

HONEYWELL INTERNATIONAL INC
Form DEF 14A
March 13, 2008

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

**SCHEDULE 14A
(Rule 14a-101)**

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant [X]

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))

[X] Definitive Proxy Statement

[] Definitive Additional Materials

[] Soliciting Material Pursuant to §240.14a-12

Honeywell International Inc.

(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):

[X] No fee required.

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2) Aggregate number of securities to which transaction applies:

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.

3) Filing Party:

4) Date Filed:

March 13, 2008

To Our Shareowners:

You are cordially invited to attend the Annual Meeting of Shareowners of Honeywell, which will be held at 10:30 a.m. on Monday, April 28, 2008 at our headquarters, 101 Columbia Road, Morris Township, New Jersey.

The accompanying notice of meeting and proxy statement describe the matters to be voted on at the meeting.

YOUR VOTE IS IMPORTANT. We encourage you to read the proxy statement and vote your shares as soon as possible. Shareowners may vote via the Internet, by telephone or by completing and returning a proxy card. Specific voting instructions are set forth in the proxy statement and on both the Notice of Internet Availability of Proxy Materials and proxy card.

On behalf of the Board of Directors, I want to thank you for your continued support of Honeywell.

A map and directions to Honeywell's headquarters appear at the end of the proxy statement.

Sincerely,

DAVID M. COTE
Chairman and Chief Executive Officer

NOTICE OF ANNUAL MEETING OF SHAREOWNERS

The Annual Meeting of Shareowners of Honeywell International Inc. will be held on Monday, April 28, 2008 at 10:30 a.m. local time, at Honeywell's headquarters, 101 Columbia Road, Morris Township, New Jersey to consider, if properly raised, and vote on the following matters described in the accompanying proxy statement:

Election of ten directors;

Appointment of
PricewaterhouseCoopers
LLP as independent
accountants for 2008;

A proposal to amend
Honeywell's Restated
Certificate of
Incorporation to give
holders of at least 25% of
the outstanding shares of
Honeywell's Common
Stock the right to call a
special meeting of
shareowners;

A shareowner proposal
described on pages 62-64
in the accompanying
proxy statement; and
to transact any other business that may properly come before the meeting.

The Board of Directors has determined that shareowners of record at the close of business on February 29, 2008 are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors,

Thomas F. Larkins
Vice President and Corporate Secretary

Honeywell
101 Columbia Road
Morris Township, NJ 07962

March 13, 2008

Table of Contents

Page

| | |
|---|------------|
| <u>VOTING PROCEDURES</u> | 1 |
| <u>ATTENDANCE AT THE ANNUAL MEETING</u> | 3 |
| <u>PROPOSAL NO. 1: ELECTION OF DIRECTORS</u> | 4 |
| <u>CORPORATE GOVERNANCE; BOARD OF DIRECTORS</u> | 8 |
| <u>BOARD MEETINGS</u> | 8 |
| <u>BOARD COMMITTEES</u> | 8 |
| <u>DIRECTOR INDEPENDENCE</u> | 11 |
| <u>IDENTIFICATION AND EVALUATION OF DIRECTOR CANDIDATES</u> | 12 |
| <u>PROCESS FOR COMMUNICATING WITH BOARD MEMBERS</u> | 13 |
| <u>DIRECTOR ATTENDANCE AT ANNUAL MEETINGS</u> | 13 |
| <u>DIRECTOR COMPENSATION</u> | 14 |
| <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u> | 17 |
| <u>STOCK OWNERSHIP INFORMATION</u> | 18 |
| <u>SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE</u> | 19 |
| <u>EXECUTIVE COMPENSATION</u> | 20 |
| <u>COMPENSATION DISCUSSION AND ANALYSIS</u> | 20 |
| <u>COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION</u> | 37 |
| <u>MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT</u> | 37 |
| <u>SUMMARY COMPENSATION TABLE</u> | 38 |
| <u>GRANTS OF PLAN-BASED AWARDS FISCAL YEAR 2007</u> | 41 |
| <u>OUTSTANDING EQUITY AWARDS AT 2007 FISCAL YEAR-END</u> | 43 |
| <u>OPTION EXERCISES AND STOCK VESTED FISCAL YEAR 2007</u> | 44 |
| <u>PENSION BENEFITS</u> | 45 |
| <u>NONQUALIFIED DEFERRED COMPENSATION FISCAL YEAR 2007</u> | 49 |
| <u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL</u> | 52 |
| <u>AUDIT COMMITTEE REPORT</u> | 60 |
| <u>PROPOSAL NO. 2: APPROVAL OF INDEPENDENT ACCOUNTANTS</u> | 61 |
| <u>PROPOSAL NO. 3: MANAGEMENT PROPOSAL AMENDMENT TO THE RESTATED CERTIFICATE OF INCORPORATION RIGHT TO CALL A SPECIAL MEETING OF SHAREOWNERS</u> | 62 |
| <u>PROPOSAL NO. 4: SHAREOWNER PROPOSAL PAY-FOR-SUPERIOR-PERFORMANCE PRINCIPLE</u> | 62 |
| <u>OTHER INFORMATION</u> | 65 |
| <u>APPENDIX</u> | A |
| <u>DIRECTIONS TO HONEYWELL S HEADQUARTERS</u> | Back Cover |

PROXY STATEMENT

This proxy statement is being provided to shareowners in connection with the solicitation of proxies by the Board of Directors for use at the Annual Meeting of Shareowners of Honeywell International Inc. (Honeywell or the Company) to be held on Monday, April 28, 2008.

VOTING PROCEDURES

Your Vote is Very Important

Whether or not you plan to attend the meeting, please take the time to vote your shares as soon as possible.

Notice and Access

The Securities and Exchange Commission (SEC) has adopted a Notice and Access rule that allows companies to deliver a Notice of Internet Availability of Proxy Materials (Notice) to shareowners in lieu of a paper copy of the proxy statement and related materials and the Company s Annual Report to Shareowners (the Proxy Materials). The Notice provides instructions as to how shareowners can access the Proxy Materials online and contains a listing of matters to be considered at the meeting and instructions as to how shares can be voted. Shareowners receiving the Notice can request a paper copy of the Proxy Materials by following the instructions set forth in the Notice.

Important Notice Regarding Availability of Proxy Materials:

The Proxy Materials are available at www.proxyvote.com.

Methods of Voting

Shareowners of Record

Shareowners of record can vote via the Internet at www.proxyvote.com, by calling (800) 690-6903 or by signing and returning a proxy card. Votes submitted by Internet or telephone must be received by 11:59 p.m. eastern standard time on April 27, 2008.

Shareowners Holding Shares Through a Bank or Broker

Shareowners who hold their shares through a bank or broker can vote via the Internet or by telephone if the bank or broker offers these options or by signing and returning a proxy card. Your bank or broker will send you instructions for voting your shares. Votes directed by Internet or telephone through such a bank or broker must be received by 11:59 p.m. eastern standard time on April 27, 2008.

Participants in Honeywell Savings Plans

Participants in Honeywell stock funds within Honeywell savings plans can direct the trustee to vote their shares via the Internet at www.proxyvote.com, by calling (800) 690-6903 or by signing and returning a proxy card. Directions provided by Internet or telephone must be received by 5:00 p.m. eastern standard time on April 24, 2008.

Revoking Your Proxy

Whether you vote or direct your vote by mail, telephone or via the Internet, if you are a shareowner of record or a participant in Honeywell stock funds within Honeywell savings plans, unless otherwise noted, you may later revoke your proxy by:

sending a
written
statement to
that effect to
the
Corporate
Secretary of
Honeywell;

submitting a
properly
signed proxy
with a later
date;

voting by
telephone or
via the
Internet at a
later time (if
initially able
to vote in
that manner)
so long as
such vote or
voting
direction is
received by
the
applicable
date and
time set forth
above for
shareowners
of record and
participants
in
Honeywell
savings
plans; or

voting in
person at the
Annual
Meeting
(except for
shares held
in the
savings
plans).

If you hold your shares through a bank or broker and you have instructed the bank or broker to vote your shares, you must follow the directions received from your bank or broker to change those instructions.

Quorum; Vote Required; Abstentions and Broker Non-Votes

The required quorum for the transaction of business at the meeting is a majority of the total outstanding shares of Honeywell common stock (Common Stock) entitled to vote at the meeting, either present in person or represented by proxy.

With respect to Proposal No. 1, Honeywell's By-laws provide that in any uncontested election of directors (an election in which the number of nominees does not exceed the number of directors to be elected), any nominee who receives a greater number of votes cast FOR his or her election than votes cast AGAINST his or her election will be elected to the Board of Directors. Shares not represented in person or by proxy at the Annual Meeting and broker non-votes will have no effect on the election of directors. The By-laws also provide that any nominee who does not receive a majority of votes cast FOR his or her election in an uncontested election is expected to promptly tender his or her resignation to the Chairman of the Board following the certification of the shareowner vote, which resignation shall be promptly considered through a process managed by the Corporate Governance and Responsibility Committee, excluding any nominees who did not receive a majority vote.

The affirmative vote of a majority of shares present or represented and entitled to vote on each of Proposal Nos. 2 and 4 is required for approval of these proposals. Abstentions will be counted toward the tabulation of votes present or represented on these proposals and will have the same effect as votes AGAINST Proposal Nos. 2 and 4. New York Stock Exchange (NYSE) rules prohibit brokers from voting on Proposal No. 4 without receiving instructions from the beneficial owner of the shares. In the absence of instructions, shares subject to such broker non-votes will not be counted as voted or as present or represented on those proposals and so will have no effect on the vote.

The affirmative vote of a majority of the issued and outstanding shares of Common Stock is required for approval of Proposal No. 3. NYSE rules prohibit brokers from voting on Proposal No. 3 without receiving instructions from the beneficial owners of the shares. Because approval is based on a threshold of a majority of all shares outstanding, abstentions, broker non-votes and failures to vote or return a proxy will have the same effect as votes against this proposal.

Other Business

The Board knows of no other matters to be presented for shareowner action at the meeting. If other matters are properly brought before the meeting, the persons named as proxies in the accompanying proxy card intend to vote the shares represented by them in accordance with their best judgment.

Confidential Voting Policy

It is our policy that any proxy, ballot or other voting material that identifies the particular vote of a shareowner and contains the shareowner's request for confidential treatment will be kept confidential, except in the event of a contested proxy solicitation or as may be required by law. We may be informed whether or not a particular shareowner has voted and will have access to any comment written on a proxy, ballot or other material and to the identity of the commenting shareowner. Under the policy, the inspectors of election at any shareowner meeting will be independent parties unaffiliated with Honeywell.

Shares Outstanding

At the close of business on February 29, 2008, there were 740,999,503 shares of Common Stock outstanding. Each share outstanding as of the February 29, 2008 record date is entitled to one vote.

Householding

Beneficial owners of Common Stock who share a single address may receive only one copy of the Notice or the Proxy Materials, as the case may be, unless their broker, bank or nominee has received contrary instructions from any beneficial owner at that address. This practice, known as householding, is designed to reduce printing and mailing costs. If any beneficial shareowner(s) at such an address wish to discontinue householding and receive a separate copy of the Notice or the Proxy Materials, as the case may be, they may contact Broadridge, either by calling (800) 579-1639, or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York, 11717.

ATTENDANCE AT THE ANNUAL MEETING

If you are a shareowner of record who plans to attend the meeting, please mark the appropriate box on your proxy card or follow the instructions provided when you vote via the Internet or by telephone. If your shares are held by a bank or broker and you plan to attend, please send written notification to Honeywell Shareowner Services, P.O. Box 50000, Morris Township, New Jersey 07962, and enclose evidence of your ownership of shares of Common Stock as of February 29, 2008 (such as a letter from the bank or broker confirming your ownership or a bank or brokerage firm account statement). The names of all those planning to attend will be placed on an admission list held at the registration desk at the entrance to the meeting. All shareowners attending the meeting will be asked to provide proof of identification. If your shares are held by a bank or broker and you have not provided advance written notification that you will attend the meeting, you will be admitted to the meeting only upon presentation of evidence of ownership of shares of Common Stock as of February 29, 2008.

Proposal No. 1 ELECTION OF DIRECTORS

Honeywell's directors are elected at each Annual Meeting of Shareowners and hold office for one-year terms or until their successors are duly elected and qualified. The Board has nominated ten candidates for election as directors for a term ending at the 2009 Annual Meeting of Shareowners or when their successors are duly elected and qualified. All nominees are currently serving as directors. If prior to the Annual Meeting any nominee should become unavailable to serve, the shares represented by a properly signed and returned proxy card or voted by telephone or via the Internet will be voted for the election of such other person as may be designated by the Board, or the Board may determine to leave the vacancy temporarily unfilled or reduce the authorized number of directors in accordance with the By-laws.

Directors may serve until the Annual Meeting of Shareowners immediately following their 72nd birthday. In accordance with this policy, Mr. Howard will retire at the 2008 Annual Meeting, at which time the authorized number of directors shall be reduced to ten.

Certain information regarding each nominee is set forth below.

NOMINEES FOR ELECTION

GORDON M. BETHUNE,
Chairman of the Board of
Aloha Airgroup, Inc.
Mr. Bethune joined Aloha
Airgroup, Inc. as Chairman of
the Board in August 2006. Mr.
Bethune is the retired
Chairman of the Board and
Chief Executive Officer of
Continental Airlines, Inc., an
international commercial
airline company. Mr. Bethune
joined Continental Airlines,
Inc. in February 1994 as
President and Chief Operating
Officer. He was elected
President and Chief Executive
Officer in November 1994 and
Chairman of the Board and
Chief Executive Officer in
1996, in which positions he
served until his retirement in
December of 2004. Prior to
joining Continental, Mr.
Bethune held senior
management positions with the
Boeing Company, Piedmont
Airlines, Western Airlines, Inc.
and Braniff Airlines. Mr.
Bethune is also a director of
Prudential Financial Inc.,
Sprint Nextel Corporation and

Willis Group Holdings Ltd.
(Mr. Bethune will not stand for re-election to the board of Willis Group Holdings Ltd. in 2008.) He was a director of Honeywell Inc. from April 1999 to December 1999.

Director since 1999 Age 66

JAIME CHICO PARDO,
Chairman of the Board of Telefonos de Mexico, S.A. de C.V. (TELMEX)
Mr. Chico Pardo has been Chairman of the Board of TELMEX, a telecommunications company based in Mexico City, since October 2006. He joined TELMEX as its Chief Executive Officer in 1995, a position which he held until October 2006. In November 2006, Mr. Chico Pardo became Co-Chairman of the Board of IDEAL, a company engaged in the development and operation of infrastructure assets in Latin America. Prior to joining TELMEX, Mr. Chico Pardo served as President and Chief Executive Officer of Grupo Condumex, S.A. de C.V., a manufacturer of products for the construction, automobile and telecommunications industries, and Euzkadi/General Tire de Mexico, a manufacturer of automotive and truck tires. Mr. Chico Pardo is also a director of IDEAL, Carso Global Telecom, America Movil, America Telecom and Grupo Carso, all of which are affiliates of TELMEX. He was a director of Honeywell Inc. from September 1998 to December 1999.

Director since 1999 Age 58

DAVID M. COTE, Chairman and Chief Executive Officer of Honeywell International Inc.

Mr. Cote has been Chairman and Chief Executive Officer since July 2002. He joined Honeywell as President and Chief Executive Officer in February 2002. Prior to joining Honeywell, he served as Chairman, President and Chief Executive Officer of TRW Inc., a provider of products and services for the aerospace, information systems and automotive markets, from August 2001 to February 2002. From February 2001 to July 2001, he served as President and Chief Executive Officer and from November 1999 to January 2001 he served as President and Chief Operating Officer of TRW. Mr. Cote was Senior Vice President of General Electric Company and President and Chief Executive Officer of GE Appliances from June 1996 to November 1999. He is also a director of JPMorgan Chase & Co.

Director since 2002 Age 55

D. SCOTT DAVIS, Chairman and Chief Executive Officer of United Parcel Service, Inc. (UPS)

Mr. Davis joined United Parcel Service, Inc., a leading global provider of package delivery, specialized transportation and logistics services in 1986, and has served as Chairman and Chief Executive Officer since January 1, 2008. Prior to this, he served as Vice Chairman

since December 2006 and as Senior Vice President, Chief Financial Officer and Treasurer since January 2001.

Previously, Mr. Davis held various leadership positions with UPS, primarily in the finance and accounting areas. Prior to joining UPS, he was Chief Executive Officer of II Morrow, a developer of general aviation and marine navigation instruments.

Director since 2005 Age 56

LINNET F. DEILY, Former Deputy U.S. Trade Representative and Ambassador

Ms. Deily was Deputy U.S. Trade Representative and U.S. Ambassador to the World Trade Organization from 2001 to 2005. From 2000 until 2001, she was Vice Chairman of The Charles Schwab Corp. Ms.

Deily served as President of the Schwab Retail Group from 1998 until 2000 and President of Schwab

Institutional Services for Investment Managers from 1996 to 1998. Prior to joining Schwab, she was the Chairman of the Board, Chief Executive Officer and President of First Interstate Bank of Texas from 1990 until 1996. She is also a director of Alcatel-Lucent and Chevron Corporation.

Director since 2006 Age 62

CLIVE R. HOLLICK, Partner,
Kohlberg Kravis Roberts &
Co.

In April of 2005, Lord Hollick joined Kohlberg Kravis Roberts & Co., a private equity firm, as a Managing Director, focusing on investments in the media and financial services sectors, and was appointed Partner in April 2006. Prior to that time, and beginning in 1996, Lord Hollick was the Chief Executive of United Business Media, a London-based, international information, broadcasting and publishing group. From 1974 to 1996, he held various leadership positions with United Business Media and its predecessor companies. Lord Hollick is also a director of Diageo plc and ProSiebenSat.1 Media AG.

Director since 2003 Age 62

BRADLEY T. SHEARES,
Former Chief Executive
Officer of Reliant
Pharmaceuticals, Inc.

Dr. Sheares served as Chief Executive Officer of Reliant Pharmaceuticals, Inc., a pharmaceutical company with integrated sales, marketing and development expertise that markets a portfolio of branded cardiovascular pharmaceutical products, from January 2007 through its acquisition by GlaxoSmithKline plc in December 2007. Prior to joining Reliant, Dr. Sheares served as President of U.S. Human Health, Merck & Co. from March of 2001 until July

2006. Prior to that time, he served as Vice President, Hospital Marketing and Sales for Merck's U.S. Human Health business. Dr. Sheares joined Merck in 1987 as a research fellow in the Merck Research Laboratories and held a wide range of positions within Merck, in business development, sales, and marketing, before becoming Vice President in 1996. He is also a director of The Progressive Corporation.

Director since 2004 Age 51

ERIC K. SHINSEKI, General United States Army (Ret.) General Shinseki served in the United States Army for 38 years, most recently as Chief of Staff from June 1999 until June 2003. Prior to that he held a number of key command positions, including Commander of U.S. Army, Europe and Commander of the NATO-led Peace Stabilization Force in Bosnia-Herzegovina. General Shinseki is the highest-ranking Asian-American in U.S. military history, a West Point graduate, and the recipient of numerous U.S. and foreign military decorations. He is also a director of Ducommun Incorporated and Guardian Life Insurance Company of America.

Director since 2003 Age 65

JOHN R. STAFFORD, Retired
Chairman and Chief Executive
Officer of Wyeth

Mr. Stafford served as
Chairman of the Board of
Wyeth, a manufacturer of
pharmaceutical, health care
and animal health products,
from 1986 until his retirement
at the end of 2002. He also
served as Chief Executive
Officer from 1986 to 2001. Mr.
Stafford joined Wyeth in 1970
and held a variety of positions
before becoming President in
1981. He is also a director of
Verizon Communications Inc.
Director since 1993 Age 70

MICHAEL W. WRIGHT,
Retired Chairman, President
and Chief Executive Officer of
SUPERVALU INC.

Mr. Wright was elected
President and Chief Operating
Officer of SUPERVALU INC.,
a food distributor and retailer,
in 1978, Chief Executive
Officer in 1981, and Chairman
of the Board in 1982. He
retired as President and CEO in
June 2001, and as Chairman in
May 2002. He joined
SUPERVALU INC. as Senior
Vice President of
Administration and as a
member of the board of
directors in 1977. Prior to
1977, Mr. Wright was a partner
in the law firm of Dorsey &
Whitney. Mr. Wright is also a
director of Canadian Pacific
Railway Company and Wells
Fargo & Company. He was a
director of Honeywell Inc.
from April 1987 to December
1999.

Director since 1999 Age 69

CORPORATE GOVERNANCE; BOARD OF DIRECTORS**BOARD MEETINGS**

The Board of Directors held eight meetings during 2007. The average attendance at meetings of the Board and Board Committees during 2007 was 93%. During this period, all of the directors attended or participated in more than 75% of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings held by all Committees of the Board of Directors on which each such director served.

The Board holds executive sessions of its non-employee directors on at least a quarterly basis. Members serve as the chairperson, or presiding director, for these executive sessions on a rotating basis (meeting-by-meeting) in accordance with years of service on the Board. The Company believes that this system best serves to encourage full engagement of all directors in the process, while avoiding unnecessary hierarchy. Following an executive session of non-employee directors, the presiding director may act as a liaison between the non-employee directors and the Chairman, provide the Chairman with input regarding agenda items for Board and Committee meetings, and coordinate with the Chairman regarding information to be provided to the non-employee directors in performing their duties.

BOARD COMMITTEES

The Board currently has the following Committees: Audit; Corporate Governance and Responsibility; Management Development and Compensation; and Retirement Plans. Each Committee consists entirely of independent, non-employee directors (see Director Independence on pages 11-12). The charter of each Committee of the Board of Directors is available free of charge on our website, www.honeywell.com, under the heading Investor Relations (see Corporate Governance Board Committees) or by writing to Honeywell, 101 Columbia Road, Morris Township, NJ 07962, c/o Vice President and Corporate Secretary.

The table below lists the Committees, current membership of each Committee and the number of Committee meetings held in 2007. (Prior to his resignation from the Board in February 2008, Mr. Seidenberg served as Chairperson of the Corporate Governance and Responsibility Committee and a member of the Management Development and Compensation Committee.)

| Name | Audit | Corporate Governance and Responsibility | Management Development and Compensation | Retirement Plans |
|----------------------|----------|--|---|---------------------|
| Mr. Bethune | | X | X | |
| Mr. Chico Pardo | | X | | X |
| Mr. Davis | X * | | | X |
| Ms. Deily | X | X | | |
| Mr. Hollick | | | X | X |
| Mr. Howard | X | | | X |
| Dr. Sheares | | | X | X |
| Mr. Shinseki | X | X | | |
| Mr. Stafford | X | | X * | |
| Mr. Wright | X | | | X * |
| 2007 Meetings | 9 | 3 | 6 | 3 |

* Committee
Chairperson

The primary functions of each of the Board Committees are described below.

Audit Committee

The primary functions of this Committee are to: appoint (subject to shareowner approval), and be directly responsible for, the compensation, retention and oversight of, the firm that will serve as independent accountants to audit our financial statements and to perform services related to the audit (including the resolution of disagreements between management and the independent accountants

regarding financial reporting); review the scope and results of the audit with the independent accountants; review with management and the independent accountants, prior to the filing thereof, the annual and interim financial results (including Management's Discussion and Analysis) to be included in Forms 10-K and 10-Q, respectively; consider the adequacy and effectiveness of our internal accounting controls and auditing procedures; review, approve and thereby establish procedures for the receipt, retention and treatment of complaints received by Honeywell regarding accounting, internal accounting controls or auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters; and consider the accountants' independence and establish policies and procedures for pre-approval of all audit and non-audit services provided to Honeywell by the independent accountants who audit its financial statements. At each meeting, Committee members meet privately with representatives of PricewaterhouseCoopers LLP, our independent accountants, and with Honeywell's Vice President - Corporate Audit. The Board has determined that Mr. Davis and Ms. Deily satisfy the accounting or related financial management expertise requirements set forth in the NYSE Corporate Governance Rules, and has designated Mr. Davis as the audit committee financial expert, as such term is defined by the SEC. See page 60 for the Audit Committee Report.

Corporate Governance and Responsibility Committee

The primary functions of this Committee are to: identify individuals qualified to become Board members and recommend to the Board the nominees for election to the Board at the next Annual Meeting of Shareowners; review and make recommendation to the Board regarding whether to accept a resignation tendered by a Board nominee who does not receive a majority of votes cast for his or her election in an uncontested election of directors; review annually and recommend changes to the Corporate Governance Guidelines; lead the Board in its annual review of the performance of the Board and its Committees; review policies and make recommendations to the Board concerning the size and composition of the Board, the qualifications and criteria for election to the Board, retirement from the Board, compensation and benefits of non-employee directors, the conduct of business between Honeywell and any person or entity affiliated with a director, and the structure and composition of Board Committees; and review Honeywell's policies and programs relating to compliance with its Code of Business Conduct, health, safety and environmental matters, equal employment opportunity and such other matters as may be brought to the attention of the Committee regarding Honeywell's role as a responsible corporate citizen. See Identification and Evaluation of Director Candidates on pages 12-13 and Director Compensation on pages 14-17.

Management Development and Compensation Committee

The Company's executive compensation program is administered by the Management Development and Compensation Committee. Each member of the Committee qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). The primary functions of this Committee are to: evaluate and approve executive compensation plans, policies and programs, including review and approval of executive compensation-related corporate goals and objectives (i.e., determination of performance metrics under the Company's incentive and equity-based compensation plans); review and approve the individual goals and objectives of the Company's executive officers; evaluate the CEO's performance relative to established goals and objectives and, together with the other independent directors, determine and approve the CEO's compensation level based on this evaluation; review and determine the annual salary and other remuneration (including under incentive compensation and equity-based plans) of all other officers; review, prior to the filing thereof, the Compensation Discussion and Analysis and other executive compensation disclosure included in this proxy statement; review the management development program, including executive succession plans; recommend individuals for election as officers; and review or take such other action as may be required in connection with the bonus, stock and other benefit plans of Honeywell and its subsidiaries. While the Committee's charter authorizes it to delegate its powers to sub-committees, the Committee did not do so during 2007. See page 37 for the Report of the Management Development and Compensation Committee.

Role of Consultant

The Committee has sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of CEO or senior executive compensation, including sole authority to approve the consultant's fees and other retention terms. In 2007, the Committee retained Mercer to conduct a review of named executive officer compensation in the Peer Group set forth on page 22 of this proxy statement, including information regarding the cash/equity and short-term/long-term components and mix of these companies' executive compensation programs. The Committee also directed Mercer to review the relative performance of the Company vs. the companies in the Peer Group with respect to financial metrics used in the Company's executive compensation program. The Committee also reviewed survey data compiled and published by third parties, including other consulting firms. Neither the Committee nor the Company had any input into the scope of or companies included in these surveys.

Mercer reported to the Committee Chair and had direct access to Committee members. Mercer attended Committee meetings on request and also met with the Committee in person or by telephone in executive session without management present. No other consultant was retained by the Committee or by the Company for the purpose of evaluating CEO or senior executive compensation.

The Committee reviewed information provided by Mercer regarding the median and 75th percentile of compensation paid by the Peer Group as a general indicator of relevant market conditions, but does not consider specific benchmark levels as a material factor in its compensation decisions. The Committee does not set specific benchmark targets for total executive compensation or for individual elements of the Company's executive compensation program due to, among other things, the variability in the composition of executive compensation programs (elements, cash-equity mix, short-term/long-term mix, targeted financial metrics, etc.), the one-year time lag in the availability of data and the multiple benchmark scenarios applicable to individual executive officers. The decisions made by the Committee are the responsibility of the Committee and reflected factors and considerations other than the information and recommendations provided by Mercer.

Mercer personnel involved in matters within the purview of any Board Committee did not participate in any other services provided by Mercer to the Company. The Committee believes that the other services provided by Mercer to the Company did not impair Mercer's ability to provide an objective perspective to the Committee's deliberations regarding CEO compensation. In December 2007, the Committee determined that, in line with emerging corporate governance best practices, commencing in 2008, it would retain a consultant that provides no other services to the Company.

Input From Senior Management

The Committee considers input from senior management in making determinations regarding the overall executive compensation program and the individual compensation of the executive officers. As part of the Company's annual planning process, the CEO, CFO and Senior Vice President Human Resources and Communications develop targets for the Company's incentive compensation programs and present them to the Committee. These targets are reviewed by the Committee to ensure alignment with the Company's strategic and annual operating plans, taking into account the targeted year-over-year improvement as well as identified opportunities and risks. Based on performance appraisals, including an assessment of the achievement of pre-established financial and non-financial management objectives, the CEO recommends base salary increases and cash and equity incentive award levels for the Company's other executive officers. See Compensation Discussion and Analysis beginning on page 20 of this proxy statement for additional discussion of performance assessments. Each year, the CEO presents to the Committee and the full Board his evaluation of each executive officer's contribution and performance over the past year, strengths and development needs and actions, and reviews succession plans for each of the executive officers.

Retirement Plans Committee

The primary functions of this Committee are to: appoint the trustees for funds of the employee pension benefit plans of Honeywell and certain subsidiaries; review funding strategies; review and set investment policy for fund assets; and oversee and appoint members of the committees that direct the investment of pension fund assets.

DIRECTOR INDEPENDENCE

The Company's Corporate Governance Guidelines state that the Board intends that, at all times, a substantial majority of its directors will be considered independent under relevant NYSE and SEC guidelines. The Corporate Governance and Responsibility Committee conducts an annual review of the independence of the members of the Board and its Committees and reports its findings to the full Board. Based on the report and recommendation of the Corporate Governance and Responsibility Committee, the Board has determined that each person who served as a director during 2007, including each of the non-employee directors and nominees Messrs. Bethune, Chico Pardo, Davis, Hollick, Howard, Seidenberg, Sheares, Shinseki, Stafford and Wright and Ms. Deily satisfies the independence criteria (including the enhanced criteria with respect to members of the Audit Committee) set forth in the applicable NYSE listing standards and SEC rules. Each Board Committee member qualifies as a non-employee director within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act).

For a director to be considered independent, the Board must determine that the director does not have any direct or indirect material relationships (including vendor, supplier, consulting, legal, banking, accounting, charitable and family relationships) with Honeywell, other than as a director and shareowner. NYSE listing standards also impose certain per se bars to independence, which are based upon a director's relationships with Honeywell currently and during the three years preceding the Board's determination of independence.

The Board considered all relevant facts and circumstances in making its determinations, including the following:

No non-employee director receives any direct compensation from Honeywell other than under the director compensation program described on pages 14-17 of this proxy statement.

No immediate family member (within the meaning of the NYSE listing standards) of any non-employee director is an employee of Honeywell or otherwise receives direct compensation from Honeywell.

No non-employee director (or any of their respective immediate family members) is affiliated with or employed in a professional capacity by Honeywell's independent accountants.

No non-employee director is a member, partner, or principal of any law firm, accounting firm or investment banking firm that receives any consulting, advisory or other fees from Honeywell.

No Honeywell executive officer is on the compensation committee of the board of directors of a company that employs any of our non-employee directors (or any of their respective immediate family members) as an executive officer.

No non-employee director (or any of their respective immediate family members) is indebted to Honeywell, nor is Honeywell indebted to any

non-employee director (or any of their respective immediate family members).

No non-employee director serves as an executive officer of a charitable or other tax-exempt organization that received contributions from Honeywell.

Honeywell has commercial relationships (purchase and/or sale of products and services) with companies at which our current directors (or former directors who served during 2007) presently serve, or at any time during the last completed fiscal year served, as officers (Merck, TELMEX, UPS and Verizon Communications). In each case, (i) the relevant products and services were provided on the same terms and conditions as similar products and services provided by or to similarly situated customers and suppliers; (ii) the relevant director

did not initiate or negotiate the relevant transaction, each of which was in the ordinary course of business of both companies, and (iii) the combined amount of such purchases and sales was less than 0.25% of the consolidated gross revenues of each of Honeywell and the other company in each of the last three completed fiscal years. This level is significantly below the relevant per se bar to independence set forth in the NYSE listing standards, which uses a 2% of total revenue threshold and applies it to each of purchases and sales rather than the combination of the two.

While a non-employee director's service as an outside director of another company with which Honeywell does business is not within the NYSE per se independence bars and would generally not be expected to raise independence issues, the Board also considered those relationships and confirmed the absence of any material commercial relationships with any such company. Specifically, those commercial relationships were in the ordinary course of business for Honeywell and the other companies involved and were on terms and conditions available to similarly situated customers and suppliers.

The Board also considered other relationships that are not within the NYSE per se independence

bars and determined that those relationships were not material. These relationships consisted of: (i) Mr. Cote's service on a KKR Advisory Board regarding the integration and operation of acquired companies (Mr. Hollick is a Partner in KKR); (ii) Honeywell's pension fund commitments to KKR funds (\$20 million in 2007 and \$40 million in 2006) (Mr. Hollick neither solicited nor had any role in connection with these commitments); and (iii) the service of Mr. Stafford as a member of the Board of Directors of Verizon Communications Inc., a company for which Mr. Seidenberg serves as Chairman and Chief Executive Officer. (Mr. Seidenberg is not a current director of the Company.)

The above information was derived from the Company's books and records and responses to questionnaires completed by the directors in connection with the preparation of this proxy statement.

IDENTIFICATION AND EVALUATION OF DIRECTOR CANDIDATES

The Board has determined that its Corporate Governance and Responsibility Committee shall, among other responsibilities, serve as the nominating committee. The Committee consists entirely of independent directors under applicable SEC rules and NYSE listing standards. The Committee operates under a written charter adopted by the Board of Directors. A copy of the charter is available at the Company's website www.honeywell.com, under the heading Investor Relations (see Corporate Governance Board Committees), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962 c/o Vice President and Corporate Secretary. The Committee is charged with seeking individuals qualified to become directors and recommending candidates for all directorships to the full Board of Directors. The Committee considers director candidates in anticipation of upcoming director elections and other potential or expected Board vacancies.

The Committee considers director candidates suggested by members of the Committee, other directors, senior management and shareowners. The Committee has retained, at the expense of the Company, a search firm to identify potential director candidates, and is also authorized to retain other external advisors for specific purposes, including performing background reviews of potential candidates. The search firm retained by the Committee has been provided guidance as to the particular experience, skills and other characteristics that the Board is seeking. The Committee has delegated responsibility for day-to-day management and oversight of the search firm engagement to the Chairman of the Board and/or the Company's Senior VP Human Resources and Communications.

Preliminary interviews of director candidates may be conducted by the Chairman of the Committee or, at his request, any other member of the Committee, the Chairman of the Board and/or a representative of the search firm retained by the Committee. Background material pertaining to director candidates is distributed to the members of the Committee for their review. Director candidates who the Committee determines merit further consideration are interviewed by the Chairman of the Committee and such other Committee members, directors and key senior management personnel as determined by the Chairman of the Committee. The results of these interviews are considered by the Committee in its deliberations.

Director candidates are reviewed by the Committee based on the needs of the Board and the Company's various constituencies, their relative skills and characteristics, and their age and against the following qualities and skills that are considered desirable for Board membership: their exemplification of the highest standards of personal and professional integrity; their independence from management under applicable securities law, listing standards, and the Company's Corporate Governance Guidelines; their experience and industry and educational background; their potential

contribution to the composition, diversity and culture of the Board; and their ability and willingness to constructively challenge management through active participation in Board and Committee meetings and to otherwise devote sufficient time to Board duties.

In evaluating the needs of the Board, the Committee considers the qualifications of sitting directors and consults with other members of the Board (including as part of the Board's annual self-evaluation), the CEO and other members of senior management. At a minimum, all recommended candidates must possess the requisite personal and professional integrity, meet any required independence standards, and be willing and able to constructively participate in, and contribute to, Board and Committee meetings. Additionally, the Committee conducts regular reviews of current directors whose terms are nearing expiration, but who may be proposed for re-election, in light of the considerations described above and their past contributions to the Board.

Shareowners wishing to recommend a director candidate to the Committee for its consideration should write to the Committee, in care of Vice President and Corporate Secretary, Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962. To receive meaningful consideration, a recommendation should include the candidate's name, biographical data, and a description of his or her qualifications in light of the above criteria. Shareowners wishing to nominate a director should follow the procedures set out under "Director Nominations" on page 65 of this proxy statement.

The Company did not receive in a timely manner, in accordance with SEC requirements, any recommendation of a director candidate from a shareowner, or group of shareowners, that beneficially owned more than 5% of the Common Stock for at least one year as of the date of recommendation.

PROCESS FOR COMMUNICATING WITH BOARD MEMBERS

Interested parties may communicate directly with the presiding director for an upcoming meeting or the non-employee directors as a group by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary. Communications may also be sent to individual directors at the above address.

DIRECTOR ATTENDANCE AT ANNUAL MEETINGS

The Company has no specific policy regarding director attendance at its Annual Meeting of Shareowners. Generally, however, Board and Committee meetings are held immediately preceding and following the Annual Meeting of Shareowners, with directors attending the Annual Meeting. All but one of the directors attended last year's Annual Meeting of Shareowners.

DIRECTOR COMPENSATION

The Corporate Governance and Responsibility Committee reviews and makes recommendations to the Board regarding the form and amount of compensation for non-employee directors. Directors who are employees of Honeywell receive no compensation for service on the Board. Honeywell'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 is designed to address the time, effort, expertise and accountability required of active Board membership. In general, the Corporate Governance and Responsibility Committee and the Board believe that annual compensation for non-employee 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 directors and shareowners and, by vesting over time, to create an incentive for continued service on the Board.

Annual Compensation

Each non-employee director receives an annual Board cash retainer of \$80,000. Each also receives a cash fee of \$2,500 for each Board meeting attended, an annual cash retainer of \$10,000 for each Board Committee on which he or she serves (\$15,000 for Audit Committee), and an additional Committee Chair cash retainer of \$15,000 for the Audit Committee and \$10,000 for all other Board Committees. While no fees are generally paid for attending Committee meetings, a \$1,000 cash fee is paid for attendance at a Committee meeting, or other extraordinary meeting related to Board business, which occurs apart from a regularly scheduled Board meeting.

At the commencement of each year, \$60,000 in common stock equivalents is automatically credited to each director's account in the Deferred Compensation Plan for Non-Employee Directors, which amounts are only payable after termination of Board service, and are paid, in cash, as either a lump sum or in equal annual installments.

Each director receives an annual grant of options to purchase 5,000 shares of Common Stock at the fair market value on the date of grant, which is the date of the Annual Meeting of Shareowners. Options have generally vested over a three-year period. Starting in 2007, the vesting period was extended to four years, with the vesting to occur in equal annual installments. These options also become fully vested at the earliest of the director's retirement from the Board on or after the mandatory retirement age set by the Board and in effect on the date of grant, death, disability or change in control, as set forth in the 2006 Stock Plan for Non-Employee Directors of Honeywell (the Non-Employee Director Plan) or applicable predecessor plan.

Deferred Compensation

A director may also elect to defer, until a specified calendar year or termination of Board service, all or any portion of his or her annual cash retainers and fees that are not automatically deferred, and to have such compensation credited to his or her account in the Deferred Compensation Plan for Non-Employee Directors. Amounts credited either accrue interest (currently based on the Company's annual cost of borrowing at a fixed rate for a 15-year term; 5.8% for 2007 and 6.3% for 2008) or are valued as if invested in a Honeywell common stock fund or one of the other funds available to participants in our employee savings plan. The unit price of the Honeywell common stock fund is increased to take dividends into account. Upon a change of control, as defined in the Non-Employee Director Plan, a director may elect a lump-sum payment of amounts deferred before 2006.

The non-employee directors of the Company who were previously non-employee directors of Honeywell Inc. (Messrs. Bethune, Chico Pardo, Howard and Wright) participate in the Honeywell Inc. Non-Employee Directors Fee and Stock Unit Plan. The last fee deferral under this plan occurred on December 1, 1999. Since that date, deferred amounts are increased only by cash dividends that are converted into shares of Common Stock by dividing the cash amount by the closing price of the Common Stock on the dividend payment date. Payment will be made to a participating director in whole shares of Common Stock following the earlier of a change in control or the director's termination of Board

service for any reason. Fractional shares will be paid in cash. Share payments will be made to a participating director in

one payment or annual installments, as elected by the director. A director may elect to change the payment form if such election is made at least one year prior to the payment date.

Other Benefits

Non-employee directors are also provided with \$350,000 in business travel accident insurance, and are eligible to elect \$100,000 in term life insurance and medical and dental coverage for themselves and their eligible dependents, the premiums for which are then paid by the Company. Honeywell also matches, dollar for dollar, any charitable contribution made by a director to any qualifying educational institution or charity, up to a maximum of \$25,000 in the aggregate per director, per calendar year. In addition, directors may use company aircraft in connection with traveling to and from Board and Committee meetings.

Restricted Share Grant Upon Election to Board

Each new director receives a one-time grant of 3,000 shares of Common Stock which are subject to transfer restrictions until the director's service terminates with the consent of a majority of the Board, provided termination occurs at or after age 65. During the restricted period, the director has the right to receive dividends on and the right to vote the shares. At the end of the restricted period, a director is entitled to one-fifth of the shares granted for each year of service (up to five). However, the shares will be forfeited if the director's service terminates (other than for death or disability) prior to the end of the restricted period.

Stock Ownership Guidelines

Director stock ownership guidelines have been adopted under which each non-employee director, while serving as a director of the Company, must (i) hold at least \$250,000 of Common Stock (including restricted shares) and/or common stock equivalents and (ii) hold net gain shares from option exercises for one year. Net gain shares means the number of shares obtained by exercising the option, less the number of shares the director sells to cover the exercise price of the options and pay the Company withholding taxes. Directors have five years from election to the Board to attain the prescribed ownership threshold. All directors have attained the prescribed ownership threshold.

Director Compensation Fiscal Year 2007

| Director Name | Fees Earned or Paid in Cash (1) (\$) | Stock Awards (2) (\$) | Option Awards (2) (3) (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (4) | All Other Compensation (5) (\$) | Total (\$) |
|-------------------|---|--------------------------|-------------------------------|---|------------------------------------|------------|
| Gordon Bethune | \$ 181,000 | | \$ 47,195 | \$ 25,597 | | \$ 253,792 |
| Jaime Chico Pardo | \$ 177,500 | | \$ 47,195 | | \$ 10,943 | \$ 235,638 |
| D. Scott Davis | \$ 204,000 | | \$ 27,626 | \$ 1,665 | \$ 1,260 | \$ 234,551 |
| Linnet Deily | \$ 184,000 | | \$ 27,626 | | \$ 30,358 | \$ 241,984 |
| Clive Hollick | \$ 181,000 | | \$ 47,195 | \$ 1,454 | | \$ 229,649 |
| James Howard | \$ 189,000 | | \$ 47,195 | | \$ 1,885 | \$ 238,080 |

| | | | | | |
|-----------------|------------|-----------|-----------|-----------|------------|
| Russell Palmer | \$ 104,334 | \$ 64,314 | \$ 7,766 | \$ 28,820 | \$ 205,234 |
| Ivan Seidenberg | \$ 186,000 | \$ 47,195 | \$ 12,038 | \$ 25,004 | \$ 270,237 |
| Bradley Sheares | \$ 180,000 | \$ 43,000 | \$ 2,890 | \$ 26,415 | \$ 252,305 |
| Eric Shinseki | \$ 186,500 | \$ 47,195 | | \$ 15,335 | \$ 249,030 |
| John Stafford | \$ 196,500 | \$ 47,195 | \$ 42,024 | \$ 23,605 | \$ 309,324 |
| Michael Wright | \$ 195,500 | \$ 47,195 | | \$ 4,328 | \$ 247,023 |

- (1) All fees earned, whether paid in cash or deferred under the Deferred Compensation Plan for Non-Employee Directors (including amounts treated as deferred in the Honeywell common stock fund).

- (2) The number of outstanding stock awards and option awards held by each director at December 31, 2007 are set forth in the chart below:

| Director Name | Outstanding Stock Awards at 12/31/07 | Outstanding Option Awards at 12/31/07 |
|----------------------|---|--|
| Mr. Bethune | 3,000 | 28,000 |
| Mr. Chico Pardo | 3,000 | 28,000 |
| Mr. Davis | 3,000 | 10,000 |
| Ms. Deily | 3,000 | 10,000 |
| Mr. Hollick | 3,000 | 20,000 |
| Mr. Howard | 3,000 | 28,000 |
| Mr. Palmer | | 4,000 |
| Mr. Seidenberg | 3,000 | 32,000 |
| Dr. Sheares | 3,000 | 15,000 |
| Mr. Shinseki | 3,000 | 20,000 |
| Mr. Stafford | 6,000 | 32,000 |
| Mr. Wright | 3,000 | 28,000 |

- (3) For all current directors, the amounts set forth in this column represent \$10,402 of compensation expense recognized by the Company in 2007 with respect to the annual option

grants to acquire 5,000 shares issued to each director in April 2007, and any additional amounts represent compensation expense recognized in 2007 with respect to prior year option grants. The full grant date fair value of the 2007 option grant \$55,300 is determined by multiplying the number of options granted (5,000) by Honeywell's \$11.06 Black Scholes value per share. A discussion of the assumptions used in these valuations with respect to awards made in fiscal year 2007 may be found in Notes 1 and 20 in the Company's Form 10-K for the year ended December 31, 2007. A discussion of the assumptions used in these valuations with respect to awards made in fiscal years prior to fiscal

year 2007 may be found in the corresponding sections of the Company's financial statement footnotes for the fiscal year in which the award was made.

The amount reflected in this column for Mr. Palmer includes \$36,045, the amount expensed by the Company for the acceleration of Mr. Palmer's unvested options upon his retirement from the Board, effective April 23, 2007.

- (4) Amounts invested in cash under the Deferred Compensation Plan for Non-Employee Directors are credited with the same rate of interest that applies to executives under the Honeywell Salary and Incentive Award Deferral Plan for Selected Employees.

Deferrals for the 2007 plan year and later earn a rate of interest, compounded daily, and based on the Company's 15-year cost of borrowing. The rate is subject to change annually. For 2007, this rate was 5.8% and for 2008, the rate will be 6.3%. Deferrals for the 2005 plan year earn a rate of interest, compounded daily, which was set at an above-market rate before the beginning of the plan year and is subject to change annually. Deferrals for the 2004 plan year and prior plan years earn a rate of interest, compounded daily, that was set at an above-market rate before the beginning of each plan year. This rate is fixed until the deferral is distributed from the Deferred

Compensation
Plan for
Non-Employee
Directors.

- (5) All Other
Compensation
for 2007
consists of the
amounts set
forth in the
following table,
to the extent the
value of all
such benefits
paid on behalf
of a director
exceeds \$1,000.

| Director Name | Premiums paid for Health, Term Life and Accident Insurance (A) | Tax Reimbursement for Spousal Aircraft Usage (B) | Charitable Matching Contributions (C) |
|----------------------|---|---|--|
| Mr. Chico Pardo | \$ 943 | | \$ 10,000 |
| Mr. Davis | \$ 802 | \$ 458 | |
| Ms. Deily | \$ 6,299 | | \$ 24,059 |
| Mr. Howard | \$ 4 | \$ 1,881 | |
| Mr. Palmer | \$ 3,149 | \$ 670 | \$ 25,000 |
| Mr. Seidenberg | \$ 4 | | \$ 25,000 |
| Dr. Sheares | \$ 509 | \$ 905 | \$ 25,000 |
| Mr. Shinseki | \$ 2,581 | \$ 1,254 | \$ 11,500 |
| Mr. Stafford | \$ 2,605 | | \$ 21,000 |
| Mr. Wright | \$ 2,477 | \$ 1,851 | |

- (A) Each director may elect noncontributory medical and dental coverage for themselves and their eligible dependents and group term life insurance coverage for themselves that is identical to similar coverage offered to the Company's active salaried employees. The Company also pays the annual premium to cover each director under the Company's business travel accident insurance policy.
- (B) Under the terms of the Company's aircraft usage policy, if the presence of the director's spouse at a Board function is requested by the Company and the spouse travels with the director to such function on corporate aircraft, the Company imputes income to the director for spousal

travel for income tax purposes and reimburses the director for the estimated taxes related to the imputed income.

- (C) The Company matches, dollar for dollar, any charitable contribution made by a director to any qualifying educational institution or charity, up to a maximum of \$25,000 in the aggregate per director, per calendar year.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Applicable Policies and Procedures

The Company has written policies and procedures for approval or ratification of related person transactions. Article EIGHTH of Honeywell's Certificate of Incorporation provides that a related or interested party transaction shall not be void or voidable if such transaction is duly authorized or ratified by a majority of the disinterested members of the Board of Directors. Consistent with SEC rules, a related or interested party transaction includes a transaction between the Company and a director, director nominee or executive officer of the Company or a beneficial owner of more than 5% of the Company's Common Stock or any of their respective immediate family members. Furthermore, the Honeywell Code of Business Conduct requires that each director and executive officer report to the Board of Directors on an ongoing basis any relationship or transaction that may create or appear to create a conflict between the personal interests of those individuals (or their immediate family members) and the interests of the Company. A conflict, or appearance of a conflict, might arise, for example, by accepting gifts or loans from a current or potential customer, supplier or competitor, owning a financial interest in, or serving in a business capacity with, an outside enterprise that competes with or does or wishes to do business with, the Company, serving as an intermediary for the benefit of a third party in transactions involving the Company or using confidential Company information or other corporate assets for personal profit.

If a conflict of interest or related party transaction is of a type or a nature that falls within the scope of oversight of a particular Board Committee, it is referred to that Committee for review. The Board or the responsible Committee thereof must review any potential conflict and determine whether any action is required, including whether to authorize, ratify or direct the unwinding of the relationship or transaction under consideration, as well as ensure that appropriate controls are in place to protect the Company and its shareowners. In making that determination, the Board or responsible Committee considers all relevant facts and circumstances, such as the benefits of the transaction to the Company; the terms of the transaction and whether they are arm's-length and in the ordinary course of the Company's

business; the direct or indirect nature of the related person's interest in the transaction; the size and expected term of the transaction; and other facts and circumstances that bear on the materiality of the related person transaction under applicable law and listing standards.

In order to ensure that all material relationships and related person transactions have been identified, reviewed and disclosed in accordance with applicable policies, procedures and regulations, each director and officer also completes and signs a questionnaire at the end of each fiscal year that requests confirmation that there are no material relationships or related person transactions between such individuals and the Company other than those previously disclosed to the Company.

Related Person Transaction

The Honeywell ADI business leases its administrative office building in Melville, New York at a market value rent of \$852,992 per year. Subsequent to the time that ADI entered into this lease, the

property was acquired by a partnership known as New Island Holdings. The terms of the lease have not been changed since the original negotiation between ADI and the prior owner. Mr. Fradin, President and Chief Executive Officer, Honeywell Automation and Control Solutions, is a limited partner, holding a 12% ownership interest, in New Island Holdings. The limited partners of New Island Holdings receive distributions based on total lease payments generated from the portfolio of buildings that the partnership owns, less applicable mortgage and other expenses. The amount of distributions in 2007 from New Island Holdings to Mr. Fradin attributable to the ADI lease was approximately \$48,000.

STOCK OWNERSHIP INFORMATION

Five Percent Owners of Company Stock

The following table sets forth information as to those holders known to Honeywell to be the beneficial owners of more than 5% of the outstanding shares of Common Stock as of December 31, 2007.

| Name and Complete Mailing Address | Number of Shares | Percent of Common Stock Outstanding |
|---|------------------|-------------------------------------|
| State Street Bank and Trust Company State Street Financial Center, One Lincoln Street, Boston, MA 02111 | 76,714,683 (1) | 10.3 (2) |
| FMR LLC 82 Devonshire Street, Boston, MA 02109 | 48,716,504 (3) | 6.5 |
| Barclays Global Investors, NA 45 Fremont Street San Francisco, CA 94105 | 41,250,238 (4) | 5.5 |

-
- (1) State Street has sole voting power in respect of 27,283,667 shares; shared voting power in respect of 49,431,016 shares; and shared dispositive power in

respect of
all
76,714,683
shares listed
above.

- (2) State Street holds 6.6% of our outstanding Common Stock as trustee for certain Honeywell savings plans. Under the terms of the plans, State Street is required to vote shares attributable to any participant in accordance with instructions received from the participant and to vote all shares for which it does not receive instructions in the same ratio as the shares for which instructions were received.
- (3) FMR LLC has sole voting power in

respect of
2,099,357
shares; and
sole
dispositive
power in
respect of
all
48,716,504
shares.

- (4) The following Barclays entities had sole voting power and sole dispositive power with respect to the following number of shares:

| Name | Sole Voting Power | Sole Dispositive Power |
|--|--------------------------|-------------------------------|
| Barclays Global Investors, NA | 24,886,857 | 30,230,047 |
| Barclays Global Fund Advisors | 4,776,593 | 4,776,593 |
| Barclays Global Investors, Ltd. | 3,439,290 | 4,199,628 |
| Barclays Global Investors Japan Limited | 1,522,708 | 1,522,708 |
| Barclays Global Investors Canada Limited | 521,262 | 521,262 |

All shares are held by the entities in trust accounts for the economic benefit of the beneficiaries of those accounts.

Stock Ownership of Directors and Executive Officers

The following table sets forth information as of February 29, 2008 with respect to the beneficial ownership of Common Stock by each director or director nominee, each executive officer named in the Summary Compensation Table herein, and by all directors (including nominees) and executive officers of Honeywell as a group. In general, beneficial ownership includes those shares a director or executive officer has the sole power to vote or transfer, except as otherwise noted, and stock options

that are exercisable currently or within 60 days. Directors and executive officers also have interests in stock-based units under Company plans. While these units may not be voted or transferred, we have included them in the table below as they represent the total economic interest of the directors and executive officers in Honeywell stock.

**Components of Beneficial Ownership
(Number of Shares)**

| Name(1) | Total Number of Shares(2) | Common Stock Beneficially Owned(3) | Right to Acquire(4) | Other Stock-Based Holdings(5) |
|---|------------------------------|---|---------------------------|-------------------------------------|
| Gordon M. Bethune | 38,466 | 3,000 | 22,750 | 12,716 |
| Jaime Chico Pardo | 47,718 | 8,407 | 22,750 | 16,561 |
| David M. Cote | 5,076,667 | 65,290 | 4,667,200 | 344,177 |
| D. Scott Davis | 16,445 | 7,000 | 4,750 | 4,695 |
| Linnet F. Deily | 11,050 | 3,000 | 4,750 | 3,300 |
| Clive R. Hollick | 26,850 | 3,000 | 14,750 | 9,100 |
| James J. Howard | 96,749 | 9,320 | 22,750 | 64,679 |
| Bradley T. Sheares | 19,073 | 3,000 | 9,750 | 6,323 |
| Eric K. Shinseki | 32,092 | 3,228 | 14,750 | 14,114 |
| John R. Stafford | 73,439 | 25,541 | 24,750 | 23,148 |
| Michael W. Wright | 105,465 | 5,250 | 22,750 | 77,465 |
| David J. Anderson | 792,830 | 640 | 715,850 | 76,340 |
| Roger Fradin | 816,578 | 5,760 | 698,250 | 112,568 |
| Robert J. Gillette | 290,792 | 129,987 | 157,250 | 3,555 |
| Larry E. Kittelberger | 706,220 | 134,846 | 566,250 | 5,124 |
| All directors, nominees and executive officers as a group, including the above-named persons (20 people) | 10,222,760 (6) | 464,264 | 8,857,400 | 901,096 |

(1) c/o Honeywell
International Inc.,
101 Columbia Road,
Morris Township,
New Jersey 07962.

(2) The total beneficial
ownership for any
individual is less
than .69% and the
total for the group is
approximately

1.38% of the shares of Common Stock outstanding.

- (3) Includes the following number of shares subject to shared dispositive power: Mr. Stafford, 8,000 shares and Mr. Kittelberger, 132,594 shares; and all directors and executive officers as a group, 144,496 shares.
- (4) Includes shares which the named individual or group has the right to acquire through the exercise of vested stock options, and shares which the named individual or group has the right to acquire through the vesting of restricted units and stock options within 60 days of the record date.
- (5) Includes shares and/or share-equivalents in deferred accounts, as to which no voting or investment power exists.
- (6) Includes 38,227 shares pledged by two executive officers who are not named executive officers (i.e., Chief Executive Officer, Chief Financial Officer and the three

other most
highly-compensated
executive officers).

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our directors, executive officers, and persons who own more than 10% of our Common Stock to file reports of ownership and changes in ownership of our Common Stock with the SEC. Based on the information available to us during fiscal year 2007, we believe that all applicable Section 16(a) filing requirements were met on a timely basis.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

Honeywell is a diversified technology and manufacturing leader, with worldwide business operations organized into four strategic business groups, or SBGs : Aerospace; Automation and Control Solutions, or ACS ; Specialty Materials; and Transportation Systems. Since 2002, we have used the five Honeywell Initiatives and the twelve Honeywell Behaviors to drive a One Honeywell performance culture based upon a common strategic direction and unified operating priorities.

Honeywell Initiatives

Honeywell Behaviors

| | | | |
|-------------------------------|---|---------------------|-------------------------|
| Growth | | Growth and Customer | Intelligent Risk Taking |
| Productivity | | Focus | Self-Aware/Learner |
| Cash | | Leadership Impact | Effective Communicator |
| People | | Gets Results | Integrated Thinker |
| Enablers | | Makes People Better | Technical or Functional |
| ØHoneywell Operating System | | Champions Change | Excellence |
| ØFunctional Transformation | + | Fosters Teamwork | |
| ØVelocity Product Development | | and Diversity | |
| | | Global Mindset | |

Equals

One Honeywell Performance Culture

Before

Today

Multiple businesses acting independently
 Product focused
 Multiple operating structures
 Fragmented, inconsistent and U.S. centric

One company, multiple businesses aligned
 and integrated
 Customer driven