

HALLIBURTON CO
Form DEF 14A
April 02, 2007

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OMB APPROVAL

OMB Number: 3235-0059
Expires: January 31, 2008
Estimated
average burden
hours per
response 14.

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

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 Pursuant to §240.14a-12

Halliburton Company

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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

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

2) Aggregate number of securities to which transaction applies:

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

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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April 2, 2007

To Our Stockholders:

You are cordially invited to attend the Annual Meeting of Stockholders of Halliburton Company. The meeting will be held on Wednesday, May 16, 2007, at 9:00 a.m., local time, at The Woodlands Resort & Conference Center, 2301 North Millbend Drive, The Woodlands, Texas 77380. The Notice of Annual Meeting, proxy statement and proxy card from the Board of Directors are enclosed. The materials provide further information concerning the Annual Meeting.

At the meeting, stockholders are being asked to:

elect twelve Directors to serve on the Board of Directors for the coming year;

ratify the selection of KPMG LLP as principal independent public accountants to examine the financial statements and books and records of Halliburton for 2007; and

consider three stockholder proposals.

Please refer to the proxy statement for detailed information on each of these proposals.

It is very important that your shares are represented and voted at the meeting. Your shares may be voted electronically on the Internet, by telephone or by returning the enclosed proxy card. If you attend the meeting, you may vote in person even if you have previously voted. We would appreciate you informing us on the proxy card if you expect to attend the meeting so that we can provide adequate seating.

The continuing interest of our stockholders in the business of Halliburton is appreciated, and we hope you will be able to attend the Annual Meeting.

Sincerely,

David J. Lesar
*Chairman of the Board, President
and Chief Executive Officer*

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Notice of Annual Meeting of Stockholders

to be Held May 16, 2007

Halliburton Company, a Delaware corporation, will hold its Annual Meeting of Stockholders on Wednesday, May 16, 2007, at 9:00 a.m., local time, at The Woodlands Resort & Conference Center, 2301 North Millbend Drive, The Woodlands, Texas 77380. At the meeting, the stockholders will be asked to consider and act upon the matters discussed in the attached proxy statement as follows:

1. To elect twelve Directors to serve for the ensuing year and until their successors shall be elected and shall qualify.
2. To consider and act upon a proposal to ratify the appointment of KPMG LLP as principal independent public accountants to examine the financial statements and books and records of Halliburton for the year 2007.
3. To consider and act upon three stockholder proposals, if properly presented at the meeting.
4. To transact any other business that properly comes before the meeting or any adjournment or adjournments of the meeting.

These items are fully described in the following pages, which are made a part of this Notice. The Board of Directors has set Monday, March 19, 2007, at the close of business, as the record date for the determination of stockholders entitled to notice of and to vote at the meeting and at any adjournment of the meeting.

We request that you vote your shares as promptly as possible. If you have shares registered in your own name, you may vote your shares in a number of ways:

electronically via the Internet at <http://www.proxyvoting.com/hal>,

by telephone if you are in the U.S. and Canada, by calling 1-866-540-5760 (toll-free), or

by marking your votes, dating, signing the proxy card or voting instruction form enclosed and returning it in the postage-paid envelope provided.

If you hold Halliburton shares with a broker or bank, you may also be eligible to vote via the Internet or by telephone if your broker or bank participates in the proxy voting program provided by ADP Investor Communication Services.

IF YOU PLAN TO ATTEND:

Attendance at the meeting is limited to stockholders and one guest each. Admission will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and the meeting will begin at 9:00 a.m. Each stockholder holding stock in brokerage accounts will need to bring a copy of a brokerage statement reflecting stock ownership as of the record date. Please note that you may be asked to present valid picture identification, such as a driver's license or passport.

By order of the Board of Directors,

Sherry D. Williams
Vice President and Secretary

April 2, 2007

You are urged to vote your shares as promptly as possible by (1) following the enclosed voting instructions to vote via the Internet or by telephone, or (2) marking your votes, dating, signing and returning the enclosed proxy card or voting instruction form.

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PROXY STATEMENT

GENERAL INFORMATION

The accompanying proxy is solicited by the Board of Directors of Halliburton Company (Halliburton , the Company , we or us). By executing and returning the enclosed proxy or by following the enclosed voting instructions, you authorize the persons named in the proxy to represent you and vote your shares on the matters described in the Notice of Annual Meeting.

Subject to space availability, all stockholders as of the record date, or their duly appointed proxies, may attend the Meeting and each may be accompanied by one guest. Admission to the Meeting will be on a first-come, first-served basis. Registration will begin at 8:00 a.m., and the Meeting will begin at 9:00 a.m. Please note that you may be asked to present valid picture identification, such as a driver's license or passport when you check in at the registration desk.

If you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of a brokerage statement reflecting your stock ownership as of the record date.

No cameras, recording equipment, electronic devices, large bags, briefcases or packages will be permitted in the Meeting.

If you attend the Meeting, you may vote in person. If you are not present, your shares can be voted only if you have followed the instructions for voting via the Internet or by telephone or returned a properly executed proxy; and in these cases, your shares will be voted as you specify. If no specification is made, the shares will be voted in accordance with the recommendations of the Board of Directors. You may revoke the authorization given in your proxy at any time before the shares are voted at the Meeting.

The record date for determination of the stockholders entitled to vote at the Annual Meeting is the close of business on March 19, 2007. Halliburton's common stock, par value \$2.50, is the only class of capital stock that is outstanding. As of March 19, 2007, there were 999,325,379 shares of common stock outstanding. Each of the outstanding shares of common stock is entitled to one vote on each matter submitted to the stockholders for a vote at the Meeting. A complete list of stockholders entitled to vote will be kept at our offices at the address specified below for ten days prior to, and will be available at, the Annual Meeting.

Votes cast by proxy or in person at the Annual Meeting will be counted by the persons appointed by us to act as election inspectors for the Meeting. Except as set forth below, the affirmative vote of the majority of shares present in person or represented by proxy at the Meeting and entitled to vote on the subject matter will be the act of the stockholders. Shares for which a holder has elected to abstain on a matter will count for purposes of determining the presence of a quorum and will have the effect of a vote against the matter.

Each Director shall be elected by the vote of the majority of the votes cast, provided that if the number of nominees exceeds the number of Directors to be elected and any stockholder proposed nominee has not been withdrawn as of the day before we mail proxy materials to stockholders for the annual meeting, the Directors shall be elected by the vote of a plurality of the shares represented in person or by proxy at the meeting and entitled to vote on the election of Directors. A majority of the votes cast means that the number of shares voted for a Director must exceed the number of votes cast against that Director; abstentions will be ignored.

The election inspectors will treat shares held in street name that cannot be voted by a broker on specific matters in the absence of instructions from the beneficial owner of the shares, known as broker non-vote shares, as shares that are

present and entitled to vote for purposes of determining the presence of a quorum. In determining the outcome of any matter for which the broker does not have discretionary authority to vote, however, those shares will not have any effect on that matter. Those shares may be entitled to vote on other matters.

In accordance with our confidential voting policy, the votes of stockholders will not be disclosed to Halliburton's officers, Directors or employees, except:

- as necessary to meet legal requirements and to assert claims for and defend claims against Halliburton;
- when disclosure is voluntarily made or requested by the stockholder;
- when the stockholder writes comments on the proxy card; or
- in the event of a proxy solicitation not approved and recommended by the Board of Directors.

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The proxy solicitor, the election inspectors and the tabulators of all proxies, ballots and voting tabulations are independent and are not employees of Halliburton.

This proxy statement, the form of proxy and voting instructions are being sent to stockholders on or about April 2, 2007. Our Annual Report to Stockholders, including financial statements, for the fiscal year ended December 31, 2006 accompanies this proxy statement. The Annual Report is not to be considered as a part of the proxy solicitation material or as having been incorporated by reference.

Our principal executive office is located at 5 Houston Center, 1401 McKinney Street, Suite 2400, Houston, Texas 77010.

ELECTION OF DIRECTORS

(Item 1)

Twelve Directors are to be elected to serve for the ensuing year and until their successors are elected and qualify. Eleven of the nominees listed below are presently Directors of Halliburton. Milton Carroll was elected to the Board of Directors on December 6, 2006. Milton Carroll and Kathleen M. Bader are each proposed for the first time for election to the Board of Directors by the stockholders. Ray L. Hunt, who has served as a Director since 1998, is not standing for re-election for the ensuing year. The common stock represented by the proxies will be voted to elect the twelve nominees as Directors unless we receive contrary instructions. If any of the nominees are unwilling or unable to serve, favorable and uninstructed proxies will be voted for a substitute nominee designated by the Board of Directors. If a suitable substitute is not available, the Board of Directors will reduce the number of Directors to be elected. Each nominee has indicated approval of his or her nomination and his or her willingness to serve if elected.

Information about Nominees for Director

KATHLEEN M. BADER, 54, Retired Chairman, President and Chief Executive Officer, Nature Works LLC (formerly known as Cargill Dow) (a maker of fibers and packaging from renewable resources); Chairman, President and Chief Executive Officer, Nature Works LLC, 2004-2006; Business Group President, Styrenics & Engineered Products, Dow Chemical Company, 2000-2004; Corporate Vice President, Quality & Business Excellence, Dow Chemical Company, 1999-2004; Global Vice President, Polystyrene Business, Dow Chemical Company, 1995-1999; Vice President, Fabricated Products, North America, Dow Chemical Company, 1993-1995; Director of Textron, Inc. and on the International Board of Directors of Habitat for Humanity.

ALAN M. BENNETT, 56, Senior Vice President and Chief Financial Officer, Aetna, Inc. (a leading provider of health, dental, group life, disability and long-term care benefits) since 2001; Vice President and Corporate Controller, 1998-2001; Vice President and Director of Internal Audit, 1997-1998; Chief Financial Officer, Aetna Business Resources, 1995-1997; joined Halliburton Company Board in 2006; member of the Audit, the Nominating and Corporate Governance and the Management Oversight Committees; Director of Bausch & Lomb.

JAMES R. BOYD, 60, Retired Chairman of the Board, Arch Coal, Inc. (second largest U.S. coal producer); Chairman of the Board, Arch Coal, Inc., 1998-2006; Senior Vice President

and Group Operating Officer, Ashland, Inc., 1989-2002; joined Halliburton Company Board in 2006; member of the Compensation, the Health, Safety and Environment and the Management Oversight Committees; Director of Arch Coal, Inc. and Farmers Bancorp Inc.

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MILTON CARROLL, 56, Chairman of the Board, CenterPoint Energy, Inc. (a public utility holding company) since 2002 and Chairman of Instrument Products, Inc., a private oil-tool manufacturing company; joined Halliburton Company Board in 2006; member of the Health, Safety and Environment, the Nominating and Corporate Governance and the Management Oversight Committees; Director of EGL, Inc. and Health Care Service Corporation.

ROBERT L. CRANDALL, 71, Chairman Emeritus, AMR Corporation/American Airlines, Inc. (engaged primarily in the air transportation business); President, American Airlines, Inc., 1980-1995; Chairman, President and Chief Executive Officer, AMR Corporation/American Airlines, 1985-1995; and Chairman and Chief Executive Officer, AMR Corporation/American Airlines, 1985-1998; joined Halliburton Company Board in 1986; Chairman of the Audit Committee and member of the Compensation, the Nominating and Corporate Governance and the Management Oversight Committees; Director of Air Cell, Inc., Anixter International, Celestica Inc., and serves on the Federal Aviation Administration Management Advisory Committee.

KENNETH T. DERR, 70, Retired Chairman of the Board, Chevron Corporation (an international oil company); Chairman and Chief Executive Officer, Chevron Corporation, 1989-1999; joined Halliburton Company Board in 2001; Chairman of the Compensation Committee and member of the Health, Safety and Environment and the Management Oversight Committees; Chairman of the Board and Director of Calpine Corporation and Director of Citigroup Inc.

S. MALCOLM GILLIS, 66, University Professor, Rice University since 2004; President, Rice University, 1993-2004; Ervin Kenneth Zingler Professor of Economics, Rice University, 1996-2004; Professor of Economics, Rice University, 1993-2004; joined Halliburton Company Board in 2005; member of the Health, Safety and Environment, the Nominating and Corporate Governance and the Management Oversight Committees; Director of Service Corporation International, Electronic Data Systems Corporation, Introgen Therapeutics, Inc., and AECOM Technology and the Vietnam Education Foundation.

W. R. HOWELL, 71, Chairman Emeritus, J.C. Penney Company, Inc. (a major retailer); Chairman of the Board, J.C. Penney Company, Inc., 1983-1996; Chief Executive Officer, J.C. Penney Company, Inc., 1983-1995; joined Halliburton Company Board in 1991; Lead Director, Chairman of the Management Oversight Committee and member of the Compensation and the Nominating and Corporate Governance Committees; Director of American Electric Power Company, Exxon-Mobil Corporation, Pfizer Inc. and the Williams Company. He is also a Director of Deutsche Bank Trust Corporation and Deutsche Bank Trust Company Americas, non-public wholly owned subsidiaries of Deutsche Bank AG.

DAVID J. LESAR, 53, Chairman of the Board, President and Chief Executive Officer of the Company, since 2000; President of the Company, 1997-2000; Executive Vice President and Chief Financial Officer, 1995-1997; joined Halliburton Company Board in 2000; Director of Lyondell Chemical Company.

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J. LANDIS MARTIN, 61, Founder and Managing Director, Platte River Ventures, L.L.C. (a private equity investment company) since 2005; Chairman (1989-2005) and Chief Executive Officer (1995-2005), Titanium Metals Corporation; President and Chief Executive Officer, NL Industries, Inc., 1987-2003; Chairman of the Board and Chief Executive Officer, Baroid Corporation (and its predecessor), acquired by Dresser Industries, Inc. in 1994, 1990-1994; joined Halliburton Company Board in 1998; Chairman of the Nominating and Corporate Governance Committee and member of the Audit and the Management Oversight Committees; Director of Apartment Investment and Management Corporation and Crown Castle International Corporation.

JAY A. PRECOURT, 69, Chairman of the Board, Hermes Consolidated, Inc. (a gatherer, transporter and refiner of crude oil and refined products) since 1999; Chairman of the Board and Chief Executive Officer, Scissor Tail Energy, LLC, 2000-2005; Vice Chairman and Chief Executive Officer, Tejas Gas Corporation, 1986-1999; President, Tejas Gas Corporation, 1996-1998; joined Halliburton Company Board in 1998; Chairman of the Health, Safety and Environment Committee and member of the Audit and the Management Oversight Committees; Director of Apache Corp.

DEBRA L. REED, 50, President and Chief Executive Officer, Southern California Gas Company and San Diego Gas & Electric Company (regulated utility companies) since 2006; President and Chief Operating Officer, Southern California Gas Company and San Diego Gas & Electric Company, 2004-2006; President and Chief Financial Officer, Southern California Gas Company and San Diego Gas & Electric Company, 2002-2004; President of San Diego Gas & Electric Company, 2000-2001; President, Energy Distribution Services, Southern California Gas Company, 1998-2001; Senior Vice President, Southern California Gas Company, 1995-1998; joined Halliburton Company Board in 2001; member of the Audit, the Compensation and the Management Oversight Committees; Director of Genentech, Inc.

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The following table sets forth information about persons or groups, based on information contained in Schedules 13G filed with the Securities and Exchange Commission reflecting beneficial ownership, who own or have the right to acquire more than five percent of our common stock.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Alliance Bernstein L.P. 1345 Avenue of the Americas, New York, NY 10105	83,404,365 ⁽¹⁾	8.3%
Capital Research and Management Company 333 South Hope Street, Los Angeles, CA 90071	63,791,000 ⁽²⁾	6.3%
Wellington Management Company, LLP 75 State Street, Boston, MA 02109	59,841,909 ⁽³⁾	6.0%

- (1) Alliance Bernstein L.P. is an investment adviser and is deemed to be the beneficial owner of 83,404,365 shares. The number of shares reported includes 82,819,600 shares owned by Alliance Bernstein L.P., 6,400 shares owned by AXA Konzern AG (Germany), 89,880 shares owned by AXA Rosenberg Investment Management LLC and 488,485 shares owned by AXA Equitable Life Insurance Company. Alliance Bernstein L.P. has sole power to vote or to direct the vote of 51,393,939 shares and sole power to dispose or to direct the disposition of 82,819,600 shares. AXA Konzern AG (Germany) has sole power to vote or direct the vote of 6,400 shares and sole power to dispose or to direct the disposition of 6,400 shares. AXA Rosenberg Investment Management LLC has sole power to vote or direct the vote of 51,580 shares and sole power to dispose or to direct the disposition of 89,880 shares. AXA Equitable Life Insurance Company has sole power to vote or direct the vote of 291,484 shares and sole power to dispose or to direct the disposition of 488,485.
- (2) Capital Research and Management Company (CRM) is an investment adviser and is deemed to be the beneficial owner of 63,791,000 shares. CRM has sole dispositive power over 63,791,000 shares and sole voting power over 18,566,000 shares.
- (3) Wellington Management Company, LLP is an investment adviser and is deemed to be the beneficial owner of 59,841,909 shares. Wellington Management Company, LLP has shared power to vote or direct the vote of 43,362,855 shares and has shared power to dispose or to direct the disposition of 59,841,909 shares.

The following table sets forth, as of March 1, 2007 the amount of our common stock owned beneficially by each Director, each Director Nominee, each of the executive officers named in the Summary Compensation Table on page 21 and all Directors, Director Nominees and executive officers as a group.

	Amount and Nature of Beneficial Ownership
Sole	Shared

Name of Beneficial Owner or Number of Persons in Group	Voting and Investment Power⁽¹⁾	Voting or Investment Power⁽²⁾	Percent of Class
Kathleen M. Bader	0		*
Alan M. Bennett	8,965		*
James R. Boyd	10,965		*
Milton Carroll	2,000		*
Albert O. Cornelison, Jr.	207,406		*
Robert L. Crandall	26,468		*
Kenneth T. Derr	35,291		*
C. Christopher Gaut	518,455		*
S. Malcolm Gillis	10,491		*
W. R. Howell	24,268		*
Ray L. Hunt	179,785	139,424 ⁽³⁾	*
Andrew R. Lane	288,484		*
David J. Lesar	1,694,619	40,000 ⁽³⁾	*
J. Landis Martin	78,493		*
Mark A. McCollum	85,771		*
Jay A. Precourt	61,771		*
Debra L. Reed	29,291	500 ⁽³⁾	*
Shares owned by all current Directors, Director Nominees and executive officers as a group (21 persons)	3,661,709		*

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* Less than 1% of shares outstanding.

- (1) Included in the table are shares of common stock eligible for purchase pursuant to outstanding stock options within 60 days of March 1, 2007 for the following: Mr. Cornelison 40,227; Mr. Crandall 6,000; Mr. Derr 14,000; Mr. Gaut 301,214; Mr. Howell 6,000; Mr. Hunt 23,000; Mr. Lane 31,280; Mr. Lesar 352,000; Mr. Martin 23,000; Mr. McCollum 21,666; Mr. Precourt 23,000; Ms. Reed 14,000 and four unnamed executive officers 198,309. Until the options are exercised, these individuals will neither have voting nor investment power over the underlying shares of common stock but only have the right to acquire beneficial ownership of the shares through exercise of their respective options.
- (2) The Halliburton Stock Fund is an investment fund established under the Halliburton Company Employee Benefit Master Trust to hold Halliburton common stock for some of Halliburton's profit sharing, retirement and savings plans. The Fund held 10,603,829 shares of common stock at February 27, 2007. One executive officer not named in the above table has beneficial interests in the Fund. Shares held in the Fund are not allocated to any individual's account. The shares of common stock which might be deemed to be beneficially owned as of March 1, 2007 by the unnamed executive officer total 863.36. The Trustee, State Street Bank and Trust Company, votes shares held in the Halliburton Stock Fund in accordance with voting instructions from the participants. Under the terms of the plans, a participant has the right to determine whether up to 15% of his account balance in a plan is invested in the Halliburton Stock Fund. The Trustee, however, determines when sales or purchases are to be made. On January 1, 2007, the Halliburton Stock Fund stopped accepting contributions, transfers or loan repayments. A three-year sunset period for the fund has begun and any balance remaining in the fund at the end of the period will be redirected to an alternate investment fund.
- (3) Mr. Hunt holds 139,424 shares as the trustee of trusts established for the benefit of his children. Mr. Lesar holds 40,000 shares in a family partnership. Ms. Reed has shared voting and investment power over 500 shares held in her husband's Individual Retirement Account.

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CORPORATE GOVERNANCE

In 1997, our Board of Directors adopted a formal statement of its responsibilities and corporate governance guidelines to ensure effective governance in all areas of its responsibilities. Since 1997, our corporate governance guidelines have been reviewed periodically and revised as appropriate to reflect the dynamic and evolving processes relating to corporate governance, including the operation of the Board. Our Board's corporate governance guidelines, as revised in October 2006, can be found on the Corporate Governance page of our website www.halliburton.com and in Appendix A to this proxy statement.

Our Board also wants our stockholders to understand how the Board conducts its affairs in all areas of its responsibility. The full text of our Audit; Compensation; Health, Safety and Environment; Management Oversight; and Nominating and Corporate Governance Committees' charters are available on our website.

We have posted on our website our Code of Business Conduct, which applies to all of our employees and Directors and serves as the code of ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, and other persons performing similar functions. If you do not have access to our website you can request a hard copy of the Code of Business Conduct, our corporate governance guidelines and the charters of the Board's committees by contacting the Vice President and Secretary at the address set forth on page 2 of this proxy statement. Any waivers to our code of ethics for our executive officers can only be made by our Audit Committee. There were no waivers of the code of ethics in 2006.

Our Board of Directors is charged with approving related persons transactions involving our directors, executive officers or any nominees for director and any greater than 5% stockholders and their immediate family members. We have adopted a policy governing related persons transactions. The types of transactions covered by this policy are transactions, arrangements or relationships or any series of similar transactions, arrangements or relationships, including any indebtedness or guarantee of indebtedness, in which (1) we and our subsidiaries were or will be a participant, (2) the aggregate amount involved exceeds \$120,000 in any calendar year, and (3) any related person had, has or will have a direct or indirect interest (other than solely as a result of being a director of, or holding less than a 10 percent beneficial ownership interest in, another entity), and which is required by the rules and regulations of the SEC to be disclosed in our public filings. The Board of Directors will only approve related persons transactions when the Board of Directors determines such transactions are in our best interests or the best interests of our stockholders. In determining whether to approve or ratify a related person transaction, the Board of Directors will apply the following standards and such other standards it deems appropriate:

- a) whether the related person transaction is on terms no less favorable than terms generally available to an unaffiliated third-party under the same or similar circumstances;
- b) whether the transaction is material to us or the related person;
- c) the role the related person has played in arranging the related person transaction;
- d) the structure of the related person transaction;
- e) the extent of the related person's interest in the transaction; and
- f) whether there are alternative sources for the subject matter of the transaction.

**THE BOARD OF DIRECTORS AND
STANDING COMMITTEES OF DIRECTORS**

The Board of Directors has standing Audit; Compensation; Health, Safety and Environment; Management Oversight; and Nominating and Corporate Governance Committees. Each of the standing committees are comprised of

non-employee Directors, and the Audit; Compensation; and Nominating and Corporate Governance Committees are comprised, in the business judgment of the Board, entirely of independent, non-employee Directors. The Board has made the determination that all of the non-employee Directors, except for Mr. Hunt, who is not standing for re-election, are independent because they meet the independence standards set forth in our corporate governance guidelines (see Appendix A). For more information on Mr. Hunt, please see Certain Relationships and Related Transactions in this proxy statement on page 30.

During the last fiscal year, the Board of Directors met on 9 occasions, the Audit Committee met on 9 occasions, the Compensation Committee met on 5 occasions, the Health, Safety and Environment Committee met on 2 occasions, the Management Oversight Committee met on 5 occasions and the Nominating and Corporate Governance Committee met on 2 occasions. The non-employee Directors of the Board and the Management Oversight Committee each met in

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executive session, with no Company personnel present, on 5 occasions. Mr. W.R. Howell is our Lead Director, and in that capacity, he chairs the executive sessions of the Management Oversight Committee. All members of the Board attended at least 75 percent of the total number of meetings of the Board and the committees on which he or she served during the last fiscal year. Our corporate governance guidelines provide that all Directors should attend our Annual Meeting, and all of our Directors attended the 2006 Meeting.

To foster better communication with our stockholders, we established a process for stockholders to communicate with the Audit Committee and the Board of Directors. The process has been approved by both the Audit Committee and the Board, and meets the requirements of the New York Stock Exchange, or NYSE, and the Securities and Exchange Commission, or SEC. The methods of communication with the Board, which follow, include mail, a dedicated telephone number and an e-mail address.

Contact the Board

You may choose one of the options listed below to report complaints about Halliburton's accounting, internal accounting controls or auditing matters to the Audit Committee, or other concerns to the Board of Directors.

Complaints relating to Halliburton's accounting, internal accounting controls or auditing matters will be referred to members of the Audit Committee.

Other concerns will be referred to the Chair of the Management Oversight Committee.

All complaints and concerns will be received and processed by the Halliburton Director of Business Conduct. Concerns may be reported anonymously or confidentially. Confidentiality shall be maintained unless disclosure is:

- o required or advisable in connection with any governmental investigation or report;
- o in the interests of Halliburton, consistent with the goals of Halliburton's Code of Business Conduct; or
- o required or advisable in Halliburton's legal defense of the matter.

Call	Write	E-mail
888.312.2692	Board of Directors c/o Director of Business Conduct	
or	Halliburton Company 5 Houston Center	<u>BoardofDirectors@halliburton.com</u>
770.613.6348	1401 McKinney Street, Suite 2400 Houston, TX 77010	

Halliburton's Director of Business Conduct, a Halliburton employee, reviews all stockholder communications directed to the Audit Committee and the Board of Directors. The Chairman of the Audit Committee is promptly notified of any significant communication involving accounting, internal accounting controls, or auditing matters. The Chairman of the Management Oversight Committee is promptly notified of any other significant stockholder communications and communications addressed to a named Director are promptly sent to the Director. Copies of all communications are available for review by any Director.

Information regarding these methods of communication is also on our website, www.halliburton.com, under Corporate Governance .

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	Audit Committee	Compensation Committee	Health, Safety and Environment Committee	Management Oversight Committee	Nominating and Corporate Governance Committee
Alan M. Bennett	X			X	X
James R. Boyd		X	X	X	
Milton Carroll			X	X	X
Robert L. Crandall	X*	X		X	X
Kenneth T. Derr		X*	X	X	
S. Malcolm Gillis			X	X	X
W. R. Howell		X		X*	X
Ray L. Hunt			X	X	
J. Landis Martin	X			X	X*
Jay A. Precourt	X		X*	X	
Debra L. Reed	X	X		X	

Independent Director

* Chairman

Audit Committee

The Audit Committee's role is one of oversight, while Halliburton's management is responsible for preparing financial statements. The independent public accounting firm appointed to audit our financial statements (the principal independent public accountants) is responsible for auditing those financial statements. The Audit Committee does not provide any expert or special assurance as to Halliburton's financial statements or any professional certification as to the principal independent public accountants' work. The following functions are the key responsibilities of the Audit Committee in carrying out its oversight:

- Recommending the appointment of the principal independent public accountants to the Board of Directors, and together with the Board of Directors being responsible for the appointment, compensation, retention and oversight of the work of the principal independent public accountants;
- Reviewing the scope of the principal independent public accountants' examination and the scope of activities of the internal audit department;
- Reviewing Halliburton's financial policies and accounting systems and controls;
- Reviewing audited financial statements and interim financial statements;
- Preparing a report for inclusion in Halliburton's proxy statement regarding the Audit Committee's review of audited financial statements for the last fiscal year which includes a statement on whether it recommends that the Board include those financial statements in the Annual Report on Form 10-K;
- Approving the services to be performed by the principal independent public accountants; and

Reviewing and assessing the adequacy of the Audit Committee's Charter annually and recommending revisions to the Board.

The Audit Committee also reviews Halliburton's compliance with its Code of Business Conduct which was formally adopted by the Board in 1992. The Audit Committee meets separately with the principal independent public accountants, internal auditors and management to discuss matters of concern, and to receive recommendations or suggestions for change and to exchange relevant views and information.

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Compensation Committee

The primary function of the Compensation Committee is to ensure that our compensation program is effective in attracting, retaining and motivating key employees, that it reinforces business strategies and objectives for enhanced stockholder value and that the program is administered in a fair and equitable manner consistent with established policies and guidelines.

The Compensation Committee's responsibilities include, but are not limited to:

- Developing and approving an overall executive compensation philosophy, strategy and framework consistent with corporate objectives and stockholder interests;
- Reviewing and discussing the annual Compensation Discussion and Analysis disclosure with executive management, and determining whether to recommend to the Board of Directors that the Compensation Discussion and Analysis be included in our annual proxy statement or Annual Report on Form 10-K;
- Reviewing the evaluation of the Chief Executive Officer's (CEO) performance by the Management Oversight Committee and then, based upon such evaluation, making a recommendation to the non-employee members of the Board of Directors regarding the CEO's compensation for the next year;
- Specifically reviewing and approving all actions relating to compensation, promotion and employment-related arrangements (including severance arrangements) for specified officers of Halliburton, its subsidiaries and affiliates;
- Establishing annual performance criteria and reward schedules under our Annual Performance Pay Plan (or any other similar or successor plans) and certifying the performance level achieved and reward payments at the end of each plan year;
- Establishing performance criteria and award schedules under our Performance Unit Program (or any other similar or successor plans) and certifying the performance level achieved and award payments at the end of each performance cycle;
- Approving any other incentive or bonus plans applicable to specified officers of Halliburton, its subsidiaries and affiliates;
- Administering awards under our 1993 Stock and Incentive Plan and our Supplemental Executive Retirement Plan (or any other similar or successor plans);
- Selecting an appropriate peer group or peer groups against which to measure our total executive compensation program;
- Reviewing and approving or recommending to the Board of Directors, as appropriate, major changes to, and taking administrative actions associated with, any other forms of non-salary compensation under its purview;
- Reviewing and approving the stock allocation budget among all employee groups of Halliburton, its subsidiaries and affiliates;
- Periodically monitoring and reviewing overall compensation program design and practice to ensure continued competitiveness, appropriateness and alignment with established philosophies, strategies and guidelines;
- Reviewing and approving appointments to the Administrative Committee which oversees the day-to-day administration of some of our non-qualified executive compensation plans;
- Retaining persons having special competence (including consultants and other third-party service providers) as necessary to assist the Committee in fulfilling its responsibilities and maintaining the sole authority to retain and terminate these persons, including the authority to approve fees and other retention terms; and
- Performing such other duties and functions as the Board of Directors may from time to time delegate.

Health, Safety and Environment Committee

The Health, Safety and Environment Committee's responsibilities include, but are not limited to:

Reviewing and assessing Halliburton's health, safety and environmental policies and practices and proposing modifications or additions as needed;

Overseeing the communication and implementation of these policies throughout Halliburton;

Reviewing annually the health, safety and environmental performance of Halliburton's operating units and their compliance with applicable policies and legal requirements; and

Identifying, analyzing and advising the Board on health, safety and environmental trends and related emerging issues.

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Management Oversight Committee

The Management Oversight Committee's responsibilities include, but are not limited to:

- Evaluating the performance of the Chief Executive Officer;
- Reviewing succession plans for senior management of Halliburton and its major operating units;
- Evaluating management development programs and activities; and
- Reviewing other internal matters of broad corporate significance.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's responsibilities include, but are not limited to:

- Reviewing periodically the corporate governance guidelines adopted by the Board of Directors and recommending revisions to the guidelines as appropriate;
- Developing and recommending to the Board for its approval an annual self-evaluation process of the Board and its committees. The Committee shall oversee the annual self-evaluations;
- Reviewing and periodically updating the criteria for Board membership and evaluating the qualifications of each Director candidate against the criteria;
- Assessing the appropriate mix of skills and characteristics required of Board members;
- Identifying and screening candidates for Board membership;
- Establishing procedures for stockholders to recommend individuals for consideration by the Committee as possible candidates for election to the Board;
- Reviewing annually each Director's continuation on the Board and recommending to the Board a slate of Director nominees for election at the Annual Meeting of Stockholders;
- Recommending candidates to fill vacancies on the Board;
- Reviewing periodically the status of each Director to assure compliance with the Board's policy that at least two-thirds of Directors meet the definition of independent Director;
- Reviewing the Board's committee structure, and recommending to the Board for its approval Directors to serve as members and as Chairs of each committee;
- Reviewing annually any stockholder proposals submitted for inclusion in Halliburton's proxy statement and recommending to the Board any Halliburton statements in response; and
- Reviewing periodically Halliburton's Director compensation practices, conducting studies and recommending changes, if any, to the Board.

Stockholder Nominations of Directors. Stockholders may nominate Directors at an Annual Meeting of Stockholders in the manner provided in our By-laws. The By-laws provide that a stockholder entitled to vote for the election of Directors may make nominations of persons for election to the Board at a meeting of stockholders by complying with required notice procedures. Nominations shall be made pursuant to written notice to the Vice President and Secretary at the address set forth on page 2 of this proxy statement, and must be received at our principal executive offices not less than ninety (90) days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders. The notice shall set forth:

- as to each person the stockholder proposes to nominate for election or reelection as a Director:
 - o the name, age, business address and residence address of the person;
 - o the principal occupation or employment of the person;
 - o the class and number of shares of Halliburton common stock that are beneficially owned by the person; and
 - o

all other information relating to the person that is required to be disclosed in solicitations for proxies for election of directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended; and

as to the stockholder giving the notice:

- o the name and record address of the stockholder; and
- o the class and number of shares of Halliburton common stock that are beneficially owned by the stockholder.

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The proposed nominee may be required to furnish other information as Halliburton may reasonably require to determine the eligibility of the proposed nominee to serve as a Director. At any meeting of stockholders, the presiding officer may disregard the purported nomination of any person not made in compliance with these procedures.

Qualifications of Directors. Candidates nominated for election or reelection to the Board of Directors should possess the following qualifications:

Personal characteristics:

- o highest personal and professional ethics, integrity and values;
- o an inquiring and independent mind; and
- o practical wisdom and mature judgment;

Broad training and experience at the policy-making level in business, government, education or technology;

Expertise that is useful to Halliburton and complementary to the background and experience of other Board members, so that an optimum balance of members on the Board can be achieved and maintained;

Willingness to devote the required amount of time to carrying out the duties and responsibilities of Board membership;

Commitment to serve on the Board for several years to develop knowledge about Halliburton's principal operations;

Willingness to represent the best interests of all stockholders and objectively appraise management performance; and

Involvement only in activities or interests that do not create a conflict with the Director's responsibilities to Halliburton and its stockholders.

The Nominating and Corporate Governance Committee is responsible for assessing the appropriate mix of skills and characteristics required of Board members in the context of the needs of the Board at a given point in time and shall periodically review and update the criteria. Diversity in personal background, race, gender, age and nationality for the Board as a whole may be taken into account in considering individual candidates.

Process for the Selection of New Directors. The Board is responsible for filling vacancies on the Board. The Board has delegated to the Nominating and Corporate Governance Committee the duty of selecting and recommending prospective nominees to the Board for approval. The Nominating and Corporate Governance Committee considers suggestions of candidates for Board membership made by current Committee and Board members, Halliburton management, and stockholders. The Committee may retain an independent executive search firm to identify candidates for consideration. The Committee retained the executive search firm, Korn/Ferry International, to assist its search in identifying and evaluating Director nominees, and this search firm identified both Mr. Carroll and Ms. Bader as potential Director candidates. A stockholder who wishes to recommend a prospective candidate should notify Halliburton's Vice President and Secretary, as described in this proxy statement.

When the Nominating and Corporate Governance Committee identifies a prospective candidate, the Committee determines whether it will carry out a full evaluation of the candidate. This determination is based on the information provided to the Committee by the person recommending the prospective candidate, and the Committee's knowledge of the candidate. This information may be supplemented by inquiries to the person who made the recommendation or to others. The preliminary determination is based on the need for additional Board members to fill vacancies or to expand the size of the Board, and the likelihood that the candidate will meet the Board membership criteria listed above. The Committee will determine, after discussion with the Chairman of the Board and other Board members, whether a candidate should continue to be considered as a potential nominee. If a candidate warrants additional consideration, the Committee may request an independent executive search firm to gather additional information about the candidate's background, experience and reputation, and to report its findings to the Committee. The

Committee then evaluates the candidate and determines whether to interview the candidate. Such an interview would be carried out by one or more members of the Committee and others as appropriate. Once the evaluation and interview are completed, the Committee recommends to the Board which candidates should be nominated. The Board makes a determination of nominees after review of the recommendation and the Committee's report.

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COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to communicate our Executive Compensation Program and how it is implemented by us and the Compensation Committee of the Board of Directors (the Committee). This discussion references the following:

Named Executive Officers (NEOs) The Chief or Principal Executive Officer (CEO), Chief or Principal Financial Officer (CFO) and the three other active executives as of the end of 2006 as listed in the Summary Compensation Table.

Senior Executives the NEOs and other selected senior executives, as determined by the CEO, whose compensation is determined directly by the Compensation Committee of the Board of Directors.

Executives employees who are classified at the executive level as determined by the CEO and the Chief Operating Officer (COO) and whose compensation is determined by the CEO and/or COO.

One other Senior Executive is listed in the Summary Compensation Table. Mr. Mire was an executive officer who retired during 2006 and his total compensation requires that we include him as an NEO. Reference to the NEOs for purposes of this discussion refers to the NEOs actively employed on December 31, 2006.

OVERALL COMPENSATION OBJECTIVES, PHILOSOPHY AND STRATEGY

Executive Compensation Program Objectives

The primary objectives of our integrated and comprehensive Executive Compensation Program are to:

- Provide a clear and direct relationship between executive pay and our performance on both a short and long-term basis;
- Emphasize operating performance drivers;
- Link executive pay to measures that drive stockholder value; and
- Support our business strategies and management processes in order to motivate our executives and maximize return on our human resource investment.

These objectives serve to assure our long-term success and are built on our underlying Compensation Philosophy and Strategy which encompasses the following principles:

Our Executive Compensation Program is managed from a total compensation perspective in addition to giving consideration to each component of the total package in order to provide Senior Executives and Executives with competitive, market driven compensation opportunities. All elements of compensation are compared or benchmarked against a comparator group of companies that reflect the markets in which we compete for business and people.

- o The determination of the comparator group is based on size in terms of market capitalization, revenue and number of employees; scope in terms of global impact and reach; and industry affiliation including companies that are logically related to Halliburton or have a heavy manufacturing industry focus.
- o The 2006 Comparator Group was composed of specific peer companies within the energy services and engineering and construction industries as well as selected companies representing general industry and includes: Amerada Hess Corporation, Anadarko Petroleum Corporation, Baker-Hughes Incorporated,

Fluor Corporation, Marathon Oil Corporation, Occidental Petroleum Corporation, Schlumberger Ltd., Sunoco Incorporated, Unocal Corporation, Valero Energy Corporation, 3M Company, Alcoa Incorporated, Caterpillar Incorporated, Dow Chemical, Eastman Kodak Company, Emerson Electric Company, Georgia-Pacific Corporation, Honeywell International Incorporated, Johnson Controls Incorporated, Raytheon Company, Textron Incorporated, and United Technologies Corporation.

- o Variances in size among the companies comprising the comparator group necessitate the use of regression analysis to adjust the compensation data. This adjusted value is used as the basis of comparison of compensation between our executives and those of the Comparator Group.
- o Current market levels of total compensation are targeted at providing opportunity near the 50th percentile for good performance and between the 50th and 75th percentile competitive level for outstanding performance.
- o A consistent pre-tax, present value methodology is used in assessing stock-based and other long-term incentive awards, including the Black-Scholes model used to value stock option grants.

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The focus and mix of executive compensation elements and opportunities is tailored by individual position to reflect an appropriate balance among fixed and variable pay, short and long-term focus, and individual, business/organization unit or corporate accountability.

Target compensation opportunities are market driven and competitive in order to attract and retain high caliber employees; however, actual compensation will vary significantly year to year based on the level of achievement of specified goals and returns to stockholders.

Individual compensation levels are determined in an equitable manner taking into account skills, responsibilities, competencies and contribution to the company.

Compensation programs are designed and administered within a common framework, but are flexible to accommodate the varied business needs existing among our operations.

Executive Compensation Procedures

Our Executive Compensation Program procedures are guided by policy, process and practice. Our policy sets the parameters around those positions that require approval by the Committee and those where delegation to the CEO is authorized.

Each of the responsibilities outlined in the Committee's Charter (see page 10) is supported by an internal process which guides and details the actions to be taken by the Committee, the CEO, our Senior Executive management and staff. These processes coincide with the Committee's annual calendar, which details the timing of compensation events and associated Committee actions.

Our internal stock nomination process has been in place since we began granting stock options to employees approximately 10 years ago and has been refined regularly to ensure adequate controls. The process clearly states that all award grant dates are to be prospective and not retrospective. Our 1993 Stock and Incentive Plan, as amended and restated effective February 16, 2006 ("1993 Plan"), provides that the CEO must approve all stock awards for employees not under purview of the Committee. The grant date is always the later of the effective date of the action or the date the CEO physically approves the award, thereby ensuring no retrospective or back-dated awards. Exercise prices are set at the closing stock price, on the date of grant.

For Senior Executives, the grant date is set on the day the Committee meets to determine annual compensation actions, generally in December of each year.

Our Executive Compensation Program is designed and regularly reviewed to ensure that we are able to attract and retain the best people for the job and that our compensation plans support our strategies, focus efforts, help achieve business success and align with our stockholders' interests.

Role of the CEO and other members of Executive Management

The role of management in establishing executive compensation is clearly specified in the Committee's process documents under the Executive Compensation Program. The role of the CEO is to make recommendations to the Committee based on our pay Philosophy and Strategy as well as current business conditions and to provide guidance to executive management in setting compensation levels based on such approved recommendations. The CEO also:

- Identifies positions that require specific approval and in depth review by the Committee as consistent with policy;

- Reviews competitive market data and sets compensation for those Executives not under Committee purview;

Recommends to the Committee the performance measures, target goals and award schedules for short-term incentives made under the Halliburton Annual Performance Pay Plan with performance targets being set relative to the projected business cycle and business plan;

Approves all long-term incentive awards made under the 1993 Plan and any retention of such shares upon early retirement for Executives and non-executive employees;

Reviews rationale and guidelines for annual stock awards and recommends changes to the grant structure, when appropriate, for review, discussion and approval by the Committee; and

Develops and provides specific recommendations to the Committee on the number and types of shares to be awarded to Executives under his purview and other selected employees in aggregate number and types of shares to be awarded annually.

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The primary Senior Executives, other than the CEO, who determine compensation actions and set compensation direction for their respective organizations include: the COO, the CFO and the General Counsel. Executives may attend meetings of the Committee at the request of the CEO or the Committee Chairman, but do not attend executive sessions.

Use of Independent Consultants and Advisors

The Committee engages Hewitt Associates (Hewitt) as its independent compensation consultant. The contract for services is between Hewitt and the Committee. The consultant coordinates and consults with our internal executive compensation resources regarding executive compensation matters but operates solely at the Committee's direction.

The primary duties of the Consultant are to:

- Provide the Committee with independent and objective market data;
- Conduct compensation analysis;
- Recommend plan design changes; and
- Review and advise on pay programs and pay level changes applicable to Senior Executives.

These duties may be performed annually and as requested from time to time throughout the year by the Committee.

Hewitt also performs benefit administration services for us under a separate contract. The management of the Halliburton/Hewitt relationship with respect to benefits administration is the responsibility of Halliburton's internal benefits department, which has no contact with the Committee's consultant.

INTEGRATION OF COMPENSATION COMPONENTS, PLAN DESIGN AND DECISION-MAKING FACTORS

Each December, the Committee thoroughly reviews all elements of the executive compensation package for each Senior Executive. Management provides to the Committee historical and prospective breakdowns of the total compensation components for each Senior Executive as follows:

- Individual five-year compensation history;
- Income realized from prior stock and option awards;
- Stock wealth accumulation charts based on total stock holdings;
- Total company awarded stock position including vested and unvested awards; and
- Detailed discretionary supplemental retirement award calculations.

For each NEO and Senior Executive, a competitive analysis comparing each individual component of compensation as well as total compensation to that of the Comparator Group is also provided by the Committee's independent consultant.

In making compensation decisions, each of the following core components of our Executive Compensation Program is reviewed independently and collectively:

- Base salary;
- Short-term (Annual) incentives;
- Long-term incentives;
- Supplemental Executive retirement benefits;

Other Executive benefits; and
Perquisites.

Of these elements, all but base salary and certain health and welfare benefits are performance-based and at risk of forfeiture. Therefore, anywhere from 50% to 80% of a Senior Executives' pay is at risk.

Base Salary

The Committee believes that base salary provides the foundation for the Executive's total compensation package since it drives other elements of compensation such as short and long-term incentives and retirement benefits. Therefore, it is imperative that base salary be properly and competitively established. It is the Committee's intent to set and maintain base salary at the median of the Comparator Group in an effort to control fixed costs and reward for performance in excess of the median through the variable components of pay. To accomplish this, executive salaries are referenced to

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market data for comparable positions within the Comparator Group. In addition to considering market comparisons in making salary decisions, the Committee exercises discretion and judgment based on the following factors:

- Level of responsibility;
- Experience in current role and equitable compensation relationships among all of our Executives;
- Performance and leadership; and
- External factors involving competitive positioning, general economic conditions and marketplace compensation trends.

No specific formula is applied to determine the weight of each factor. Salary reviews are conducted annually to evaluate each Executive; however, individual salaries are not necessarily adjusted each year.

Base pay amounts for the NEOs are listed in the Summary Compensation Table. With the exception of Mr. McCollum, increases for NEOs were below 5% for 2006. Mr. McCollum's larger increase of 9.7% was in recognition of his broad scope of responsibilities as our Chief Accounting Officer.

Short-term (Annual) Incentives

In 1995, the Committee established the Annual Performance Pay Plan. It serves to reward Executives and other key members of management for improving financial results that drive the creation of value for stockholders of the Company and to provide a means to connect individual cash compensation directly to our performance, as measured by cash value added, or CVA. CVA measures the difference between after-tax cash income and a capital charge (based upon our weighted average cost of capital) to determine the amount of value, in terms of cash flow, added to our business. The formula is: $CVA = \text{Net Operating Profit After-Tax} - \text{Capital Charge}$. The primary drivers of CVA are operating income and gross invested capital.

At the beginning of each plan year, we establish an incentive reward schedule that equates given levels of CVA performance beyond a threshold, or minimum, level with varying reward opportunities paid in cash. Incentive award opportunities are established at target and maximum performance levels as a percentage of base salary at the beginning of the plan year. The maximum amount any participant can receive under the Plan is limited to two times the target opportunity level. The level of achievement of annual CVA performance determines the dollar amount of incentive compensation payable to participants following completion of the plan year.

The Committee set the 2006 performance goals for the NEOs based on Halliburton Company consolidated CVA results and set their individual target and maximum levels of opportunity as a percentage of January 1, 2006 annual base salary under the Plan as follows: Mr. Lesar 110% at target and 220% at maximum, Messrs. Cornelison, Gaut and Lane each had target levels of 65% and maximum levels of 130%. Mr. McCollum's target and maximum were 50% and 100%, respectively.

Long-term Incentives

We use long-term incentives to achieve the following objectives:

- Reward consistent achievement of value creation and operating performance goals;
- Align management with stockholder interests; and
- Encourage long-term perspectives and commitment.

Long-term incentives represent the largest component of total executive compensation opportunity for our Senior Executives. We believe this is appropriate given our principle that executive pay should be closely tied to stockholder

interests.

Our 1993 Plan provides for a variety of cash and stock-based awards, including nonqualified and incentive stock options, restricted stock/units, performance shares/units, stock appreciation rights, and stock value equivalents, also known as phantom stock. Under the 1993 Plan, we may, in our discretion, select from among these types of awards to establish individual long-term incentive awards.

In 2006 we continued our strategy of using a combination of vehicles to meet our long-term incentive objectives. These included restricted stock and performance units as well as nonqualified stock options. The appropriate mix was determined based on impact level within the organization. At the Senior Executive and Executive level, we placed particular emphasis on operations-based incentives, such as performance units. Forty percent of a Senior Executive's long-term incentive value is delivered in the form of performance units with 20% delivered through stock options and

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the remaining 40% delivered through restricted stock, with the only exception being the long-term incentive mix for Mr. Lesar. In order to more closely correlate Mr. Lesar's compensation opportunity to appreciation in the price of our common stock, he received approximately 40% of his long-term incentive opportunity in the form of performance units, 40% in the form of stock options and 20% in the form of restricted stock.

Granting a mix of incentives allows us to provide a diversified yet balanced long-term incentive program that effectively addresses volatility in our industry and in the stock market as well as maintaining an incentive to meet performance goals. Stock options and restricted stock/units are directly tied to our stock price performance and, therefore, directly to stockholder value. Additionally, restricted stock/units provide a significant incentive for Senior Executives and Executives to remain employed by us, while performance units shift the focus to improving long term returns on capital employed.

The Performance Unit Program measures Halliburton Company consolidated Return on Capital Employed (ROCE) compared to both absolute goals and relative goals, as measured by the results achieved by our Comparator Group companies. Individual incentive opportunities are established based on market references. The Program allows for rewards to be paid in cash, stock or a combination of cash and stock.

Our determination of the size of long term incentive awards to Senior Executives and Executives are based on market references to long-term incentive compensation for comparable positions within the Comparator Group and on our subjective assessment of organizational roles and internal job relationships.

For the 2006 Cycle, Mr. Lesar's maximum opportunity is \$5,000,000, which is the maximum cash award allowed under the 1993 Plan. Messrs. Gaut and Lane were each provided maximum opportunity levels of 240% of their January 1, 2006 annual base pay. Maximum opportunity levels for Messrs. Cornelison and McCollum were 220% and 100% of their January 1, 2006 annual base pay, respectively.

Supplemental Executive Retirement Plan

The Supplemental Executive Retirement Plan (SERP) was established to provide competitive retirement benefits to key Executives. Determinations as to who will receive an allocation for a particular plan year and the amount of the allocation are made in the Committee's sole discretion. However, in making such determinations, the Committee considers guidelines that include references to:

- Retirement benefits, both qualified and nonqualified, provided from other company programs;
- Incumbent compensation and performance;
- Length of service; and
- Years of service to normal retirement.

Contributions are allocated with a goal of achieving a 75% base pay replacement assuming retirement at age 65 with 25 or more years of service. In 2005, a vesting provision was added to the Plan requiring five consecutive years of Plan participation in order for awards made in and after 2005 to be fully vested. This vesting provision was put in place to encourage participant retention.

In 2006, the Committee authorized retirement allocations under the Plan to Messrs. Lesar, Cornelison, Gaut, Lane and McCollum as listed in the Nonqualified Deferred Compensation Table. The total account balances for Messrs. Lesar, Cornelison and Lane are fully vested. The total account balances for Messrs. Gaut and McCollum are partially vested because their employment with us and participation in the Plan began in 2003.

Other Executive Benefits

Senior Executives also participate in the Halliburton Retirement and Savings Plan, which is the defined contribution benefit plan available to all eligible U.S. employees.

Senior Executives may also participate in the Halliburton Elective Deferral Plan, which was established in 1995 to provide highly compensated employees with an opportunity to defer earned base salary and incentive compensation in order to help meet retirement and other future income needs. The Plan is a nonqualified deferred compensation plan and participation is completely voluntary. Pre-tax deferrals of up to 75% of base salary and/or incentive compensation are allowed each calendar year. Interest is credited based upon the participant's election from among four (4) benchmark investment choices. In 2006, Mr. Gaut participated in the Plan by deferring a percentage of his incentive compensation. No other NEOs participated in the Plan in 2006. Mr. Lesar has an account balance from participation in prior years,

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which continues to accrue interest. Messrs. Cornelison, Lane and McCollum do not currently participate in the Plan, nor do they have prior participation.

The Halliburton Company Benefit Restoration Plan exists to provide a vehicle to restore qualified plan benefits which are reduced as a result of limitations imposed under the Internal Revenue Code or due to participation in other company sponsored plans. It also serves to defer compensation that would otherwise be treated as excessive employee remuneration within the meaning of Section 162(m) of the Internal Revenue Code. The Plan is a nonqualified deferred compensation plan that earns interest at the rate of 10% per annum. In 2006, the NEOs received awards under the Plan in the amounts included in the Summary Compensation Table.

With the exception of Mr. Cornelison, who participated for just over one year in the Dresser Industries Consolidated Retirement Plan prior to the merger, no other NEOs participate in any defined benefit pension plans as we no longer offer such plans to our U.S. employees; nor are they participants in any previously offered pension plans which are now frozen.

Perquisites

Our use of perquisites for Executives is limited in both scope and value. Our Executives do not have company cars or car allowances and their health care and insurance coverage is the same as that provided to all active employees. Club memberships are limited and provided on an as needed basis for business purposes only. Of the NEOs, only Messrs. Cornelison and Gaut have company-provided club memberships.

A taxable benefit for executive financial planning is provided and ranges from \$5,000 to a maximum of \$15,000 per year. This benefit does not include tax return preparation. It is paid, only if used by the Executive, on a reimbursable basis. Because we value the health and welfare of all of our Executives, a physical examination is provided to eligible executives annually.

We also provide for adequate security assessments and measures at the personal residences of Messrs. Lesar and Lane.

Mr. Lesar uses company aircraft for all travel. Other Senior Executives who have access to company aircraft for business purposes only are Messrs. Cornelison, Gaut and Lane. Other than Mr. Lesar, no other NEO used company aircraft for personal use in 2006. Spouses are allowed to travel on selected business trips.

To allow for maximum efficiency and productive use of time, a company-leased car and part-time driver are provided for Mr. Lesar for the primary purpose of commuting to and from work.

ELEMENTS OF POST-TERMINATION COMPENSATION AND BENEFITS

Termination events that trigger payments and benefits, include normal or early retirement, change-in-control, for cause, death, disability and voluntary termination. Post-termination payments may include severance, accelerated vesting of restricted stock and stock options, maximum payments under cash-based short and long-term incentive plans, nonqualified account balances and health benefits among others. The tables in this proxy statement indicate the impact of various termination events on each element of compensation for the NEOs.

IMPACT OF PERFORMANCE ON COMPENSATION

As stated earlier, our Senior Executives and Executives and specific senior managers were eligible to participate in the Annual Performance Pay Plan during 2006 with performance measured by CVA. Since the inception of the Plan, CVA has provided a close correlation to total stockholder return, notwithstanding the reduced stock price which

occurred from 2002-2004 as a result of our asbestos-related issues during that time. Since the conclusion of the asbestos settlement our stock has performed well, demonstrating the viability of CVA as a reasonable proxy for total stockholder return.

Over the past nine years, the Plan has achieved maximum levels of performance five times, target performance once and did not reach the threshold level of performance on three occasions. In 2006, consolidated CVA performance exceeded the maximum level due to the exceptional performance of the Energy Services Group. Accordingly, the NEOs earned annual incentive compensation equal to the maximum opportunity level in 2006 as shown in the Summary Compensation Table.

