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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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

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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.

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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

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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

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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 Columb 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	76,714,683 (1)	10.3 (2)
State Street Financial Center, One Lincoln Street, Boston, MA 02111		
FMR LLC	48,716,504 (3)	6.5
82 Devonshire Street, Boston, MA 02109		
Barclays Global Investors, NA	41,250,238 (4)	5.5
45 Fremont Street San Francisco, CA 94105		

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

Equals

One Honeywell Performance Culture

Before	Today
Multiple businesses acting independently	One company, multiple businesses aligned and integrated
Product focused	Customer driven
Multiple operating structures	Streamlined, functionalized and globalized
Fragmented, inconsistent and U.S. centric	Standardized and aligned global mindset, processes and systems

Honeywell s executive compensation program is designed to reinforce and support the One Honeywell performance culture by:

- Attracting and retaining highly qualified executives with the leadership skills and experience necessary to drive results and change across global organizations, meet diverse strategic and operational challenges, and build long-term shareowner value;

Rewarding and differentiating among executives based on the achievement of specific Company, SBG and functional goals, both financial and non-financial, based on the Honeywell Initiatives; and

Aligning the interests of executives with those of shareowners by providing the appropriate balance of near-term and long-term objectives and fixed vs. at-risk compensation.

These objectives are reinforced by types of compensation and design principles that emphasize variable, at-risk compensation tied to both short and long-term performance. The combination of the One Honeywell performance culture, the focus provided by the Honeywell Initiatives and a management team assembled, retained and incentivized through a results-driven executive compensation program has yielded consistent and sustained improvement in the Company s results of operations.

Key Metrics: 2003 vs. 2007

	2003	2007	CAGR
Sales	$ 23.1	$ 34.6	11 %
Segment Profit	$ 2.5	$ 4.7	17 %
Earnings Per Share - diluted	$ 1.52	$ 3.16	20 %
Free Cash Flow	$ 1.5	$ 3.1	20 %
Year-end Stock Price	$ 33.43	$ 61.57	16 %

Notes: All $ in billions, except earnings per share and year-end stock price.Segment profit is the aggregate operating profit of each of the Company s segments.Free cash flow is cash flow from operations less capital expenditures.CAGR = compounded annual growth rate.

Shareowner Value Creation Through
Effective Capital Allocation: 2003-2007

Dividends	$3.5	Four consecutive 10% dividend rate increases
Stock Repurchase	$7.8	Share count down 13%
Acquisitions	$5.0	Building growth platforms
Divestitures	$2.3	Proceeds from sales of non- core businesses

Note: All $ in billions.

We describe the objectives, design principles and elements of Honeywell s executive compensation program below and provide an analysis of the 2007 compensation decisions with respect to the Company s named executive officers made by the Management Development and Compensation Committee (referred to as the Committee throughout the Executive Compensation section of this proxy statement). The Committee consists entirely of independent directors and is responsible for all compensation decisions regarding the Company s officers (acting together with the other independent directors with respect to the Chief Executive Officer (CEO)). For a complete description of the Committee s responsibilities, please see Board Committees Management Development and Compensation Committee on pages 9 10 of this proxy statement. The named executive officers for 2007 were Messrs. Cote (CEO), Anderson (Chief Financial Officer), Fradin (President ACS), Gillette (President Aero) and Kittelberger (Senior Vice President Technology and Operations). This discussion should be read in conjunction with the detailed tabular and narrative information regarding executive compensation contained elsewhere in this proxy statement.

Objectives and Design Principles

Attraction and Retention

The Committee believes that the attraction and retention of world-class leadership talent is essential to the successful execution of business strategies by an enterprise with the Company s scale, breadth, complexity and global footprint. The Company seeks to attract highly qualified executives by providing total compensation that is competitive with peer compensation levels and tied to and differentiated based on the achievement of measurable results and other objectives and the creation of shareowner value.

The Committee maintains its awareness of market conditions through a review of compensation data regarding a peer group of companies having one or more of the following attributes: business operations in the industries and markets in which Honeywell participates, similar revenue and market capitalization, similar breadth of portfolio and complexity, and/or competes with Honeywell for management talent. For executive officers, this peer group consists of: Alcoa, Boeing, Dow Chemical, DuPont, Emerson Electric, General Dynamics, General Electric, General Motors, Johnson Controls, Lockheed Martin, Northrop Grumman, Raytheon, Textron and United Technologies (the Peer Group). The Committee periodically reviews the appropriateness of the Peer Group and the purposes for which it is used.

The Committee reviewed information provided by Mercer, the consultant retained by the Committee, 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. See Board Committees Management Development and Compensation Committee on pages 9 10 of this proxy statement for additional discussion of the Committee s use of the compensation consultant.

In light of the training, experience and industry backgrounds of the Company s senior executives, as well as the sustained top-line and bottom-line growth achieved by the Company over the last five years, there is a significant risk that these leaders will be presented with other career opportunities, including more senior positions and at higher levels of compensation. The Committee recognizes that retention of the Company s management talent is critical to the continued performance of the Company and to successful succession planning. In addition to its efforts to maintain competitively attractive compensation levels, the Company seeks to retain executives by spacing payouts and vesting of awards over multiple years and by requiring continued employment at the time of payout or vesting.

Key Ratios: Fixed/At-Risk; Short-Term/Long-Term; Cash/Equity

The Committee believes that at-risk compensation should comprise a substantial portion of annual direct compensation (base salary, annual incentive bonus, annualized value of Growth Plan awards and stock options), as this element is designed to motivate executive officers to drive performance and shareowner value. Between 80% and 90% of each executive officer s annual direct compensation, including annual bonuses, is variable and dependent upon the achievement of pre-established financial goals, individual performance objectives and stock price appreciation.

Honeywell s executive compensation program is designed to drive top-line and bottom-line growth that is sustainable and aligned with the strategic plans of the Company and each SBG. Accordingly, the program has both short-term and long-term elements. Long-term incentive compensation (i.e., annualized Growth Plan targets and stock options) generally comprises approximately 60% 70% of the total annual direct compensation of executive officers, of which approximately two-thirds is equity-based and one-third is cash-based.

The equity components of the executive compensation program, coupled with the stock ownership guidelines discussed below, ensure that a significant portion of the executive officers wealth accumulation is not only at risk, but also tied to long-term stock price appreciation. Annual stock option grants effectively tie a significant portion of an executive officer s annual direct compensation (generally 40% 45%) to the performance of the Company s stock over the vesting period. They also create an incentive for the executive officers to stay with the Company through the vesting period. The Company also periodically grants service-based restricted units to executive officers for retention and/or succession planning purposes.

The Committee recognizes that the stock price of the Company may be affected by factors other than corporate performance, such as general economic and political conditions and differing investor perspectives about market conditions, the economy and specific industries and companies. The cash-based elements (i.e., annual incentive bonus and Growth Plan units) of the incentive compensation program are designed to recognize achievement of specific annual and multi-year financial objectives that are designed to drive consistent, sustainable growth, but are independent of fluctuations in the stock price.

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Compensation Decisions: Factors Considered

Performance Assessments

When assessing the performance of individual named executive officers, the Committee considers performance against pre-established financial objectives, prior year results and the performance of relevant industry segments, as well as the executive s achievement of management objectives aligned with the key drivers of the Company s annual operating plan, strategic plan and the Honeywell Initiatives and Behaviors (in the case of the CEO, with respect to the Company overall and in the case of the other named executive officers, with respect to the relevant SBG or function), and potential future contributions to leadership and sustained growth and improvement of the Company. Specific factors impacting compensation decisions include:

Growth: organic revenue growth; segment profit and margin growth; results of identified priority growth programs; development of superior sales and marketing capability; on-time delivery and product quality performance; implementation of processes to drive technology innovation and new product introductions; expansion into new global markets; and successful completion and integration of portfolio actions (acquisitions, divestitures and joint ventures) that better position the Company for future growth.

Productivity: fixed and variable cost performance; expansion of global production and sourcing; site consolidations; implementation of standardized sales, inventory and order planning processes; health, safety and environmental compliance; risk management; implementation of enterprise resource planning solutions; and organizational simplification.

Cash: working capital improvement; conversion rate of income to cash; and effective reinvestment and deployment of cash generated.

People: organizational effectiveness; internal promotion rate; retention of key talent; effectiveness of management development programs and actions; succession planning, effective sourcing of new talent; and Honeywell Hometown Solutions programs aligned with educational, community and charitable partners.

Enablers: implementation of Honeywell Operating System at designated sites; achievement of Functional Transformation objectives regarding improvement and standardization of functional processes and reduction of functional cost; and reduction of cycle time of new product introductions through Velocity Product Development.

Judgment and Discretion of the Committee

The Committee does not believe that the factoring of the various items considered by the Committee into its decisions regarding the overall compensation of, and/or the specific individual awards to, each named executive officer should or can be reduced to a linear formula. The Committee s compensation decisions reflect the exercise of significant judgment by the Committee in weighing Company performance, individual performance, future potential, leadership qualities, effectiveness in driving organizational, process and functional excellence, and demonstrated commitment to integrity, compliance and learning in the workplace.

The Committee has the discretion to adjust bonus pools and individual awards under each element of the Company s executive compensation program upward or downward as it deems appropriate to reflect factors that enhance or detract from results achieved relative to the established targets and objectives, as well as unforeseen factors beyond management s control that impacted performance. The exercises of material discretion by the Committee in setting bonus pools or individual awards is explained below in the discussion of the relevant element of the Company s executive compensation program.

Overall Compensation Data

The Committee reviews each executive officer s three-year compensation history with respect to all elements of annual direct compensation (base salary, annual incentive bonus, annualized value of Growth Plan awards and stock options), as well as projected payouts under the Company s retirement and deferred compensation plans, prior non-recurring types of awards or grants (e.g., sign on or make whole awards upon joining Honeywell and restricted unit awards for retention and/or succession planning purposes). The Committee considers historical award and/or grant levels when setting bonus pools and determining individual option grants, as well as unvested equity holdings in connection with reviewing the need for retention arrangements. The Committee also considers potential payouts and circumstances involving a change in control of the Company and/or termination of the executive officer s employment, whether by the Company or the executive officer upon resignation or retirement, which arrangements generally do not affect the Committee s decisions regarding other compensation elements.

Disparity Among Named Executive Officers

There are no policy differences with respect to the compensation of individual named executive officers. The compensation disparity between the CEO and the other named executive officers is due to the difference in nature between the positions, market factors and the terms of the CEO s employment agreement. The Company has not entered into any fixed-term employment agreements with any other named executive officer.

CEO Employment Agreement

The recruitment of Mr. Cote to be CEO was part of an extensive search for a successor to his predecessor in the second half of 2001 and early 2002. This was a period of significant and continuous change for the Company generated by the European Union s rejection of the Company s proposed merger with General Electric, three CEOs in a twelve-month span, and major organizational realignment. In light of these circumstances, the Committee determined it was necessary and appropriate to enter into an employment agreement in order to attract and retain an experienced, highly-qualified individual to serve as CEO at a critical time in the Company s history. In negotiating Mr. Cote s compensation package, the Committee considered competitive market data regarding total CEO compensation at large industrial companies, Honeywell s compensation strategy (in determining the mix of pay components) and the desirability of linking a significant portion of pay to the performance of the CEO and the Company, as well as the need to compensate Mr. Cote for significant cash and equity awards from his former employer that were forfeited as a direct result of his acceptance of employment with Honeywell. Mr. Cote s employment agreement has a rolling three-year term. Per his employment agreement, Mr. Cote has an annual target bonus opportunity equal to 125% of his base salary and is eligible for annual equity awards based on a target value of 230% of the sum of his current base salary and annual incentive bonus target.

2007 Compensation Decisions: Annual Direct Compensation

Total Mix: Annual Direct Compensation

The table below illustrates how 2007 total annual direct compensation for the named executive officers was allocated between fixed and variable, short-term and long-term, and cash and equity elements of the Company s executive compensation program.

Named Executive Officer	Fixed[(1)]	Variable[(2)]	Annual[(3)]	Long-Term[(4)]	Cash-Based[(5)]	Equity-Based[(6)]
Mr. Cote	**10%**	**90%**	**34%**	**66%**	**56%**	**44%**
Mr. Anderson	**18%**	**82%**	**40%**	**60%**	**60%**	**40%**
Mr. Fradin	**17%**	**83%**	**43%**	**57%**	**62%**	**38%**
Mr. Gillette	**15%**	**85%**	**37%**	**63%**	**57%**	**43%**
Mr. Kittelberger	**15%**	**85%**	**35%**	**65%**	**56%**	**44%**

(1) Base salary

(2) Annual incentive bonus, annualized value of Growth Plan target, stock options

(3) Base salary, annual incentive bonus

(4) Annualized value of Growth Plan target, stock options

(5) Base salary, annual incentive bonus, annualized value of Growth Plan target

(6) Stock options

Although not part of annual direct compensation, the performance shares granted to Mr. Cote (see Performance Shares below) and the equity components of Mr. Fradin s and Mr. Gillette s retention arrangements (see Retention Actions below) serve to reinforce and increase the emphasis on the variable, long-term and equity-based elements of their respective overall compensation.

Base Salary

The Committee reviews the base salaries of named executive officers on an annual basis, at the time of any promotion or change in responsibilities, and as otherwise may be appropriate (e.g., in connection with retention arrangements). Annual merit increases for the named executive officers are based on performance assessments by the CEO (for the named executive officers other than the CEO), and the Committee (for all officers). See Compensation Decisions: Factors Considered Performance Assessments" above.

In 2007, the named executive officers (other than the CEO) received merit increases of approximately 4 8%. Mr. Fradin and Mr. Gillette each received an additional increase in base salary as part of a broader set of compensation actions approved by the Committee for retention purposes. See Retention Actions below.

In line with the Company s emphasis on at risk/variable compensation, base salary generally comprises only approximately 10-18% of the annual direct compensation of executive officers, and approximately 10% of Mr. Cote s annual direct compensation. Mr. Cote did not receive a base salary increase in 2007. The Committee has increased Mr. Cote s base salary only once (10% in 2006) since he joined the Company in 2002.

Annual Incentive Bonus

Bonus Pool; Performance Metrics

Annual incentive bonuses under the Company s Incentive Compensation Plan for Executive Employees (ICP) are paid from a pool that is funded based upon Honeywell s achievement of annual corporate financial objectives established by the Committee in February of each year. Annual incentive bonuses for 2007 were based on the achievement of financial objectives relating to earnings per share (EPS), free cash flow (FCF) and working capital turns (WCT).

Metric	**ICP Weighting**	**Definition**	**Rationale for Use**
EPS	50%	Earnings per share of common stock assuming dilution	The Committee believes that EPS is the most effective measure of delivery of shareowner value at the corporate level. Increasing EPS is reflective of strong growth that is driven by innovation, customer satisfaction, successful acquisitions, leverage of operational capacity around the world, and effective management of costs and capital structure.
FCF	25%	Cash flow from operations minus capital expenditures	Free cash flow is used by management and the Board to evaluate the Company s ability to generate cash from business operations that can be used to invest in future growth through reinvestment in the Company s businesses and through acquisitions, to repay debt obligations, and to return capital to shareowners through dividends and stock repurchases.

Metric	ICP Weighting	Definition	Rationale for Use
WCT	25%	Sales divided by working capital (in each case, excluding the impact of current year acquisitions), calculated based on a 13-month rolling average. Working capital is defined as trade accounts receivable plus inventory less accounts payable and customer advances.	WCT was first added as a metric in 2006 to drive more efficient use of capital. The key drivers of working capital cycle time, inventory and accounts receivable and payable are influenced by how efficiently and effectively the Company s businesses operate. The Committee believes that inclusion of working capital turns as an ICP objective serves to drive accountability, efficiency and discipline across a series of key business processes.

In early February 2007, the Committee established the following objectives for the 2007 ICP, which were consistent with the Company s annual operating plan:

	2007 Objectives	Increase vs. 2006 Actual
EPS	$ 2.95	17.1%
FCF (in $M)	$ 2,556	3.1%
WCT	5.9	0.4 turns

Funding Formulas

The corporate bonus pool is funded based on calculations regarding each of the established financial metrics. For EPS and FCF, the corporate bonus pool is funded as follows:

	Performance Level vs. Target	ICP Funding Level
Below Threshold	<75%	0%
Threshold	75% of target	50%
Target	100% of target	100%
Maximum	133% of target	200%

Performance between threshold and target performance levels and between target and maximum performance levels is interpolated.

To ensure that relative, and not just absolute, performance has a direct impact on executive compensation levels (as it does on shareowner value), the EPS component of the annual incentive bonus pool is also subject to upward or downward adjustment, up to a maximum of 25% in either direction, based on Honeywell s relative EPS growth performance versus a 33-company peer group reflecting the Conglomerates, Aerospace & Defense, Industrial Machinery, Specialty Chemicals, Diversified Chemical and Auto Parts & Equipment subgroups of the S&P 500 Index. We use this expanded thirty-three company peer group for this purpose (rather than just the Peer Group discussed above) due to its broader representation of each of the relevant industry groups in which the Company s segments participate. For each percentile that Honeywell s EPS growth exceeds or is below the median EPS growth of its peers, the EPS component of the Company s annual incentive bonus pool is increased or decreased, as appropriate, by approximately 1%. We refer to this adjustment as the peer EPS growth adjustment.

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With respect to working capital turns, the corporate bonus pool is funded as follows:

Results vs. Target	Pool Funding
+0.2 points	200% of target
+0.1 points	150% of target
At Target	100% of target
-0.1 points	75% of target
-0.2 points	50% of target
>-0.2 points	0% of target

Each tenth of a point improvement in working capital turns frees up approximately $80-90 million of cash that can be used to fund operations and/or for acquisitions, dividends and share repurchases. Actual turns achieved between threshold and target levels and between target and maximum performance levels are not interpolated, but have discrete funding levels associated with them as set forth above.

Each SBG s bonus pool is similarly funded based on the achievement of corresponding SBG financial objectives (substituting net income for EPS). Unusual, infrequently occurring and/or extraordinary items, which we refer to below as extraordinary items, are excluded in determining achievement of the established financial objectives.

2007 ICP Performance

For the 2007 ICP, Honeywell exceeded all three of its targeted corporate financial objectives. The EPS component of the pool was increased by 25% as a result of the peer EPS growth adjustment. There were no material adjustments for extraordinary items.

	2007 Objective	2007 Actual	Actual vs. Objective	Actual vs. Prior Year
EPS	$ 2.95	$ 3.16	107%	125%
FCF (in $M)	$ 2,556	$ 3,144	123%	127%
WCT	5.9	6.0	0.1 turns	0.5 turns

Based on these results and the formulas and weightings described above, the overall Company bonus pool was calculated to fund at 156%. This percentage was reduced by the Committee, upon the recommendation of the CEO, to 121% of target in order to moderate the year-over-year volatility of the bonus pool, particularly in light of a potential softening economic environment in 2008.

Based on the performance of the SBGs, the calculated and actual funding of the SBG bonus pools is as follows:

SBG	Calculated Funding	Actual Funding
ACS	163 %	135 %
Aerospace	123 %	120 %
Specialty Materials	152 %	118 %
Transportation Systems	143 %	110 %

At the CEO s recommendation, the Committee decreased the SBG funding percentages set forth above (i) in light of positive relevant industry conditions and in order to moderate the year-over-year volatility of the SBG bonus pools and (ii) due to the different performance of individual businesses within the SBGs.

Annual Incentive Bonus Awards

Target Levels

Each of the named executive officers is eligible to receive an annual incentive bonus. Per his employment agreement, Mr. Cote has an annual target bonus opportunity equal to 125% of his base salary. Each of the other named executive officers has a bonus target equal to 100% of base salary. Each named executive officer s bonus may be adjusted upward or downward based on performance relative to financial and non-financial objectives (see Judgment and Discretion of the Committee above).

The calculated bonus award is computed according to the following formula:

Corporate/SBG Funding % x NEO s target % of base salary x NEO s base salary

The calculated awards for Messrs. Fradin and Gillette are based upon the relevant SBG funding percentage (ACS and Aerospace, respectively). The calculated awards for the other named executive officers are based on the overall corporate funding percentage.

The Committee then considers whether the calculated awards should be adjusted upward or downward based on the factors described above in Compensation Decisions: Factors Considered.

Set forth below is a discussion of the 2007 annual incentive bonus awards determined by the Committee for each of the named executive officers:

Mr. Cote was awarded a bonus of $4,200,000 for 2007. In addition to the financial performance of the Company against the established objectives discussed above, the Committee recognized Mr. Cote s superior achievement of management objectives related to:

<u>Driving growth and globalization</u>: completion of twelve acquisitions contributing approximately $700 million in annualized revenues; divestiture of four non-core businesses; expansion of sales, income and census in emerging regions; execution and development of key growth programs in each SBG; and leveraged global government relations function to drive future growth; (*e.g.*, promotion of energy efficiency and

air traffic modernization);

Achieving operational improvements: year-over-year improvements in quality and on-time delivery performance; drove cost savings and cash generation through global real estate consolidations and the development and implementation of savings and control plans for each category of indirect procurement spending;

People and organizational effectiveness: strengthened succession planning through continued improvement in executive internal promotion rate and decrease in executive attrition rate; standardization of global incentive and benefits plans; reinvigoration of Six Sigma training and certification programs; continued implementation of diversity strategy, including senior leader mentoring program; and global expansion of Honeywell Hometown Solutions programs; and

Supporting the five Initiatives and the Honeywell Behaviors: continued deployment of Honeywell Operating System (now initiated with respect to approximately 50% of the Company s manufacturing cost base); reduced functional cost and standardized functional processes through Functional Transformation initiative; and drove new product introductions and reduction in development cycle time through Velocity

Product
Development.

Mr. Anderson was awarded a bonus of $1,100,000 for 2007, which reflected the Company s performance against the financial objectives discussed above and the Committee s recognition of superior performance of management objectives related to successful deployment of approximately $6.0 billion of cash through acquisitions, share repurchases and dividends, execution of disciplined acquisition process, driving functional cost reduction and functional process standardization through Company-wide Functional Transformation, driving functional excellence through comprehensive SBG reviews and expanded learning programs, increasing visibility to indirect spending, and continued strengthening of internal controls.

Mr. Fradin was awarded a bonus of $1,150,000 for 2007, which reflected ACS performance against the financial objectives discussed above and the Committee s recognition of superior achievement of management objectives related to global sales expansion (all ACS businesses exceeded their non-U.S sales growth plans), successful launches of new products, improvement in product quality, execution of key growth programs pertaining to sales and marketing excellence, successful completion and integration of eight acquisitions, including expansion into high-growth automatic identification and data collection segment, and deployment of Honeywell Operating System.

Mr. Gillette was awarded a bonus of $900,000 for 2007, which reflected Aerospace performance against the financial objectives discussed above and the Committee s recognition of superior achievement of management objectives related to key program and contract wins in each of Aerospace s principal end-markets, driving productivity and margin expansion through sourcing initiatives and reductions in functional and indirect costs, and improvement in product quality.

Mr. Kittelberger was awarded a bonus of $800,000 for 2007, which reflected the Company s performance against the financial objectives discussed above and the Committee s recognition of superior achievement of management objectives related to ERP implementation, expansion of global technology centers, driving engineering functional excellence through Velocity Product Development and product lifecycle management, driving operational improvement through improvement in product quality and on-time delivery performance and deployment of Honeywell Operating System, and driving functional cost reduction and functional process standardization through driving Company-wide Functional Transformation.

The Committee believes that the fiscal 2007 annual incentive bonus awards are reasonable performance-based payments that are consistent with the objectives of the Company s executive compensation program discussed above and that reflect achievement of business and individual goals and objectives that produced measurable, sustainable improvement in the Company s results of operations. Consistent with SEC disclosure rules, the annual incentive compensation awards to the named executive officers are included in the amounts reflected in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table on page 38 of this proxy statement.

Growth Plan

The Committee oversees administration of a long-term, cash-based compensation program under which executive officers are granted awards in the form of Growth Plan units, which have a target value of $100 per unit. The Growth Plan was established in 2003 to encourage executive officers to focus on the Company s achievement of specific, financial objectives over a two-year performance cycle aimed at increasing shareowner value by emphasizing and rewarding sustainable, profitable growth consistent with the Growth component of the Honeywell Initiatives and the Company s strategic plan. Performance cycles under the Growth Plan run consecutively.

Growth Plan Performance Metrics

The following metrics were selected by the Committee in connection with the 2007-2008 Growth Plan performance cycle. These metrics were also utilized with respect to the 2003-2004 and 2005- 2006 performance cycles as, for the reasons stated below, the Committee believes that they are significant drivers of shareowner value creation.

Metric	**Weighting**	**Definition**
Organic Revenue Growth	50%	Organic revenue growth is a measure of the Company s ability to increase top-line sales, excluding the impact of acquisitions and divestitures during the performance cycle.
Improvement in Return on Investment (ROI)	50%	ROI measures the Company s ability to convert investments (such as inventory and plant, property and equipment) into profits, and is a ratio of net income before interest expense to cash employed in the Company s businesses. The ROI calculation excludes the impact of acquisitions and divestitures during the performance cycle (unless there is deemed to be sufficient certainty as to their completion at the time of the setting of the targets for the performance cycle) and pension income/expense.

For SBG executives, 50% of the payouts are based on the achievement of the corporate organic growth and ROI improvement objectives (weighted equally), with the remaining 50% based on the achievement of corresponding SBG objectives (weighted equally).

2007-2008 Performance Cycle Objectives

For each metric, management recommends proposed threshold, target and maximum performance objectives for the performance cycle that are reviewed with the Committee at the beginning of the first year of each performance cycle to ensure alignment with the Company s annual operating plan and strategic plan.

Set forth below are the specific objectives for the 2007-2008 performance cycle, as well as the funding levels associated with the respective levels of performance.

	Organic Revenue Growth (cumulative)	ROI Improvement (cumulative)	Funding Level
Below Threshold	<$4.070 billion	<5.0 points	0 %
Threshold	$4.070 billion	5.0 points	50 %
Target	$4.898 billion	6.2 points	100 %
Maximum	$5.677 billion	7.3 points	200 %

In order to ensure focus on sustainable growth, performance against each of these metrics is measured on a cumulative basis. For each metric, the cumulative results for the 2007-2008 performance cycle will be calculated by adding (i) the difference between the relevant metric at the end of 2007 vs. at the end of 2006, to (ii) the difference between the relevant metric at the end of 2008 vs. at the end of 2006. For both measures, performance between threshold and target performance levels and between target and maximum performance levels is interpolated. As with the ICP, extraordinary items are excluded in determining achievement of the established financial objectives.

The Growth Plan pool for each performance cycle does not fund unless the Company achieves at least a 3% annual minimum EPS growth rate over the two-year cycle.

Growth Plan Unit Awards

The number of units awarded to each named executive officer is equal to 10% of the number of stock options awarded to that individual in the first year of each performance cycle. Accordingly, Mr. Cote was granted 70,000 Growth Plan units and each of the other named executive officers was granted 17,500 Growth Plan units for the performance cycle commencing on January 1, 2007 and ending on December 31, 2008. The Growth Plan thus serves as a bridge between the annual ICP and the longer-term equity components of the Company s executive compensation program.

Growth Plan Payouts

Fifty percent of the earned value of Growth Plan units is paid in the first quarter of the year immediately following completion of a two-year performance cycle. To promote executive retention, the remaining 50% is paid one year later and is subject to forfeiture if the executive officer is not employed by the Company on the date of payment. In the first quarter of 2007, the named executive officers received 50% of the earned value of their Growth Plan units for the 2005-2006 performance cycle, with the remaining 50% being paid in March 2008. See footnote 3 to the Summary Compensation Table on page 39 of this proxy statement.

Stock Options

Stock options are the major equity-based component of the long-term incentive element of the Company s executive compensation program for executive officers. Stock options directly align the interests of executive officers and shareowners as the options only have value to the recipients if Honeywell s stock price increases above the exercise price of the options and the executive officer remains employed with the Company for the period required for the options to vest, subject to certain exceptions discussed below.

Principal Terms

The Committee makes annual grants of stock options to executive officers, including the named executive officers, at the beginning of each year. Under the Company s stock incentive plans, these options have an exercise price equal to the fair market value of Common Stock on the date of grant. Fair market value is defined as the average of the highest and lowest sales prices reported on the New York Stock Exchange on the date of grant. The Company utilizes this measure of fair market value, rather than the closing price on the date of grant, to mitigate the artificial impact, in either direction, of intra-day trading volatility on the exercise price. Both the 2003 and 2006 Stock Incentive Plans expressly prohibit (1) the granting of stock options with an exercise price less than the fair market value of Common Stock on the date of grant, and (2) the repricing of awards or the cancellation of awards in exchange for new awards with lower exercise prices without shareowner approval. The

2006 Stock Incentive Plan also prohibits the payment of dividend equivalents with respect to stock options (which were not paid under prior plans even though not expressly prohibited).

Prior to 2007, options generally vested over a three-year period. Starting in 2007, the Committee extended the vesting period to four years (in equal annual installments) to further promote retention and long-term stock ownership by executive officers, with limited exceptions possible for new hire grants and grants made in connection with acquisitions by the Company. Under the terms of the 2006 Stock Incentive Plan, no more than two million shares (approximately 4.6% of the shares available under this Plan) may be used for stock options or stock appreciation right awards that fully vest in less than three years. As more fully discussed below, the vesting of options accelerates upon a change in control of the Company.

Options expire no later than the tenth anniversary of the grant date, subject to early termination in the event of termination of employment. In the event of death, disability or retirement at or after age 60 with 10 years of service (full retirement), all unvested options granted prior to 2007 vest and remain exercisable for three years. In December 2006, the Committee determined that future option grants would not provide for the vesting of unvested options upon full retirement. In the event of a termination of employment (other than for cause) at or after age 55 with 10 years of service, all unvested options are forfeited and vested options remain exercisable for three years. In the event of voluntary termination (other than as described above), all unvested options are forfeited and vested options remain exercisable for 30 days. In the event of involuntary termination other than for cause (other than after age 55 with 10 years of service), all unvested options are forfeited and vested options remain exercisable for one year. In the event of involuntary termination for cause, all vested and unvested stock options are immediately cancelled.

For options issued under the 2003 and 2006 Stock Incentive Plans, the Company reserves the right to (a) cancel all unexercised options, and (b) recover any gains attributable to options that were exercised during the period beginning six months before the termination date, and ending 24 months after the termination date, in the event the executive officer commences employment with, or otherwise provides services to, a Honeywell competitor without the Committee s prior approval.

Annual Option Grants

The Company s regular annual option grant generally takes place in February of each year, during an open trading window period following the release of our final results for the preceding fiscal year (Company policy limits trading by executive officers in Honeywell securities to thirty day window periods commencing on the third business day following the announcement of results by the Company). The Committee may also make grants of equity awards to executive officers at other times during the year due to special circumstances, such as new hires or internal promotions, which are granted at the first regularly scheduled Committee meeting following the date of hire or promotion.

In February 2007, the Committee allocated a pool of 6.6 million shares to be utilized for stock option grants in that year, with a maximum of 2.5 million shares available for option grants to officers. The Committee is committed to using shares available under the Company s equity compensation plan at appropriate rates that do not result in excessive dilution of shareowner equity. Accordingly, the size of this pool is consistent with the Company s annual run rate (shares subject to awards made under the Company s equity compensation plans as a percentage of total shares outstanding), which has ranged between 1.1% 1.4% in recent years.

Under his employment agreement, Mr. Cote is eligible for annual equity awards based on a target value of 230% of the sum of his current base salary and annual incentive bonus target. In accordance with its charter, in reviewing the long-term incentive component of CEO annual direct compensation, the Committee considered the Company s performance and relative shareowner return, the value of similar incentive awards to CEOs at comparable companies, and awards previously made to Mr. Cote. Based on these considerations, in February 2007, the Committee granted Mr. Cote options to acquire 700,000 shares in recognition of his leadership in driving consistent, sustained improvement in financial and operational performance.

With respect to the other named executive officers, the Committee considered historical grant levels, as well as the executive officer s performance in the prior fiscal year, his impact on overall

Company performance and his potential to contribute to the future performance of the Company and to assume increased leadership responsibilities. Based on these considerations, in February 2007, the Committee granted each of the other named executive officers options to acquire 175,000 shares.

In the case of each of the named executive officers, the 2007 grants have an exercise price of $47.38 per share and the number of underlying shares is consistent with the individual s prior year option grant.

Other 2007 Compensation Decisions

Retention Actions

During 2007, the Committee considered and approved the following compensation actions regarding Mr. Fradin for retention purposes: (i) increased his annual base salary from $700,000 to $1 million, (ii) approved the grant of 203,000 restricted stock units, vesting in one-third increments on each of the first three anniversaries of the date of grant, (iii) established a fixed value of $2 million (to be determined using the Company s Black-Scholes valuation methodology) for his annual stock option grant, commencing with the 2008 grant, and (iv) approved an additional annual nonqualified pension benefit equal to 50% of his final average compensation for the last 3 years of his employment, provided that he remains continuously employed by the Company until age 60 (August 5, 2013).

Also during 2007, the Committee considered and approved the following compensation actions regarding Mr. Gillette for retention purposes: (i) increased his annual base salary from $650,000 to $1 million effective January 1, 2008, (ii) approved the grant of 200,000 restricted stock units, vesting in one-third increments on the third, fifth and seventh anniversaries of the date of grant, respectively, and (iii) established a fixed value of $2 million (to be determined using the Company s Black-Scholes valuation methodology) for his annual stock option grant, commencing with the 2008 grant.

See Objectives and Design Principles Attraction and Retention on pages 21-22 of this proxy statement.

Restricted Units

Restricted units are not granted to executive officers on an annual basis. The Committee, however, may from time to time award restricted units to individual executive officers primarily for retention and succession planning purposes. The Committee believes that service-based restricted units are the best and most appropriate tool for these programs. Each restricted unit entitles the holder to one share of Common Stock at the end of an extended vesting period, typically vesting one-third on each of the third, fifth and seventh anniversaries of the date of grant, subject to continued employment. As more fully discussed below, the vesting of restricted units accelerates upon a change in control of the Company.

During the restricted period, executive officers are entitled to receive dividend equivalents on the underlying shares, if and when declared by the Board, on the same basis as shareowners. In December 2006, the Committee determined that future grants would provide that dividend equivalents will accrue with 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 will be paid out only as the underlying shares vest. The Committee reexamined the issue in December 2007, and determined that grants made on or after January 1, 2008 would provide for the deemed automatic reinvestment of dividend equivalents into additional restricted units to be paid out only as the underlying shares vest. The Committee did so as a means of further reinforcing the alignment of the interests of executive officers and shareowners. Prior to 2007, unvested restricted units would vest on retirement at or after age 60 with 10 years of service. In December 2006, the Committee determined that only a pro-rata portion of unvested restricted units will vest upon retirement, with the amount to be determined based on the number of complete years of service between the grant date and the retirement date as a percentage of the vesting period. Deferred dividends on deferred restricted units that were granted prior to July 2004 earn interest at a rate of 10%. Dividends on deferred restricted units granted after June 2004 cannot be voluntarily deferred by executive officers.

In February 2007, the Committee allocated 2.9 million shares to be available for restricted unit grants in 2007, of which 2.2 million shares could be utilized for restricted unit grants to executives, including the named executive officers. The size of the pool is consistent with the Company s annual run rate (see discussion above with respect to stock options). Other than the restricted units granted to Messrs. Fradin and Gillette in connection with their respective retention arrangements (see Retention Actions above), the Committee did not grant any restricted units to named executive officers in 2007.

Performance Shares

In 2006, the Committee retained Mercer to provide competitive market data and recommendations related to CEO compensation. In February 2007, the Committee recommended and the Board approved a special grant of 125,000 performance shares to Mr. Cote to (1) reward and recognize Mr. Cote for his contribution to the Company s strong financial performance, (2) further align Mr. Cote s total compensation package with the creation of shareowner value, and (3) continue to maintain a competitive total compensation package for Mr. Cote. These performance shares represent potential payments of Common Stock on a one-for-one conversion basis based on the Company s relative 4-year Total Shareholder Return (TSR) performance versus the companies comprising the S&P 100 (as of January 1, 2007) for the 4-year period of January 1, 2007 through December 31, 2010 (the Performance Period"). The Committee selected the S&P 100 as the appropriate peer group against which to measure the Company s performance because it reflects a large, diverse population of companies with whom Honeywell competes for investor dollars. In addition, it is a large enough sample size so that overall relative performance will not be unduly impacted by extreme volatility in the performance of a small number of companies in the S&P 100.

Actual payouts may range from zero to 250,000 shares as follows:

Performance-Award Scale

4 Year TSR Ranking vs. S&P 100	Payout as a % of Target Award (1)	Payout (# of shares) (2)
Below 40th percentile	0 %	0
40th percentile	25 %	31,250
50th percentile	50 %	62,500
55th percentile	75 %	93,750
60th percentile	100 %	125,000
65th percentile	120 %	150,000
70th percentile	140 %	175,000
75th percentile	160 %	200,000
80th percentile	180 %	225,000
85th percentile or higher	200 %	250,000

(1) Intermediate points interpolated

(2) Dividend equivalents will be earned in the form of additional shares of Common Stock. The amount of dividend equivalents will be calculated by dividing the total cash dividends on the earned performance shares for the four year performance period by the average closing price of Common Stock for the 30 days preceding December 31, 2010.

If Honeywell s absolute TSR is negative for the Performance Period, then relative performance must be at least at the 60th percentile in order to receive a payout, with such payout based on the schedule above.

Fifty percent of any shares of Common Stock earned by Mr. Cote in accordance with the above formula will be paid in the first quarter of 2011, with the remaining 50% to be paid on February 15, 2012, subject to Mr. Cote s continued employment through the date of payout (subject to exceptions for death or disability). Consistent with the terms of Mr. Cote s employment agreement and the terms of the 2006 Stock Incentive Plan, all the Performance Shares will be forfeited if Mr. Cote s employment with Honeywell ends for any reason other than death or disability prior to the scheduled payout date of the first installment of any earned awards. In the event of Mr. Cote s death or disability prior to the end of the Performance Period, the payout will be based on greater of (i) target or (ii) actual performance through the date of death or disability. If death or disability occurs after the Performance Period ends, payout of any earned awards will be accelerated to occur as soon as practicable after the date of death or disability.

Other Elements of Executive Compensation Program

Retirement Plans

Executive officers, including the named executive officers, participate in Honeywell s Retirement Earnings Plan, a tax-qualified defined benefit pension plan, on the same terms as the rest of the Company s salaried employees. Because the Internal Revenue Code limits the pension benefits that can be accrued under a tax-qualified defined benefit pension plan, the Company maintains unfunded non-tax-qualified supplemental retirement plans for its executive officers (including the named executive officers) to provide these individuals the pension benefits to which they would be entitled but for those limitations.

In addition, Messrs. Cote, Fradin, Anderson and Kittelberger are entitled to enhanced supplemental retirement benefits. The Committee believes these benefits were necessary and appropriate in light of circumstances surrounding the hiring or need to retain these executive officers.

Nonqualified Deferred Compensation Plans

Certain executive officers, including the named executive officers, may participate in the Company s Deferred Incentive Compensation Plan, or DIC Plan. The DIC Plan allows participants to defer all or any (in 10% increments) of their annual incentive bonus as part of their personal retirement or financial planning. Deferral elections must be made annually prior to the start of the year in which the services to which such bonus relates are to be performed.

Executive officers may also participate in the Honeywell Supplemental Savings Plan, or SS Plan, which is maintained to permit the deferral of amounts that cannot be contributed to the Company s tax-qualified 401(k) plan due to the Internal Revenue Code s limits on annual compensation and annual deferral limits. Participants may elect to defer up to 25% of base salary into the SS Plan before the beginning of the year in which the services are performed.

Amounts deferred into the DIC Plan or the SS Plan earn interest. In order to reduce the long-term cost of these plans, in July 2005, the Committee amended these plans (1) to reduce the rate of notional interest credited to a participant s deferred amounts from an above-market rate set annually (which generally varied between 8% and 11%) to a rate based on the Company s annual cost of borrowing at a fixed rate for a 15-year term (5.3%, 5.8%, and 6.3% for 2006, 2007 and 2008, respectively) that is subject to change annually, and (2) to eliminate the ability to defer salary into the DIC Plan.

After one year of service, the Company matches deferrals to the SS Plan up to a maximum of 8% of base salary for the next five years at the rate of 50 cents on the dollar, and up to 8% of base salary on a dollar for dollar basis thereafter. In order to promote the long-term focus of the executive compensation program, Company matching contributions with respect to the SS Plan are credited in the form of common stock equivalents. Dividends are accounted for as though reinvested in additional shares. Amounts representing matching contributions under the SS Plan are ultimately distributed in shares of Common Stock.

As a result of the requirements applicable to non-tax qualified deferred compensation arrangements under Section 409A of the Internal Revenue Code and related guidance, in July 2005, the Committee approved changes to the DIC Plan and the SS Plan to ensure compliance with the new law, to simplify the administration of these plans and to minimize any adverse tax consequences to participants in these plans. These changes included, among others, limiting the form of distribution with respect to amounts deferred on or after January 1, 2006 to a lump sum payment, or for a retired participant, to up to ten annual installments.

Severance Plan

If Mr. Cote s employment is terminated by the Company other than for gross cause, he will receive benefits under the Honeywell International Inc. Severance Plan for Senior Executives (Senior

Severance Plan), which also covers the Company s other named executive officers. Under the Senior Severance Plan, if their employment is terminated by the Company other than for gross cause, Messrs. Cote, Anderson and Kittelberger would be entitled to payments equivalent to base salary and annual incentive bonus (and continuation of certain benefits, such as group life and medical insurance coverage) for a period of 36 months. Mr. Fradin and Mr. Gillette would receive comparable severance payments and benefits for a period of 18 months.

Payments and benefits offered under the Senior Severance Plan are triggered by events that are beyond the control of the recipient. The Committee believes that these payments and benefits (1) are consistent with those offered by the Company s Peer Group and (2) help in the recruitment and retention of senior executives by protecting them in the event that their positions are adversely impacted by an unexpected change in circumstance.

Change in Control Provisions

The Company s severance, retirement and equity compensation plans provide certain benefits to executive officers upon a change in control of the Company. Under all of the Company s executive compensation plans, change in control benefits cannot be triggered prior to the completion of the transaction or other relevant event. Under the equity compensation plans, all outstanding equity awards automatically vest upon a change in control. Under the Company s severance and retirement plans, if, within two years following a change in control of the Company, an executive officer is terminated either involuntarily other than for cause, death or disability or voluntarily for good reason, he or she is entitled to: lump sum payment of all severance amounts; an incremental six months severance for named executive officers otherwise entitled to 18 months severance; and a tax reimbursement payment sufficient to compensate the executive officer for the amount of any excise tax imposed by Section 4999 of the Internal Revenue Code and for incremental taxes imposed on the additional payment. In addition, Messrs. Anderson and Kittelberger would be entitled to have their retirement benefits calculated using an additional three years of age and service.

The Committee believes that these benefits allow senior executives to assess takeover bids objectively without regard to the potential impact on their own job security. The Committee also believes that these benefits are reasonable (taking into account the double trigger for such obligations), are generally in line with current market practices, and are necessary for the Company to compete for and retain highly-qualified executives.

Perquisites

Honeywell provides named executive officers with certain limited perquisites (primarily a cash flexible perquisite allowance) that the Committee believes are reasonable, competitive and consistent with the objective of the executive compensation program to attract and retain the best leaders. The Committee has determined that the cash flexible perquisite allowance will be eliminated beginning in 2008, and that each of the named executive officers will receive a corresponding increase in 2008 base salary in lieu of this allowance.

Under the Company s security policy, the CEO is required to use company aircraft for all air travel, whether personal or business, to have home security and back-up power systems, and to use security personnel as drivers. The Committee believes that these measures enhance the personal security of the CEO, protect the confidentiality of the CEO s travel and the Company s business, and allow the CEO to minimize and more effectively utilize his travel time.

Other Benefits

The Company maintains life, medical and dental insurance, accidental death insurance, and disability insurance programs for all of its employees, as well as customary vacation, leave of absence and other similar policies. Executive officers, including the named executive officers, are eligible to participate in these programs on the same basis as the rest of the Company s salaried employees. In addition, the Company maintains relocation and excess liability coverage for executive officers. Messrs. Cote and Kittelberger are entitled to certain additional life insurance benefits, which the Committee believed were necessary and appropriate in light of the circumstances at the times they were hired.

Guidelines and Policies

Stock Ownership Guidelines

The Committee believes that executives will more effectively pursue the long-term interests of the Company s shareowners if they are shareowners themselves. Accordingly, the Committee adopted minimum stock ownership guidelines in May 2003 for all Honeywell officers.

Under these guidelines, the CEO must hold shares of Common Stock equal in value to six times his current annual base salary. Other executive officers (including the named executive officers other than the CEO) are required to own shares equal in value to four times their current base salary, with the remaining officers having an ownership threshold set at two times base salary. 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. As of December 31, 2007, each of the named executive officers held shares in excess of these guidelines.

In addition, the stock ownership guidelines call for officers to hold for at least one year the net shares from restricted unit vesting (with respect to restricted units granted after the adoption of the stock ownership guidelines) or the net gain shares of Common Stock that they receive by exercising stock options. Net shares means the number of shares obtained from restricted unit vesting, less the number of shares the officer sells to pay withholding taxes. Net gain shares means the number of shares obtained by exercising the option, less the number of shares the officer sells to cover the exercise price of the options and pay the Company withholding taxes. After the one-year holding period, officers may sell net shares or net gain shares, provided that following any sale, they continue to hold shares of Common Stock in excess of the prescribed minimum ownership level.

The stock ownership guidelines do not apply to executives at or over age 60 who have at least 10 years of service. As of the date of this proxy statement, all of the named executive officers are subject to the stock ownership guidelines. These guidelines are periodically reviewed by the Committee.

Recoupment of Incentive Compensation

In December 2006, the Board amended the Company s Corporate Governance Guidelines to provide for the recoupment of incentive compensation paid to senior executives in the event of a significant restatement of financial results (a Restatement). Under the amended guidelines, the Board can seek recoupment if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of financial results that were subsequently reduced due to a Restatement, (ii) the senior executive engaged in misconduct, 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. The complete text of the amended Corporate Governance Guidelines is posted on our website at www.honeywell.com (see Investor Relations; Corporate Governance).

Tax Deductibility of Executive Compensation

Section 162(m) of the Internal Revenue Code restricts deductibility for federal income tax purposes of annual individual compensation in excess of $1 million to the named executive officers (excluding the Chief Financial Officer) if certain conditions are not satisfied. Honeywell intends, to the extent practicable, to preserve deductibility of compensation paid to its executive officers while maintaining compensation programs that effectively attract, motivate and retain exceptional executives in a highly competitive environment.

The Company has designed its annual and long-term cash incentive awards to permit full deductibility. The plans under which these awards are made have been approved by the shareowners and provide for awards that are eligible for deductibility as performance-based compensation. The Committee may use its discretion to set actual compensation below the maximum amount calculated by application of the relevant performance criteria. The Committee intended that all annual incentive bonus and Growth Plan payments to the named executive officers for 2007 would be deductible for federal income tax purposes.

The Company s stock option grants have been and are made under shareowner-approved plans and are designed to comply with Section 162(m) so that the compensation expense associated with their exercise will generally be tax deductible.

The Committee does not believe, however, that it would be in the best interests of the Company or its shareowners to restrict the Committee s discretion and flexibility to craft compensation plans and arrangements that may result in non-deductible compensation expenses. Accordingly, the Committee from time to time has approved elements of compensation for certain named executive officers that were consistent with the objectives of the Company s executive compensation program, but that were not fully deductible (which may include, among other things, cash sign on awards, time-based restricted unit awards and a portion of the CEO s base salary). For 2007, the Company believes that approximately $2.1 million in compensation paid to the named executive officers was not deductible for federal income tax purposes.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During fiscal year 2007, all of the members of the Management Development and Compensation Committee were independent directors, and no member was an employee or former employee of Honeywell. No Committee member had any relationship requiring disclosure under Certain Relationships and Related Transactions on page 17 of this proxy statement. During fiscal year 2007, none of our executive officers served on the compensation committee (or its equivalent) or board of directors of another entity whose executive officer served on our Management Development and Compensation Committee.

MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE REPORT

The Management Development and Compensation Committee reviewed and discussed Honeywell s Compensation Discussion and Analysis with management. Based on this review and discussion, the Committee recommended that the Board of Directors include the Compensation Discussion and Analysis in this proxy statement and the Form 10-K for the year ended December 31, 2007 filed with the Securities and Exchange Commission.

THE MANAGEMENT DEVELOPMENT AND COMPENSATION COMMITTEE

John R. Stafford, Chair
Gordon M. Bethune
Clive R. Hollick
Ivan G. Seidenberg*
Bradley T. Sheares

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* Former member of the Board of Directors

Summary Compensation Table

Name and Principal Position	Year	Salary($)	Bonus($)	Stock Awards(1)($)	Option Awards(2)($)	Non-Equity Incentive Plan Compensation(3)($)	Char Pen Valu Nonqu Defe Compe Earnin
David M. Cote Chairman of the Board and Chief Executive Officer	2007	$ 1,618,269		$ 2,632,174	$ 6,161,992	$ 4,200,000	$ 3,
	2006	$ 1,610,192		$ 1,440,909	$ 7,769,527	$ 11,400,000	$ 5,
David J. Anderson Senior Vice President, Chief Financial Officer	2007	$ 773,846		$ 1,366,411	$ 1,426,933	$ 1,100,000	$
	2006	$ 753,365		$ 1,207,874	$ 2,030,620	$ 2,950,000	$
Roger Fradin President & Chief Executive Officer, Automation and Control Solutions	2007	$ 775,962		$ 3,705,718	$ 1,354,343	$ 1,150,000	$
	2006	$ 645,077		$ 687,992	$ 1,623,733	$ 2,870,000	$
Robert J. Gillette President & Chief Executive Officer, Aerospace	2007	$ 635,577		$ 633,922	$ 1,354,121	$ 900,000	$
	2006	$ 585,769		$ 520,618	$ 1,542,837	$ 2,850,000	$

Larry E. Kittelberger Senior Vice President, Technology and	2007	$	606,250	$	391,000	$	1,354,343	$	800,000	$
Operations	2006	$	594,692	$	391,000	$	1,623,820	$	2,625,000	$

(1) Amounts included for 2007 reflect expense recognized for financial reporting purposes, as follows. For Mr. Cote, represents $1,413,610 of compensation expense recognized in 2007 with respect to a grant of 125,000 performance shares in February 2007, with the remaining amount reflecting compensation expense recognized in 2007 with respect to prior year restricted unit grants. For Mr. Fradin, represents $3,124,799 of

compensation expense recognized in 2007 with respect to a grant of 203,000 restricted units in July 2007, with the remaining amount reflecting compensation expense recognized in 2007 with respect to prior year restricted unit grants. For Mr. Gillette, represents $167,905 of compensation expense recognized in 2007 with respect to a grant of 200,000 restricted units in December 2007, with the remaining amount reflecting compensation expense recognized in 2007 with respect to prior year restricted unit grants. For the other named executive officers, the amounts reflect compensation expense recognized in 2007 with respect to prior year grants. In each case, the amount of compensation expense was calculated excluding forfeiture assumptions.

A discussion of the assumptions used in the valuation of stock awards made in fiscal year 2007 may be found in Notes 1 and 20 of the Notes to the Financial Statements in the Company s Form 10-K for the year ended December 31, 2007. A discussion of the assumptions used in the valuation of stock awards made in fiscal years prior to fiscal year 2007 may be found in the corresponding sections of the Company s financial statement footnotes in the Form 10-K for the fiscal year in which the award was made.

(2) Amounts included for 2007 reflect expense recognized for financial reporting purposes, as follows. For Mr. Cote, represents $1,509,070 of compensation expense recognized in 2007 with respect to his annual option grant made in February 2007, with the remainder representing compensation expense recognized in 2007 with respect to prior year option grants. For the other named executive officers, represents $377,267 of compensation expense recognized in 2007 with respect to annual option grants made in February 2007, with the remainder representing compensation

expense recognized in 2007 with respect to prior year option grants. In each case, the amount of compensation expense was calculated excluding forfeiture assumptions. A discussion of the assumptions used in the valuation of option awards made in fiscal year 2007 may be found in Notes 1 and 20 of the Notes to the Financial Statements in the Company s Form 10-K for the year ended December 31, 2007. A discussion of the assumptions used in the valuation of option awards made in fiscal years prior to fiscal year 2007 may be found in the corresponding sections of the

Company s financial statement footnotes in the Form 10-K for the fiscal year in which the award was made.

(3) Represents the full earned award for the 2007 annual Incentive Compensation Plan (ICP). ICP awards earned in 2007 were paid to the named executive officers in February 2008, subject to any deferrals that they may have elected to make under the Salary and Incentive Award Deferral Plan for Selected Employees. Since 2007 ICP awards are paid in February 2008, any deferrals of 2007 ICP awards elected by named executive officers are not yet reflected as executive contributions in the Nonqualified Deferred Compensation Fiscal Year 2007 table below. In accordance with applicable rules, the full earned award for the 2005-2006 Growth Plan performance cycle is shown as earned in 2006. The actual payment of this award is made in two equal installments in

March 2007 and March 2008 (subject to the executive s continued employment through the payment date). No amount is reflected in the above table for the 2007-2008 Growth Plan as this performance cycle will end December 31, 2008 and no amount has yet been earned. Accordingly, 2006 amounts include aggregate annual ICP and both installments of the Growth Plan awards for the 2005-2006 performance cycle, whereas 2007 amounts include only annual ICP awards.

(4) 2007 amounts represent the aggregate change in the present value of each named executive officer s accumulated benefit under the Company s pension plans from 2006 to 2007 (as disclosed in the Pension Benefits table below) and the above-market interest earned on deferred compensation in 2007, as follows: Mr. Cote: $3,321,460 (change in aggregate pension value), $297,561 (above-market

interest); Mr. Anderson: $344,186 (change in aggregate pension value), $113,898 (above-market interest); Mr. Fradin: $57,412 (change in aggregate pension value), $97,527 (above-market interest); Mr. Gillette: $201,594 (change in aggregate pension value), $10,719 (above-market interest); and Mr. Kittelberger: $684,657 (change in aggregate pension value), $58,550 (above-market interest). Amounts of above-market interest earned with respect to amounts deferred prior to January 1, 2005 under the Salary and Incentive Award Deferral Plan for Selected Employees and the SS Plan represent the difference between market interest rates determined pursuant to SEC rules and the 8 11% interest credited by the Company on such deferred amounts.

Generally, for amounts deferred before January 1, 2006 under the Salary and Incentive Award Deferral Plan for Selected

Employees, the named executive officer must remain employed by the Company for at least three years following the deferral or retire in order to obtain the full stated interest rate. With respect to amounts deferred after January 1, 2005, the Company changed the rate of interest under the Salary and Incentive Award Deferral Plan for Selected Employees and the SS Plan to a rate of interest, compounded daily, based on the Company s 15-year cost of borrowing, as more fully described on pages 50-51 of this proxy statement. In addition, above-market interest earned with respect to dividend equivalents on restricted units that were deferred prior to July 2004 represents the difference between market interest rates determined pursuant to SEC rules and the 10% interest credited by the Company on such amounts.

(5) For 2007, other compensation consists of the following:

Item	Year	Mr. Cote	Mr. Anderson	Mr. Fradin	Mr. Gillette	Mr. Kittelberger
Cash flexible perquisite payments(A)	2007	$ 50,000	$ 50,000	$ 50,000	$ 50,000	$ 50,000
Excess liability insurance(B)	2007	$ 1,025	$ 1,025	$ 1,025	$ 1,025	$ 1,025
Executive life insurance(C)	2007	$ 62,000				