

## **Honeywell International Inc.**

### **Corporate Governance Guidelines**

#### **A. Board Functions and Responsibilities**

The primary functions of the Honeywell International Inc. Board of Directors (the “Board”) are to oversee management performance on behalf of the shareowners, to ensure that the long-term interests of the shareowners are being served, to monitor adherence to Honeywell standards and policies, to promote the exercise of responsible corporate citizenship, and generally to perform the duties and responsibilities assigned to the Board by the laws of Delaware, the state of incorporation of the Company.

The Board fulfills these functions by, among other things:

- Selecting, evaluating and compensating the officers of the Company and planning for senior management succession;
- Reviewing and monitoring implementation of Honeywell’s strategic plans and annual operating plans;
- Reviewing and approving significant corporate actions and major transactions;
- Reviewing assessments of, and advising management with respect to, significant risks and issues facing the Company; and
- Ensuring the establishment of, and monitoring compliance with, processes designed to ensure the integrity of the Company’s actions, including its financial statements and financial reporting, its relationships with customers, suppliers and other constituencies, and its compliance with law and its Code of Conduct.

#### **B. Board Composition**

1. Requisite Skills and Characteristics. The composition of Honeywell’s Board, as well as the perspective and skills of its individual members, needs to effectively support Honeywell’s growth and commercial strategy. Collectively, the Board must also be capable of overseeing risk management, capital allocation and leadership succession. Board composition and the members’ perspective and skills should evolve at an appropriate pace to meet the challenges of Honeywell’s changing commercial and strategic goals.

The Corporate Governance and Responsibility Committee has primary responsibility for reviewing with the Board, on an annual basis, the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. This assessment will include a consideration of independence, diversity, age, skills, experience and industry backgrounds in the context of the needs of the Board and the Company, as well as the ability of members (and candidates for membership) to devote sufficient time to performing their duties in an effective manner. Directors are expected to exemplify the highest standards of personal and professional integrity and to constructively challenge management through their active participation and questioning. To ensure that the Board

continues to evolve and be refreshed in a manner that serves the changing business and strategic needs of the Corporation, before recommending for re-nomination a slate of incumbent directors for an additional term, the Corporate Governance and Responsibility Committee will evaluate whether incumbent Directors possess the requisite skills and perspective, both individually and collectively.

The Corporate Governance and Responsibility Committee has responsibility for periodically identifying and recruiting new members to the Board. Through discussions with the Chairman, CEO, Lead Director and other Board members, specific skill sets, experience, and knowledge important for the new Board member are identified and prioritized. Potential candidates meeting these criteria are then identified either by professional recruiting agencies, reputation or existing Board members. Candidates are interviewed multiple times by the Chairman, CEO, Lead Director and other members of the Board to ensure that candidates not only possess the requisite skills and characteristics but also the personality, leadership traits, work ethic, and independence to effectively contribute as a member of the Board. After the successful candidate has been identified by the Board, the Board then nominates the successful candidate for election by the Company's shareowners at the next occurring Annual Meeting of Shareowners. From time to time, the Board may appoint a candidate identified using the process described above to fill vacancies in its membership which arise prior to the next annual meeting of shareowners.

2. Independence. The Board has determined that all of its non-employee directors currently meet the criteria for independence established by the SEC and the New York Stock Exchange. The Corporate Governance and Responsibility Committee will conduct an annual review of the independence of the directors (and candidates for membership on the Board), taking into account all relevant facts and circumstances, and will report its findings to the full Board. The Board intends that, at all times, a substantial majority of its directors will be considered independent under relevant NYSE and SEC guidelines.

The Company will not make any personal loans to directors or executive officers.

3. Independent Chairman. The Company has no fixed rule as to whether the offices of Chairman and CEO should be vested in the same person or two different people, or whether the Chairman should be an employee of the Company or should be elected from among the non-employee directors. The Board believes that this determination is part of the corporate governance and succession planning process and that it is in the best interests of the Company to make such a determination when it elects a new CEO or from time to time depending on the strategic needs of the Company.

If the Chairman is an independent director, he or she shall have the following duties and responsibilities:

- Review, and when appropriate, make changes to Board meeting agendas and Board meeting schedules to ensure there is sufficient time for discussion of all agenda items;
- Review, and when appropriate, make changes to presentation material and other written information provided to directors for Board meetings;

- Preside at all meetings including executive sessions of the non-employee directors and apprise the CEO of the issues considered;
- Serve as liaison between the CEO and the independent directors;
- Be available for consultation and direct communications with the Company's shareowners;
- Call meetings of the non-employee directors when necessary and appropriate;
- Retain outside professionals on behalf of the Board;
- Consult with management about what information is to be sent to the Board;
- Identify key strategic direction and operational issues upon which the Board's annual core agenda is based;
- Serve as an ex-officio member of each committee;
- As and when the Board considers adding new members, work with the CEO, Corporate Governance and Responsibility Committee and the full Board to help identify and prioritize the specific skill sets, experience, and knowledge that candidates for election to the Board must possess; and
- Perform such other duties as the Board may determine from time to time.

#### 4. Lead Director.

If the Chairman is not an independent director, a Lead Director shall be elected by the independent directors from among the independent directors. The Lead Director shall serve for a two-year term commencing at the annual meeting of shareowners following his or her election by the independent directors. An independent director must serve for at least two years on the Company's Board prior to serving as a Lead Director. In electing the Lead Director, the independent directors shall consider the following selection criteria:

- Qualifies as independent, in accordance with relevant listing standards;
- Able to commit the time and level of engagement required to fulfill the substantial responsibilities of the role;
- Effective communication skills to facilitate discussions among members of the Board, including between the non-employee directors and the CEO/Chairman, and to engage with shareowners and key stakeholders;
- Possesses a strong rapport with other members of the Board;
- Demonstrates high personal integrity and ethical character;
- Skills and experience broadly in line with the Corporation's corporate strategy, including, as relevant:
  - Leadership experience within a large, complex organization
  - International experience and exposure to a variety of markets
  - Expertise aligned with key growth initiatives

The Lead Director will have the following duties and responsibilities:

- Review, and when appropriate, make changes to Board meeting agendas and Board meeting schedules to ensure there is sufficient time for discussion of all agenda items;

- Review, and when appropriate, make changes to presentation material and other written information provided to directors for Board meetings;
  - Preside at all meetings at which the Chairman is not present including executive sessions of the non-employee directors and apprise the Chairman of the issues considered;
  - Serve as liaison between the Chairman and the independent directors;
  - Be available for consultation and direct communications with the Company's shareowners;
  - Call meetings of the non-employee directors when necessary and appropriate;
  - Retain outside professionals on behalf of the Board;
  - Consult with management about what information is to be sent to the Board;
  - Identify key strategic direction and operational issues upon which the Board's annual core agenda is based;
  - Serve as an ex-officio member of each committee;
  - As and when the Board considers adding new members, work with the CEO, Chairman, Corporate Governance and Responsibility Committee and the full Board to help identify and prioritize the specific skill sets, experience, and knowledge that candidates for election to the Board must possess; and
  - Perform such other duties as the Board may determine from time to time.
5. Board Size. Determination of the authorized number of directors is governed by Honeywell's By-laws. The Corporate Governance and Responsibility Committee and the Board periodically review the size of the Board and assess its ability to function effectively and with appropriate diversity and expertise.
6. Term Limits. The Board does not believe in the establishment of arbitrary term limits. While term limits may help ensure that fresh ideas and viewpoints are available to the Board, they may force the Company to lose the contribution of directors who, over time, have developed increased insight into Honeywell's businesses and operations. The Board seeks to maintain a balance of directors who have longer terms of service and directors who have joined more recently.

The Corporate Governance and Responsibility Committee conducts an annual review of each director's continuation on the Board. Per Board policy, unless the Board otherwise determines, non-employee directors shall serve only until the day of the Annual Meeting of Shareowners immediately following their 75th birthday.

7. Occupations and Memberships on Other Boards. An individual member of the Board should not sit on more than four public company boards (including service on the Company's Board). If a member of the Company's Board serves as a CEO of a publicly traded company, that member should not serve on the boards of more than two public companies (excluding their own company). In selecting nominees for membership, the Board takes into account the other demands on the time of a candidate, and with respect to current members of the Board, their attendance at, preparedness for and participation in Board and Committee meetings. Directors should advise the Chairman of the Board in advance of accepting an invitation to serve on another public company board. Directors should offer to tender their resignation in the event of a change in the principal job

responsibilities that they held at the time of their election to the Board or the principal job responsibilities taken subsequent to their election to the Board.

8. Election of Directors. The Company's By-laws provide that in any uncontested election of directors, any director nominee who receives a greater number of votes "for" his or her election than votes "against" (excluding abstentions) his or her election (a "Majority Vote") will be elected to the Board. The By-laws also provide that any nominee who does not receive a Majority Vote in an uncontested election is expected to promptly tender his or her resignation to the Chairman of the Board following certification of the shareowner vote, which resignation shall be promptly considered through a process managed by the Corporate Governance and Responsibility Committee and excluding any nominees who did not receive a Majority Vote.

### C. Board Meetings

1. Meetings. Regular meetings of the Board are scheduled well in advance and are generally held at the Company's headquarters located in Morris Plains, New Jersey. Special meetings of the Board may be called by the Chairman, the Chief Executive Officer, the Lead Director, the Chair of the Corporate Governance and Responsibility Committee of the Board or the Corporate Secretary at the request of any two independent directors.
2. Attendance. Board members are expected to prepare for, attend and participate in meetings of the Board and committees on which they serve. Information and data that are important to an understanding of the business to be conducted at a Board or committee meeting is generally distributed in writing to the directors before the meeting so as to provide directors with sufficient time to review the materials and consider key issues in advance of the meeting.

Board members are also encouraged to attend the Annual Meeting of Shareowners.

3. Agendas. At the end of each year, the Board reviews a schedule of agenda subjects (to the extent they can be foreseen) to be considered by the Board at its meetings in the coming year. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting and to suggest items for inclusion on future Board agendas.
4. Presentations to the Board. The Board welcomes regular attendance at each Board meeting of senior officers of the Company. The Board encourages presentations at its meetings by employees whose direct involvement in a particular area can bring key insight into a topic being reviewed with the Board or who have leadership potential of which the Board should be aware. Management presentations should be scheduled on the agenda so as to allow for question-and-answer sessions and open discussions of key policies and practices.
5. Meetings of Non-Employee Directors. The Board will hold executive sessions of its non-employee directors on at least a quarterly basis. Over the course of each year, the topics of discussion in executive sessions of non-employee directors will include management

performance and succession plans, Board compliance with the Company's corporate governance policies, and the needs of the Board (*e.g.*, qualities, skills, background, etc.).

The Chairman, if an independent director, or the Lead Director, if the Chairman is not an independent director, will serve as the chairperson for these executive sessions. Following an executive session of non-employee directors, the Chairman, if an independent director, meets with the CEO, or the Lead Director, if the Chairman is not an independent director, meets with the Chairman, to provide feedback on matters discussed in the executive session, and/or input regarding agenda items or information requests for future Board and Committee meetings.

#### **D. Board Committees**

1. Committees: The Board currently has the following Committees: Audit, Management Development and Compensation, Corporate Governance and Responsibility, and Retirement Plans. All of the members of these committees are independent directors under criteria established by the SEC and NYSE. All directors serving on the Audit Committee and the Management Development and Compensation Committee, meet the enhanced independence criteria established by the SEC and NYSE for the respective committees. The Board may, from time to time, establish or maintain additional or alternative committees that it determines to be necessary or appropriate. The Chairman, if an independent director, or the Lead Director, if the Chairman is not an independent director, shall be an ex-officio member of each Committee.
2. Committee Assignments. Committee members and chairpersons will be appointed by the Board upon the recommendation of its Corporate Governance and Responsibility Committee. Generally, committee chairpersons will have had prior service on the committee. There are no fixed terms for service on committees.
3. Charters. Each committee operates under a written charter setting forth its purpose, duties and responsibilities, and providing for an annual self-evaluation of its performance. These charters are published on the Company's website and are made available in print to any shareowner who requests them.
4. Meetings. Committee meetings are generally held in conjunction with full Board meetings. The chairperson of each committee determines the frequency and length of committee meetings (consistent with any applicable charter requirements) and, with the assistance of appropriate members of management, develops the agenda for committee meetings. Each committee will establish a schedule of agenda subjects (to the extent these can be foreseen) to be discussed during the year. The schedule for each committee will be furnished to all directors. Board members who are not members of a particular committee are welcome to attend meetings of that committee.

#### **E. Access to Management, Employees and Independent Advisors**

1. Management and Employees. Directors have full and free access to management and employees of the Company. Meetings or contacts may be arranged through the Company's CEO or Corporate Secretary or directly by the director.

2. Independent Advisors. The Chairman, if an independent director, or the Lead Director, if the Chairman is not an independent director, the Board and its committees have the right to retain independent outside financial, legal or other advisors as they may deem necessary.

## **F. Director Orientation and Continuing Education**

The Company's Corporate Secretary will be responsible for (i) compiling and providing to each new director an orientation manual containing materials pertaining to, among other things, the Board and its committees, the Company's corporate governance policies and practices, and the Company's businesses, functions, initiatives and processes, (ii) scheduling an orientation program for each new director, which will include presentations by members of senior management on the Company's strategic plans, financial statements and key issues, policies and practices, and (iii) periodically providing materials and updates to all directors on issues and subjects that would assist them in fulfilling their responsibilities.

Board members may attend, at the Company's expense, seminars, conferences and other continuing education programs designed for directors of public companies.

## **G. Director Compensation**

The Corporate Governance and Responsibility Committee periodically reviews and makes recommendations to the Board regarding the form and amount of compensation for non-employee directors. The Corporate Governance and Responsibility Committee may request information from Company staff or outside consultants on the compensation of boards of comparable companies. The Company's director compensation program is designed to enable continued attraction and retention of highly qualified directors by ensuring that director compensation is in line with peer companies competing for director talent and to address the increased time, effort, expertise and accountability required of active Board membership in light of evolving corporate governance requirements.

In general, the Corporate Governance and Responsibility Committee believes that annual compensation for outside directors should consist of both a cash component designed to compensate members for their service on the Board and its Committees and an equity component designed to align the interests of the directors and the shareowners. The cash component currently consists of an annual retainer and a retainer for the Chairman, if an independent director, the Lead Director if the Chairman is not an independent director, and each committee served upon (with a supplemental retainer for serving as a committee chairperson). The equity component currently consists of a one-time grant of restricted stock units upon election to Board and an annual equity grant of stock options and restricted stock units, with the restrictions lapsing and the options vesting over time so as to create an incentive for continued service on the Board, and deferred compensation in the form of common stock equivalents.

Director stock ownership guidelines have been adopted under which each non-employee director, while serving as a director of the Company, must (i) hold shares of Company stock (including restricted shares) and/or common stock equivalents with a market value of at least five

times the annual cash retainer and (ii) hold net gain shares from option exercises for one year. Directors have five years from election to the Board to attain the prescribed ownership threshold.

## **H. Management Compensation and Succession**

1. Succession Plan. The Board shall oversee and annually review leadership development and assessment initiatives, as well as short- and long-term succession plans for the CEO and other senior management, including in the event of unanticipated vacancies in those offices. Generally, the Management Development and Compensation Committee considers leadership development, assessment and succession planning in preparation for a discussion by the full Board.

The Board is responsible for the selection of the CEO. When assessing possible CEO candidates as part of its annual review of succession plans, the independent Directors shall identify and periodically update the skills, experience and attributes that they believe are required to be an effective CEO in light of the Company's business strategy, prospects and challenges. The independent Directors shall also take into account perspectives provided by the incumbent CEO relating to the performance of internal candidates. In reviewing the appropriateness of the Company's leadership development and assessment process for the CEO position, the Board shall consider whether the independent Directors have sufficient familiarity with senior management to make informed decisions about CEO succession.

2. Annual Compensation Review. The Management Development and Compensation Committee reviews and approves the corporate goals and objectives relevant to compensation of the Company's CEO, evaluates the CEO's performance in light of those goals and objectives and, together with the other independent directors, determines and approves the CEO's compensation level based on this evaluation. The Management Development and Compensation Committee also reviews and approves the goals and objectives of the other executive officers of the Company, and sets the compensation, of the officers of the Company.
3. Executive Stock Ownership Guidelines. Executive stock ownership guidelines have been adopted under which officers (1) must achieve ownership thresholds based on a multiple of salary and (2) hold net gain shares from option exercises or restricted unit vesting for one year. Shares used in determining whether these guidelines are met include shares held personally, share equivalents held in qualified and nonqualified retirement accounts and restricted units. Officers have five years to meet these guidelines. The executive stock ownership guidelines do not apply to executives at or over age 60 who have at least 10 years of service.
4. Recoupment of Incentive Compensation. In the event of a significant restatement of financial results (a "Restatement"), the Board will review all incentive compensation paid to senior executives on the basis of having met or exceeded specific performance targets for performance periods during the Restatement period. To the extent permitted by applicable law, the Board will seek to recoup incentive compensation, in all appropriate cases (taking into account all relevant factors, including whether the assertion of a recoupment claim may prejudice the interests of the Company in any related proceeding



or investigation), paid to, or credited to a deferred compensation account of, any senior executive after January 1, 2007, if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a Restatement, (ii) the senior executive engaged in misconduct that caused the need for the Restatement, and (iii) the amount of incentive compensation that would have been awarded to the senior executive had the financial results been properly reported would have been lower than the amount actually awarded.

For purposes of this policy, the following terms shall have the meanings set forth below:

“senior executives” shall mean executive officers for purposes of the Securities Exchange Act of 1934, as amended, as well as the Company’s principal accounting officer and corporate secretary;

“incentive compensation” shall mean bonuses or awards issued under any compensation plan approved by the shareholders of the Company; and

“misconduct” shall mean a knowing violation of SEC rules and regulations or Company policy.

Determinations of misconduct for purposes of this policy shall be made by the Board (or, at the discretion of the Board, an appropriate committee of the Board) independently of, and the Board shall not be bound by, determinations by management or by any committee of the Board that a senior executive has or has not met any particular standard of conduct under law or Company policy.

This policy is not intended to amend or modify any right or obligation to pay or credit any amount due under any incentive compensation and/or deferred compensation plan, as distinguished from the right to recoup incentive compensation previously paid or credited. The right of the Board to assert a recoupment claim under this policy shall not survive the occurrence of a change in control of the Company as defined in the relevant incentive compensation plan.

## **I. Annual Performance Evaluation**

The Board will conduct an annual self-evaluation led jointly by the Chairman, if an independent director, or the Lead Director, if the Chairman is not an independent director, and the Chairman of the Corporate Governance and Responsibility Committee to determine whether it and its committees are functioning effectively and to solicit feedback from directors as to whether the Board is continuing to evolve and be refreshed in a manner that serves the business and strategic needs of the Corporation. The annual self-evaluation will include the following elements:

1. The Corporate Governance and Responsibility Committee will annually review the scope and content of the self-evaluation to ensure it is contemporary, appropriate for the needs of Honeywell, and that actionable feedback is solicited on the operation and effectiveness of the Board and its committees.

2. After distribution of the self-evaluation materials to directors, the Corporate Governance and Responsibility Committee will receive comments from all directors and report to the Board, which report will identify areas for improvement in the performance of the Board and its committees.

## **J. Political Contributions**

The Company's Code of Business Conduct provides that Company funds generally may not be used for political contributions, directly or indirectly, in support of any candidate or political party. The Code of Business Conduct also provides that, wherever lawful, the Company may make a contribution in connection with an occasional local initiative or referendum campaign where the Company's interests are directly involved. Any use of corporate funds for political expenditures requires the prior approval of the Company's Senior Vice President and General Counsel and is rarely approved.

The Company participates in the U.S. political process primarily through the non-partisan Honeywell International Political Action Committee (HIPAC), which is funded exclusively through voluntary contributions from eligible U.S.-based employees. HIPAC contributions can be viewed on the Federal Election Commission website at [www.fec.gov](http://www.fec.gov). Employees are not reimbursed, directly or indirectly, for political donations or expenses.

The Company also is a member of a number of trade associations. All trade association memberships are generally reviewed and approved by an executive officer of the Company. In addition, memberships in 501(c)(6) trade associations that receive more than US\$50,000 in membership dues from the Company in any fiscal year require prior approval of the Company's Senior Vice President and General Counsel, and all such organizations shall be instructed not to use funds received from the Company for any election-related activity.

The Corporate Governance and Responsibility Committee will receive an annual report on the Company's policies and practices related to political contributions and trade association memberships. The Corporate Governance and Responsibility Committee's oversight of the Company's political activities ensures compliance with applicable law and alignment with the Company's policies and Code of Business Conduct. In addition, each year, the Senior Vice President, Global Government Relations reports to the Corporate Governance and Responsibility Committee on trade association political spending and to the full Board on the Corporation's global lobbying and government relations program.

## **K. Review and Modification of Corporate Governance Guidelines**

The Corporate Governance and Responsibility Committee will review these guidelines annually (and more often if necessary), and will report to the Board any recommendations that it may have regarding modification of these guidelines.