

HONEYWELL INTERNATIONAL INC  
Form DEFA14A  
March 07, 2013

**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))

☐ [ ] Definitive Proxy Statement

☒ [X] 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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2013 Honeywell Annual Shareowners Meeting March - April 2013

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2 Discussion of 2013 Proxy Matters • “ Say on Pay” - Alignment of Pay and Performance - Overview of Honeywell Compensation Programs - 2012 Compensation Actions - Anomalous Change in CEO Pension Value • Separation of CEO and Chair Roles • Action By Written Consent • Acceleration of Vesting Upon Change in Control

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3 “Say on Pay”

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4 Total Shareowner Return HON Outperformed Market And Peers 1 - YR 3 - YR 5 - YR 10 - YR HON Percentile Rank = 78% HON Percentile Rank = 100% HON Percentile Rank = 83% HON Percentile Rank = 100% Peer Median Reflects Compensation Peer Group Median; Percentages Reflect Cumulative Growth Over The Period; HON Percentile Rank Based on Compensation Peer Group; Updated as of December 31, 2012; 1 - year period begins 1/1/2012, 3 - year period begins 1/1/2010, 5 - year period begins 1/1/2008; 10 - year period begins 1/1/2003

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5 Key Operating Metrics And ICP Spend • Since 2003, Proforma EPS Up 197%, Segment Profit up 150%, ICP Spend Up 13% • Executive Census (ICP Eligible) Below 2003 Level • HON 10 - Year TSR vs. Compensation Peer Group – 100th Percentile \* Proforma, Excludes Any Pension Mark - to - Market Adjustment +13% (6)% - 100% - 50% 0% 50% 100% 150% 200% 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 Revenue Proforma EPS \* Segment Profit Total ICP Spend Avg. ICP/Exec Exec Census No Officer ICP in 2009, No Officer Merit Increases in 2009 or 2010. % Change vs. 2003 +197% +150% +71% +20% Track Record – Strong Performance, Good Pay Alignment, Fewer Execs

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6 CEO Annual Direct Compensation (“ADC”) CEO Pay Aligned With Business Results Indexed Values (b) Annual Direct Compensation (\$M ) ( a ) \$0 \$5 \$10 \$15 \$20 \$25 \$30 \$35 0 20 40 60 80 100 120 140 2008 2009 2010 2011 2012 CEO ADC(a) Proforma EPS(b) Segment Profit(b) TSR-Prior Year(b) (a) CEO Annual Direct Compensation or “ADC” consists of base salary, ICP award, annual stock option grant, and annualized Growth Pla n Unit (GPU) award. • 2012 : includes 50% of the potential award payout for the 2012 - 2013 GPU cycle, based on target performance. Actual payout value will be determined at the end of the two - year performance cycle (2013). • 2011 and 2010 : includes 50% of the actual award earned for the 2010 - 2011 GPU performance cycle. • 2009 : no GPU payments. • 2008 includes 50% of the actual award earned for the 2007 - 2008 GPU performance cycle (b) Reflects 2007 base year for TSR and 2008 base year for proforma EPS and segment profit, in each case, at 100.

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7 • ICP (Bonus) Plan – Annual (cash) - Key Financial Metrics: EPS, FCF, Working Capital Turns - Performance Context: Current Year, vs. Prior Year, vs. Peers, Other Metrics & Factors • Stock Options – LTI (equity) - Have Value Only If Stock Price Goes Up • Growth Plan – LTI (cash) - Organic Sales Growth (1/3), ROI Growth (1/3), Margin Expansion (1/3) - 2 - Year Non - Overlapping Cycles; Deferred Payout (50% Q1 After Cycle, 50% Year Later) While not part of the regular annual incentive program, long - term performance - adjusted (i.e. relative TSR) Restricted Stock Unit s may be granted from time to time for retention and succession planning purposes 17% 17% 23% 43% Base Salary ICP Growth Plan Stock Options 17% 83% Fixed Variable Annual Incentive Program 9% 17% 25% 49% Base Salary ICP Growth Plan Stock Options Focused On Key Business Drivers And At Risk 9% 91% Fixed Variable CEO Other NEOs

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8 2012 Compensation Actions (2013 Proxy) Annual Compensation Actions (Feb 2013) • No Base Salary Increase for CEO and 2 Senior NEOs • Annual Stock Option Grant Values 5% to 24% Lower Than 2011 • Growth Plan Units Issued for New 2 - Year Performance Cycle – Aggressive Revenue/ ROI / Margin Growth Targets Set for 2012 - 2013 – Award Opportunity Consistent With Prior Performance Cycle • ICP Payouts Based on 2012 Performance: – CEO ICP increased from \$4.3M to \$4.8M (but \$500K increase not pensionable) – 1 NEO's ICP reduced by \$100K (Fradin), 1 NEO's ICP increased by \$100K (Mahoney), 1 NEO's ICP increased by \$75K (Kramvis) and 1 NEO held flat (Anderson) Succession Plan Review by Board - Related Comp Action (July 2012) • Performance - Adjusted RSUs Awarded on Discretionary Basis – CEO Did Not Receive An Award; Other NEOs Did – Potential 30% +/- Adjustment Based on Relative TSR vs. Comp Peers – Vesting Tied to Specific Succession Plan Requirements (From 3 to 7 Years) No Significant Program Changes

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9 • Large Change in CEO Pension Value in 2012 – Pension Negotiated When CEO Was Recruited in 2002 – No Changes Since • Change Driven Primarily By 2 Items: – 2012 Bonus Replacing 2009 Bonus in 3 - Year Final Average Pay Used in Calculation Represents ~70% of the Change Unintended Consequence of CEO Agreeing to a Zero Bonus During 2009 Economic Downturn (Note: Change in Pension Value for 2009 Was Negative) – A Decline in the Discount Rate to Determine Reported Pension Values Represents ~25% of the Change • Rate Declined 83 bps in 2012 (From 4.89% At 12/31/11 to 4.06% At 12/31/12) • CEO Pension Value Likely to Decline in Future Periods\* – CEO Pension Not Improved with Additional Service with the Company – CEO Reached Full Retirement Age in 2012 - # of Payments Declines Each Year Going Forward – Negative Changes in Pension Value Not Reported on SCT Under SEC Rules  
\*Assuming consistent final average compensation and no further declines in the discount rate Change In CEO Pension Value (2013 Proxy) Anomaly - Not Result Of 2012 Compensation Action

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10 Separation of Chair/CEO Roles

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11 Unified Leadership Important for HON Success HON's Board Opposes Separation of Chair/CEO • Widely accepted belief that separation of Chair/CEO role is always a "best practice" should be reexamined • No correlation between performance and separation of Chair/CEO Roles – Recent research debunks myth that separation of Chair/CEO is uniformly beneficial See Krause, R. & Semadeni, M. 2012. "Apprentice, Departure and Demotion: An Examination of the Three Types of CEO - Board Chair Separation." Academy of Management Journal – For Honeywell, separation risks more harm than good Complexity of businesses, end - markets, technologies and geographies requires strong, unified leadership Competing leadership roles from separate Chair/CEO undermines "unity of action, coordination and focus."

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12 Independent Board Counter - Balances Chair/CEO Separation Should be Left to Board Discretion • Robust Governance Practices Ensures Adequate Oversight – Other Than CEO, Board is 100% Independent; All Committees 100% Independent – No Problematic Governance or Management Issues; – Directors Review in Advance Board/Committee Agendas; – Directors Free to Raise Subjects Not on Agenda or Propose Items for Future Agendas; – Directors Receive in Advance Written Board Material (Opportunity to Comment); – Presiding Director Leads Executive Sessions At Each Board Meeting (Rotating) and Serves As Liaison Between Independent Directors and Chairman • Lead Director will Undermine Sense of Shared Responsibility. • Recent Actions by Board Obviate Need for Lead Director – Amended By - laws to Allow Chair of Governance Committee (CGRC) to Call Meeting of Directors At Anytime; – Chair of CGRC Designated as Permanent Point of Contact for Shareowner Feedback

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13 Action by Written Consent

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14 The Board Opposes Action by Written Consent Written Consent Undermines Annual Proxy Process • Written consent undermines shareowner democracy; allows insurgent shareholders to act outside the shareowners' meeting: – Compared to formal proxy process, lacks procedural protections and ability of both sides to communicate with shareowners; – Allows narrow, parochial interests to distract management and the board and waste resources; and – Undermines annual shareowners meeting process; allows for removal of board of directors without cause immediately following board meeting. • Honeywell shareowners already able to call special meeting based on vote of 20% of outstanding shares • Honeywell shareowners have adequate opportunity for their voices to be heard: – Annual election of directors and majority voting in uncontested elections – Shareowner approval of poison pills; – Elimination of supermajority voting; – Year - round engagement of management with shareowners; and – Chair of Governance Committee is permanent point of contact for shareowner feedback (added in 2013).

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15 Acceleration of Vesting Upon Change in Control

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16 Accelerated Vesting Aligns Shareowners and Mgmt. Interests of HON Executives and Shareowners Should be 100% Aligned • Takeover premiums are significantly larger when the target CEO receives the benefit of accelerated vesting – New research based on analysis of 107 takeovers from 2005 to 2009 finds a strong correlation between accelerated vesting and stock price premiums See Elkinawy , S. & Offenberg , D. 2012. “Accelerated Vesting in Takeovers: The Impact on Shareholder Wealth.” Financial Management • For large cap companies, successful takeovers require 100% support of management – Options are ~45% of Honeywell executive compensation; and – Executives unlikely to risk forfeiture of options unless they participate with shareholders in takeover premium. • Accelerated vesting needed given regulatory uncertainties in large cap company takeovers (i.e. G.E. attempted acquisition of HON) – Honeywell executives unlikely to be employed by Acquiror post - takeover; – Honeywell executives need to be motivated to stay until deal closes; and – If executives leave and takeover fails (i.e. ATT/T - Mobile), shareholders materially harmed.

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17 Appendix Reconciliation of non - GAAP Measures to GAAP Measures

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18 Reconciliation Of Segment Profit To Operating Income (Dollars in billions) 2003 2004 2005 Segment Profit \$2.4 \$2.8 \$3.2 Stock Compensation Expense (1) 0.0 0.0 0.0 Repositioning and Other (2, 3) (0.2) (0.7) (0.4) Pension Ongoing Expense (2) (0.1) 0.0 0.0 Pension Mark-to-Market Adjustment (2) (0.2) (0.1) (0.0) Other Postretirement Income/(Expense) (2) (0.2) (0.2) (0.1) Operating Income \$1.7 \$1.8 \$2.7 Pension Mark-to-Market Adjustment (2) (0.2) (0.1) (0.0) Operating Income Excluding Pension Mark-to-Market Adjustment \$1.9 \$1.9 \$2.7 (1) Stock compensation expense included in segment profit. (2) Included in cost of products and services sold and selling, general and administrative expenses. (3) Includes repositioning, asbestos and environmental expenses.

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19 Reconciliation of Segment Profit to Operating Income (Dollars in billions) 2006 2007 2008 2009 2010 2011 2012

|                                                                                                                       |       |       |       |       |       |       |       |                                                        |       |       |       |       |       |       |       |
|-----------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|--------------------------------------------------------|-------|-------|-------|-------|-------|-------|-------|
| Segment Profit                                                                                                        | \$4.0 | \$4.6 | \$4.8 | \$4.0 | \$4.5 | \$5.4 | \$5.9 | Stock Compensation Expense                             | (1)   | (0.1) | (0.1) | (0.1) | (0.1) | (0.2) | (0.2) |
| (0.2) Repositioning and Other (1, 2)                                                                                  | (0.5) | (0.5) | (1.1) | (0.5) | (0.6) | (0.8) | (0.5) | Pension Ongoing Expense                                | (1)   | 0.0   | 0.1   | 0.1   | (0.3) | (0.2) | (0.1) |
| (0.0) Pension Mark-to-Market Adjustment                                                                               | (1)   | 0.0   | 0.0   | (3.3) | (0.7) | (0.5) | (1.8) | (1.0) Other Postretirement                             |       |       |       |       |       |       |       |
| Income/(Expense)                                                                                                      | (1)   | (0.1) | (0.2) | (0.1) | 0.0   | (0.0) | 0.1   | (0.1) Operating Income                                 | \$3.3 | \$3.9 | \$0.3 | \$2.4 | \$3.0 | \$2.6 | \$4.2 |
| Pension Mark-to-Market Adjustment                                                                                     | (1)   | 0.0   | 0.0   | (3.3) | (0.7) | (0.5) | (1.8) | (1.0) Operating Income Excluding Pension               |       |       |       |       |       |       |       |
| Mark-to-Market Adjustment                                                                                             | \$3.3 | \$3.9 | \$3.6 | \$3.1 | \$3.5 | \$4.4 | \$5.1 | (1) Included in cost of products and services sold and |       |       |       |       |       |       |       |
| selling, general and administrative expenses. (2) Includes repositioning, asbestos, environmental expenses and equity |       |       |       |       |       |       |       | income adjustment.                                     |       |       |       |       |       |       |       |

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20 Reconciliation of EPS to EPS, Excluding Pension Mark - to - Market Adjustment 2003 (1) 2004 (2) 2005 (3) EPS, Previously Reported \$1.50 \$1.45 \$1.92 Effect of Pension Accounting Change (0.11) 0.22 0.29 EPS \$1.39 \$1.67 \$2.21 Pension Mark-To-Market Adjustment 0.12 0.07 0.03 EPS, Excluding Pension Mark-to-Market Adjustment \$1.51 \$1.74 \$2.24 (1) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 33.5% 2003. (2) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 30.0% 2004. (3) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 32.3% 2005.

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21 Reconciliation of EPS to EPS, Excluding Pension Mark - to - Market Adjustment 2006 (1) 2007 (2) 2008 (3) 2009 (4) 2010 (5) 2011 (6) 2012 (7) EPS \$2.77 \$3.35 \$1.08 \$2.05 \$2.59 \$2.61 \$3.69 Pension Mark-To-Market Adjustment 0.02 0.01 2.74 0.64 0.41 1.44 0.79 EPS, Excluding Pension Mark-to-Market Adjustment \$2.79 \$3.36 \$3.82 \$2.69 \$3.00 \$4.05 \$4.48 (1) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 28.6% 2006. (2) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 30.8% 2007. (3) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 38.2% 2008. (4) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 34.4% 2009. (5) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 32.3% 2010. (6) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 36.9% 2011. (7) Utilizes weighted average shares outstanding and the effective tax rate for the period. Mark-to-market uses a blended tax rate of 35.0% 2012.

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22 Discontinued Operations Reconciliation (Dollars in billions) 2003 2004 2005 2006 Sales - Total Honeywell \$23.1  
 \$25.6 \$27.7 \$31.4 Sales - CPG 1.0 1.1 1.2 1.1 Sales - Continuing Operations \$22.1 \$24.5 \$26.5 \$30.3

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