meeting, proxy statement, annual report and proxy card.

Whether or not you plan to attend the meeting, your vote is important and we encourage you to review our proxy materials and promptly cast your vote using the instructions provided in the Notice. You may vote your shares over the Internet or via a toll-free telephone number. Alternatively, if you request or receive a paper copy of the proxy materials by mail, you may vote over the Internet, you may vote by telephone, or you may sign, date and mail the proxy card in the envelope provided. Instructions regarding the three methods of voting are contained in the Notice or proxy card.

Thank you for your continued support of Fluor Corporation. I look forward to seeing you on May 3<sup>rd</sup>.

Sincerely,

David T. Seaton  
*Chairman and Chief Executive Officer*

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held May 3, 2012**

The annual meeting of stockholders of Fluor Corporation will be held at Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039, on Thursday, May 3, 2012, at 9:00 a.m. Central Daylight Time. At the meeting, our stockholders will consider and vote on the following matters:

1. The election of four Class I directors named in the proxy statement to serve until the 2013 annual meeting of stockholders and until their respective successors are elected and qualified.
2. An advisory vote to approve the company's executive compensation.
3. The amendment of our Amended and Restated Certificate of Incorporation to grant holders of at least 25% of the company's outstanding shares of common stock the right to call a special meeting of stockholders.
4. The ratification of the appointment by our Audit Committee of Ernst & Young LLP as independent registered public accounting firm for the fiscal year ending December 31, 2012.
5. Such other matters as may be properly presented at the meeting or any adjournment thereof.

All stockholders of record at the close of business on March 9, 2012 are entitled to receive notice of, and to vote at, the annual meeting. Stockholders are cordially invited to attend the meeting in person; however, regardless of whether you plan to attend the meeting in person, please cast your vote as instructed in the Notice of Internet Availability of Proxy Materials (the "Notice") as promptly as possible. Alternatively, if you wish to receive paper copies of your proxy materials, including the proxy card, please follow the instructions in the Notice. Once you receive paper copies of your proxy materials, please complete, sign, date and promptly return the proxy card in the postage-prepaid return envelope provided, or follow the instructions set forth on the proxy card to authorize the voting of your shares over the Internet or by telephone. Your prompt response is necessary to ensure that your shares are represented at the meeting.

By Order of the Board of Directors,

Carlos M. Hernandez  
*Senior Vice President, Chief Legal Officer and Secretary*

March 13, 2012  
Irving, Texas

**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be held on May 3, 2012:** This proxy statement and the company's 2011 Annual Report to Stockholders are available at [www.proxyvote.com](http://www.proxyvote.com).

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**FLUOR CORPORATION**

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**PROXY STATEMENT**

**March 13, 2012**

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 stockholders to be held at Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039, on Thursday, May 3, 2012, at 9:00 a.m. Central Daylight Time, or at any adjournment or postponement thereof (the "Annual Meeting").

The current mailing address of the principal executive offices of Fluor Corporation is 6700 Las Colinas Boulevard, Irving, Texas 75039. Please direct any communications to this mailing address.

**Internet Availability of Proxy Materials**

As permitted by U.S. Securities and Exchange Commission rules, we are making this proxy statement and our annual report available to our stockholders primarily via the Internet, rather than mailing printed copies of these materials to each stockholder. We believe that this process will expedite stockholders' receipt of proxy materials, lower the costs of the Annual Meeting and help to conserve natural resources. On or about March 13, 2012, we will begin mailing to each stockholder (other than those who previously requested electronic delivery of all materials or previously elected to receive delivery of a paper copy of the proxy materials) a Notice of Internet Availability of Proxy Materials (the "Notice") containing instructions on how to access and review the proxy materials, including our proxy statement and our annual report, on the Internet and how to access an electronic proxy card to vote on the Internet or by telephone. The Notice also contains instructions on how to receive a paper copy of the proxy materials. If you receive a Notice by mail, you will not receive a printed copy of the proxy materials unless you request one. If you receive a Notice by mail and would like to receive a printed copy of our proxy materials, please follow the instructions included in the Notice.

**Voting Instructions**

If you own your shares of common stock of record or you hold shares in a Fluor or Fluor subsidiary's retirement plan participant account, you may authorize the voting of your shares over the Internet at [www.proxyvote.com](http://www.proxyvote.com) or telephonically by calling 1-800-690-6903 and by following the instructions in the Notice. If you requested a paper copy of the proxy materials, you may also authorize the voting of your shares by following the instructions on the enclosed proxy card. Authorizations submitted over the Internet or by telephone must be received by 11:59 p.m. Eastern Daylight Time on

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May 2, 2012, except with respect to shares held in company retirement plans, which, as discussed below, must be received by 5:59 p.m. Eastern Daylight Time on May 1, 2012 to be voted by the trustee.

If the shares you own are held in "street name" by a bank, brokerage firm or other nominee, that nominee may provide you with a Notice. Follow the instructions on the Notice to access our proxy materials and vote online, or to request a paper or email copy of our proxy materials. If you receive these materials in paper form, the materials include a voting instruction card so you can instruct your bank, broker or other nominee how to vote your shares.

On March 1, 2012, the company had 169,017,470 shares of common stock outstanding. The presence at the meeting, in person or by proxy, of a majority of the outstanding shares of Fluor common stock on the record date will constitute a quorum at the Annual Meeting. Abstentions and broker non-votes (broker-held shares for which the brokers have not received voting instructions from clients and with respect to which the brokers do not have discretionary authority to vote on a matter) are counted for purposes of determining the presence or absence of a quorum for the transaction of business at the Annual Meeting.

Stockholders have one vote for each share of Fluor common stock owned by them as of the close of business on March 9, 2012, the record date, with respect to all business of the meeting. Each director nominee receiving the majority of votes cast (number of shares voted "for" a director nominee must exceed the number of votes cast "against" that director nominee) will be elected as a director, provided that if the number of nominees exceeds the number of directors to be elected (a situation we do not anticipate), the directors shall be elected by a plurality of the votes cast. Abstentions and broker non-votes are not counted in the determination of votes cast, and thus do not have an effect on the outcome of voting for directors. With respect to the advisory vote to approve executive compensation and the ratification of the independent auditors, the affirmative vote of the majority of shares represented in person or by proxy at the Annual Meeting and entitled to vote is required. Abstentions have the same effect as a vote against these proposals, and broker non-votes do not have an effect on the outcome of the proposals. Each of these votes is advisory, and the Board will give consideration to the voting results.

With respect to the amendment to the Amended and Restated Certificate of Incorporation to grant holders of at least 25% of our outstanding shares of common stock the right to call a special meeting of stockholders, the affirmative vote of a majority of the outstanding shares is required. Abstentions and broker non-votes have the same effect as a vote against this proposal.

**If your shares are held in street name and you do not provide voting instructions to your broker in advance of the Annual Meeting, New York Stock Exchange rules grant your broker discretionary authority to vote on "routine matters," including the ratification of the independent auditors (Proposal 4). However, the proposals regarding the election of directors, advisory vote to approve executive compensation and amendment to the Amended and Restated Certificate of Incorporation are not considered "routine matters." Therefore, if you hold your shares of company common stock in street name and do not provide voting instructions to your broker, your shares will not be voted for proposals 1, 2 and 3. We urge you to promptly provide voting instructions to your broker to ensure that your shares are voted on these proposals. Please follow the instructions set forth in the Notice.**

For shares other than shares held in the Fluor retirement plans or held in street name, if you properly submit a proxy without giving specific voting instructions, 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 advisory resolution to approve executive compensation, (3) FOR the amendment of our Amended and Restated Certificate of Incorporation to

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grant holders of at least 25% of our outstanding shares of common stock the right to call a special meeting of stockholders, and (4) FOR the ratification of the appointment of Ernst & Young LLP as independent registered public accounting firm for the year ending December 31, 2012. 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 of record, you may revoke your proxy or change your voting instructions by submitting a later-dated vote in person at the annual meeting, via the Internet, by telephone or by delivering written notice to the Secretary of the company at any time prior to 24 hours before the commencement of the Annual Meeting. If the shares you own are held in "street name" by a bank, brokerage firm or other nominee, you should contact that nominee if you wish to revoke or change previously given voting instructions.

For shares held in the company retirement plans, voting instructions (and any revocation or change of voting instructions) must be received by 5:59 p.m. Eastern Daylight Time on May 1, 2012, in order for the trustee to vote your shares in accordance with your instructions. If your voting instructions are not received by 5:59 p.m. Eastern Daylight Time on May 1, 2012, 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**

At the 2011 annual meeting, the company's stockholders voted to phase out the classification of the Board and to provide instead for the annual election of directors, commencing with the 2012 Annual Meeting. Directors previously elected to three-year terms are entitled to serve the remainder of such terms before standing for re-election.

In accordance with the company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, four Class I directors, Peter K. Barker, Alan M. Bennett, Dean R. O'Hare and David T. Seaton, have been nominated for election at the Annual Meeting to serve a one-year term expiring at the annual meeting in 2013 and until their respective successors are elected and qualified.

Each of the nominees listed above 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.

Under the standard applicable to the company's director elections, a director must receive the affirmative vote of a majority of the votes cast; except that directors shall be elected by a plurality of the votes cast if as of the record date for such meeting the number of director nominees exceeds the number of directors to be elected (a situation we do not anticipate). A majority of the votes cast means that the number of shares voted "for" a director nominee must exceed the number of shares voted "against" that director nominee. If an incumbent director is not re-elected, the Governance Committee will consider his or her contingent resignation given prior to the meeting and make a recommendation to the Board on whether to accept or reject the resignation. The Board will then publicly announce its decision regarding whether to accept the resignation and, if not, the reasons why.

**Biographical Information, including Experience, Qualifications, Attributes and Skills**

The following biographical information is furnished with respect to each of the nominees for election at the Annual Meeting and each of the other 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 the company, his or her principal occupation and business experience for at least the past five years, and the names of other public companies of which he or she currently serves or has served as a director in the last five years. 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.

As discussed further below under "Corporate Governance Consideration of Director Nominees," the Governance Committee is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required of members of the Board in the context of the current make-up of the Board. The company's directors have experience with businesses that operate in industries in which the company operates, such as oil and gas and government contracting, or have particular skills that are beneficial to the company's business, such as knowledge of financial matters, risk oversight, compliance and familiarity with non-U.S. markets. The following information highlights

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the specific experience, qualifications, attributes and skills that our individual directors possess which have led the Governance Committee to conclude that each such individual should continue to serve on the company's Board.

***Class I Director Nominees***

**PETER K. BARKER**, age 63.

Director since 2007; member of the Audit and Governance Committees.

California Chairman of JPMorgan Chase & Co., a global financial services firm, since September 2009; Partner at Goldman Sachs & Co. until his retirement in May 2002; joined Goldman Sachs & Co. in November 1971.

Mr. Barker is also a director of Avery Dennison Corporation (Pasadena, California). He has also served as a director of GSC Investment Corp. (New York, New York) in the last five years.

Mr. Barker's vast experience in international financial and banking matters at JPMorgan Chase & Co. and Goldman Sachs makes him a valued member of our Board and Audit Committee. His 40 years of experience allow him to share insights with the Board on matters such as capital structure, mergers, acquisitions, financings and strategic planning as well as with regard to general business trends, accounting and financial matters.

**ALAN M. BENNETT**, age 61.

Director since 2011; member of the Audit Committee.

President and Chief Executive Officer of H&R Block, Inc., a publicly traded entity providing tax, banking and business and consulting services, from July 2010 to May 2011; former Interim Chief Executive Officer of H&R Block, Inc. from November 2007 to August 2008; Senior Vice President and Chief Financial Officer of Aetna, Inc., a provider of health care benefits, from September 2001 to February 2007.

Mr. Bennett is also a director of Halliburton Company (Houston, Texas) and The TJX Companies, Inc. (Framingham, Massachusetts). He has also served as a director of H&R Block, Inc. (Kansas City, Missouri) and Bausch & Lomb (Rochester, New York) in the last five years.

Mr. Bennett brings to the Board a deep understanding of business administration, business operations, finance and sales and marketing, developed through his experience as a former Chief Executive Officer, Chief Financial Officer and Vice President of Sales and Marketing. His leadership roles at H&R Block and Aetna provide the Board with valuable public company insights into business strategy and financial planning. In addition, he brings almost 40 years of experience in accounting and financial matters to our Audit Committee.

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**DEAN R. O'HARE**, age 69.

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

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 Company (Pittsburgh, Pennsylvania) and AGL Resources, Inc. (Atlanta, Georgia).

Mr. O'Hare's experience as the Chief Executive Officer of The Chubb Corporation, a global insurance company in the Fortune 500, contributes significantly to our Board's oversight of risk, financial matters and international operations. His 40 years of experience with products that assist clients in managing exposure and minimizing risks allow him to provide insight to the Board on risk management, strategy and global operations. Additionally, his role as a director of other global companies brings diverse knowledge to our Board.

**DAVID T. SEATON**, age 50.

Director since February 2011; Chairman of the Board and Chair of the Executive Committee.

Chairman (since February 2012) and Chief Executive Officer (since February 2011) of Fluor; Chief Operating Officer from November 2009 to February 2011; Senior Group President, Energy and Chemicals, Power and Government from March 2009 to November 2009; Group President, Energy & Chemicals from March 2007 to March 2009; Group Executive from September 2005 to March 2007; joined Fluor in 1985.

Mr. Seaton is also a director of The Mosaic Company (Plymouth, Minnesota).

Mr. Seaton, the company's Chief Executive Officer, brings to the Board extensive leadership experience with, and knowledge of, the company's business and strategy, particularly in the energy and chemicals markets. He has worked (and lived) in many Fluor locations, including the Middle East, and provides insight to the Board on the company's global operations. Additionally, his more than 25 years of service with the company provide the Board with a historical perspective on the company's growth and operations.

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*Class II Directors Term Expires 2013*

**ROSEMARY T. BERKERY**, age 58.

Director since 2010; member of the Governance Committee.

Vice Chairman of UBS Wealth Management Americas and Chairman of UBS Bank USA, a wealth management banking business, since March 2010. Former Vice Chairman, Executive Vice President and General Counsel of Merrill Lynch & Co., Inc., a global securities and financial services business, from October 2001 to December 2008; joined Merrill Lynch & Co., Inc. in 1983.

Ms. Berkery's broad range of experience in legal, financial and business matters make her a valued member of the company's Board. Her more than 30 years in the legal field, both in private practice and in-house, with prior experience managing more than 900 members of a legal and compliance team for a global operation, make her an excellent resource to the Board and the Governance Committee on legal and compliance matters.

**JAMES T. HACKETT**, age 58.

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

Chairman (since January 2006) and Chief Executive Officer (since December 2003) of Anadarko Petroleum Corporation, an independent oil and gas exploration and production company. Effective May 15, 2012, Mr. Hackett will step down as Chief Executive Officer of Anadarko Petroleum and continue as its Executive Chairman.

Mr. Hackett is also a director of Anadarko Petroleum Corporation (The Woodlands, Texas) and Bunge Limited (White Plains, New York). He has also served as a director of Halliburton Company (Houston, Texas) and Temple-Inland, Inc. (Austin, Texas) in the last five years.

Mr. Hackett has extensive knowledge of the global oil and gas industry based on his experience as Chairman and Chief Executive Officer of Anadarko Petroleum Corporation, former Chairman and Chief Executive Officer of Ocean Energy and former President and Chief Operating Officer of Devon Energy. His several decades of executive experience, as well as his experience serving on other public company boards and as Chairman of the Board of the Federal Reserve Bank of Dallas, enable him to provide respected financial guidance, as well as perspective about the ever-evolving energy market from which we derive a substantial portion of our revenues.

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**KENT KRESA**, age 73.

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

Chairman Emeritus of Northrop Grumman Corporation, a global defense company, since September 2003. Former Chairman and Chief Executive Officer of Northrop Grumman Corporation from 1990 until April 2003.

Mr. Kresa is also a director of MannKind Corporation (Valencia, California). He has also served as a director of Avery Dennison Corporation (Pasadena, California) and General Motors Corporation (Detroit, Michigan) in the last five years.

Mr. Kresa's experience as the former Chairman and Chief Executive Officer of the major defense contractor, Northrop Grumman Corporation, provides him with extensive knowledge of financial and accounting matters for complex global organizations as well as a thorough understanding of the intricacies of government contracting. Additionally, his role as a director of other global companies brings diverse knowledge to our Board. These skills provide our Board with special insight on matters relating to our financial reporting requirements as well as those affecting our Government business.

**NADER H. SULTAN**, age 63.

Director since 2009; member of the Audit and Governance Committees.

Senior Partner in F&N Consultancy, a firm specializing in high level strategic advice related to the energy industry, since September 2004. Former Chief Executive Officer of Kuwait Petroleum Corporation.

Mr. Sultan is also the non-executive chairman of Ikarus Petroleum Holdings in Kuwait.

Mr. Sultan brings great insight and high-level strategic contributions to the Board as a result of his more than 40 years of experience in the international energy business, most recently as a chief executive officer running a national oil company in the Middle East. He provides a valued global perspective with regard to national oil companies and the Middle East in terms of business operations, politics and culture. His opinions and understanding of the Middle East region are important since it is an area in which we are expanding our business presence and from which we have derived and are continuing to derive a portion of our revenues.

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***Class III Directors Term Expires 2014***

**PETER J. FLUOR**, age 64.

Director since 1984; Lead Independent Director since February 2003; Chair of the Organization and Compensation Committee and member of the Executive and Governance Committees.

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

Mr. Fluor is also a director of Anadarko Petroleum Corporation (The Woodlands, Texas) and Cameron International Corporation (Houston, Texas). He has also served as a director of Devon Energy Corporation (Oklahoma City, Oklahoma) in the last five years.

Mr. Fluor has 40 years of experience in the energy industry, most recently as Chairman and Chief Executive Officer of Texas Crude Energy, LLC. His vast knowledge of the global oil and gas industry and his experience managing international businesses, together with his unique heritage and understanding of our company's legacy, make him an invaluable asset to our Board. Mr. Fluor is our longest serving board member, providing 28 consecutive years of board experience, with extensive knowledge of our business operations, clients and executives.

**JOSEPH W. PRUEHER**, age 69.

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

Consulting Professor and Senior Advisor, Stanford University, since 2001. Former Schlesinger Professor, University of Virginia, from 2009 to August 2011; U.S. Ambassador to the People's Republic of China from 1999 to 2001; and Admiral, U.S. Navy (Retired), Commander-in-Chief of U.S. Pacific Command from 1996 to 1999.

Admiral Prueher is also a director of Emerson Electric Co. (St. Louis, Missouri) and Amerigroup Corporation (Virginia Beach, Virginia). He has also served as a director of DynCorp International Inc. (Falls Church, Virginia), Merrill Lynch & Co., Inc. (New York, New York), Bank of America Corporation (New York, New York) and The Wornick Company, a wholly-owned subsidiary of TWC Holding LLC (Cincinnati, Ohio), in the last five years.

Admiral Prueher has more than 40 years of experience in dealing with military, security, foreign policy and global business matters. He brings to the Board an international, informed and seasoned set of perspectives, a well-developed engineering background, and extensive expertise and insights on Asia and the Pacific and business dealings with the U.S. government. Admiral Prueher strengthens our Board's ability to provide meaningful oversight and strategic guidance with regard to global operations, especially in relation to our Government business.

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**SUZANNE H. WOOLSEY**, age 70.

Director since 2004; member of the Audit and Governance Committees.

Chief Executive Officer of Woolsey Partners, LLC, a consulting firm specializing in alternative and renewable energy, since 2009. Former Chief Communications Officer (from 2000 to 2003) and Chief Operating Officer (from 1993 to 2000) of The National Academies, an independent, federally chartered policy institution that acts as an advisor to the nation on science, engineering and medicine.

Dr. Woolsey is also a director of Invesco Van Kampen closed-end funds and a former trustee of the mutual funds distributed by Van Kampen Funds, Inc. (Oakbrook Terrace, Illinois).

Dr. Woolsey's broad range of experience in public policy, corporate and not-for-profit governance, operations and communications brings an informed perspective to the Board. Her years of working in the U.S. government (where, among other things, as a senior staff member of the Office of Management and Budget, she oversaw a significant portion of the Federal budget), as a consulting partner for Coopers & Lybrand and as Chief Operating Officer of The National Academies of Sciences and Engineering give her a deep understanding of financial management, organizational governance and project management that allows her to provide valued contributions to the Board.

**Board Recommendation**

The Board of Directors recommends a vote FOR the election of Peter K. Barker, Alan M. Bennett, Dean R. O'Hare and David T. Seaton.

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**CORPORATE GOVERNANCE**

**General**

The company has long believed that good corporate governance practices promote the principles of fairness, transparency, accountability and responsibility and will help manage the company for the long-term benefit of its stockholders. During the past year, we continued to review our corporate governance policies and practices and to compare them to those suggested by various commentators on corporate governance and the practices of other public companies.

Specifically, in 2011, our Board recommended a number of significant changes to our corporate governance practices. Two of these recommendations were implemented when we amended our Amended and Restated Certificate of Incorporation in May 2011 to (i) declassify the Board and (ii) to remove and replace the supermajority voting provisions. As a result of these amendments, directors up for election at this year's annual meeting will be elected for a one-year term; and the Board will be fully declassified in 2014. Furthermore, a supermajority vote will no longer be required for stockholders to take certain actions, including to approve Proposal 3 which, if approved, would amend our Certificate of Incorporation to grant holders of at least 25% of our outstanding shares of common stock the right to call a special meeting of stockholders. The Board believes that these changes promote good corporate governance and are consistent with the interests of our stockholders.

In addition, in late 2011, our Board reviewed all committee charters and amended the charters for our Audit, Governance and Organization and Compensation Committees. The Board also updated the company's Corporate Governance Guidelines and Code of Business Conduct and Ethics for Members of the Board of Directors. You can access our current committee charters, Corporate Governance Guidelines, Code of Business Conduct and Ethics for Members of the Board of Directors, as well as other information regarding our corporate governance practices, in the governance section of our website at [www.fluor.com](http://www.fluor.com) under "Sustainability." Our Code of Business Conduct and Ethics for Fluor employees can be found in the ethics and compliance section of our website under "Sustainability."

**Determination of Independence of Directors**

Under New York Stock Exchange rules and our Corporate Governance Guidelines, a director of the company qualifies as "independent" only if the Board of Directors affirmatively determines that the director has no material relationship with the company (either directly, or as a partner, stockholder or officer of an organization that has a relationship with the company). A relationship is "material" if, in the judgment of the Board, the relationship would interfere with the director's independent judgment.

Under standards adopted by the Board, a director is not independent if any of the following relationships exist:

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 \$120,000 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



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an immediate family member for service as an employee of Fluor (other than as an executive officer) need not be considered in determining independence under this test.

(A) The director is a current partner or employee of a firm that is Fluor's internal or external auditor; (B) the director has an immediate family member who is a current partner of such a firm; (C) the director has an immediate family member who is a current employee of such a firm and who personally works on Fluor's audit; or (D) the director or an immediate family member was within the last three years 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 Fluor's present executive officers 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.

The director (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 2012. During this review, the Board considered transactions and relationships between each director (including members of his or her immediate family) and the company and its subsidiaries and affiliates, including those reported under "Certain Relationships and Related Transactions" 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.

The Board determined that Mr. Seaton is not independent under the New York Stock Exchange listing standards and our Corporate Governance Guidelines because of his employment as the Chief Executive Officer of the company. When assessing the independence of the other directors, the Board reviewed all payments made to or received from any entity, within the last three fiscal years, for which those Board members serve as either an employee or board member or an immediate family member serves as an executive officer. Specifically, the Board considered that Mr. Barker is an employee of JPMorgan Chase & Co., and Ms. Berkery is an employee of UBS Wealth Management Americas and UBS Bank USA; and the payments made by the company to each of JPMorgan and UBS for bank account fees, lending fees, brokerage services and other non-advisory services were less than \$1.0 million in each of the last three years. Neither Mr. Barker nor Ms. Berkery is an executive officer of the entity for which they work. The Board also considered payments under \$1.0 million to a law firm at which Mr. Barker's brother is a partner, and payments to a tax consulting firm at which Ms. Berkery's brother is a partner (which payments were less than .01% of such firm's revenues). Neither Mr. Barker's brother nor Ms. Berkery's brother personally provide services to the company. Finally, the Board considered that certain directors (Mr. Barker, Mr. Bennett, Mr. Fluor, Mr. Hackett,

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Mr. Kresa, Mr. O'Hare, Admiral Prueher, Mr. Sultan and Dr. Woolsey) are board members of entities that did business with the company in 2011, 2010 and/or 2009. In each case noted above, the payments to or from any of the foregoing entities did not exceed the greater of \$1 million or 2% of such other entity's consolidated gross revenues for any one of the last three fiscal years, and therefore fell below the thresholds of the company's independence standards disclosed above.

In addition, the Board reviewed charitable contributions made to non-profit organizations for which those Board members (or their respective spouses) serve as an employee or on the board of directors. Specifically, the Board considered that certain directors and/or their family members (Mr. Barker, Ms. Berkery, Mr. Fluor, Mr. Hackett, Mr. Kresa, Mr. O'Hare, Admiral Prueher and Dr. Woolsey) are affiliated with non-profit organizations that received contributions from the company in 2011, 2010 and/or 2009. No organization received contributions in a single year which exceeded the greater of 2% of such charitable organization's consolidated gross revenues or \$100,000; and therefore these contributions fell below the thresholds of the company's independence standards discussed above.

Finally, the Board reviewed the employment of J. Robert Fluor, II, the brother of Mr. Peter Fluor. Mr. J. Robert Fluor II is employed by a subsidiary of the company to provide community relations support. He does not have policy-making authority and is, therefore, not an executive officer for purposes of the independence standards discussed above.

As a result of this review, the Board affirmatively determined that the following directors, including each of those directors standing for election at the Annual Meeting, are independent of the company and its management under New York Stock Exchange listing standards and the standards set forth in the Corporate Governance Guidelines: Mr. Barker, Ms. Berkery, Mr. Bennett, Mr. Fluor, Mr. Hackett, Mr. Kresa, Mr. O'Hare, Admiral Prueher, Mr. Sultan and Dr. Woolsey. The Board 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 and New York Stock Exchange listing standards for such committee.

**Board Leadership**

The Chairman of the company's Board is elected by the Board on an annual basis. The Board, together with the Governance Committee, annually reviews the structure of the Board, and, as set forth in the company's Amended and Restated Bylaws and Corporate Governance Guidelines, the Board is empowered to choose any one of its members as Chairman of the Board. Following Mr. Boeckmann's retirement from the Board, Mr. Seaton, the company's Chief Executive Officer, was elected to serve as the Chairman of the Board. The Board has determined that Mr. Seaton, the individual with primary responsibility for managing the company's day-to-day operations, is best positioned to chair regular Board meetings and to lead and facilitate discussions of key business and strategic issues. The Board believes that its current leadership structure provides independent Board leadership and engagement while also deriving the benefit of having our Chief Executive Officer serve as Chairman. In his role as Chairman, Mr. Seaton presides over Board meetings, provides input on the agenda for each Board meeting and performs such other duties as the Board may request from time to time. The Board has also established a lead independent director position, as it believes that the role of Lead Independent Director is a useful one in promoting good Board governance when the company has a non-independent Chairman. As discussed below, the Lead Independent Director is elected every three years, and his or her duties are closely aligned with the role of an independent, non-executive chairman.

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In addition, each of the Audit, Governance and Organization and Compensation Committees is composed entirely of independent directors. Consequently, independent directors directly oversee critical matters such as the compensation policy for executive officers, succession planning, our corporate governance guidelines, policies and practices, the director nominations process, our corporate finance strategies and initiatives, and the integrity of our financial statements and internal controls over financial reporting.

**Lead Independent Director**

To provide for independent leadership, in 2003, the Board created the position of Lead Independent Director, whose primary responsibility is to preside over and set the agenda for all executive sessions of the Board in which management directors and other members of management do not participate. The Lead Independent Director also approves agendas and schedules for meetings of the Board and information sent to the Board, chairs Board meetings in the Chairman's absence, acts as a liaison between the independent directors and the Chairman, provides guidance on the director orientation process for new Board members, consults and communicates with stockholders, as appropriate, and monitors communications to the Board from stockholders and other interested parties. In 2012, the independent members of the Board designated Mr. Peter J. Fluor to serve in this position for a three-year term that expires in February 2015.

**Consideration of Director Nominees**

*Stockholder Recommendations*

The policy of the Governance Committee is to consider properly submitted stockholder recommendations for candidates for membership on the Board as described below under " Identifying and Evaluating Nominees for Director." In evaluating those 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 and Diversity" below. Any stockholder wishing to recommend a candidate for consideration by the Governance Committee should submit a recommendation in writing indicating the candidate's qualifications and other relevant biographical information and provide confirmation of the candidate's consent to serve as director. This information should be addressed to Carlos M. Hernandez, Chief Legal Officer and Secretary, Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039. In addition, our Amended and Restated Bylaws permit stockholders to nominate directors for election. See "Additional Information Advance Notice Procedures" on page 72 of this proxy statement, and Section 2.04 of our Amended and Restated Bylaws, which are included in the governance section of our website at [www.fluor.com](http://www.fluor.com) under "Sustainability."

*Director Qualifications and Diversity*

The Board of Directors believes that the Board, as a whole, should include individuals with a diverse range of background and experience to give the Board both depth and breadth in the mix of skills represented for the benefit of our stockholders. As provided in our Corporate Governance Guidelines, while all directors should possess business acumen and must exercise sound judgment in their oversight of our operations, the Board endeavors to include in its overall composition an array of targeted skills that complement one another rather than requiring each director to possess the same skills, perspective and interests. Accordingly, the Board and Governance Committee consider the qualifications of directors and director nominees both individually and in the broader context of the Board's overall composition and the company's current and future needs.

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Our Corporate Governance Guidelines contain Board membership criteria that apply to current directors as well as nominees for director. The Governance Committee is responsible for reviewing with the Board on an annual basis (and as needed) the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This annual review takes into consideration issues of diversity of background (including gender, race, ethnicity and age), experience, qualifications, attributes and skills. Certain criteria that our Board looks for in a candidate include, among other things, an individual's business experience and skills, judgment, independence, integrity, reputation and international background, the individual's understanding of such areas as finance, marketing, regulation and public policy, whether the individual has the ability to commit sufficient time and attention to the activities of the Board and the absence of any potential conflicts with the company's interests. The Board assesses its effectiveness in achieving these goals in the course of assessing director candidates, which is an ongoing process.

*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, stockholders 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 stockholder recommendations for candidates for the Board. If a stockholder properly recommends an individual to the Governance Committee 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 stockholder in connection with the recommendation of a director candidate are forwarded to the Governance Committee, which will consider the recommended candidate in light of the director qualifications discussed above and the Board's existing composition. The Governance Committee also reviews materials provided by professional search firms, if applicable, or other parties in connection with a candidate who is not proposed by a stockholder. In evaluating such recommendations, the Governance Committee seeks to achieve a balance of knowledge, experience and capability on the Board.

In 2011, Mr. Bennett was recommended for nomination as a board member by one of the Board's independent directors.

**Communications with the Board**

Individuals may communicate with the Board and individual directors by writing directly to the Board of Directors c/o Carlos M. Hernandez, Chief Legal Officer and Secretary, Fluor Corporation, 6700 Las Colinas Boulevard, Irving, Texas 75039. Stockholders 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 stockholders 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 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 stockholders and other interested parties, and will respond if and as appropriate.

**Board of Directors Meetings and Committees**

During 2011, the Board held six meetings, one of which was an extensive two-day strategic planning session. 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 2011, five executive sessions of independent directors were held.

A Board meeting immediately follows the annual meeting. The Board has a policy that directors attend the annual meeting of stockholders each year. All directors attended the 2011 annual meeting of stockholders.

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. Any recommended changes to the charters are then submitted to the Board for approval.

*Audit Committee*

The current members of the Audit Committee are Mr. Kresa (Chair), Mr. Barker, Mr. Bennett, Mr. O'Hare, Mr. Sultan and Dr. Woolsey. All current members qualify, and all members during 2011 qualified, as "independent" within the meaning of Securities and Exchange Commission regulations, the listing standards of the New York Stock Exchange and the company's Corporate Governance Guidelines. The Board has determined that each of Mr. Kresa, Mr. Barker, Mr. Bennett and Mr. O'Hare qualify as an "audit committee financial expert" under the rules of the Securities and Exchange Commission. None of the members of the Audit Committee serve on the audit committees of more than two other public companies.

The Audit Committee held five meetings during 2011, one of which was to review the company's 2010 Annual Report, Form 10-K and proxy materials for the 2011 annual meeting. At the end of each of the four regular meetings of the committee, the members of the Audit Committee met privately with the company's independent registered public accounting firm, the company's head of internal audit and other members of management, without the presence of any other company officers or personnel.

The charter of the Audit Committee was amended in November 2011 and is available on the company's website at [www.fluor.com](http://www.fluor.com) under "Sustainability" "Governance" "Corporate Governance Documents." The functions of the Audit Committee and its activities during 2011 are described in the "Report of the Audit Committee" section of this proxy statement on page 66. Under its charter, the Audit Committee has the ability to investigate any matter brought to its attention and may engage outside counsel for such purpose.

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***Executive Committee***

When the Board is not in session, the Executive Committee has all of the power and authority of the Board, subject to applicable laws, rules, regulations and listing standards of the New York Stock Exchange. The current members of the Executive Committee are Mr. Seaton (Chair), Mr. Fluor, Mr. Kresa and Mr. O'Hare. The Executive Committee met once during 2011.

***Governance Committee***

The current members of the Governance Committee are Mr. O'Hare (Chair), Mr. Barker, Ms. Berkery, Mr. Fluor, Mr. Hackett, Admiral Prueher, Mr. Sultan and Dr. Woolsey. All current members qualify, and all members during 2011 qualified, as "independent" within the meaning of the listing standards of the New York Stock Exchange and the company's Corporate Governance Guidelines. During 2011, the Governance Committee held four meetings.

The Governance Committee's primary responsibilities, which are discussed in detail within its charter, are to:

identify qualified candidates to be nominated for election to the Board and directors qualified to serve on the company's committees;

develop, review and evaluate background information for any candidates for the Board, including those recommended by stockholders, and make recommendations to the Board regarding such candidates. For information relating to nominations of directors by our stockholders, see " Consideration of Director Nominees" above;

oversee the independence of directors;

develop, implement, monitor and oversee 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; and

oversee the annual evaluation of the Board and the committees of the Board.

The Governance Committee has the ability, under its charter, to engage, retain and terminate the services of outside legal counsel, search firms and other advisors.

The charter of the Governance Committee was amended in November 2011 and is available on the company's website at [www.fluor.com](http://www.fluor.com) under "Sustainability" "Governance" "Corporate Governance Documents."

***Organization and Compensation Committee***

The current members of the Organization and Compensation Committee are Mr. Fluor (Chair), Mr. Hackett, Mr. Kresa and Admiral Prueher. All current members qualify, and all members during 2011 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 2011. Four of the six meetings included an executive session attended by the committee members and the committee's independent compensation advisor. The two meetings that did not have an executive session were teleconferences.

The Organization and Compensation Committee has the ability under its charter to engage, retain and terminate the services of outside legal counsel, compensation consultants and other advisors. In 2011, the Organization and Compensation Committee again engaged Frederic W. Cook & Co., Inc. to

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serve as its independent compensation consultant to advise the committee on all matters related to executive compensation. The compensation consultant conducts an annual review of the total compensation program for the Chief Executive Officer and other senior management reporting to him and, in doing so, completes a report benchmarking the senior executives against other executives with similar responsibilities in order to assist the Organization and Compensation Committee in making compensation decisions. The 2011 compensation review provided the committee with relevant market data and alternatives to consider when making compensation decisions in 2011 for the Chief Executive Officer and other senior management reporting to him. In addition, in 2011, the compensation consultant conducted a review of non-management director compensation and provided recommendations to the committee which were subsequently recommended to the Board for approval.

In early 2012, as part of the committee's oversight of certain aspects of risk, the compensation consultant conducted a broad-based review of the company's compensation programs and policies and discussed its findings with the committee, indicating that the company's compensation programs do not encourage behaviors that would create material risk for the company. Frederic W. Cook & Co., Inc. also provided verbal advice to the Organization and Compensation Committee at the meetings, attended executive sessions of the committee to respond to questions, and had individual calls and meetings with the Chair of the committee to provide advice and perspective on executive compensation issues. Frederic W. Cook & Co., Inc. was engaged by, and reports directly to, the committee and does not perform any other services for the company.

The Organization and Compensation Committee's primary responsibilities, which are discussed in detail within its charter, are to:

review and monitor the company's top level organizational structure and senior management succession planning and recommend the appointment of corporate officers and group executive officers of the company's principal operating units;

review and approve compensation strategy, set corporate goals and objectives relevant to the Chief Executive Officer, corporate officers and group executive officers, evaluate the achievement of these goals and set or, in the case of the Chief Executive Officer recommend, compensation levels;

establish the base salary, incentive compensation and other compensation for the company's named executive officers other than the Chief Executive Officer, and review and recommend to the Board the compensation of the Chief Executive Officer; and

review the compensation for non-management directors.

The Organization and Compensation Committee has the authority under its charter to delegate any portion of its responsibilities to a subcommittee denominated by it when appropriate, but did not do so in 2011.

The charter of the Organization and Compensation Committee was amended in November 2011 and is available on the company's website at [www.fluor.com](http://www.fluor.com) under "Sustainability" "Governance" "Corporate Governance Documents."

The responsibilities of our Organization and Compensation Committee and its activities during 2011 are further described in the "Compensation Discussion and Analysis" section of this proxy statement.

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**Certain Relationships and Related Transactions**

Peter J. Fluor, a member of our Board, is the brother of J. Robert Fluor, II, who is employed by a Fluor subsidiary to assist with ongoing community relations efforts. J. Robert Fluor, II does not perform a policy-making function and is, therefore, not an executive officer. During 2011, J. Robert Fluor, II earned total compensation of approximately \$350,000 from the company. The Organization and Compensation Committee, of which Peter J. Fluor is the Chair, did not individually review or approve J. Robert Fluor, II's compensation.

**Review and Approval of Transactions with Related Persons**

The company has adopted a written policy for the approval of transactions to which the company is a party and the aggregate amount involved in the transaction will or may be expected to exceed \$100,000 in any calendar year if any director, director nominee, executive officer, greater-than-5% beneficial owner or their respective immediate family members have or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity).

The policy provides that the Governance Committee reviews certain transactions subject to the policy and determines whether or not to approve or ratify those transactions. In doing so, the Committee takes into account, among other factors it deems appropriate, whether the transaction is on terms that are no less favorable to the company than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person's interest in the transaction. In addition, the Board has delegated authority to the Chair of the Governance Committee to pre-approve or ratify transactions where the aggregate amount involved is expected to be less than \$1 million. A summary of any new transactions pre-approved by the Chair is provided to the full Governance Committee for its review in connection with each regularly scheduled Governance Committee meeting.

The Governance Committee has considered and adopted standing pre-approvals under the policy for limited transactions with related persons. Pre-approved transactions include, but are not limited to:

employment of immediate family members of directors, director nominees, executive officers and greater-than-5% beneficial owners in non-executive positions with the company;

business transactions with other companies at which a related person's only relationship is as an employee (other than an executive officer) if the amount of business falls below the thresholds in the New York Stock Exchange's listing standards and the company's director independence standards; and

contributions to non-profit organizations at which a related person's only relationship is as an employee (other than an executive officer) or director if the aggregate amount involved does not exceed the lesser of \$1 million or 2% of the organization's consolidated gross annual revenues.

At least annually, a summary of new transactions covered by the standing pre-approvals described above is provided to the Governance Committee for its review.

**Risk Management Oversight**

As part of its oversight function, the Board monitors how management operates the company. When granting authority to management, approving strategies and receiving management reports, the Board considers, among other things, the risks and vulnerabilities the company faces. In addition, the



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Board discusses risks related to the company's business strategy at the annual strategic planning meeting every June. The Board also delegates responsibility for the oversight of certain risks to the Board's committees.

Under the Audit Committee charter, the Audit Committee is responsible for reviewing and discussing with management the company's most significant risks, methods of risk assessment, risk mitigation strategies, and the overall effectiveness of the company's guidelines, policies and systems with respect to risk assessment and management. In particular, the Audit Committee considers risk issues associated with our overall financial reporting, disclosure process and legal compliance, as well as accounting risk exposure. The Audit Committee is provided quarterly reports on enterprise risk management, including the economic, geographic, operational and market risks facing our company. In carrying out its responsibilities related to risk oversight, the Audit Committee meets with the Chief Executive Officer, the Chief Financial Officer, the Chief Accounting Officer, the Chief Compliance Officer, the head of internal audit and the independent registered public accounting firm in executive sessions at least quarterly, and with the Chief Legal Officer as determined from time to time by the Audit Committee, to discuss particular risks facing the company.

The Organization and Compensation Committee is also tasked with certain elements of risk oversight. The Organization and Compensation Committee annually reviews the company's compensation policies and programs, as well as the mix of short-term and long-term compensation, to confirm that our compensation programs do not encourage unnecessary and excessive risk taking. Finally, the Governance Committee is responsible for overseeing governance issues that may create governance risks, such as board composition, director selection and the other governance policies and practices that are critical to the success of the company. Each of the Audit Committee, Governance Committee and Organization and Compensation Committee report quarterly to the Board regarding the areas of risk they oversee.

**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During 2011, Mr. Fluor, Dr. Ilesanmi Adesida, Ms. Paulett Eberhart, Mr. Hackett, Mr. Kresa and Admiral Prueher served on the Organization and Compensation Committee. As discussed above under "Certain Relationships and Related Transactions," Mr. Fluor's brother is an employee of a subsidiary of the company. There are no compensation committee interlocks between the company and other entities involving the company's executive officers and directors.

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**ADVISORY VOTE TO APPROVE EXECUTIVE COMPENSATION**

**Proposal 2**

We are asking stockholders to vote on an advisory resolution to approve the company's executive compensation as reported in this proxy statement. As described below in the "Compensation Discussion and Analysis" section of this proxy statement, the Organization and Compensation Committee has structured our executive compensation program to achieve the following key objectives that contribute to the company's long-term success:

**Key Objective**

**Achievement of the Objective**

**Align Named Executives with Stockholders**

Annual and long-term incentive programs reward named executives for achievement of short- and long-term goals that enhance stockholder value

Between 52% and 73% of named executive compensation is equity-based

Named executives are expected to hold company shares or units with a value between two and six times their base salary and are prohibited from hedging company securities

**Pay for Performance**

85% to 90% of annual incentive for named executives is tied to company performance, including corporate measures such as net earnings, return on assets employed and business segment performance

Long-term incentive payouts under our Value Driver Incentive Program are tied to the company's new awards and related margins, a key driver for stockholder returns

**Attract and Retain Top Talent**

Total compensation for named executives is targeted at the 50<sup>th</sup> percentile of the peer group

We urge stockholders to read the "Compensation Discussion and Analysis" beginning on page 23, which describes in more detail how our executive compensation policies and procedures operate and are designed to achieve our compensation objectives, as well as the Summary Compensation Table and related compensation tables and narrative appearing on pages 40 through 57, which provide detailed information on the compensation of our named executives. The Organization and Compensation Committee and the Board of Directors believe that the policies and procedures articulated in the "Compensation Discussion and Analysis" are effective in achieving our goals and that the compensation of our named executives reported in this proxy statement has supported and contributed to the company's success.

In accordance with Section 14A of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and as a matter of good corporate governance, we are asking stockholders to approve the following advisory resolution at the 2012 Annual Meeting of Stockholders:

RESOLVED, that the stockholders of Fluor Corporation (the "Company") approve, on an advisory basis, the compensation of the Company's named executives as disclosed pursuant to the compensation disclosure rules of the Securities and Exchange Commission in the Compensation Discussion and Analysis, the Summary Compensation Table and the related compensation tables and narrative in the Proxy Statement for the Company's 2012 Annual Meeting of Stockholders.

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This advisory resolution, commonly referred to as a "say on pay" resolution, is non-binding on the Board. Although non-binding, the Board and the Organization and Compensation Committee will review and consider the voting results when evaluating our executive compensation program. After consideration of the vote of stockholders at the 2011 Annual Meeting of Stockholders and other factors, the Board has decided to hold advisory votes to approve executive compensation annually until the next advisory vote on frequency occurs. An advisory stockholder vote on the frequency of stockholder votes to approve executive compensation is required to be held at least once every six years. Accordingly, unless the Board modifies its policy on the frequency of future votes, the next advisory vote to approve executive compensation will be held at the 2013 Annual Meeting.

**Board Recommendation**

The Board of Directors recommends a vote FOR the approval of the advisory resolution on executive compensation.

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**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

**Executive Summary**

***Factors Influencing Named Executive Compensation***

To assist our stockholders in evaluating our "say on pay" proposal, the following is an overview of the key factors that influence the design of our executive compensation program.

**Appropriate Peer Group.** To establish compensation for our named executives that aligns with the market, we benchmark our compensation and performance against the companies in our peer group. Since there are only eight publicly-traded engineering and construction companies with revenues over \$5.0 billion, the largest of which has revenues half our size, we must look beyond our industry to find an appropriate peer group. We believe the correct peer group consists of U.S. companies in the same Standard & Poor's Global Industry Classification Standard (GICS) codes as us, our direct competitors and key customers and that are generally comparable in revenues, number of employees and market capitalization. As a result, we are able to set compensation at levels that are not only appropriate for a company of our size, but also that allow us to attract and retain key talent.

**Target Total Direct Compensation at 50<sup>th</sup> Percentile.** Using our peer group, we perform an annual proxy analysis to identify the 50<sup>th</sup> percentile base pay, bonus targets and long-term incentive grant values. In 2011, the target total direct compensation for each of our named executives approximated the median, other than with respect to Mr. Seaton, whose target total direct compensation was between the bottom quartile and median compensation for other chief executive officers due to his recent appointment to the position.

**Performance Measures That Drive Business Goals and Stockholder Return.** Our compensation programs reward achievement of a variety of measures, including corporate financial performance (*e.g.*, net earnings and return on assets employed), safety, new awards gross margin and individual performance goals. This variety provides the company a means to drive multiple short- and long-term goals, including goals that tie to stock price growth, and to provide a balanced compensation package for the executives that encourages them to focus on the overall health of the company and not any one measure.

**Performance-Driven Long-Term Incentive Awards.** Awards granted under our Value Driver Incentive ("VDI") program are increased or decreased at the end of the performance period based on the achievement of targets related to new awards gross margin. In addition, awards are designated as performance units, the value of which fluctuates with the stock price over the performance period and subsequent vesting periods. Approximately 25% of our Chief Executive Officer's compensation is driven by new awards gross margin, which historically has been a key contributor to stockholder return.

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**Substantial Stock-Based Compensation.** Since stock price performance in the long term is the best indicator of the performance of our company, we deliver most of our executive compensation in the form of stock incentives (*e.g.*, approximately 73% of our Chief Executive Officer's target total direct compensation is stock-based). As such, when our stock price declines, the value of stock incentives granted declines as well. For example, in 2011 the target value of our Chief Executive Officer's long-term incentive package was \$6.25 million. As of March 1, 2012, the value of those incentives granted in 2011 decreased to approximately \$5.48 million despite excellent company performance, reflecting the sensitivity of long-term incentives to overall movement in our stock price.

**Company Performance.** Our 2011 performance was a significant improvement over 2010 and was a driving factor in compensation received by our named executives. The chart below summarizes some of the key company financial results for fiscal 2011 compared to 2010:

Financial Measure	Fiscal Year Ending December 31, 2011	Fiscal Year Ending December 31, 2010
	(dollars in millions)	
<b>Net Earnings</b>	\$ 593.7	\$ 357.5
<b>Return on Operating Assets Employed</b>	23.4%	11.9%
<b>Revenue</b>	\$ 23,381	\$ 20,849
<b>New Awards</b>	\$ 26,896	\$ 27,363
<b>Backlog</b>	\$ 39,484	\$ 34,909

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***How Named Executive Compensation is Tied to Performance***

We use a balanced approach to compensation, with total direct compensation ("TDC") consisting of a variety of pay elements designed with different links to performance as described in the table below:

<b>Component</b>	<b>Primary Purpose</b>	<b>Linkage to Performance</b>	<b>Percent of CEO Target TDC</b>
<i>Base Salary</i>	Provides a market competitive, stable level of income to attract and retain highly qualified executives	The median base salary of our peer group is used to determine a target base salary for each executive	12%
<i>Annual Incentive Award</i>	Provides annual cash compensation for performance of factors which drive long-term company value:	Based on individual performance, organizational responsibility, and overall salary movements in the industry, the Board or Committee, as applicable, determines an appropriate salary adjustment each year	15%
	Earnings	Annual forecasts on earnings and other factors are made at the beginning of each fiscal year, and are used as the target achievement levels in the bonus plan	
	Return on Operating Assets		
	Safety		
<i>Long-Term Incentives</i>	Strategic Operating Objectives <i>Value Driver Incentive Performance Units</i>	Forecasts on new awards gross margin are made each year, and performance units are earned based on the extent to which those expectations are met	25%

	The performance units vest over time, with the value increasing or decreasing with the stock price over both the performance period and vesting periods	
<i>Stock Options</i>		
Provides a long-term retention vehicle for executives which is directly linked to stock price		24%
	Stock options only attain value if the stock price grows over the initial grant price on the date made	
<i>Restricted Stock Units</i>		
Provides a long-term retention vehicle for executives which is directly linked to stockholder value creation over the executive's career with Fluor		24%
	Restricted stock units vest over time, and as such the value to the executive increases or decreases with the stock price performance over the vesting period	

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***Compensation Actions for 2011***

The Organization and Compensation Committee (the "Committee") took the following actions with respect to executive compensation for 2011:

Established target compensation levels for Mr. Seaton, who became our Chief Executive Officer in February 2011 upon the retirement of Mr. Boeckmann, between the bottom quartile and median compensation for chief executive officers in our peer group;

Increased salary levels for the named executives by 3% in line with salary increase data for other U.S. executives;

Reinstated the company's long-term VDI program, which the Committee had suspended for 2010, and revised the program as an equity-based arrangement (instead of a cash-based arrangement) with awards now designated as performance units, the value of which is tied to the value of the company's stock and the number of which are adjusted at the end of the performance period based on the annual achievement of targets related to new awards gross margin and are normally vested and paid two years later for retention;

Changed the mix of long-term compensation to include the VDI program as one-third of the long-term incentive;

Approved cash payouts under our annual incentive program that were higher than 2010, based upon 2011 performance that met or exceeded our financial, strategic and individual performance goals;

Approved actual performance under the VDI program to reflect exceptional company performance of the relevant margin measures in 2011;

Reinforced our stock ownership guidelines to require that named executives hold 100% of the net shares acquired on any vesting or exercise of stock awards or options until ownership guidelines are met; and

Directed management to engage with stockholders on any compensation-related questions or concerns.

***Corporate Governance Highlights***

Our policies regarding executive compensation reflect our strong focus on sound corporate governance. In particular, (1) we do not permit tax gross-ups, other than with respect to approved business-related spousal travel, relocation expenses and non-cash retirement gifts; (2) change in control agreements are governed by double trigger arrangements; (3) we have robust stock ownership guidelines; (4) we have a clawback policy for performance-based compensation; (5) repricing of stock options is not allowed without stockholder approval; (6) our policies contain restrictions on hedging, pledging and short-term trading of company common stock; (7) we use an outside independent consultant to advise on all executive compensation matters as noted earlier on pages 17-18; and (8) we conduct compensation risk management assessments on an annual basis.

**Components of 2011 Named Executive Compensation**

***Base Salary***

The company provides named executives with base salaries that provide a competitive, stable level of income, since most other elements of their compensation are at risk based on company performance. In determining base salaries for positions held by named executives, the Committee generally targets





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the 50<sup>th</sup> percentile for similar types of executives within the peer group of publicly-traded companies selected by the Committee (the "Compensation Peer Group"). Base salaries may deviate from the 50<sup>th</sup> percentile for named executives with more experience or specialized duties or skill sets. The individual named executives' base salaries for 2011 were at approximately the 50<sup>th</sup> percentile of the Compensation Peer Group, with the exception of Mr. Seaton and the company's Chief Financial Officer, Mr. Michael Steuert. Mr. Seaton's base salary for 2011 was in the bottom quartile of chief executive officers within the Compensation Peer Group, reflecting his recent promotion to the position. Mr. Steuert's base salary falls within the top quartile of chief financial officers within the Compensation Peer Group because his salary reflects his years of experience, years of service in his role and the level of duties he has at the company. Base salaries for named executives are reviewed annually and upon a change in responsibilities.

In evaluating the Chief Executive Officer's base salary and his recommendations for the base salaries of the other named executives, the Committee considered the following factors during its 2011 annual review:

the Compensation Peer Group data and other general industry survey data for comparable positions;

individual level of responsibility, performance and contributions to the company;

internal pay equity based on relative duties and responsibilities;

the company's 2011 salary budget; and

the Board's evaluation of the Chief Executive Officer and the Chief Executive Officer's feedback on the other named executives' performance.

As noted above, based on these considerations the Committee increased base salaries modestly, except that Mr. Seaton's increase reflected his assumption of the position of Chief Executive Officer and Mr. Boeckmann's base salary was not changed.

***Annual Incentive Program***

Cash-based annual incentives are provided to reward named executives for performance during the year. Each named executive participates in the Fluor Corporation 2008 Executive Performance Incentive Plan and is provided with a target annual incentive amount, based on a percentage of his annual base salary. This percentage reflects the executive's respective organizational level, position and responsibility for achievement of the company's strategic goals. For 2011, all named executives were provided an annual incentive target percentage of base salary that approximated the 50<sup>th</sup> percentile of target award percentages for executives with similar job responsibilities within the Compensation Peer Group.

In 2011, the Committee reviewed market comparisons to our Compensation Peer Group and determined that (1) target cash compensation for most named executives was at the bottom quartile of the Compensation Peer Group and (2) target total direct compensation for most named executives was 15 - 20% below the median compared to the Compensation Peer Group. As a result, and in order to maintain target cash compensation competitive at the 50<sup>th</sup> percentile of our Compensation Peer Group, the 2011 target annual incentives for those named executives were increased slightly from 2010 targets.

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The target annual incentives for 2011 for each named executive, other than Mr. Boeckmann (who stepped down as Chief Executive Officer in February 2011), were as follows:

Named Executive	Percentage of Base Salary	Target Annual Incentive Amount
David T. Seaton	130%	\$ 1,332,500
D. Michael Steuert	85%	\$ 693,300
Stephen B. Dobbs	85%	\$ 496,900
Bruce A. Stanski	85%	\$ 405,900
Carlos M. Hernandez	85%	\$ 442,200

A named executive may receive more or less than the target annual incentive amount, depending on whether he meets, fails to meet or exceeds certain performance measures relating to overall company performance, the individual's own performance and, for certain named executives, the performance of his group or function during the year. The types of measures and relative weight of those measures are determined by the Committee each year and are tailored to the named executive's position and organizational responsibility. The performance measures have remained fairly consistent over the past five years, but their relative weightings have been adjusted slightly from time to time to reflect the Committee's emphasis on particular goals.

When making its determination regarding performance measures, the Committee considers the company's annual operating plan and strategic priorities, as well as the company's performance in the previous year. The discretionary individual performance measure is subjective; and no targets are set for this measure. The other measures for each named executive are objective. For 2011, the Committee selected both corporate financial and strategic measures. The use of multiple financial goals prevents an overemphasis on any one financial metric; and the other metrics assist in focusing executives on key areas of importance to the company, including safety. The measures, along with their respective weightings, for each named executive who received an annual bonus were as follows:

2011 Measure	David T. Seaton	D. Michael Steuert	Stephen B. Dobbs	Bruce A. Stanski	Carlos M. Hernandez
Corporate Net Earnings	50%	45%	35%	35%	45%
Corporate Return on Operating Assets Employed (ROAE)	30%	30%	20%	20%	30%
Corporate Safety					
Days Away from Work Incidence Rate	5%	5%	5%	5%	5%
Total Recordable Case Incidence Rate	5%	5%	5%	5%	5%
I&I and Global Services Group Segment Profit			20%		
Government Group Segment Profit				20%	
Discretionary Individual Performance	10%	15%	15%	15%	15%

Corporate net earnings ties to the amount set forth in our financial statements but may be adjusted at the discretion of the Committee for extraordinary non-operating events. Corporate ROAE is calculated by dividing full year corporate net earnings by net assets employed. Net assets employed is defined as total assets (excluding excess cash and any long-term marketable securities) minus current liabilities (excluding non-recourse debt) and is calculated based on average net assets reported for the previous five quarters. No adjustments were made to these measures for purposes of 2011 compensation decisions.

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Corporate safety includes two distinct measures: Fluor's days away from work incidence rate and Fluor's total recordable case incidence rate. Fluor's days away from work incidence rate is defined as a work-related injury or illness that involves days away from work beyond the day of injury or onset of the illness. Fluor's total recordable case incidence rate is defined as a work-related injury or illness that results in one or more of the following: days away from work, restricted work or transfer to another job, medical treatment beyond first aid, loss of consciousness, a significant injury or illness diagnosed by a physician or other licensed health care professional, or death. Incidence rates for both measures represent the number of recordable cases per 100 full-time workers (working 40 hours per week, 50 weeks per year), and are calculated using the following equation:

Group segment profit is reported in our financial statements on page F-44 of our annual report on Form 10-K as filed with the Securities and Exchange Commission on February 22, 2012. Segment profit is calculated as revenue less cost of revenue and earnings attributable to noncontrolling interests excluding: corporate administrative and general expense; interest expense; interest income; domestic and foreign income taxes; and other non-operating income and expense items. Each group's segment profit measure can be adjusted at the discretion of the Committee for extraordinary non-operating events. No adjustments were made to this measure in 2011 for purposes of compensation decisions. In addition, the discretionary individual measure is given a rating based on subjective evaluations and recommendations by the Chief Executive Officer. In the case of the Chief Executive Officer, individual performance is assessed by the independent directors on the Board.

The 2011 performance ranges for each of the measures applicable to our named executives, together with the actual achievement amounts for such measures, are presented below. In setting the 2011 performance ranges for each measure, the Committee took into account our business strategy as well as the economic outlook at the beginning of the fiscal year, in order to provide meaningful targets for the named executives. The company's performance for 2011 varied with respect to each corporate measure: corporate net earnings fell between upper target and maximum, while ROAE exceeded the maximum. The company's performance with respect to the corporate safety measures were at or exceeded the maximum. Combined I&I and Global Services group segment profit exceeded the maximum while Government group segment profit was just above target. The overall level of achievement of the targets in 2011 was higher than last year; and the actual performance of each measure surpassed 2010 performance, with the exception of the days away from work incidence rate, performance of which was only slightly lower in 2011, but still reached the maximum target.

Measure (dollars in millions)	2011 Actual Achievement	Minimum	Target	Upper Target	Maximum
Corporate Net Earnings	\$ 593.7	\$ 374.6	\$ 535.1 <sup>(1)</sup>	\$ 583.3	\$ 615.4
Corporate ROAE	23.4%	9.9%	14.1% <sup>(1)</sup>	15.4%	16.2%
Corporate Safety					
Days Away from Work Incidence Rate	.04	.08	.06	.05	.04
Total Recordable Case Incidence Rate	.23	.60	.50	.40	.30
I&I and Global Services Group Segment Profit	\$ 541.1	\$ 276.5	\$ 395.0	\$ 430.6	\$ 454.3
Government Group Segment Profit	\$ 145.5	\$ 101.5	\$ 145.0	\$ 158.1	\$ 166.8

<sup>(1)</sup> Actual achievement must be between 95% and 105% of the target amount for the target to be met.

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Achievement of the discretionary individual performance measure varied among the named executives because of the difference in responsibilities and the accomplishments of each individual. The Committee determined the achievement of the discretionary individual performance measure for the Chief Executive Officer and also the other named executives, after taking into account the Chief Executive Officer's recommendations with regard to other named executives. Subjective evaluations made by the Chief Executive Officer were based on each named executive's leadership and group accomplishments. Individual performance was not a significant factor in determining compensation, and no named executive's compensation was materially affected by his level of achievement of this measure.

Once the achievement amounts are determined and compared to the various targets, each named executive's overall performance rating is calculated by multiplying each measure's rating (which can range from 0% to 200% achievement) by its relative weighting, and then aggregating those amounts. The aggregate amount (the overall performance rating) is then multiplied by the individual's target annual incentive amount to determine the annual incentive payment for each named executive.

The annual incentive amounts for each named executive were determined as follows.

Named Executive	Target Annual Incentive Amount	Overall Rating	Annual Incentive Amount
David T. Seaton	\$ 1,332,500	1.73	\$ 2,306,000
D. Michael Steuert	\$ 693,300	1.81	\$ 1,254,900
Stephen B. Dobbs	\$ 496,900	1.88	\$ 934,200
Bruce A. Stanski	\$ 405,900	1.66	\$ 673,800
Carlos M. Hernandez	\$ 442,200	1.81	\$ 800,400

For 2011, the average annual incentive payment for all named executives was between upper target and maximum achievement based on company, group and individual performance. The annual incentive payment for each named executive was significantly higher than his 2010 payment, due to the company's strong financial and operational performance on all measures. In addition, Mr. Seaton's annual incentive payment was substantially higher than the previous year due to his promotion to Chief Executive Officer. Annual incentive payments were in line with those paid in 2007 and 2008, when performance was similarly strong. Historically, annual incentive payments have been close to target levels, and not at or above the upper target level. Payments for 2011 were above this historical trend.

#### ***Long-Term Incentive Program***

In 2011, the company's long-term incentives were awarded by the Committee under the stockholder-approved Fluor Corporation 2008 Executive Performance Incentive Plan. The plan was designed to allow for awards that create increased value for our stockholders, reward the achievement of superior operating results, facilitate the retention of key management personnel and align the interests of management and stockholders through equity ownership.

In 2011, the long-term incentive awards for named executives included three components:

2011 Value Driver Incentive (VDI) awards (a stock-based performance award);

restricted stock units; and

non-qualified stock options.

As disclosed last year, the Committee reinstated the Value Driver Incentive (VDI) program in 2011. The award value of each grant type in 2011 (VDI, restricted stock units and stock options) was allocated in approximately equal thirds to the named executives. While the mix of long-term incentive

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awards granted in 2011 thus differed from the prior year, the total dollar award value for the 2011 long-term awards was targeted and granted at approximately the same total dollar award value as the aggregate long-term awards granted in 2010, which was at approximately the 50<sup>th</sup> percentile of the Compensation Peer Group. Long-term incentive grants made to Mr. Seaton were larger than prior years due to his promotion to Chief Executive Officer in early 2011, but were lower than Mr. Boeckmann's long-term incentive grants in 2010 when he was the company's chief executive officer.

The Committee determines the dollar value of long-term incentive awards for named executives at the first regularly scheduled meeting of the Committee each year, which is typically held in February. The determinations are made at that time because it coincides with the annual performance review and compensation adjustment cycle, which are addressed at that same meeting. The long-term incentive awards are granted after the meeting on the third business day following the publication of our annual results, based on the closing price on that date.

Each of the elements of long-term incentive compensation provides different benefits as noted below:

VDI provides stock-based compensation (payable in either cash or stock) for the achievement of the performance measures established annually by the Committee, incentivizing named executives to grow the business and create stockholder value during the current year, while deferring payment to promote retention;

stock options provide actual economic value to the holder only if the price of Fluor stock has increased from the grant date at the time the option is exercised; and

restricted stock units have economic value when they vest, so they incentivize holders to create stockholder value but also have some retention value even if the stock price declines or stays flat.

In addition, stock options motivate executive officers by providing more potential upside, while restricted stock units align named executives with stockholders and balance our compensation program design, as they take into account both upside and downside risk in our stock price. Both stock options and restricted stock units, which vest over time, encourage retention. The Committee believes that the combination of the three components (and allocation in equal thirds) aligns the interests of named executives with those of stockholders by encouraging named executives to focus on both short- and long-term growth of the company, while also providing named executives with a balanced pay package similar to many of our peers. VDI grants were valued at the target dollar value based on closing stock price on the date of grant, restricted stock units were valued at the fair market value (closing stock price) on the date of grant, and stock options were valued using the Black-Scholes option pricing model.

*Value Driver Incentive Program*

In 2011, the Committee granted stock-based VDI awards to named executives under the VDI program, after suspending the cash-based VDI program for 2010. Awards under the redesigned VDI program are designated as a number of performance units calculated by dividing the target value of the grant by the closing trading value of our common stock on the date of grant. The 2011 awards have a one-year performance period, which started on January 1, 2011 and ended on December 31, 2011.

The 2011 VDI awards for named executives were adjusted to reflect the achievement of the following weightings and objectives:

75% of the total award is based on new awards gross margin dollars; and

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25% of the total award is based on new awards gross margin percentage.

New awards gross margin dollars measures the total amount of project gross margin that the company expects to receive as a result of projects awarded within the performance period. New awards gross margin percentage is the total amount of gross margin the company expects to receive as a result of projects awarded within the performance period as a percentage of expected revenue from these projects. The Committee selected these performance criteria because, although measured over a relatively short period, they relate to contracts that typically will extend a number of years into the future and thus will generate, and position the company for, increased future earnings. The Committee believes the inclusion of the two different measures is appropriate given the diversified nature of our business. The relative weightings are determined based on the relative business priorities and may be changed from time to time. These measures are not reported in our financial statements, as disclosure of the new awards gross margin targets would result in competitive harm to the company, but are set at levels intended to challenge our executives to achieve business goals established as part of the annual performance review. In the past five years, VDI payouts have ranged from just above minimum through maximum and have averaged between target and upper target.

Generally, in the first quarter of a year, the Committee sets threshold (paid at 50% of target), target (paid at 100%), upper target (paid at 150% of target) and maximum (paid at 200% of target) levels for both objectives of the VDI program for the performance period. When setting these performance goals, the Committee considers the company's past performance, current business outlook and other corporate financial measures. When determining whether the performance goals have been met, the Committee takes into account any scope changes or project cancellations that occurred during the year with respect to new awards obtained during the performance period.

In the first quarter following the performance period, the Committee determines the actual achievement of the performance measures and adjusts the number of performance units by multiplying the number of performance units by the performance rating (ranging from 0.00 to 2.00). The performance units, as adjusted on the first anniversary for performance, vest 100% on the date two years following the adjustment date and are settled in cash or stock, as elected by the named executive, provided that any award for a named executive not meeting company stock ownership guidelines will be settled in stock. As noted above, the payment schedule is intended to facilitate retention of the participating executives and to link long-term value of the awards to stock price. Each installment of a named executive's award is subject to risk of forfeiture if, prior to payment, the named executive's employment with the company is terminated for any reason other than retirement, death, disability or a qualifying termination within two years after a change in control of the company.

However, to address the cash incentive compensation gap that occurred in 2011 and will occur in 2012 as a result of the change in the payout schedule under the revised VDI program to three years from the grant date and the fact that no VDI awards were made in 2010 while the program was suspended:

VDI awards made in 2011 were paid half in 2012 and will be paid half in 2014; and

VDI awards made in 2012 will be paid half in 2013 and half in 2015.

*VDI Achievement for 2011*

The actual achievement for the awards granted under the 2011 VDI program was 198% of the target payout level, based on performance from January 1, 2011 to December 31, 2011. The first half of the award was paid to named executives in 2012 based on the closing stock price on February 28, 2012; and the remainder will be paid in 2014. The number of performance units granted under the 2011 VDI

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program, as adjusted for actual performance, is shown in the Outstanding Equity Awards at 2011 Fiscal Year End on page 46. In addition, the 2009-2010 VDI program had its final payout in 2011. Payments under the 2009-2010 program are based upon the achievement of the same weightings and objectives noted above, but awards were measured over the 2009-2010 performance period. For the 2009-2010 VDI program, the final half of the award was paid to named executives in 2011 at an achievement of 14% of the target payout level. The payout under the 2009-2010 VDI program is included in column (g) of the Summary Compensation Table on page 40.

**Other Compensation Decisions**

We pay hiring bonuses and grant cash or equity retention awards when necessary or appropriate, including to attract top executive talent from other companies and to retain our current highly qualified executives. Executives we recruit must often forfeit unrealized value in the form of unvested equity and other forgone compensation opportunities provided by their former employers. We provide hiring bonuses to compensate them for this lost opportunity; but we also include service requirements in order to retain the executive. For example, in 2011, two years after joining the company, Mr. Stanski received a payout under a grant he received at hiring to compensate him for stock and other awards he forfeited when he left his prior employer. We may provide retention awards to other named executives to retain their services during periods of transition or in connection with succession planning.

**Other Elements of Named Executive Compensation**

*Perquisites*

The Committee evaluates perquisites based on their cost efficiency, motivational value and benefits to the company. Perquisites, which are relatively small in relation to total direct compensation, are targeted at the 50<sup>th</sup> percentile of the Compensation Peer Group. In 2011, named executives were paid a taxable monthly allowance as a substitute for the company reimbursing or paying for the following perquisites: an automobile allowance, tax and financial planning, and company-owned country club membership dues. In addition, named executives are required to have a physical examination each year that is paid for by the company. Named executives may have spousal travel paid for by the company only when it is for an approved business purpose, in which case a related tax gross-up is provided. In 2011, in recognition of his long and distinguished service to the company, Mr. Boeckmann received a retirement gift and related tax gross-up payment. The company did not provide any other tax gross-ups. Named executives can make personal use of charter aircraft in conjunction with a business purpose, but the named executive is required to reimburse the company for the incremental operational cost. None of the named executives used charter aircraft in 2011 for personal reasons. The taxable monthly allowance in substitution for perquisites is provided so that overall compensation for named executives is competitive.

*Executive Deferred Compensation Program*

The named executives are eligible to participate in Fluor's Executive Deferred Compensation Program. The company offers this program to provide individuals retirement and tax planning flexibility and to remain competitive with other companies within our Compensation Peer Group and general industry. Please refer to the discussion in the Nonqualified Deferred Compensation table on page 50 for a more detailed discussion of these arrangements.



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*Severance and Change in Control Benefits*

The company provides each of the named executives with cash severance in the event of a termination of employment by the company without cause. The company believes its severance policy assists in attracting and retaining qualified candidates. The level of any cash severance payment is based upon base salary and years of service. In addition, each named executive has a change in control agreement that provides additional payments and other benefits if we terminate his employment without cause or if the named executive terminates employment for good reason within two years following a change in control of the company. The change in control agreements are designed to reinforce and encourage the continued attention and dedication of the executives without distraction in the face of potentially disruptive circumstances arising from the possibility of the change in control and to serve as an incentive to their continued commitment to and employment with the company. No gross up for excise taxes, if any, is payable under the change in control agreements. The company will, however, automatically reduce any payments under the agreement to the extent necessary to prevent payments being subject to the excise tax, but only if by reason of the reduction, the executive's after-tax benefit of the reduced payments exceeds the after-tax benefit if such reduction were not made.

The employment letter extended to Mr. Steuert also provides certain severance benefits. Please refer to the discussion under "Potential Payments Upon Termination or Change in Control" below for a more detailed discussion of these arrangements. Severance and change in control benefits are provided to be competitive within the Compensation Peer Group.

**Establishing Executive Compensation**

*Compensation Philosophy and Objectives and Risk Assessment*

The Committee has responsibility for establishing and implementing the company's executive compensation philosophy. The Committee reviews and determines all components of named executives' compensation (other than with respect to our Chief Executive Officer's compensation, which the Committee reviews and recommends for approval by our independent directors), including making individual compensation decisions, and reviewing and revising the company's compensation plans, programs and other arrangements.

The Committee has established the following compensation philosophy and objectives for the company's named executives:

**Align the interests of named executives with those of the stockholders.** The Committee believes it is appropriate to tie a significant portion of executive compensation to the value of the company's stock in order to closely align the interests of named executives with the interests of our stockholders. The Committee also believes that executives should have a meaningful ownership interest in the company and has established and regularly reviews executive stock ownership guidelines.

**Have a significant portion of pay that is performance-based.** Fluor expects superior performance. Our executive compensation programs are designed to reward executives when performance results for the company and the executive meet or exceed stated objectives. The Committee believes that compensation paid to executives should be closely aligned with the performance of the company relative to expectations.

**Provide competitive compensation.** The company's executive compensation programs are designed to attract, retain and motivate highly qualified executives critical to achieving Fluor's strategic objectives and building stockholder value.

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The Committee reviews the company's compensation philosophy and objectives each year to determine if revisions are necessary in light of market conditions, the company's strategic goals or other relevant factors. In each of the last five years, the Committee determined that no revisions to the executive compensation philosophy and objectives were necessary, although the Committee has adjusted the elements of compensation used to implement its philosophy as compensation practices have evolved.

In addition, the Committee reviewed the incentive compensation we provide to our named executives, including evaluating the mix of programs and performance criteria, the Committee's ability to exercise discretion over certain components of compensation and our risk management practices generally. Based on this review, the Committee believes that our executive compensation programs are designed to appropriately align compensation with our business strategy and not to encourage behaviors that could create material adverse risks to our business.

*Peer Group Comparisons*

In making compensation decisions, the Committee looks at the practices of our Compensation Peer Group. While it is the Committee's intent to keep the Compensation Peer Group the same each year, the Committee annually reviews the composition of the Compensation Peer Group and makes refinements if necessary based on the criteria established by the C