HONEYWELL INTERNATIONAL INC
Form DEF 14A
March 13, 2006

Section 240.14a-101 Schedule 14A.
Information required in proxy statement.
Schedule 14A Information
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
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Honeywell International Inc.

(Name of Registrant as Specified In Its Charter)

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

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(1) Amount Previously Paid:

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(3) Filing Party:

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(4) Date Filed:

March 13, 2006

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 24, 2006 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. A return envelope for your proxy card is enclosed for convenience. Most shareowners will also have the option of voting via the Internet or by telephone. Specific instructions on how to vote via the Internet or by telephone are included on the proxy card.

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

YOUR VOTE IS IMPORTANT

If you are a shareowner of record or a participant in a Honeywell savings plan, you can vote your shares via the Internet or by telephone by following the instructions on your proxy card. If you hold your shares through a bank or broker, you will be able to vote via the Internet or by telephone if your bank or broker offers these options. If voting by mail, please complete, date and sign your proxy card and return it as soon as possible in the enclosed envelope.

NOTICE OF ANNUAL MEETING OF SHAREOWNERS

The Annual Meeting of Shareowners of Honeywell International Inc. will be held on Monday, April 24, 2006 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 fourteen directors;
- Appointment of PricewaterhouseCoopers LLP as independent accountants for 2006;
- 2006 Stock Incentive Plan;
- 2006 Stock Plan for Non-Employee Directors;
- Five shareowner proposals described on pages 44 through 52 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 24, 2006 are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors,

Thomas F. Larkins
Vice President and Secretary

Honeywell
101 Columbia Road
Morris Township, NJ 07962

March 13, 2006

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 to be held on Monday, April 24, 2006.

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. Your prompt voting via the Internet, telephone or mail may save us the expense of a second mailing.

Methods of Voting

- All shareowners may vote by mail.
- Shareowners of record, as well as participants in Honeywell stock funds within Honeywell savings plans, can vote via the Internet or by telephone.
- 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.

Please see your proxy card for specific voting instructions.

Revoking Your Proxy

Whether you vote by mail, telephone or via the Internet, 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); or
- voting in person at the Annual Meeting (except for shares held in the savings plans).

Vote Required; Abstentions and Broker Non-Votes

The vote of a plurality of the shares of Common Stock present in person or represented by proxy and entitled to vote at the Annual Meeting is required for election as a director. In other words, the fourteen director nominees receiving the most votes will be elected. An abstention, broker non-vote, or direction to withhold authority will result in a nominee receiving fewer votes, but will not be treated as a vote against the nominee. Under the amended Corporate Governance Guideline regarding “Election of Directors” any nominee for director who receives a greater number of votes “withheld” from his or her election than votes “for” his or her election by shareowners present in person or represented by proxy at the Annual Meeting will tender his or her resignation to the Chairman of the Board promptly following the shareowner vote. The Corporate Governance and Responsibility Committee will promptly consider and make a recommendation to the Board as to whether to accept or reject the resignation. The Board will act on the matter no later than at its first regularly scheduled meeting following certification of the shareowner vote. See pages 8-9 of this proxy statement for the full text of this Corporate Governance Guideline.

The affirmative vote of a majority of shares present or represented and entitled to vote on each of Proposals 2 through 9 is required for approval. Abstentions will be counted toward the tabulation of votes present or represented on these proposals and will have the same effect as votes “against” these proposals. New York Stock Exchange (“NYSE”) rules prohibit brokers from voting on Proposals 3 through 9 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. In addition, NYSE rules also require that the total vote cast on each of Proposal 3 and 4 represent over 50% of all outstanding shares (which includes shares subject to "broker-non votes").

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 24, 2006, there were approximately 831,303,568 shares of Honeywell common stock outstanding. Each share outstanding as of the February 24, 2006 record date is entitled to one vote.

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, broker or other intermediary 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 (such as a letter from the bank, broker or intermediary 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 and shareowners will be asked to provide proof of ownership, if not previously submitted, and identification at that time.

BOARD MEETINGS—COMMITTEES OF THE BOARD

The Board of Directors held eight meetings during 2005. The average attendance at meetings of the Board and Board Committees during 2005 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, except for Mr. Stafford. These attendance figures do not reflect the significant time devoted by Mr. Stafford to participating in sessions with other committee members and management in preparation for Management Development and Compensation Committee meetings. Mr. Stafford was briefed, both before and after meetings, on matters covered at the Board and committee meetings that he was unable to attend.

The Board currently has the following committees: Audit; Corporate Governance and Responsibility; Management Development and Compensation; and Retirement Plans. Each committee is comprised entirely of independent, non-employee directors (see "Director Independence" on page 5). Membership and principal responsibilities of the Board committees are described below. 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

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Committees") or by writing to Honeywell, 101 Columbia Road, Morris Township, NJ 07962, c/o Vice President and Secretary.

Audit Committee

The members of the Audit Committee are:

- Russell E. Palmer (Chair)
- D. Scott Davis
- James J. Howard
- Eric K. Shinseki
- John R. Stafford
- Michael W. Wright

The Audit Committee met nine times in 2005. 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. Palmer and Mr. Davis satisfy the "accounting or related financial management expertise" requirements set forth in the NYSE Corporate Governance Rules, and has designated Mr. Palmer and Mr. Davis as the "audit committee financial experts", as such term is defined by the Securities and Exchange Commission ("SEC"). See page 16 for the Audit Committee Report.

Corporate Governance and Responsibility Committee

The members of the Corporate Governance and Responsibility Committee are:

- Bruce Karatz (Chair)
- Gordon M. Bethune
- Jaime Chico Pardo
- Russell E. Palmer
- Ivan G. Seidenberg

- Eric K. Shinseki

The Corporate Governance and Responsibility Committee met four times in 2005. 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 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 page 6 and “Director Compensation” on page 14.

Management Development and Compensation Committee

The members of the Management Development and Compensation Committee are:

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

The Management Development and Compensation Committee met five times in 2005. The primary functions of this Committee are to: evaluate and approve executive compensation plans, policies and programs, including review of relevant corporate and individual goals and objectives; 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 set the annual salary and other remuneration of all other officers; 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. See pages 19-24 for the Report of the Management Development and Compensation Committee.

Retirement Plans Committee

The members of the Retirement Plans Committee are:

- Michael W. Wright (Chair)
- Jaime Chico Pardo
- D. Scott Davis
- Clive R. Hollick
- James J. Howard
- Bradley T. Sheares

The Retirement Plans Committee met three times in 2005. The primary responsibilities 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 of Messrs. Bethune, Chico Pardo, Davis, Hollick, Howard, Karatz, Palmer, Seidenberg, Sheares, Shinseki, Stafford, Wright and Ms. Deily (all of the directors and nominees except Mr. Cote) 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.

The Corporate Governance and Responsibility Committee reviewed the commercial relationships (i.e., the purchase and/or sale of products and services) between Honeywell and companies with or by whom the non-employee directors are affiliated or employed. Honeywell has commercial relationships with KB Home Corporation, Merck & Co. Inc., Telefonos de Mexico, S.A. de C. V., United Parcel Service, Inc. and Verizon Communications Inc. companies for which our directors are currently serving in an executive capacity. Although the Board has not adopted categorical standards of materiality, none of these relationships was deemed to be material as, in each case, within any of the last three years, the aggregate amount of such purchases and sales was less than one quarter of one percent of the consolidated gross revenues of any such company in any of the last three completed fiscal years. In light of the limited extent of these commercial relationships, as well as the fact that any relevant products and/or services are provided on the same terms and conditions as similar products and services provided by or to non-related entities, the Corporate Governance and Responsibility Committee and the Board determined that such commercial relationships do not impair the independence of the directors involved. Moreover, responses to questionnaires completed by the directors did not indicate any other material relationships (e.g., industrial, banking, consulting, legal, accounting, charitable or familial) which would impair the independence of any of the non-employee directors.

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 not creating unnecessary additional 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.

IDENTIFICATION AND EVALUATION OF DIRECTOR CANDIDATES

The Board has determined that its Corporate Governance and Responsibility Committee (the Committee) shall, among other responsibilities, serve as the nominating committee. The Committee is comprised entirely of independent directors under applicable SEC rules and NYSE listing standards. The Committee operates under a written charter adopted by the Board of Directors. A copy of the charter is available at the Company's website www.honeywell.com, under the heading “Investor Relations” (see “Corporate Governance”—“Board Committees”), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962 c/o Vice President and Corporate Secretary. The Committee is charged with actively seeking individuals qualified to become directors and recommending candidates for all directorships to the full Board of Directors. The Committee continuously 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, including for purposes of performing background reviews of potential candidates. The search firm retained by the Committee has been provided guidance as to the particular experience, skills or 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 a 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

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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 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 background; their potential contribution to the composition, diversity and culture of the Board; their age, educational background and relative skills and characteristics; 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; and the needs of the Board and the Company's various constituencies.

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 53 of this proxy statement.

This year, two directors are proposed for nomination to the Board of Directors that have not previously stood for election to the Board by the shareowners, D. Scott Davis and Linnet F. Deily. Mr. Davis was identified by a third-party search firm and was elected to the Board, effective July 29, 2005. Ms. Deily was also identified by a third-party search firm and will stand for election to the Board at the 2006 Annual Meeting of Shareowners.

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 Company's 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. Twelve directors attended last year's Annual Meeting of Shareowners.

Proposal No. 1—ELECTION OF DIRECTORS

At the 2005 Annual Meeting of Shareowners, shareowners approved amendments to Honeywell's Certificate of Incorporation and By-laws providing that all of Honeywell's directors shall be 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 fourteen candidates for election as directors for a term ending at the 2007 Annual Meeting of Shareowners or when their successors are duly elected and qualified.

All nominees except Linnet F. Deily 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 Internet will be voted for the election of such other person as may be designated by the Board of Directors, or the Board may determine to leave the vacancy temporarily unfilled or reduce the authorized number of directors in accordance with the By-laws.

On December 12, 2005, the Board amended the section of its Corporate Governance Guidelines entitled "Election of Directors" to establish a majority vote standard for such election; this section reads in full as follows:

> "The Board of Directors recognizes the continuing evolution of investor views and related initiatives addressing the appropriateness of director elections using a majority vote standard, rather than the current plurality standard. The Board notes that these views and initiatives raise uncertainties as to the legal and practical implications of a change in practice, making amendments to the Company's Certificate of Incorporation or By-laws a less desirable means of addressing the investor concerns at this time. Nonetheless the Board endorses the principle of a majority vote standard and is therefore adopting the following Guideline.
>
> In an uncontested election of directors (i.e., an election where the only nominees are those recommended by the Board of Directors), any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election by shareowners present in person or by proxy at the Annual Meeting of Shareowners and entitled to vote in the election of directors ("Majority Withheld Vote") will promptly tender his or her resignation to the Chairman of the Board following certification of the shareowner vote. The Corporate Governance and Responsibility Committee will promptly consider the resignation submitted by a director receiving a Majority Withheld Vote and recommend to the Board whether to accept the tendered resignation or reject it. In considering whether to accept or reject the resignation, the Corporate Governance and Responsibility Committee will consider all factors deemed relevant, including without limitation, the underlying reasons for the Majority Withheld Vote (if ascertainable), the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to the Company, compliance with listing standards, and the Company's Corporate Governance Guidelines.
>
> The Board will act on the Corporate Governance and Responsibility Committee's recommendation no later than at its first regularly scheduled meeting following certification of the shareowner vote, which action may include, without limitation, acceptance of the tendered resignation, adoption of measures designed to address the issues underlying the Majority Withheld Vote, or rejections of the tendered resignation. Following the Board's decision on the Corporate Governance and Responsibility Committee's recommendation, the Company will promptly publicly disclose the Board's decision and process (including, if applicable, the reasons for rejecting the tendered resignation) in a periodic or current report filed with the SEC.
>
> To the extent that one or more directors' resignations are accepted by the Board, the Corporate Governance and Responsibility Committee will recommend to the Board whether to fill such vacancy or vacancies or to reduce the size of the Board.

Any director who tenders his or her resignation pursuant to this provision will not participate in the Corporate Governance and Responsibility Committee recommendation or Board consideration regarding whether or not to accept the tendered resignation. If a majority of the members of the Corporate Governance and Responsibility Committee received a Majority Withheld Vote at the same election, then the independent directors who are on the Board who did not receive a Majority Withheld Vote will appoint a Board committee amongst themselves solely for the purpose of considering the tendered resignations and will recommend to the Board whether to accept or reject them. This Board committee may, but need not, consist of all of the independent directors who did not receive a Majority Withheld Vote.

This corporate governance guideline will be summarized or included in each proxy statement relating to an election of directors of the Company."

Certain information regarding each nominee is set forth below.

NOMINEES FOR ELECTION

GORDON M. BETHUNE, Former Chairman of the Board and Chief Executive Officer of Continental Airlines, Inc.

Mr. Bethune joined Continental Airlines, an international commercial airline company, 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. He was a director of Honeywell Inc. from April 1999 to December 1999.

Director since 1999	Age 64

JAIME CHICO PARDO, Vice Chairman and Chief Executive Officer of Telefonos de Mexico, S.A. de C.V. (TELMEX)

Mr. Chico Pardo joined TELMEX, a telecommunications company based in Mexico City, as its Chief Executive Officer in 1995. 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 Chairman of Carso Global Telecom and a director of America Movil, America Telecom and Grupo Carso, all of which are affiliates of Mr. Pardo's company, Telmex. He was a director of Honeywell Inc. from September 1998 to December 1999.

Director since 1999	Age 56

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.

Director since 2002	Age 53

D. SCOTT DAVIS, Chief Financial 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 1991, and has served as Senior Vice President, Chief Financial Officer and Treasurer since January 2001. Prior to assuming his current position, 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. Mr. Davis is also a director of UPS.

Director since 2005	Age 54

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 Lucent Technologies Inc. and Chevron Corporation.

Nominated for Election	Age 60

CLIVE R. HOLLICK, Managing Director, Kohlberg, Kravis and Roberts & Co. Ltd.

In April of 2005, Lord Hollick joined Kohlberg, Kravis and Roberts, a private equity firm, as Managing Director, focusing on investments in the media and financial services sectors. 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.

Director since 2003	Age 60

JAMES J. HOWARD, Chairman Emeritus of Xcel Energy Inc. (formerly known as Northern States Power Company)

Mr. Howard was Chairman of the Board of Xcel Energy Inc., an energy company, from August 2000 until August 2001. He was Chairman and Chief Executive Officer of Northern States Power since 1988, and President since 1994. Prior to 1987, Mr. Howard was President and Chief Operating Officer of Ameritech Corporation. Mr. Howard is also a director of Ecolab, Inc. and Walgreen Company. He was a director of Honeywell Inc. from July 1990 to December 1999.

Director since 1999	Age 70

BRUCE KARATZ, Chairman of the Board and Chief Executive Officer of KB Home

Mr. Karatz was elected Chief Executive Officer of KB Home, an international residential and commercial builder, in 1986, and Chairman of the Board in 1993. Mr. Karatz is also a director of Edison International. He was a director of Honeywell Inc. from July 1992 to December 1999.

Director since 1999	Age 60

RUSSELL E. PALMER, Chairman and Chief Executive Officer of the Palmer Group

Mr. Palmer established The Palmer Group, a private investment firm, in 1990, after serving seven years as Dean of The Wharton School of the University of Pennsylvania. He previously served as Managing Director and Chief Executive Officer of Touche Ross International and Managing Partner and Chief Executive Officer of Touche Ross & Co. (USA) (now Deloitte and Touche).

Director since 1987	Age 71

IVAN G. SEIDENBERG, Chairman and Chief Executive Officer of Verizon Communications Inc.

Mr. Seidenberg became Chairman of the Board of Verizon on January 1, 2004. He has served as the sole Chief Executive Officer since April 1, 2002, after serving as co-CEO when Verizon was formed in 2000. Verizon is one of the world's leading providers of communications services. He is also a director of Wyeth.

Director since 1995 Age 59

BRADLEY T. SHEARES, President of U.S. Human Health, Merck & Co., Inc.

Dr. Sheares assumed his current position with Merck & Co. in March of 2001. 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 49

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 BancWest Corporation, Guardian Life Insurance Company of America, and Grove Farm Land Corporation.

Director since 2003 Age 63

JOHN R. STAFFORD, Retired Chairman of the Board 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 a director of Verizon Communications Inc.

Director since 1993 Age 68

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 67

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 it 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.

Each non-employee director receives an annual Board cash retainer of $60,000. Each also receives a fee of $2,500 for each Board meeting attended (eight during 2005), an annual retainer of $10,000 for each Board Committee served ($15,000 for Audit Committee), and an additional Committee Chair 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 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. 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. 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 donor, per calendar year.

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 may be paid as either a lump sum or in equal annual installments. Directors may also elect to defer, until a specified calendar year or termination of Board service, all or any portion of their annual cash retainers and fees that are not automatically deferred, and to have such compensation credited to their account in the Deferred Compensation Plan. Amounts credited either accrue interest (5.3 percent for 2006) or are valued as if invested in common stock equivalents or one of the other funds available to participants in our savings plan. Amounts deferred in a common stock account earn amounts equivalent to dividends. Upon a change of control, a director will be entitled to a lump-sum payment of amounts deferred before 2006.

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. Each director also 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. Option grants vest in cumulative installments of 40 percent on April 1 of the year following the grant date and an additional 30 percent on April 1 of each of the next two years. 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 or disability.

The Company's non-employee director compensation program does not provide for perquisites, discounted purchases of Company securities, or annual Company contributions to tax-qualified defined contribution and other deferred compensation plans. No director receives consulting fees from the Company.

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 Company stock (including restricted shares) and/or common stock equivalents and (ii) hold net gain shares from option exercises for one year. Directors will have five years to attain the prescribed ownership threshold.

Proposal No. 2—APPROVAL OF INDEPENDENT ACCOUNTANTS

The Audit Committee, which is comprised entirely of independent directors, is recommending approval of its appointment of PricewaterhouseCoopers LLP (“PwC”) as independent accountants for Honeywell to audit its consolidated financial statements for 2006 and to perform audit-related services, including review of our quarterly interim financial information and periodic reports and registration statements filed with the SEC and consultation in connection with various accounting and financial reporting matters. If the shareowners do not approve, the Audit Committee will reconsider the appointment.

PwC provided audit and other services during 2005 and 2004 as set forth below:

(in millions of $)	2005	2004	
Audit Fees	25.8	25.9	Annual audit of the Company's consolidated financial statements, quarterly reviews of interim financial statements in the Company's Form10-Q reports, statutory audits of foreign subsidiaries, and Sarbanes-Oxley Section 404 work.
Audit-Related fees	3.3	2.9	Audit-related services primarily associated with the Company's merger and acquisition activity and audits of stand-alone financial statements of subsidiaries,
Tax Fees	2.1	4.6	Tax compliance services were $1.8 in 2005 and $3.4 in 2004, relating primarily to extra-territorial income and international tax compliance and sales and use tax compliance. Tax consultation and planning services were $0.3 in 2005 and $1.2 in 2004, relating primarily to value-added tax and reorganizations.
All Other Fees	0.1	0.1	The fee represents primarily licensing fees for electronic workpaper software used by our Corporate Audit Department.
Total Fees	31.3	33.5	

Audit, audit-related and tax compliance fees, in the aggregate, comprised 99% and 96% of the total fees paid by Honeywell to PwC in 2005 and 2004, respectively.

In accordance with its Charter, the Audit Committee reviews non-audit services proposed to be provided by PwC to determine whether they would be compatible with maintaining PwC's independence. The Audit Committee has established policies and procedures for the engagement of PwC to provide non-audit services. At its first meeting in each fiscal year, the Audit Committee reviews and approves an annual budget for specific categories of non-audit services (that are detailed as to the particular services) which PwC is to be permitted to provide (those categories do not include any of the prohibited services set forth under the auditor independence provisions of the Sarbanes-Oxley Act of 2002). This review includes an evaluation of the possible impact of the provision of such services by PwC on the firm's independence in performing its audit and audit-related services. On a quarterly basis, the Audit Committee reviews the non-audit services performed by, and amount of fees paid to, PwC, by category in comparison to the pre-approved budget. The engagement of PwC to provide non-audit services that do not fall within a specific category of pre-approved services, or that would result in the total fees payable to PwC in any category exceeding the approved budgeted amount, requires the prior approval of the Audit Committee. Between regularly scheduled meetings of the Audit Committee, the Chair of the Committee may represent the entire Committee for purposes of the review and approval of any such engagement, and the Chair is required to report on all such interim reviews at the Committee's next regularly scheduled meeting.

Honeywell has been advised by PwC that it will have a representative present at the Annual Meeting who will be available to respond to appropriate questions. The representative will also have the opportunity to make a statement if he or she desires to do so.

The Board of Directors recommends that the shareowners vote FOR the approval of the appointment of PricewaterhouseCoopers LLP as independent accountants.

AUDIT COMMITTEE REPORT

The Audit Committee of the Honeywell International Inc. Board of Directors is comprised of the six directors named below. Each member of the Audit Committee is an independent director as defined by applicable SEC rules and NYSE listing standards. In addition, our Board of Directors has determined that Russell E. Palmer and D. Scott Davis are “audit committee financial experts” as defined by applicable SEC rules and satisfy the “accounting or related financial management expertise” criteria established by the NYSE. The Audit Committee operates under a written charter adopted by the Board of Directors, which is available free of charge on our website under the heading “Investor Relations” (see “Corporate Governance”—“Board Committees”), or by writing to Honeywell, 101 Columbia Road, Morris Township, New Jersey 07962, c/o Vice President and Corporate Secretary.

Management is responsible for the Company's internal controls and preparing the Company's consolidated financial statements. The Company's independent accountants are responsible for performing an independent audit of the consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. The Committee is responsible for overseeing the conduct of these activities and, subject to shareowner ratification, appointing the Company's independent accountants. As stated above and in the Committee's charter, the Committee's responsibility is one of oversight. The Committee does not provide any expert or special assurance as to Honeywell's financial statements concerning compliance with laws, regulations or generally accepted accounting principles. In performing its oversight function, the Committee relies, without independent verification, on the information provided to it and on representations made by management and the independent accountants.

The Audit Committee reviewed and discussed the Company's consolidated financial statements for the year ended December 31, 2005 with management and the independent accountants. Management represented to the Audit Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee discussed with the independent accountants matters required to be discussed by Statement on Auditing Standard No. 61, *Communication with Audit Committees*. The Committee also reviewed, and discussed with management and PwC, management's report and PwC's report and attestation on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act.

The Company's independent accountants provided to the Audit Committee the written disclosures required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and the Committee discussed with the independent accountants their independence. The Audit Committee concluded that PwC's provision of non-audit services, as described in the preceding section of this proxy statement, to the Company and its affiliates is compatible with PwC's independence.

Based on the Audit Committee's discussion with management and the independent accountants and the Audit Committee's review of the representations of management and the report of the independent accountants, the Committee recommended that the Board of Directors include the audited consolidated financial statements in the Form 10-K for the year ended December 31, 2005 filed with the Securities and Exchange Commission.

THE AUDIT COMMITTEE
Russell E. Palmer, Chair
D. Scott Davis
James J. Howard
Eric K. Shinseki
John R. Stafford
Michael W. Wright

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 Honeywell Common Stock as of December 31, 2005.

Name and Complete Mailing Address	Number of Shares	Percent of Common Stock Outstanding
State Street Bank and Trust Company 225 Franklin Street, Boston, MA 02101	98,408,768 (1)	11.7 (2)
FMR Corp. 82 Devonshire Street, Boston, MA 02109	71,408,197 (3)	8.5

(1) State Street has sole voting power in respect of 27,913,411 shares; shared voting power in respect of 70,495,357 shares; and shared dispositive power in respect of all 98,408,768 shares listed above.
(2) State Street holds 8.4% 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 Corp. has sole voting power in respect of 3,902,822 shares; and sole dispositive power in respect of all 71,408,197 shares.

Stock Ownership of Directors and Executive Officers

The following table sets forth information as of February 24, 2006 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	Right to Acquire(3)	Other Stock-Based Holdings(4)
Gordon M. Bethune	26,473	3,000	13,500	9,973
Jaime Chico Pardo	30,279	3,113	13,500	13,666
David M. Cote	3,671,973	63,340	3,267,200	341,433
D. Scott Davis	9,267	7,000	0	2,267
Linnet F. Deily (5)	0	0	0	0
Robert J. Gillette	419,097	12,466	404,700	1,931
Clive R. Hollick	14,999	3,000	5,500	6,499
James J. Howard	76,193	7,942	13,500	54,751
Bruce Karatz	65,225	9,391	13,500	42,334
Russell E. Palmer	41,379	6,500	21,500	13,379
Ivan G. Seidenberg	46,282	3,965	21,500	20,817
Bradley T. Sheares	8,831	3,000	2,000	3,831
Eric K. Shinseki	16,671	3,016	5,500	8,155
John R. Stafford	63,965	24,465	19,500	20,000
Michael W. Wright	85,380	5,250	13,500	66,630
David J. Anderson	301,147	299	299,800	1,048
Roger Fradin	496,860	2,935	420,750	73,175
Peter M. Kreindler	1,131,539	64,838	1,040,000	26,701
All directors, nominees and executive officers as a group, including the above-named persons (23 people)	8,286,692	276,899	7,235,250	774,543

(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 0.45%, and the total for the group is approximately 1.0%, of the shares of Common Stock outstanding.

(3) 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.

(4) Includes shares and/or share-equivalents in deferred accounts, as to which no voting or investment power exists. Also includes the following number of shares subject to shared dispositive power: Mr. Stafford, 8,000 shares; and all directors and executive officers as a group, 51,625 shares.

(5) Ms. Deily is a nominee for election to the Board at the 2006 Annual Meeting of Shareowners.

EXECUTIVE COMPENSATION
Report of the Management Development and Compensation Committee

The Management Development and Compensation Committee of the Board of Directors (the "Committee") (i) reviews and approves executive compensation-related corporate and individual goals and objectives, (ii) evaluates the Chief Executive Officer's (CEO) performance relative to established goals and objectives and reviews and, together with the other independent, non-employee directors, determines the CEO's compensation, (iii) determines the compensation of Honeywell's officers, (iv) oversees the design and administration of Honeywell's executive compensation program, and (v) annually prepares this report for inclusion in the proxy statement. The Committee is composed entirely of independent, non-employee directors.

Objectives of Executive Compensation Program

Honeywell's executive compensation program is designed to:

- Attract and retain highly qualified executives with the leadership skills and experience necessary to build long-term shareowner value;

- Motivate executives to achieve rigorous business and financial goals consistent with Honeywell's annual operating plan, five-year strategic plan and its initiatives regarding growth, productivity, cash, people and the enablers (Velocity Product Development, Functional Transformation Initiative, and the Honeywell Operating System) (the "Honeywell Initiatives"); and

- Reward executives for the achievement of these goals.

A significant portion of each executive's compensation (80% to 90% for executive officers) is variable, at risk and directly dependent upon the achievement of pre-established financial goals and individual performance objectives and upon stock price appreciation. The Committee has also established stock ownership guidelines to ensure further alignment between the interests of executives and shareowners.

Total executive compensation, including long-term incentive compensation and equity-based awards, is highly differentiated based on individual performance, including the executive's effectiveness in leading his or her business or function's efforts in driving the five Honeywell Initiatives and the twelve Honeywell Behaviors and in demonstrating strong commitment to integrity, compliance and corporate responsibility.

Each year, the Committee reviews the executive compensation program with respect to the linkage between executive compensation and the creation of shareowner value, as well as the external competitiveness of the program, and determines what changes, if any, are appropriate.

Elements of Executive Compensation Program

Honeywell's executive compensation program consists of the following elements: base salary, annual incentive bonus, and cash and equity-based long-term incentive compensation awards.

Each component of the executive compensation program is addressed in the context of competitive conditions and the Committee reviews external benchmark information from multiple independent executive compensation surveys and consultants. The Committee believes that the Company's most direct competitors for executive talent are not necessarily the same companies that would be included in a peer group established to compare shareowner returns. Thus, the peer group used in setting competitive compensation levels is not the same as the peer group index reflected in the Performance Graph on page 28 of this proxy statement. As further discussed below, the peer group used for compensation purposes consists of companies that have 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 otherwise compete with Honeywell for management talent.

In setting executive compensation levels, the Committee considers all elements of the executive compensation program in total rather than each element in isolation. In addition to reviewing competitive compensation data, the Committee annually reviews tally sheets reflecting each executive officer's three-year compensation history with respect to each element of the executive compensation program, as well as projected payouts under the Company's supplemental retirement plans, and prior one-time awards or grants (*e.g.,* sign on or make whole awards or grants made at the time the executive joined Honeywell).

The Committee also retains an independent consultant to assist in its review of relevant data and determination of appropriate executive compensation levels.

Base Salary. The base salaries of Honeywell's executive officers are established based on the scope of their responsibilities, taking into account the individual's skills and experience and competitive market compensation paid by peer companies (see discussion above) for comparable positions. The Committee reviews base salaries annually and makes adjustments in accordance with individual performance and from time to time to recognize promotions. Generally, annual increases in the base salary levels of Honeywell's executive officers range from 3% to 5% over the prior year's salary. Base salary generally comprises only 10% to 20% of the total compensation of Honeywell's executive officers.

Annual Incentive Bonus. Each executive officer is eligible, under the Company's Incentive Compensation Plan for Executive Employees, for an annual cash incentive award in an amount up to a target percentage of the executive officer's base salary. An executive officer's annual incentive bonus generally comprises 15% to 20% of his or her total compensation.

The annual incentive bonuses are paid from a pool that is funded based upon Honeywell's achievement of pre-established annual corporate financial objectives—earnings per share (EPS) and free cash flow, weighted equally, in 2005. Funding levels range from 0% if the Company fails to achieve at least 75% of the targeted financial objective, to 100% if the Company achieves 100% of target, to 200% if the Company achieves over 133% of target. In the case of a Strategic Business Group ("SBG"), the SBG's bonus pool is based on that SBG's net income and free cash flow performance (weighted equally). Unusual, infrequently occurring and/or extraordinary items ("Extraordinary Items") are excluded in determining achievement of the corporate financial objectives. The EPS component of the annual incentive bonus pool is also subject to upward or downward adjustment (to a maximum of 25% in either direction) based on Honeywell's relative EPS growth performance versus a pre-established group of 36 peer companies comprising the Aerospace & Defense, Conglomerates, Auto Parts & Equipment, Specialty Chemicals, Diversified Chemical and Industrial Machinery subgroups of the S&P 500 Index ("Peer EPS Growth Adjustment").

Bonus targets for executive officers (other than the CEO) generally range from 75% to 100% of base salary. Actual awards can range from 0% to 200% of target, depending upon performance against the pre-established, weighted financial objectives discussed above and other specific management objectives (e.g., quality, delivery and other customer satisfaction metrics, productivity and working capital metrics, driving process and functional excellence, driving innovation through velocity product development and new product introductions, and promoting learning, integrity and compliance in the workplace). The types and relative importance of non-financial objectives varies depending upon the particular operation or functions for which the executive officer is responsible.

For 2005, Honeywell exceeded its corporate EPS goal and its corporate free cash flow objectives. In addition, the EPS component of the pool was increased as a result of the Peer EPS Growth Adjustment. Accordingly, the overall corporate bonus pool was funded at 120% of target. Bonus pool funding for the individual SBGs varied between 90% of target and 140% of target. Individual bonuses awarded to the executive officers (other than the CEO) ranged from 96% to 148% of target, consistent with our philosophy of differentiating pay based on performance.

For 2006, annual incentive bonuses will be based upon the achievement of financial objectives relating to EPS, free cash flow and, to drive more efficient use of capital, working capital turns, weighted 50%, 25% and 25%, respectively. Working capital turns is defined as sales divided by working capital (accounts receivable plus inventory less accounts payable). In the case of an SBG, target bonus will be based on that SBG's performance against those metrics (substituting net income in place of EPS at the SBG level).

Long-Term Incentive Compensation. The primary purpose of Honeywell's long-term incentive compensation program is to drive maximum shareowner return by directly aligning the interests of the executives and shareowners and motivating key executives to remain with the Company. Long-term incentive compensation comprises approximately 50% to 60% of the total compensation of executive officers (other than the CEO), of which approximately 67% is equity-based and 33% is cash-based.

Stock Options. The Committee makes annual grants of stock options to Honeywell's officers. These options have an exercise price equal to the fair market value of the Company's common stock on the grant date, and generally vest over a three-year period and expire ten years after the grant date. Stock options directly align the interests of executives and shareowners as the options only have value to the recipients if the Company's stock price appreciates after the options are granted. The repricing of stock options without shareowner approval is expressly prohibited under the Company's 2003 Stock Incentive Plan as well as under the proposed 2006 Stock Incentive Plan.

Actual stock option award levels are based primarily upon the executive's potential to contribute to the future financial performance of the Company and to assume increased leadership responsibilities. In 2005, actual option grants for executive officers ranged from 75,000 shares to 150,000 shares. The Company's executive stock ownership guidelines (see below) ensure that appropriate focus is maintained on long-term performance rather than short-term market fluctuations.

Growth Plan. The Committee also administers a long-term, cash-based compensation program under which executives are granted awards in the form of Growth Plan Units, which have a target value of $100 per unit. The number of units awarded is equal to 10% of the number of stock options awarded to the executive in the first year of each two-year performance cycle. Growth Plan Units encourage executives to focus on the Company's achievement of specific, multi-year financial objectives that are aimed at driving shareowner value and that are consistent with Honeywell's strategic plan and growth initiatives. At the corporate level, payments relating to Growth Plan Units awarded with respect to the 2003-2004 and 2005-2006 performance cycles were and are contingent upon the achievement of specified financial objectives regarding organic revenue growth and return on investment (ROI), weighted equally. For an SBG, 50% of performance is based on those corporate goals, while the 50% balance is weighted equally between SBG revenue growth and SBG ROI goals. In addition, the Growth Plan pool for a given performance cycle does not fund unless Honeywell achieves an established minimum annual EPS growth rate over the two-year performance cycle.

Actual Growth Plan payouts can range from 0% to 200% of target, depending upon performance against those established financial objectives. The Growth Plan cash awards earned for the 2003-2004 performance cycle ranged from 137% to 187% of target depending on SBG as Honeywell and each SBG exceeded both financial objectives during the performance cycle. Fifty percent of earned awards for the 2003-2004 performance cycle was paid in the first quarter of 2005 and the remaining fifty percent was paid in the first quarter of 2006.

Restricted Units. In addition to stock options and Growth Plan Units, the Company may award restricted units to select individual executives in connection with promotions, for retention purposes and to reward executives who have exhibited sustained exceptional performance and who are determined to have high potential for future contributions to Honeywell. Each restricted unit entitles the holder to one share of Honeywell common stock at the end of an extended vesting period, typically vesting 33% on the 3rd anniversary of grant, 33% on the 5th anniversary of grant, and 34% vesting on the 7th anniversary of grant. In 2005, the Committee awarded restricted units to each of Mr. Fradin (50,000 shares) and Mr. Gillette (50,000 shares).

Other Aspects of Executive Compensation Program

Perquisites. Honeywell provides executives with perquisites that the Company and the Committee believe are reasonable, competitive and consistent with the overall executive compensation program in that they help the Company attract and retain the best leaders. The Summary Compensation Table on page 25 of this proxy statement contains itemized disclosure of all perquisites provided to the executives named in the table (Named Executive Officers), regardless of amount. The Company adopted this practice, which goes beyond both current and proposed SEC disclosure requirements, in 2003.

Deferred Compensation. In July 2005, the Committee approved amendments to certain nonqualified deferred compensation plans that the Company maintains for the benefit of its executive officers and certain other employees. The purpose of the amendments was to conform the plans to the requirements of section 409A of the Internal Revenue Code of 1986 (as amended) and to reduce the long-term cost of the plans to the Company. The amendments included changing the rate of notional interest credited to a participant's deferred amounts from an above market rate set annually (which 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 (5.2% for 2005 and 5.3% for 2006) that is subject to change annually.

Stock Ownership Guidelines. In February 2003, the Committee adopted minimum stock ownership guidelines for all Honeywell officers. The ownership requirement for the CEO is Honeywell stock equal in value to six times the current annual base salary. The other Named Executive Officers, are required to own shares equivalent in value to four times their current annual base salary (with the remaining officers having an ownership threshold set at two times base salary. Each of the Named Executive Officers holds shares in excess of the established ownership guidelines.

In addition, the stock ownership guidelines call for officers to hold for at least one year the net shares from restricted stock unit vesting (with respect to restricted stock units granted after the adoption of the stock ownership guidelines) or the net gain shares of Honeywell stock that they receive by exercising stock options. For this purpose, “net shares” means the number of shares obtained from restricted stock unit vesting, less the number of shares the executive sells to pay Company withholding taxes. “Net gain shares” means the number of shares obtained by exercising the option, less the number of shares the executive sells to: (a) cover the exercise price of the options, and (b) pay the Company withholding taxes. After minimum ownership levels are met, officers would be able to sell shares above the minimum required level after satisfying the one-year holding period. These guidelines are subject to periodic review to ensure the levels are appropriate.

Tax Deductibility of Compensation. The Internal Revenue Code restricts deductibility of annual individual compensation to Honeywell's top executive officers in excess of $1 million if certain conditions set forth in the Code are not fully satisfied. Honeywell intends, to the extent practicable, to preserve deductibility under the Internal Revenue Code of compensation paid to its executive officers while maintaining compensation programs that effectively attract and retain exceptional executives in a highly competitive environment and, accordingly, compensation paid under Honeywell's stock plan and incentive compensation plans is generally tax-deductible. However, on occasion it is not possible to satisfy all conditions of the Internal Revenue Code for deductibility and still meet Honeywell's compensation needs, and in such limited situations, certain compensation paid to some executives is not tax-deductible.

Compensation of the Chief Executive Officer

The Committee recommends, and the independent, non-employee directors (including the members of the Committee) approve, the compensation of the Chief Executive Officer (CEO). In determining its recommendations, the Committee evaluates the CEO's performance in light of established goals and objectives and applies the same principles it follows in determining the compensation of the Company's other officers. The Committee retains an independent consulting firm to assist in its review of CEO compensation.

Per his employment agreement, Mr. Cote received a base salary of $1.5 million in 2005. In February 2006, the Committee recommended (and the independent, non-employee directors approved) a 10% increase in Mr. Cote's base salary (to $1.65 million), effective March 31, 2006. In determining the amount of the recommended base salary increase, the Committee considered (i) competitive data provided by its compensation consultant, (ii) the fact that Mr. Cote's base salary had not previously been increased since he joined the Company in February 2002, and (iii) his critical

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leadership role in driving consistent, strong financial and operational performance during his tenure, including, without limitation, the following accomplishments:

- compounded annual growth of 10%, 17%, 12%, and 8% in sales, segment profit, earnings per share and free cash flow, respectively, during the 2003-2005 period;

- implementing disciplined capital allocation strategy that has returned more than $1.9 billion to shareowners through share repurchases, and increased the dividend by more than 20%;

- transforming Honeywell's portfolio of businesses to better enable sustainable profitable growth through the divestiture of non-core businesses (particularly in its Specialty Materials segment), the completion and integration of acquisitions in key growth segments, and continuous investment in organic growth;

- re-emphasizing the focus on customer service by driving improved quality and delivery and increased ease of doing business with the Company;

- driving innovation through alignment of strategy and technology development and reducing cycle time to bring new products to market faster; and

- creating a “one company” performance culture through the establishment of the five Honeywell Initiatives, the twelve Honeywell behaviors, common processes and common systems.

Mr. Cote was awarded an annual incentive bonus of $3,000,000 for 2005, which represents a 25% increase over his 2004 incentive bonus, and 20% of his overall 2005 compensation. In determining its recommendation as to the level of award, the Committee considered, in addition to the Company's performance against the corporate financial objectives discussed above, the continued progress of Mr. Cote and his management team in driving continuous progress and improvement through the five Honeywell Initiatives. Specific 2005 accomplishments considered by the Committee included, without limitation, the following:

- strong performance relating to all key financial metrics:
  - — sales up 8% to $27.7 billion, including 5% organic sales growth;
  - — 30% increase in earnings per share;
  - — $1.8 billion of free cash flow, representing a conversion of more than 100% of net income; and
  - — over $400 million of segment profit growth, with 70 basis points of margin expansion.
- completion of significant portfolio actions that better position the Company for future growth:
  - — acquisition and integration of Novar and Zellweger into Automation and Control Solutions;
  - — acquisition of full ownership of UOP, a leading worldwide technology supplier to the refinery and petrochemical industries; and
  - — divestiture of non-core Specialty Materials businesses (industrial wax, U.S. nylon carpet fibers).
- significant actions to simplify the business, increase customer focus and reduce costs:
  - — Aerospace realignment;
  - — consolidation of Friction Materials into the Consumer Products Group in Transportation Systems; and
  - — exit from the North American original equipment business in Friction Materials.
- introduction of functional transformation initiative aimed at improving process quality and service and reducing costs in each function (Finance, HR, IT, Procurement, Law, etc.);

- development of standard implementation framework and launch of pilots for Honeywell Operating System designed to drive sustained improvements in safety, quality, delivery, cost and inventory;

- achieving growth and increasing return to shareowners through capital allocation strategy:
  - disciplined acquisition process generated eight completed transactions;
  - repurchased over $1 billion of common stock and authorized the repurchase of an additional $3 billion; and
  - increased the dividend rate by 10% for the second year in a row.
- improved executive talent pool, as reflected in increasing internal promotion rates versus outside hires, and stable executive turnover rates.

Pursuant to its Charter, in reviewing the long-term incentive component of CEO compensation, the Committee considered the Company's financial performance and relative shareowner return, the value of similar incentive awards to CEOs at comparable companies, and the awards given to the CEO in past years. Cash-based long-term incentive compensation based on the achievement of specific corporate financial objectives comprised 41% of Mr. Cote's overall 2005 compensation and equity-based long-term incentive compensation which has value only upon stock price appreciation comprised 59% of Mr. Cote's overall 2005 compensation.

Mr. Cote was granted 600,000 stock options in 2005 in recognition of his leadership in driving continuous improvement in financial and operational performance through the five Honeywell Initiatives.

Mr. Cote received a cash award of $4.48 million in the first quarter of 2006, representing the second and final installment of his earned Growth Plan cash award for the 2003-2004 performance cycle. Mr. Cote also received an award of 60,000 Growth Units (10% of the number of options he was granted) with a target value of $6 million ($100 per Unit) for the 2005-2006 performance cycle (see discussion of Growth Plan above.)

No restricted stock or restricted stock units were awarded to Mr. Cote during 2005.

Overall, approximately 90% of Mr. Cote's 2005 direct compensation was variable, at risk and directly dependent upon the achievement of pre-established corporate financial goals and management objectives and upon stock price appreciation. See the Summary Compensation Table and related footnotes beginning on page 25 for further detail regarding Mr. Cote's 2005 compensation and “Employment and Termination Arrangements” on page 28 for further discussion of Mr. Cote's employment agreement.

The Management Development and Compensation Committee:

John R. Stafford, Chairman
Gordon M. Bethune
Clive R. Hollick
Bruce Karatz
Ivan G. Seidenberg
Bradley T. Sheares

Summary Compensation Table

The following table provides a summary of cash and non-cash compensation paid to, earned by or awarded to Honeywell's Chief Executive Officer during 2005 and the other four most highly compensated executive officers of Honeywell during 2005.

					Long Term Compensation			
		Annual Compensation			Awards		Payouts	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(I)
Name and Principal Position	Year	Salary($)	Bonus($)	Other Annual Compensation($)(1)	Restricted Stock Awards($)(2)	Securities Underlying Options/SARs (Shares)	LTIP Payouts($)(3)	All Other Compensation($)(4)
David M. Cote Chairman of the Board and Chief Executive	2005	$ 1,500,000	$ 3,000,000	$ 230,147	$ —	600,000	$ 4,476,548	$ 533,553
	2004	1,500,000	2,400,000	292,657	—	600,000	4,476,548	501,861
	2003	1,500,000	2,100,000	596,954	—	600,000	—	2,665,027
David J. Anderson (5) Senior Vice President Chief Financial Officer	2005	726,466	880,000	51,200	—	150,000	1,297,500	149,649
	2004	700,000	800,000	412,476	—	150,000	1,297,500	436,485
	2003	368,219	700,000	149,310	4,323,000	262,000	—	2,260,719
Roger Fradin (6) President and Chief Executive Officer Automation and Control Solutions	2005	622,685	825,000	52,329	1,964,000	150,000	513,750	140,728
	2004	587,705	600,000	54,214	229,230	150,000	1,843,750	302,475
	2003	—	—	—	—	—	—	—
Peter M. Kreindler Senior Vice President and General Counsel	2005	622,685	775,000	49,196	—	150,000	1,297,500	568,316
	2004	600,000	700,000	42,950	—	150,000	1,297,500	489,590
	2003	587,110	575,000	42,430	—	150,000	—	472,362
Robert J. Gillette (7) President and Chief Executive Officer Aerospace	2005	547,945	575,000	51,933	1,710,500	150,000	935,000	26,391
	2004	—	—	—	—	—	—	—
	2003	—	—	—	—	—	—	—

(1) Other Annual Compensation consists of the following:

		Mr. Cote	Mr. Anderson	Mr. Fradin	Mr. Kreindler	Mr. Gillette
Personal use of company aircraft*	2005	108,579	—	—	9,996	—
	2004	101,500	6,400	—	3,800	—
	2003	107,175	15,000	—	3,300	—
Personal financial planning services	2005	22,350	—	—	—	—
	2004	26,385	—	—	—	—
	2003	29,350	—	—	—	—
Cash flexible perquisite payments	2005	25,000	50,000	50,000	38,000	50,000
	2004	—	50,000	50,000	38,000	—
	2003	12,500	26,096	—	38,000	—
Temporary housing	2005	—	—	—	—	—
	2004	—	21,348	—	—	—
	2003	73,194	20,227	—	—	—
Excess liability insurance						

	2005	1,200	1,200	1,200	1,200	1,200
	2004	1,150	1,150	1,150	1,150	—
	2003	1,130	471	—	1,130	—
Personal use of company car**	2005	53,167	—	—	—	—
	2004	55,390	—	—	—	—
	2003	66,651	—	—	—	—
Security	2005	—	—	—	—	—
	2004	36,597	—	—	—	—
	2003	169,978	—	—	—	—
Tax reimbursement payments***	2005	19,851	—	1,129	—	733
	2004	71,635	333,578	3,064	—	—
	2003	136,976	87,516	—	—	—
Totals	2005	$ 230,147	$ 51,200	$ 52,329	$ 49,196	$ 51,933
	2004	292,657	412,476	54,214	42,950	—
	2003	596,954	149,310	42,950	42,430	—

* Mr. Cote is required by Company policy to use Company aircraft for all travel.
** For Mr. Cote, includes the cost of drivers who also serve as security.
*** Mr. Anderson's relocation required a loss on sale payment which included tax reimbursement in 2004.

(2) The information in this column is based upon the closing price of Common Stock on the date of grant. Each restricted unit entitles the holder to a share of Common Stock on vesting. Common Stock dividend equivalents are payable on each restricted unit prior to vesting. The restricted units shown in the Summary Compensation Table vest as follows: Mr. Anderson, 24,750 will vest on July 25, 2006, 49,500 will vest on July 25, 2007, 50,250 will vest on July 25, 2008 and 25,500 will vest on July 25, 2009; Mr. Fradin, 3,215 vested on February 6, 2005, 3,215 vested on February 6, 2006, 16,500 will vest on July 29, 2008, 16,500 will vest on July 29, 2010, and 17,000 will vest on July 29, 2012; Mr. Gillette, 16,500 will vest on January 7, 2008, 16,500 will vest on January 7, 2010, 17,000 will vest on January 7, 2012. The total number of unvested restricted units held by the Named Executive Officers, and their value, both as of December 31, 2005, are as follows: Mr. Cote, 693,400 ($25,829,150); Mr. Anderson, 150,000 ($5,587,500); Mr. Fradin, 90,715 ($3,379,134); and Mr. Gillette, 83,500 ($3,110,375); and all restricted units vest in the event of the Normal/Full retirement, death or Total Disability of the grantee, or upon a Change in Control of Honeywell, as such terms are defined in the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates and the 2003 Stock Incentive Plan for Employees of Honeywell International Inc. and its Affiliates.

(3) Represents the second 50% installment of earned awards under the Growth Plan for the 2003-2004 performance period, paid in the first quarter of 2006. Growth Plan awards were determined by the Committee by comparing the Company's actual performance with revenue growth and return on investment targets (each measure equally weighted) established by the Committee for the performance period. The Committee also established a minimum earnings per share growth target that had to be met before any amounts would be paid under the Growth Plan.

(4) All other compensation for 2005 consists of the following:

	Mr. Cote	Mr. Anderson	Mr. Fradin	Mr. Kreindler	Mr. Gillette
Above market interest*	$ 464,190	120,615	90,910	498,823	10,942
Matching contributions	60,000	29,034	49,818	49,772	14,969
Executive life insurance	—	—	—	19,721	—
Above Plan Relocation	9,363	—	—	—	480
Total	$ 533,553	$ 149,649	$ 140,728	$ 568,316	$ 26,391

* Represents the difference between market interest rates determined pursuant to SEC rules and the 8–11% interest credited by the Company on deferred salary, deferred incentive compensation, and amounts deferred under the supplemental savings programs. Generally, for amounts deferred before January 1, 2006 under the salary and incentive compensation deferral plans, the Executive Officer must remain employed by the Company for at least three years following the deferrals or retire in order to obtain the full stated interest rate. As noted in the Report of the Management Development and Compensation Committee on Executive Compensation, for amounts generally deferred after January 1, 2005, an interest rate equal to the Company's 15-year borrowing rate will be used instead of the above market interest rates. This rate is subject to change annually and was 5.2% for 2005, and is 5.3% for 2006.

(5) Mr. Anderson was hired on June 23, 2003.

(6) Mr. Fradin was named President and Chief Executive Officer, Automation and Control Solutions on January 5, 2004.

(7) Mr. Gillette was named President and Chief Executive Officer, Aerospace on January 7, 2005.

Option Grants in Last Fiscal Year

The stock options included in the following table were all granted with an exercise price equal to 100 percent of the fair market value of the Common Stock on the date of grant.

Name	Number of Securities Underlying Options Granted(1)	% of Total Options Granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Grant Date Present Value(2)
D.M. Cote	600,000	5.85%	$ 36.51	02/01/15	$ 6,438,000
D.J. Anderson	150,000	1.46%	36.51	02/01/15	1,609,500
R. Fradin	150,000	1.46%	36.51	02/01/15	1,609,500
P.M. Kreindler	150,000	1.46%	36.51	02/01/15	1,609,500
R.J. Gillette	150,000	1.46%	36.51	02/01/15	1,609,500

(1) Vesting will occur 40% on January 1, 2006 and 30% on each of January 1, 2007 and January 1, 2008. These options expire if not exercised within ten years, and immediately vest upon the Full Retirement, death or Total Disability of the grantee, or upon a Change in Control of Honeywell, as such terms are defined in the Plan.

(2) Options are valued using a Black-Scholes option pricing model that assumes the following: a historic five-year average volatility of 35.3% the average dividend yield for the three years ended December 31, 2005 (2.4%), a 3.71% risk-free rate of return (based on the average zero coupon five-year U.S. Treasury note yield for the month of grant), and an expected option life of 5.0 years based on past experience. No adjustments are made for non-transferability or risk of forfeiture. Options will have no actual value unless, and then only to the extent that, the Common Stock price appreciates from the grant date to the exercise date.

Aggregated Option Exercises in Last Fiscal Year and FY-End Option Values

			Number of Securities Underlying Unexercised Options at Year-End		Value of Unexercised In-the-Money Options at Year-End	
Name	Shares Acquired on Exercise(#)	Value Realized	Exercisable	Unexercisable	Exercisable	Unexercisable
D.M. Cote	—	—	2,537,200	1,465,000	$ 13,243,164	$ 4,675,350
D.J. Anderson	—	—	194,800	367,200	$ 1,325,376	$ 1,415,064
R. Fradin	—	—	293,250	262,500	$ 1,263,110	$ 554,700
P.M. Kreindler	—	—	890,000	285,000	$ 1,690,600	$ 854,400
R.J. Gillette	—	—	277,200	255,000	$ 1,138,176	$ 630,600

LONG-TERM INCENTIVE PLANS—AWARDS IN LAST FISCAL YEAR

			Estimated Future Payouts Under Non-Stock-Price-Based Plans(2)		
Name	Number of Units(1)	Performance Period	Threshold($)	Target($)	Maximum($)

D.M. Cote	60,000	2005–2006	3,000,000	6,000,000	12,000,000
D.J. Anderson	15,000	2005–2006	750,000	1,500,000	3,000,000
R. Fradin	15,000	2005–2006	750,000	1,500,000	3,000,000
P.M. Kreindler	15,000	2005–2006	750,000	1,500,000	3,000,000
R.J. Gillette	15,000	2005–2006	750,000	1,500,000	3,000,000

(1) Each of the Named Executive Officers has been granted contingent long-term performance awards denominated in dollars ($100 per unit) ("Growth Plan Units").

(2) The actual payouts from Growth Plan Units will be determined and approved by the Management Development and Compensation Committee based on the actual performance against organic

revenue growth and return on investment targets (each measure equally weighted) established by the Committee for the two-year performance period (January 1, 2005 through December 31, 2006). The Committee also established a minimum earnings per share growth target that must be met before any amounts will be paid. If the threshold performance is not met, no awards will be paid. Fifty percent of earned awards, if any, would be paid in the first quarter of 2007, with the remaining fifty percent paid one year later.

Performance Graph

The following graph compares the five-year cumulative total return on our Common Stock to the total returns on the Standard & Poor's 500 Stock Index and a composite of Standard & Poor's Aerospace and Defense and Industrial Conglomerates indices, on an equally weighted basis (the “Composite Index”). The selection and weighting of the Aerospace and Defense component of the Composite Index was deemed appropriate in light of the fact that Honeywell's Aerospace segment has accounted for, on average, approximately 50% of our aggregate segment profits over the past three completed fiscal years. The selection and weighting of the Industrial Conglomerates component of the Composite Index reflects the diverse and distinct range of non-aerospace businesses conducted by Honeywell and their contribution to our overall segment profits. The annual changes for the five-year period shown in the graph are based on the assumption that $100 had been invested in Honeywell stock and each index on December 31, 2000 and that all dividends were reinvested.

Honeywell

S&P 500®

Composite Index

2000

2001

2002

2003

2004

2005

0

50

100

150

D

O

L

L

A

R

S

Dec 2000

100

100

100

Dec 2001

Dec 2002

Dec 2003

Dec 2004

Dec 2005

72.91

88.11

86.04

52.95

68.64

66.40

75.85

88.33

85.65

82.08

97.94

100.80

106.90

102.75

88.27

Employment and Termination Arrangements

Mr. Cote's employment agreement provides for his employment as Chairman and Chief Executive Officer through February 18, 2007, with automatic extensions of such agreement that retain a minimum three-year term. During the term of his agreement, Mr. Cote will have an annual salary of at least $1,500,000, an annual target bonus opportunity equal to 125 percent of his base salary and shall be eligible for annual equity awards based on a target value of 230% of his then current base salary and annual incentive bonus target. If his employment is terminated by Honeywell other than for cause (as defined in his agreement) prior to the expiration of his agreement, Honeywell will continue to provide Mr. Cote with compensation, benefits, and other compensation arrangements through his date of termination and following that, Mr. Cote will receive benefits under the Severance Plan for Senior Executives, described below. If Mr. Cote is terminated other than for cause, death or disability, or if he terminates his employment for ‘good reason' (as defined in his agreement), his unvested, non-performance based equity awards would remain outstanding and vest as scheduled. In the event of a change in control, Honeywell's obligation to provide certain life insurance benefits for Mr. Cote would become irrevocable and Honeywell would be required to immediately fund a trust in an amount sufficient to pay projected future premiums with respect to such insurance benefits. See also “Report of the Management Development and Compensation Committee” and “Retirement Benefits.”

Under the Severance Plan for Senior Executives, the executive officers named in the Summary Compensation Table (except Mr. Fradin and Mr. Gillette) 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 if their employment is terminated by Honeywell other than for gross cause (which includes fraud, theft, intentional misconduct and criminal conduct). Mr. Fradin and Mr. Gillette would receive severance payments and benefits for a period of 18 months (24 months in the event of a change in control) under the Severance Plan for Senior Executives. Following a voluntary resignation for "good reason' after a change in control, the payments would be made in a lump sum. The Severance Plan for Senior Executives provides for an additional payment sufficient to eliminate the effect of any applicable excise tax on payments in excess of an amount determined under Section 280G of the Internal Revenue Code. Payments subject to the excise tax would not be deductible by Honeywell.

Retirement Benefits

The following table illustrates the estimated annual pension benefits which would be provided on retirement at age 65 under Honeywell's Retirement Earnings Plan and related unfunded supplemental retirement plans (collectively, the “Honeywell Pension Program”), after applicable deductions for Social Security benefits and assuming completion of the required five years of service, to the salaried executives identified in the following paragraph with the specified average annual remuneration and years of service.

Pension Table

Average Annual Remuneration	Years of Credited Service 5	10	15	20	25–30	35	40
$ 1,000,000	$ 85,608	$ 185,608	$ 285,608	$ 385,608	$ 485,608	$ 518,841	$ 592,961
1,200,000	105,608	225,608	345,608	465,608	585,608	623,841	712,961
1,400,000	125,608	265,608	405,608	545,608	685,608	728,841	832,961
1,600,000	145,608	305,608	465,608	625,608	785,608	833,841	952,961
1,800,000	165,608	345,608	525,608	705,608	885,608	938,841	1,072,961
2,000,000	185,608	385,608	585,608	785,608	985,608	1,043,841	1,192,961
4,000,000	385,608	785,608	1,185,608	1,585,608	1,985,608	2,093,841	2,392,961

The benefit amounts shown in the Pension Table are computed on a straight-life annuity basis. At January 1, 2006, the following individuals have approximately the indicated number of years of credited service for purposes of using the Pension Table above to calculate pension benefits under the Honeywell Pension Program: Mr. Anderson, 6.0 (includes 3.5 years of service with former employer); Mr. Kreindler, 14; and Mr. Gillette, 9.0. The pension benefits for Mr. Cote and Mr. Fradin are described below. Normal retirement age for all executives other than Mr. Cote is age 65. Except as otherwise noted below, executives may elect to receive the value of their supplemental retirement plan benefits in a lump sum.

The amounts in the Salary and Bonus columns of the Summary Compensation Table for 2005 would be included in computing remuneration for pension purposes. Average annual remuneration under the Honeywell Pension Program is calculated based on the highest paid 60 consecutive months of an employee's last 120 months of employment.

Under Mr. Cote's employment agreement he is entitled to receive a retirement benefit, expressed as a single life annuity commencing at age 60, equal to 60 percent of final average compensation (based on his final three years of base salary and bonus) payable annually for his lifetime, with a lifetime surviving spouse benefit equal to 75% of his benefit. Benefits under his agreement will be reduced by (i) 4% per year for each year that such benefits commence prior to Mr. Cote's 60th birthday, and (ii) any retirement benefits payable under the Honeywell Pension Program (or under any other generally applicable Honeywell pension arrangements) and benefits payable under retirement plans of former employers. The value of the non-qualified portion of this benefit is also available in a lump sum following termination of employment. Mr. Cote's agreement further provides that his retirement benefit is forfeitable if he voluntarily terminates employment with Honeywell without good reason prior to completing 5 years of service or is terminated by Honeywell for cause. The additional retirement benefit required by Mr. Cote's employment agreement is payable at the same time, in the same manner and under the same terms and conditions, as under any other non-qualified pension plan in the Honeywell Pension Program in which Mr. Cote participates on his termination date. If Mr. Cote is entitled to severance payments following his termination, up to twelve months of severance payments shall be taken into account for purposes of calculating final average compensation and service. Assuming his retirement at age 60, based on his current final average compensation, Mr. Cote would be entitled to an annual retirement benefit of $2,400,000 under his agreement, before reduction of such amount by retirement benefits from Honeywell and prior employers.

Mr. Anderson's total benefit under the Honeywell Pension Program will be expressed as an annuity based on 2% of his final average annual remuneration (as described above) times full years of credited service up to 25 years, less 64% of estimated Social Security benefits. If Mr. Anderson retires, based on his employment agreement, his service shall include both his Honeywell years of employment and years of employment with his former employer, ITT Industries, for all purposes. If Mr. Anderson retires from the Company on or after attaining age 60, he is terminated by the Company for reasons other than cause, or there is a change in control, he will be entitled to an additional annual pension benefit of $125,000 (or $175,000 if he retires from the Company on or after attaining age 62). If it is assumed that Mr. Anderson's eligible compensation remains at the amount reported for the Company's last fiscal year, the estimated total annual retirement benefit payable at his normal retirement age on a single life annuity basis would be $630,785.

Mr. Fradin's basic benefit under the Honeywell Pension Program will be expressed as an annuity based on 1.2% of his eligible pay each year up to the average of the Social Security wage bases over a period defined in the Honeywell Pension Program; plus 1.85% of his eligible pay in excess of such average (the “Pittway Formula”). Because of his prior service with the Pittway Corporation, Mr. Fradin is also covered by a two-part non-qualified pension arrangement that provides pension benefits in addition to the basic pension described in the preceding sentence. For his 26.5 years of Pittway service on or before June 30, 2003, Mr. Fradin's pension benefit is calculated using the Pittway Formula with eligible pay up to $300,000 per year. For service on or after July 1, 2003, Mr. Fradin's pension benefit is calculated as a lump sum amount equal to 6% of average annual remuneration (as described above) (with no dollar limitation) times credited service on or after July 1, 2003. Mr. Fradin will receive his additional non-qualified pension benefit under the Pittway Formula in annuity form. If it is assumed that Mr. Fradin's eligible compensation remains at the amount reported for the Company's last fiscal year, the estimated total annual retirement benefit payable at his normal retirement age on a single life annuity basis would be $229,062.

Mr. Kreindler's total benefit under the Honeywell Pension Program will be expressed as an annuity based on 2% of his final average annual remuneration (as described above) times full years of credited service up to 25 years, less 64% of estimated Social Security benefits. If it is assumed that Mr. Kreindler's eligible compensation remains at the amount reported for the Company's last fiscal year, the estimated total annual retirement benefit payable at his normal retirement age on a single life annuity basis would be $495,732.

Mr. Gillette's total benefit under the Honeywell Pension Program will be expressed as an annuity based on 2% of his final average annual remuneration (as described above) times full years of credited service up to 25 years, less 64% of estimated Social Security benefits. If it is assumed that Mr. Gillette's eligible compensation remains at the amount reported for the Company's last fiscal year, the estimated total annual retirement benefit payable at his normal retirement age on a single life annuity basis would be $546,858.

Certain Relationships and Related Transactions

Applicable Policies and Procedures. Article EIGHTH of Honeywell's Certificate of Incorporation provides that a related or interested party transaction (*e.g.,* a transaction between the Company and a director, officer or shareowner of the Company or another party in which they have an interest) 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. Furthermore, the Honeywell Code of Business Conduct requires that each director and executive officer is required to report to the Board of Directors any relationship or transaction that may create or appear to create a conflict between the personal interests of the individual and the interests of the Company. The Board or 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 order to ensure that all material relationships and related party transactions have been identified, reviewed and disclosed in accordance with applicable policies, procedures and regulations, each director and officer completes a questionnaire at the end of each fiscal year that requests confirmation that there are no material relationships or related party transactions between such individuals and the Company other than those previously disclosed to the Company.

Related Party Transaction. The Honeywell ADI business leases its administrative office building in Melville, New York at a market value rent of $788,000 per year. Subsequent to the time that ADI entered into this lease, the property was acquired by a partnership known as “New Island Holdings.” Mr. Fradin, President and Chief Executive Officer, Honeywell Automation and Controls, is a limited partner, holding a twelve percent ownership interest, in New Island Holdings. The terms of the lease have not been changed since the original negotiation between ADI and the prior owner.

Equity Compensation Plans
As of December 31, 2005

Information about our equity compensation plans is as follows:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	58,761,915(1)	$ 38.09(2)	13,511,032(3)
Equity compensation plans not approved by security holders	891,751(4)	N/A(5)	N/A(6)
Total	59,653,666	$ 38.09	13,511,032(7)

(1) Equity compensation plans approved by shareowners that are included in column (a) of the table are the 2003 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the “2003 Stock Incentive Plan”) (17,757,570 common shares to be issued for options; 5,250 shares to be issued for SARs; 2,993,591 restricted units subject to attainment of certain performance goals or continued employment; and 501,261 deferred restricted units of earned and vested awards under this plan and prior plans approved by shareowners where delivery of shares has been deferred); the 1993 Stock Plan for Employees of Honeywell International Inc. and its Affiliates (36,098,728 common shares to be issued for options; 155,575 shares to be issued for SARs; and 971,940 restricted

units subject to attainment of certain performance goals or continued employment); and the Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "Director Stock Plan") and predecessor plans (236,000 common shares to be issued for options and 42,000 shares of restricted stock). 822,060 growth plan units were issued in the first quarter of 2005 pursuant to a long-term compensation program established under the 2003 Stock Incentive Plan. The ultimate value of any growth plan award may be paid in cash or shares of Honeywell common stock and, thus, growth plan units are not included in the table above. The ultimate value of growth plan units depends upon the achievement of pre-established performance goals during a two-year performance cycle relating to growth in earnings per share, revenue and return on investment. The growth plan units issued in the first quarter of 2005 relate to the performance cycle commencing January 1, 2005 and ending December 31, 2006. Awards made with respect to the prior two-year performance cycle (January 1, 2003–December 31, 2004) were paid in cash. As of February 24, 2006, 58,782,303 options and SARs were outstanding with a weighted average exercise price of $39.07 and a weighted average remaining term of 6.3 years. 4,359,753 restricted units, restricted shares and deferred units were also outstanding as of that date.

(2) Column (b) does not include any exercise price for restricted units or growth plan units granted to employees or non-employee directors under equity compensation plans approved by shareowners. Restricted units do not have an exercise price because their value is dependent upon attainment of certain performance goals or continued employment or service and they are settled for shares of Honeywell common stock on a one-for-one basis. Growth plan units are denominated in cash units and the ultimate value of the award is dependent upon attainment of certain performance goals.

(3) The number of shares that may be issued under the 2003 Stock Incentive Plan as of December 31, 2005 is 13,454,032 which includes the following additional shares under the 2003 Stock Incentive Plan (or any Prior Plan as defined in the 2003 Stock Incentive Plan) that may again be available for issuance: shares that are settled for cash, expire, are cancelled, are tendered in satisfaction of an option exercise price or tax withholding obligations, are reacquired with cash tendered in satisfaction of an option exercise price or with monies attributable to any tax deduction enjoyed by Honeywell to the exercise of an option, and are under any outstanding awards assumed under any equity compensation plan of an entity acquired by Honeywell. The remaining 57,000 shares included in column (c) are shares remaining for future grants under the Director Stock Plan. As of February 24, 2006, 8,482,000 options were awarded under the 2003 Stock Incentive Plan in 2006. No shares have been awarded in 2006 under the Director Stock Plan.

(4) Equity compensation plans not approved by shareowners that are included in the table are the Supplemental Non-Qualified Savings Plans for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries, the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries, and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc.
The Supplemental Non-Qualified Savings Plans for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries are unfunded, nonqualified plans that provide benefits equal to the employee deferrals and company matching allocations that would have been provided under Honeywell's U.S. tax-qualified savings plan if the Internal Revenue Code limitations on compensation and contributions did not apply. The company matching contribution is credited to participants' accounts in the form of notional shares of Honeywell common stock. Additional notional shares are credited to participants' accounts equal to the value of any cash dividends payable on actual shares of Honeywell common stock. The notional shares are distributed in the form of actual shares of Honeywell common stock when payments are made to participants under the plans. As of February 24, 2006, 733,826 shares will be issued under the plans.
The AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries was a cash incentive compensation plan maintained by AlliedSignal Inc. This plan has expired. Employees were permitted to defer receipt of a cash bonus payable under the plan and invest the deferred bonus in notional shares of Honeywell common stock. The notional shares are distributed in the form of actual shares of Honeywell common stock when payments are made to participants under the plan. No further deferrals can be made under this plan. The number of Honeywell securities that remain to be issued under this expired plan is 54,857.
The Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. provides for mandatory and elective deferral of certain payments to non-employee directors. Mandatory deferrals are invested in notional shares of Honeywell common stock. Directors may also invest any elective deferrals in notional shares of Honeywell common stock. Additional notional shares are credited to participant accounts equal to the value of any cash dividends payable on actual shares of Honeywell common stock. Notional shares of Honeywell common stock are converted to an equivalent amount of cash at the time the distributions are made from the plan to directors. However, one former director is entitled to receive periodic distributions of actual shares of Honeywell common stock that were notionally allocated to his account in years prior to 1992. The number of Honeywell securities that remain to be issued to this director is 2,993.

(5) Column (b) does not include any exercise price for notional shares allocated to employees under Honeywell's equity compensation plans not approved by shareowners because all of these shares are notionally allocated as a matching contribution under the non-qualified savings plans or as a notional investment of deferred bonuses or fees under the cash incentive compensation and directors' plans as described in note 4 and are only settled for shares of Honeywell common stock on a one-for-one basis.

(6) No securities are available for future issuance under the AlliedSignal Incentive Compensation Plan for Executive Employees of AlliedSignal Inc. and its Subsidiaries and the Deferred Compensation Plan for Non-Employee Directors of Honeywell International Inc. The cash incentive compensation plan has expired. All notional investments in shares of Honeywell common stock are converted to cash when payments are made under the directors' plan (other than with respect to 2,993 shares of Honeywell common stock included in column (a) that is payable to one former director). The amount of securities available for future issuance under the Supplemental Non-Qualified Savings Plans for Highly Compensated Employees of Honeywell International Inc. and its Subsidiaries is not determinable because the number of securities that may be issued under these plans depends upon the amount deferred to the plans by participants in future years.

The table does not contain information for the following plans and arrangements:

- Employee benefit plans of Honeywell intended to meet the requirements of Section 401(a) of the Internal Revenue Code and a small number of foreign employee benefit plans that are similar to such Section 401(a) plans.

- Equity compensation plans maintained by Honeywell Inc. immediately prior to the merger of Honeywell Inc. and AlliedSignal Inc. on December 1, 1999. The right to receive Honeywell International Inc. securities was substituted for the right to receive Honeywell Inc. securities under these plans. No new awards have been granted under these plans after the merger date. The number of shares to be issued under these plans upon exercise of outstanding options, warrants and rights is 4,964,132 and their weighted-average exercise price is $42.95.

- The Honeywell Global Employee Stock Purchase Plan. This plan is maintained solely for eligible employees of participating non-U.S. affiliates. Eligible employees can contribute between 2.2 and 8.8 percent of base pay from January through September of each year to purchase shares of Honeywell common stock in November of that year at a 15 percent discount. Honeywell has historically purchased shares through non-dilutive, open market purchases and intends to continue this practice. Employees purchased 342,317 shares of common stock at $28.331 per share in 2004 and 382,756 shares of common stock at $29.07 per share in 2005.

(7) As of February 24, 2006, 5,392,381 shares remained available for future grants under the 2003 Stock Incentive Plan and 57,000 shares remained available for future grants under the Director Stock Plan. No additional awards will be granted under the 2003 Stock Incentive Plan or the Director Stock Plan following shareowner approval of Proposal No. 3—2006 Stock Incentive Plan and Proposal No. 4—2006 Stock Plan for Non-Employee Directors.

Proposal No. 3—2006 STOCK INCENTIVE PLAN

The Board of Directors is recommending that shareowners approve the 2006 Stock Incentive Plan of Honeywell International Inc. and its Affiliates (the “Plan”). The Plan provides for long-term incentive compensation awards relating to a maximum of 43 million shares (the “Share Limit”) of Honeywell's common stock (“Shares”). All employees of the Company and its affiliates (approximately 116,000 employees) will be eligible to receive awards under the Plan.

PURPOSE OF THE PLAN

The Plan will assist the Company to attract and retain key employee talent. The Plan will also assist the Company to further align employee and shareowner interests, closely link employee compensation with the Company's performance and maintain high levels of employee stock ownership. The Plan provides an essential component of the total compensation package offered to key employees. It reflects the importance placed by the Company on motivating employees to achieve superior results over a long term and paying employees based on that kind of achievement. See “Report of the Management Development and Compensation Committee” on page 19.

Honeywell strongly believes that its stock compensation programs and emphasis on employee stock ownership have been integral to the Company's success and that a continuation of those programs and that emphasis is necessary for the Company to achieve superior performance in the future. Therefore, the approval of the Plan is vitally important.

The Plan represents a use of shareowner and Company resources. In order for those resources to be well-spent, the Plan must be appropriately designed and operated. The Plan will be administered under the supervision of the Management Development and Compensation Committee (the “Committee”), which is comprised entirely of independent directors. The Committee has authority to make awards under the Plan. While the Plan enables the Company to provide industry-competitive long-term incentive opportunities, the Committee will continue to use Shares available under the Plan at appropriate rates that do not result in excessive dilution of shareowner equity. Over the past several years, the Company's annual “run rate” (that is, Shares subject to awards made under the Company's equity compensation plans as a percentage of total Shares outstanding) has ranged between approximately 1.2% and 1.4%. The Committee remains committed to the appropriate use of equity incentives and expects that the Company's annual run rate under the Plan will be between 1.0% and 1.5%. The fair market value of a Share of Common Stock as of February 24, 2006 was $41.48.

In addition, the Plan has been designed with the following features to support the Company's pay-for-performance philosophy and to protect shareowner interests:

1. **Reasonable Share Request.** The requested Share pool under the Plan is 43 million shares. Upon shareowner approval of the Plan, no further grants will be made under the Company's 2003 Stock Incentive Plan. As a result, approximately 5.4 million Shares that were previously authorized but remain available for grant under the 2003 Stock Incentive Plan will no longer be available for grant under the 2003 Stock Incentive Plan. Accordingly, the incremental number of Shares for which the Company is seeking approval is approximately 37.6 million Shares (approximately 4.5% of Shares outstanding). If an award that has already been granted under the 2003 Stock Incentive Plan (or the Company's 1993 Stock Incentive Plan, the 1997 Honeywell Stock and Incentive Plan or the 1993 Honeywell Stock and Incentive Plan) is forfeited or cancelled or expires, then the Shares subject to that award will be available for award pursuant to the Plan.
2. **Certain Types of Awards Prohibited.** As with the Company's 2003 Stock Incentive Plan, the Plan expressly prohibits the grant of stock options or stock appreciation rights with an exercise price less than fair market value of Common Stock on the date of grant. Reload stock options or stock appreciation rights are also not permitted under the Plan.
3. **Certain Practices Prohibited.** The Plan prohibits repricing of awards or the cancellation of awards in exchange for new awards with lower exercise prices without shareowner approval. This includes prohibiting exchanging

“underwater” options for cash or Shares. Adjustments to outstanding awards based on standard anti-dilution provisions are permitted. The Plan also prohibits the payment of dividend equivalents with respect to stock options and stock appreciation awards.

4. **Minimum Vesting Provisions.** The Plan generally provides that awards may not fully vest in less than three years. No more than 2 million Shares (approximately 4.6% of the Shares available under the Plan) may be subject to stock option or stock appreciation right awards that fully vest in less than three years. No more than 2 million Shares (approximately 4.6% of the Shares available under the Plan) may be subject to restricted stock, restricted unit or other stock-based awards that fully vest in less than three years.
5. **Share Limit Counting Rules.** Shares surrendered to pay taxes or the exercise price of stock option awards will not be added back to the number of Shares available to be issued under the Plan. Stock appreciation rights settled in Shares will not be counted on a net basis. Rather, each Share for which a stock-settled stock appreciation right is exercised will count as a full Share against the Share Limit.
6. **Limitation on Full Value Awards.** The Plan provides for equity-based awards that fall into two categories: (a) stock options and other similar awards in which potential incentive compensation is based on appreciation in the value of Shares ("Appreciation Awards") and (b) all other equity-based awards in which the potential incentive compensation is based on the full value of Shares ("Full Value Awards"). In recognition of the differences between these categories, each category may count differently against the Share Limit. Appreciation Awards always count against the Share Limit on a one-for-one basis. Full Value Awards relating to up to 16 million Shares also count against the Share Limit on a one-for-one basis. If Full Value Awards are granted for more than 16 million Shares, each Share over 16 million will count against the Share Limit on a three-for-one basis.
7. **Stock Ownership Guidelines.** Honeywell's stock ownership guidelines are designed to emphasize that executives should manage the Company from an owner's perspective. These guidelines call for officers to hold for at least one year the net shares from restricted stock unit vesting (with respect to restricted stock units granted after the adoption of the guidelines in February 2003) or the net gain shares of Honeywell stock that they receive by exercising stock options. See "Report of the Management Development and Compensation Committee" for additional detail regarding these stock ownership guidelines.

The following is a summary of the material terms and provisions of the Plan and certain tax effects of participation in the Plan. This summary is qualified in its entirety by reference to the complete text of the Plan, which is attached hereto as Exhibit A and incorporated herein. To the extent that there is a conflict between this summary and the Plan, the terms of the Plan will govern. Capitalized terms that are used but not defined in this summary have the meanings given to them in the Plan.

DESCRIPTION OF THE PLAN

PLAN ADMINISTRATION. The Plan will be administered by the Committee, which will have discretion and authority to interpret the Plan, prescribe, amend and rescind rules and regulations regarding the Plan, select Employees to receive Awards, determine the form, terms and conditions of Awards, and take other actions it deems necessary or advisable for the proper operation or administration of the Plan. The Committee may delegate its duties and authority under the Plan, except for the authority to grant and administer Awards to certain senior executives and except for its duty to establish and certify the attainment of certain performance conditions attached to certain Awards.

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS. Stock Options awarded under the Plan may be in the form of Nonqualified Stock Options or Incentive Stock Options. Stock Appreciation Rights may be awarded either alone or in tandem with Stock Options. Stock Options and Stock Appreciation Rights will have maximum terms of ten years. Stock Options and Stock Appreciation Rights will be subject to the following terms and conditions:

- The Exercise Price for each Share subject to a Stock Option or Stock Appreciation Right will be not less than the Fair Market Value of a Share on the date of grant.

- The Plan prohibits repricing of Stock Options or Stock Appreciation Rights unless shareowner approval of the repricing is obtained. Stock Options and Stock Appreciation Rights will not be granted with Dividend Equivalents or reload features.

- The exercisabililty of Stock Options and Stock Appreciation Rights will be subject to vesting, and may be subject to performance, conditions. Stock Options and Stock Appreciation Rights generally will vest over a period of at least three years, except that performance-based Stock Options and Stock Appreciation Rights may vest as early as one year after they are granted and Stock Options and Stock Appreciation Rights may immediately vest upon the Full Retirement, (generally age 60 with 10 years of service) death or Disability of an Employee, or upon a Change in Control. Up to 2 million Shares may be subject to Stock Option or Stock Appreciation Right Awards that fully vest in less than three years.

- Generally, outstanding vested Stock Options and Stock Appreciation Rights will remain exercisable for a period of three years after Termination of Employment because of retirement, death or Disability; one year after involuntary termination not for Cause; and 30 days after voluntary termination for any other reason. In the event of involuntary termination for Cause, all Stock Options and Stock Appreciation Rights will immediately be cancelled.

- The Plan permits various methods for cashless exercise of Stock Options and withholding for the payment of taxes associated with the exercise of Stock Options.

PERFORMANCE AWARDS. Performance Awards may be Awards of the types described elsewhere in this summary, Growth Plan Units or Cash-Based Awards. In any case, they are subject to the following terms and conditions:

- Performance Awards will be granted in connection with a Performance Cycle determined by the Committee and which may be no shorter than twelve months. The amount payable with respect to Performance Awards will be determined by reference to the degree of attainment of one or more of the following Performance Measures, as selected by the Committee: (1) sales (or any component of sales); (2) operating income; (3) net income; (4) earnings per Share; (5) return on equity; (6) cash flow (including operating cash flow and free cash flow); (7) cash flow per Share; (8) return on invested capital; (9) return on investments; (10) return on assets; (11) economic value added (or an equivalent metric); (12) Share price; (13) total shareowner return; (14) cost and expense reduction; and (15) working capital. Performance Measures may include any one or combination of the foregoing, may apply to the performance of Honeywell or any business unit and may relate to absolute or relative performance. Within 90 days after the start of a Performance Cycle, the Committee will establish, in writing, the Performance Measures that will apply to the Performance Cycle. The Performance Measures may be measured before or after taking taxes, interest, depreciation and/or amortization into consideration, will exclude unusual or infrequently occurring items, charges for restructurings, discontinued operations, extraordinary items and the cumulative effect of changes in accounting treatment and other items, and will be determined in accordance with U.S. GAAP (to the extent applicable).

- Performance Awards in the form of Growth Plan Units represent the right to receive a specified dollar amount based on achievement of Performance Measures, which may be settled in cash or in Shares with an equal value. Other Performance Awards may also be settled either in cash or in Shares with an equal value.

- The amount payable with respect to any Performance Award will not exceed 200% of the amount that would be based on achievement of target-level performance for such Performance Award.

- Performance Awards will generally be designed as “performance-based compensation” for purposes of Section 162(m) of the Internal Revenue Code. The Committee has the discretion, which it may apply on a case-by-case basis, to reduce, but not to increase, the amount payable to any Employee who may be subject to such Section with respect to any Performance Award.

RESTRICTED UNITS AND RESTRICTED STOCK. Restricted Units and Restricted Stock are Full Value Awards that are subject to the following terms and conditions:

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Vesting restrictions for Restricted Units and Restricted Stock generally will lapse over a period of not fewer than three years from the date of grant, except in the event of Full Retirement, death or Disability of the Employee, Change in Control or other circumstances specified in the Plan. Up to 2 million Shares may be subject to Restricted Units or Restricted Stock Awards that fully vest in less than three years. Currently, the Company generally grants Restricted Units that vest 33% on the 3rd anniversary of grant, 33% on the 5th anniversary of grant, and 34% on the 7th anniversary of grant.

- Employees to whom Restricted Stock has been granted will have all the rights of a shareowner with respect to the Shares, including the right to vote and receive dividends. The Committee may pay dividends issued on Shares of Restricted Stock immediately or withhold them for the Employee's account. Employees to whom Restricted Units have been granted will not have the rights of a shareowner with respect to the Shares related thereto, except that such Employees may be entitled to Dividend Equivalent rights to the extent set forth in the Award Certificate. Dividend Equivalents may be paid immediately or withheld and deferred in the Employee's account.

- The Committee may permit Employees to defer payment of vested Restricted Units, and may credit interest on any deferred Dividend Equivalents.

OTHER STOCK-BASED AWARDS. The Committee may, from time to time, grant Awards other than those referred to above that consist of, or are denominated in, Shares. These Awards may include, among other things, stock units or phantom or hypothetical shares. The Committee has broad discretion to determine any terms and conditions that will apply to Other Stock-Based Awards under the Plan. Vesting restrictions for Other Stock-Based Awards generally will lapse over a period of not fewer than three years from the date of grant, except in the event of Full Retirement, death or Disability of the Employee, Change in Control or other circumstances specified in the Plan.

TRANSFER. Awards may not be transferred by an Employee other than by will or the laws of descent and distribution, except that Restricted Stock may be freely transferred after the restrictions lapse or are satisfied and the Shares are delivered. The Committee may permit Employees to transfer Awards other than Incentive Stock Options to family members, a trust for the benefit of family members and certain family partnerships. Any Award so transferred will be subject to the same terms and conditions as the original grant and may be exercised or redeemed by the transferee only to the extent that the Award would have been exercisable or payable in the hands of the Employee had no transfer occurred.

NON-COMPETITION. The Committee has discretion to provide at the time of grant of an Award that in the event the Employee to whom the Award is made enters into certain employment or consulting arrangements with a business that is competitive with the business of Honeywell or any Affiliate without first obtaining the Committee's written consent, the Employee will (i) forfeit all rights under any outstanding Stock Option or Stock Appreciation Right and return to Honeywell the amount of any profit realized upon any exercise consummated during the period, beginning no earlier than six months prior to the Employee's Termination of Employment, as provided in the Award Certificate, and (ii) forfeit and return to Honeywell all Growth Plan Units, Restricted Units, Shares of Restricted Stock and Other Stock-Based Awards, including previously vested and deferred Restricted Units and credited Dividend Equivalents, that are outstanding or that became vested or payable during the period, beginning no earlier than six months prior to Termination of Employment, as provided in the Award Certificate.

PROVISIONS CONCERNING AUTHORIZED SHARES. Shares issuable under the Plan may consist of authorized but unissued Shares or Shares held in Honeywell's treasury. In determining the number of Shares that remain available under the Plan at any time:

- Only Awards payable in Shares will be counted. If an Award terminates, expires or is forfeited or cancelled for any other reason without the issuance of Shares, or is settled in cash, the Shares underlying such Award will be available for future Awards under the Plan.

- If Shares are tendered or withheld in payment of all or part of the Exercise Price of a Stock Option, or in satisfaction of tax withholding obligations, such Shares will not be available for future Awards under the Plan.

- Shares subject to Awards granted in connection with the assumption, conversion or substitution of incentive compensation as a result of the acquisition of another company by Honeywell or a combination of Honeywell with another company will not count against the number of Shares authorized to be issued pursuant to the Plan.

ADDITIONAL LIMITS. In addition to the limit on the number of Shares authorized to be issued pursuant to the Plan described above, the following limits shall also apply:

- No more than 10 million Shares may be issued under grants of Incentive Stock Options during the term of the Plan.

- No Employee may be granted Awards (other than Growth Plan Units and Cash Awards) relating to more than 3 million Shares during any 36-month period. In addition, no more than $10 million may be paid in cash or in Shares (based on the value of the Shares at the time of payment) to any Employee with respect to Growth Plan Units or Cash-Based Awards for any Performance Cycle of twelve months (adjusted proportionately for any longer Performance Cycle).

- Up to 16 million Shares related to Awards other than Stock Options or Stock Appreciation Rights may be granted under the Plan on a one-for-one basis. Once this limit is reached, the Shares related to future Awards other than Stock Options or Stock Appreciation Rights may be granted under the Plan on a three-for-one basis.

ADJUSTMENTS. The maximum number of Shares available for issuance under the Plan, the individual and aggregate limits described above and the number of Shares underlying outstanding Awards and the Exercise Price applicable to outstanding Awards may be adjusted upon certain events effecting the capitalization of Honeywell such as a recapitalization or stock split.

CHANGE IN CONTROL. All outstanding Stock Options and Stock Appreciation Rights will become exercisable as of the effective date of a Change in Control of Honeywell, as defined in the Plan, and all conditions will be waived with respect to outstanding Awards. All Restricted Units will be converted into cash, on such basis as determined under the Plan, and will be paid with any credited Dividend Equivalents and interest within 90 days after the date of Change in Control. In addition, upon the occurrence of a Change in Control, the Target Amount or Target Vesting Percentage will be deemed to have been met for each outstanding Performance Award, and each Employee with a Performance Award will be deemed to have achieved a level of performance that would cause all of the Employee's Growth Plan Units to become payable and all restrictions pursuant to the Employee's Restricted Units or Shares of Restricted Stock immediately to lapse. All Performance Awards will become payable within 90 days after the date of a Change in Control. The Plan defines the term “Change in Control” by incorporating the definition required under Section 409A of the Internal Revenue Code, which required a Change in Control event to be objectively determinable with no discretionary authority reserved to the Committee.

AMENDMENT AND TERMINATION. No material revision to the Plan may be made without shareholder approval. For this purpose, a revision will be deemed to be material based on the rules adopted by the NYSE from time to time or if it materially increases the number of Shares that may be issued under the Plan (other than as a result of an adjustment described above). The Exchange's rules currently provide that material revisions which require shareholder approval include a material increase in the number of shares available under the Plan, a material expansion of the classes of persons eligible under the Plan, a material extension of the term of the Plan, a material change in the method of determining the strike price of options and an amendment to permit option repricing. Subject to the Exchange's rules, the Board and its delegates are authorized to amend or terminate the Plan.

SUMMARY OF FEDERAL INCOME TAX CONSEQUENCES OF AWARDS

The following is a brief summary of the principal United States federal income tax consequences of Awards and transactions under the Plan. This summary is not intended to be exhaustive and, among other things, does not describe state, local or foreign tax consequences.

NONQUALIFIED STOCK OPTIONS AND STOCK APPRECIATION RIGHTS. An Employee will not recognize any income at the time a Nonqualified Stock Option or Stock Appreciation Right is granted, nor will Honeywell be entitled to a deduction at that time. When a Nonqualified Stock Option is exercised, the Employee will recognize ordinary income in an amount equal to the excess of the Fair

Market Value of the Shares received as of the date of exercise over the Exercise Price. When a Stock Appreciation Right is exercised, the Employee will recognize ordinary income in an amount equal to the cash received or, if the Stock Appreciation Right is paid in Shares, the Fair Market Value of the Shares received as of the date of exercise. Payroll taxes are required to be withheld from the Employee on the amount of ordinary income recognized by the Employee. Honeywell will be entitled to a tax deduction with respect to a Nonqualified Stock Option at the same time and in the same amount as the Employee recognizes income.

INCENTIVE STOCK OPTIONS ("ISOs"). An Employee will not recognize any income at the time an ISO is granted or exercised. However, the excess of the Fair Market Value of the Shares on the date of exercise over the Exercise Price paid will be a preference item that could create a liability under the alternative minimum tax. If an Employee disposes of the Shares acquired on exercise of an ISO after the later of two years after the date of grant of the ISO or one year after the date of exercise of the ISO (the "holding period"), the gain (*i.e.*, the excess of the proceeds received on sale over the Exercise Price paid), if any, will be long-term capital gain eligible for favorable tax rates. If the Employee disposes of the Shares prior to the end of the holding period, the disposition is a "disqualifying disposition" and the Employee will recognize ordinary income in the year of the disqualifying disposition equal to the excess of the lesser of (i) the Fair Market Value of the Shares on the date of exercise or (ii) the amount received for the Shares, over the Exercise Price paid. The balance of the gain or loss, if any, will be long-term or short-term capital gain or loss, depending on how long the Shares were held by the Employee prior to disposition. Honeywell is not entitled to a deduction as a result of the grant or exercise of an ISO. If an Employee recognizes ordinary income as a result of a disqualifying disposition, Honeywell will be entitled to a deduction at the same time and in the same amount as the Employee recognizes ordinary income.

GROWTH PLAN UNITS. An Employee will not recognize any income at the time a Growth Plan Unit is granted, nor will Honeywell be entitled to a deduction at that time. To the extent a Growth Plan Unit is paid in cash, an Employee will recognize compensation income in the year the Growth Plan Unit is redeemed in the amount of cash payable. Payroll taxes are required to be withheld on the amount paid. Honeywell will be entitled to a deduction at the same time and in the same amount as the Employee recognizes income.

RESTRICTED UNITS AND RESTRICTED STOCK. An Employee will not recognize any income at the time a Restricted Unit or Share of Restricted Stock is granted, nor will Honeywell be entitled to a deduction at that time. When a Restricted Unit is redeemed, the Employee will recognize ordinary income in an amount equal to the Fair Market Value of the Shares received or, if the Restricted Unit is paid in cash, the amount payable. In the year in which Shares of Restricted Stock are no longer subject to a substantial risk of forfeiture (*i.e.*, in the year that the Shares vest), the Employee will recognize ordinary income in an amount equal to the excess of the Fair Market Value of the Shares on the date of vesting over the amount, if any, the Employee paid for the Shares. An Employee may, however, elect within 30 days after receiving Restricted Stock to recognize ordinary income in the year of receipt instead of the year of vesting. If an election is made, the amount of income recognized by the Employee will be equal to the excess of the Fair Market Value of the Shares on the date of receipt over the amount, if any, the Employee paid for the Shares. Payroll taxes are required to be withheld from the Employee on the amount of ordinary income recognized by the Employee. Honeywell will be entitled to a tax deduction at the same time and in the same amount as the Employee recognizes income.

CASH AWARDS. An Employee will not recognize any income at the time of the grant to the Employee of a Cash Award. The Employee will recognize income at the time that cash is paid to the Employee pursuant to a Cash Award, in the amount paid. Payroll taxes will be required to be withheld at that time. Honeywell will be entitled to a tax deduction at the same time and in the same amount as the Employee recognizes income.

CODE SECTION 162. With certain exceptions, Section 162(m) of the Internal Revenue Code limits Honeywell's deduction for compensation in excess of $1 million paid to covered employees (referred to in the Plan as "Key Employees"). Compensation paid to Key Employees is not subject to the deduction limitation, however, if it is considered "qualified performance-based compensation" within the meaning of Section 162(m) of the Code. Honeywell will generally design any Performance Awards granted to Key Employees under the Plan to meet the requirements of "qualified performance-based compensation" in order to be deductible by Honeywell for federal income tax purposes.

NEW PLAN BENEFITS

As of the date of this Proxy Statement, no Awards have been made under the Plan. The amount of Awards to be made under the Plan is not presently determinable.

The Board of Directors unanimously recommends for a vote FOR the approval of the 2006 Stock Incentive Plan.

Proposal No. 4—2006 STOCK PLAN FOR NON-EMPLOYEE DIRECTORS

The Board of Directors is recommending that shareowners approve the 2006 Stock Plan for Non-Employee Directors of Honeywell International Inc. (the "Director Stock Plan"). The Director Stock Plan is intended to replace the Stock Plan for Non-Employee Directors of Honeywell International Inc., last approved by shareowners in 1994 (the "1994 Director Stock Plan"), effective April 24, 2006. The 1994 Director Stock Plan will expire with respect to future grants on that date.

The Director Stock Plan was adopted by the Board, subject to the approval of shareowners. If the shareowners approve the Director Stock Plan, it will be effective as of April 24, 2006. If the shareowners do not approve the Director Stock Plan, the Director Stock Plan will have no effect, and the 1994 Director Stock Plan will remain in effect.

PURPOSE OF THE DIRECTOR STOCK PLAN

One purpose of the Director Stock Plan is to provide appropriate equity-based compensation to directors who are not officers or employees of Honeywell (a "non-employee director") and to encourage the highest level of director performance by providing non-employee directors with a proprietary interest in Honeywell's success and progress by granting them stock-based awards. At this time, twelve non-employee directors will be eligible to participate in the Director Stock Plan.

Another purpose of the Director Stock Plan is to provide additional flexibility in non-employee director compensation by enabling the Corporate Governance and Responsibility Committee of the Board (the "Committee"), subject to the terms of a policy adopted by the Board for granting annual or periodic Awards, to grant additional types of equity awards to non-employee directors. This flexibility to decide the types, mix and amount of director compensation will be critical to the Company's ability to react to evolving corporate governance best practices and to attract and retain highly qualified directors.

Currently, under the 1994 Director Stock Plan, all non-employee directors receive a one-time award of 3,000 shares of restricted stock upon their election to the Board and, if such director continues in office after an annual meeting, the grant of a non-qualified stock option to purchase 5,000 shares of Honeywell common stock. Each of these awards is subject to certain terms and conditions set forth in the 1994 Director Stock Plan. See "Director Compensation" for additional detail regarding grants to non-employee directors of the Company. In addition to the grant of non-qualified stock options and restricted stock, the Director Stock Plan provides for the grant of stock appreciation rights and restricted stock units, in each case on terms and conditions to be determined by the Committee and the Board policy. The Plan defines the term "Change in Control" by incorporating the definition required under Section 409A of the Internal Revenue Code, which requires a Change in Control event to be objectively determinable with no discretionary authority reserved to the Committee or the Board.

The Director Stock Plan would permit the grant of non-qualified stock options, stock appreciation rights, restricted stock and restricted stock units (each, an “Award”) relating to 500,000 shares of Honeywell's common stock. If an Award terminates, expires or is forfeited or cancelled for any reason without the issuance of a share of Honeywell common stock, or is settled in cash, the shares underlying such Award will be available for future Awards under the Director Stock Plan. Shares subject to Awards made under the 1994 Director Stock Plan that are forfeited or otherwise not issued pursuant to such Plan will not be added to the number of shares authorized for issuance under the

Director Stock Plan. Upon approval of the Plan, no further grants will be made under the 1994 Director Stock Plan and shares that were previously authorized to be issued but not outstanding under the 1994 Director Stock Plan will be cancelled and will not be issued under the Director Stock Plan. The fair market value of a share of common stock as of February 24, 2006 was $41.48.

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 Company stock (including restricted shares) and/or common stock equivalents and (ii) hold net gain shares from option exercises for one year. Directors will have five years to attain the prescribed ownership threshold.

The following is a summary of the material terms and provisions of the Director Stock Plan and certain tax effects of participation in the Director Stock Plan. This summary is qualified in its entirety by reference to the complete text of the Director Stock Plan, which is attached hereto as Exhibit B and incorporated herein. To the extent that there is a conflict between this summary and the Director Stock Plan, the terms of the Director Stock Plan will govern.

DESCRIPTION OF THE DIRECTOR STOCK PLAN

ADMINISTRATION. The Director Stock Plan will be administered by the Committee which, subject to the terms of the Board policy, will have discretion and authority to interpret the Director Stock Plan, prescribe, amend and rescind rules and regulations regarding the Director Stock Plan, determine the terms and conditions of Awards, waive or amend any terms, conditions, restrictions or limitations on Awards (to the extent permissible under applicable law) and take other actions it deems necessary or advisable for the proper operation or administration of the Director Stock Plan. All determinations of the Committee will be final and binding. In addition, consistent with applicable law, the Committee may delegate its authority and duties under the Director Stock Plan to any other individual or committee, as it deems advisable.

ELIGIBILITY AND GRANTS. Each non-employee director of Honeywell is eligible to participate in the Director Stock Plan. The Committee may grant Awards to non-employee directors upon such terms and conditions as the Committee may determine in its discretion. The Board may, from time to time, amend the policy providing for the making of annual or periodic grants of Awards pursuant to the Plan. All Awards, including the terms and conditions thereof, will be evidenced by award agreements.

SHARE LIMITS. The maximum aggregate number of shares of Honeywell common stock available for Awards is 500,000 shares. Each share issued pursuant to the Director Stock Plan will count as one share against such share limit. If an Award terminates, expires or is forfeited or cancelled for any reason without the issuance of shares, or is settled in cash, the shares underlying such Award will be available for future Awards under the Director Stock Plan. If shares are tendered or withheld in payment of all or part of the exercise price of an option, such shares will be available for future Awards under the Director Stock Plan. However, no non-employee director may be granted Awards relating to more than 10,000 shares of Common Stock in any one-year period. Shares utilized under the Director Stock Plan may be either authorized but unissued shares or issued shares reacquired by Honeywell.

RESTRICTED STOCK AND RESTRICTED STOCK UNITS. Subject to the Board policy, the Committee may grant shares of restricted stock or restricted stock units to non-employee directors subject to such terms and conditions with respect to the periods of restriction, vesting, transfer, delivery or forfeiture of the shares, and the impact of a Change in Control and termination of service, as it may determine in its discretion. Upon a grant of restricted stock, a certificate for such shares is registered in the name of each non-employee director and held in custody by Honeywell for such director's account. The director is not entitled to delivery of the certificate until the vesting, transfer or other restrictions imposed by the Committee have been satisfied. Non-employee directors to whom shares of restricted stock have been granted will have all the rights of a shareowner with respect to such shares, including the right to vote and receive dividends. Dividends issued on shares of restricted stock may be paid immediately or withheld and deferred in the director's account at the discretion of the Committee determined at the time of grant. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on deferrals and whether interest will be compounded.

A grant of restricted stock units entitles a non-employee director to receive shares or cash upon satisfaction of the terms and conditions determined by the Committee in its discretion. Non-employee directors to whom restricted stock units have been granted will not have the rights of a shareowner with respect to the shares related thereto, except that such director may be entitled to dividend equivalent rights to the extent set forth in the applicable award agreement. Dividend equivalents credited with respect to restricted stock units may be paid immediately or withheld and deferred in the director's account at the discretion of the Committee determined at the time of grant. The Committee will determine any terms and conditions on deferral, including the rate of interest to be credited on deferrals and whether interest will be compounded. In addition, subject to applicable law and to the extent determined by the Committee, non-employee directors shall be permitted to request the deferral of payment of vested restricted units to a date later than the payment date specified in the award agreement.

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS. Subject to the Board policy the Committee may grant non-qualified stock options or stock appreciation rights to non-employee directors subject to such terms and conditions with respect to exercise price, vesting, exercisability, transfer, and forfeiture, and the impact of a Change in Control or termination of service, as it may determine in its discretion. Stock appreciation rights may be settled in cash or shares of Honeywell common stock and may be granted either alone or in connection with concurrently or previously issued options, in each case as determined by the Committee in its discretion. Stock Options and Stock App