

HONEYWELL INTERNATIONAL INC
Form DEF 14A
March 15, 2004

**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

[] Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

Honeywell International Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

[X] No fee required

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(3) Filing Party:

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March 15, 2004

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 26, 2004 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. We will also take the opportunity to review our past business results and our outlook for the future.

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

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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 26, 2004 at 10:30 a.m. local time, at Honeywell's headquarters, 101 Columbia Road, Morris Township, New Jersey to consider and vote on the following matters described in the accompanying proxy statement:

Election of five directors;

Appointment of PricewaterhouseCoopers LLP as independent accountants for 2004;

Five shareowner proposals described on pages 30 through 38 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 27, 2004 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 15, 2004

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 26, 2004.

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 Secretary of Honeywell;

submitting a properly signed proxy with a later date;

voting by telephone or via the Internet at a later time; or

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

Vote Required

The vote of a plurality of the shares of Common Stock present or represented and entitled to vote at the Annual Meeting is required for election as a director.

The affirmative vote of a majority of shares present or represented and entitled to vote on each of Proposals 2 through 7 is required for approval.

Abstentions and Broker Non-Votes

Abstentions are not counted as votes for or against a proposal, but are counted in determining the number of shares present or represented on a proposal. Therefore, since approval of Proposals 2 through 7 requires the affirmative vote of a majority of the shares of Common Stock present or represented, abstentions have the same effect as a vote against those proposals. New York Stock Exchange rules prohibit brokers from voting on Proposals 3 through 7 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.

Other Business

The Board knows of no other matters to be presented for shareholder 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 27, 2004 there were approximately 858,794,651 shares of Honeywell common stock outstanding. Each share outstanding as of the February 27, 2004 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.

BOARD MEETINGS COMMITTEES OF THE BOARD

The Board of Directors held eight regular meetings during 2003. The average attendance at meetings of the Board and Board Committees during 2003 was 97%.

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) 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)

Marshall N. Carter

James J. Howard

Eric K. Shinseki

John R. Stafford

Michael W. Wright

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The Audit Committee met five times in 2003. 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 our interim and year-end operating results; consider the adequacy and effectiveness of our internal accounting 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 satisfies the audit committee financial expert criteria established by the Securities and Exchange Commission and the accounting or related financial management expertise criteria established by the New York Stock Exchange. See page 15 for the Audit Committee Report and page 16 for the Audit Committee Charter.

Corporate Governance and Responsibility Committee

The members of the Corporate Governance and Responsibility Committee are:

Bruce Karatz (Chair)

Gordon Bethune

Marshall N. Carter

Jaime Chico Pardo

Robert P. Luciano

Russell E. Palmer

Ivan G. Seidenberg

Eric K. Shinseki

In May of 2003, the Corporate Governance and Corporate Responsibility Committees were consolidated into a single Committee of the Board to be known as the Corporate Governance and Responsibility Committee. Prior to that time, the Corporate Governance Committee and the Corporate Responsibility Committee had each met once in 2003. The combined Corporate Governance and Responsibility Committee met twice in 2003. 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; develop and recommend to the Board a set of 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 13.

Management Development and Compensation Committee

The members of the Management Development and Compensation Committee are:

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Robert P. Luciano (Chair)

Hans W. Becherer

Gordon M. Bethune

Clive R. Hollick

Bruce Karatz

Ivan G. Seidenberg

John R. Stafford

The Management Development and Compensation Committee met five times in 2003. 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; review and set the annual salary and other remuneration of all 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 20-22 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)

Hans W. Becherer

Jaime Chico Pardo

Clive R. Hollick

James J. Howard

The Retirement Plans Committee met three times in 2003. 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; set investment policy for fund assets; and oversee and appoint an independent fiduciary and members of other committees investing fund assets.

DIRECTOR INDEPENDENCE

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. Thirteen of Honeywell's fourteen directors (including all of the nominees presently standing for election) are non-employee directors. 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. Although the Board has not adopted categorical standards of materiality, none of these relationships were deemed to be material as, in each case, within any of the last three years, the aggregate amount of such purchases and sales was no more than approximately one-half of one percent of the consolidated gross revenues of any such company in any of the last three completed fiscal years. The Corporate Governance and Responsibility Committee and the Board considered contracts under which Honeywell performs repair and overhaul services for Continental Airlines and determined that in light of the foregoing review of commercial relationships, as well as the fact that such services are provided on the same terms and conditions as similar services provided by Honeywell to other airlines with comparable fleet sizes and maintenance needs, such contracts do not impair Mr. Bethune's independence. 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.

Based on the report and recommendation of the Corporate Governance and Responsibility Committee, the Board has determined that each of its non-employee members satisfies the independence criteria (including the enhanced criteria with respect to members of the Audit Committee) set forth in the current listing standards and

rules of the New York Stock Exchange and Securities and Exchange Commission.

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.

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 New York Stock Exchange 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), 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.

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 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 39 of this proxy statement.

This year, one director is proposed for nomination to the Board of Directors who has not previously stood for election to the Board by the shareowners, Eric K. Shinseki, General, United States Army (Retired). General Shinseki was recommended by a third-party search firm and was elected to the Board, effective November 1, 2003.

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. Eleven of thirteen directors attended last year's Annual Meeting of Shareowners.

ITEM 1 ELECTION OF DIRECTORS

Honeywell's Board of Directors is divided into three classes that serve staggered three-year terms and are as nearly equal in number as possible. The Board has nominated five candidates for election as directors for a term ending at the 2007 Annual Meeting.

All nominees are currently serving as directors. If prior to the Annual Meeting any nominee should become unavailable to serve, the shares represented by a properly signed and returned proxy card or voted by telephone or 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.

Directors may serve until the Annual Meeting of Shareowners immediately following their 70th birthday. In accordance with this policy, Mr. Luciano (a member of the class of directors with a term expiring in 2005) will retire immediately prior to the 2004 Annual Meeting.

Certain information regarding each nominee and each director currently in office is set forth below.

NOMINEES FOR ELECTION FOR TERM EXPIRING IN 2007

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 68

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 and Avery Dennison Corporation. He was a director of Honeywell Inc. from July 1992 to December 1999.

Director since 1999

Age 58

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). He is a director of The May Department Stores Company, Safeguard Scientifics, Inc. and Verizon Communications Inc.

Director since 1987

Age 69

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

Mr. Seidenberg assumed his current position with Verizon Communications, a telecommunications and information services provider, in January 2004. Mr. Seidenberg served as President and Chief Executive Officer of Verizon from April 2002 until December 2003. Mr. Seidenberg was President and Co-Chief Executive Officer from June 2000, when Bell Atlantic Corporation and GTE Corporation merged and Verizon Communications Inc. was created. He served as Chairman and Chief Executive Officer of Bell Atlantic from 1999 to June 2000, Vice Chairman, President and Chief Executive Officer from June 1998 to 1999, and Vice Chairman, President and Chief Operating Officer following the merger of NYNEX Corporation and Bell Atlantic in 1997. He is also a director of Viacom Inc. and Wyeth.

Director since 1995

Age 57

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.

Director since 2003

Age 61

INCUMBENT DIRECTORS CONTINUING IN OFFICE FOR TERM EXPIRING IN 2005

MARSHALL N. CARTER, Senior Fellow at the Center for Business and Government, John F. Kennedy School of Government, Harvard University

Mr. Carter assumed his current position in January 2001 upon his retirement from State Street Corporation, a worldwide provider of services to institutional investors. He joined State Street Corporation and its principal subsidiary, State Street Bank and Trust Company, as President and Chief Operating Officer in 1991. He became Chief Executive Officer in 1992 and Chairman of the Board in 1993. Prior to joining State Street, Mr. Carter was with Chase Manhattan Bank for 15 years, and before that he served as an officer in the U.S. Marine Corps.

Director since 1999

Age 63

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 51

ROBERT P. LUCIANO, Chairman Emeritus of Schering-Plough Corporation

Mr. Luciano joined Schering-Plough Corporation, a manufacturer and marketer of pharmaceuticals and consumer products, in 1978. He served as President from 1980 to 1986, Chief Executive Officer from 1982 through 1995, and Chairman of the Board from 1984 through October 1998. He became Chairman Emeritus in October 1999.

Director since 1989 (Retiring)

Age 70

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 also a director of J.P. Morgan Chase & Co. and Verizon Communications Inc.

Director since 1993

Age 66

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 65

INCUMBENT DIRECTORS CONTINUING IN OFFICE FOR TERM EXPIRING IN 2006

HANS W. BECHERER, Former Chairman and Chief Executive Officer of Deere & Company

Mr. Becherer began his business career with Deere & Company, a manufacturer of mobile power machinery and a supplier of financial services, in 1962. After serving in a variety of managerial and executive positions, he became a director of Deere in 1986 and was elected President and Chief Operating Officer in 1987, President and Chief Executive Officer in 1989 and Chairman and Chief Executive Officer in 1990 until his retirement in 2000. He is also a director of J.P. Morgan Chase & Co. and Schering-Plough Corporation.

Director since 1991

Age 68

GORDON M. BETHUNE, 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. Prior to joining Continental, Mr. Bethune held senior management positions with the Boeing Company, Piedmont Airlines, Western Airlines, Inc. and Braniff Airlines. He was a director of Honeywell Inc. from April 1999 to December 1999.

Director since 1999

Age 62

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 Vice-Chairman of Carso Global Telecom and a director of America Movil, America Telecom and Grupo Carso. He was a director of Honeywell Inc. from September 1998 to December 1999.

Director since 1999

Age 54

CLIVE R. HOLLICK, Chief Executive, United Business Media plc

Since 1996, Lord Hollick has been Chief Executive of United Business Media, a London-based, international information and publishing group whose operations include periodicals, magazines, newspapers, electronic news distribution, exhibitions and financial information and market research. Prior to that time, and since 1974, he held various leadership positions with United Business Media and its predecessor companies. Lord Hollick is also a director of United Business Media plc and Diageo plc.

Director since June 2003

Age 58

DIRECTOR COMPENSATION

The Corporate Governance and Responsibility Committee reviews and makes recommendations to the Board regarding the form and amount of compensation for non-employee directors. Directors who are employees of Honeywell receive no compensation for service on the Board. Honeywell's director compensation program is designed to enable continued attraction and retention of highly qualified directors by ensuring that director compensation is in line with peer companies competing for director talent, and is designed to address the time, effort, expertise and accountability required of active Board membership. In general, the Corporate Governance and Responsibility Committee and the Board believe that annual compensation for non-employee directors should consist of both a cash component, designed to compensate members for their service on the Board and its Committees, and an equity component, designed to align the interests of directors and shareowners and, by vesting over time, to create an incentive for continued service on the Board.

Each non-employee director receives an annual Board cash retainer of \$60,000. Each also receives a fee of \$2,500 for Board meetings attended on any day (eight during 2003), 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.

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 retirement from the Board, 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 (8 percent for 2004) 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 all deferred amounts.

Under the Stock Plan for Non-Employee Directors, 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. The Plan also provides for an annual grant to each director 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 at or after age 70, death, or disability.

Director stock ownership guidelines have been adopted under which (1) distribution from common stock equivalent accounts (with respect to shares funded on or after the adoption of such guidelines) cannot commence until one-year post retirement, and (2) net gain shares from option exercises are subject to a one-year holding period (restriction lapses upon death or retirement).

ITEM 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 2004 and to perform audit-related services, including review of our quarterly interim financial information and periodic reports and registration statements filed with the Securities and Exchange Commission 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 2003 and 2002 as set forth below:

(in millions of \$)	<u>2003</u>	<u>2002</u>	
Audit Fees	14.2	11.4	Annual audit of the Company's consolidated financial statements, quarterly reviews of interim financial statements in the Company's Form10-Q reports and statutory audits of foreign subsidiaries.
Audit-Related fees	9.5	5.0	Audit-related services primarily associated with the Company's merger and acquisition activity, audits of stand-alone financial statements of subsidiaries and, in 2003, services performed in connection with the Company's initiatives to ensure compliance with Section 404 of the Sarbanes-Oxley Act regarding internal control over financial reporting.
Tax Fees	7.2	8.3	Tax compliance services were \$5.8 in 2003 and \$5.1 in 2002, relating primarily to extra-territorial income, expatriate and international tax compliance. Tax consultation and planning services were \$1.4 in 2003 and \$3.2 in 2002, relating primarily to expatriate tax, value-added tax and reorganizations.
All Other Fees	0.0*	0.2	In 2003, the fee represents primarily licensing fees for electronic workpaper software used by our Corporate Audit Department. In 2002, the fees represent primarily analysis, report and testimony on damages in patent infringement actions.
Total Fees	30.9	24.9	

* Approximately \$40,000

Audit, audit-related and tax compliance fees, in the aggregate, comprised 95% and 86% of the total fees paid by Honeywell to PwC in 2003 and 2002, 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 (which categories do not include any of the prohibited services set forth under the auditor independence provisions of the Sarbanes-Oxley Act of 2002). Such 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.

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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 Securities and Exchange Commission (SEC) rules and New York Stock Exchange (NYSE) listing standards. In addition, our Board of Directors has determined that Russell E. Palmer is an "audit committee financial expert" as defined by applicable SEC rules and satisfies 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 (see pages 16-17).

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 shareholder 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, 2003 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 Standards No. 61, *Communication with Audit Committees*.

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 representation 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, 2003 filed with the Securities and Exchange Commission.

THE AUDIT COMMITTEE

Russell E. Palmer, Chair
Marshall N. Carter
James J. Howard
Eric K. Shinseki
John R. Stafford
Michael W. Wright

AUDIT COMMITTEE CHARTER

The Committee shall review this Charter on an annual basis and recommend any changes to the Board for approval.

I. Composition

The Committee shall be composed of three or more members of the Board of Directors who meet the requirements established for audit committee members under the listing standards and rules of the New York Stock Exchange and the Securities and Exchange Commission. At least one member of the Committee shall satisfy the financial expertise requirements set forth in such listing standards and rules.

The members of the Committee shall be elected by the Board at the recommendation of the Corporate Governance and Responsibility Committee. If an Audit Committee Chair is not designated or present, the members may designate a Chair by majority vote.

II. Meetings

The Committee shall meet at least four times each fiscal year. The Committee shall meet with management, and shall meet periodically with the chief internal auditor and the independent auditors in separate executive sessions.

III. Responsibilities

The Committee shall provide assistance to the Board of Directors in fulfilling its responsibilities relating to oversight of (i) the Company's accounting and financial reporting practices and internal control system, (ii) the independent auditor's qualifications and independence, (iii) the performance of the Company's internal audit function and independent auditor, and (iv) compliance with legal and regulatory requirements applicable to the foregoing.

The Company's management is responsible for preparing the Company's financial statements and the independent auditors are responsible for auditing those financial statements. The Committee is responsible for overseeing the conduct of these activities by the Company's management and the independent auditors.

The following shall be the primary activities of the Committee in carrying out its oversight responsibilities. The Committee may, from time to time, alter its procedures as appropriate given the circumstances and shall perform such other functions as may be assigned to it by law, the Company's charter, the By-laws or by the Board.

1. Review the results of each external audit of the Company's financial statements, including any certification, report, opinion or review rendered by the independent auditor in connection with the financial statements.
2. Review other matters related to the conduct of the audit which are communicated to the Committee under generally accepted auditing standards and rules of the Securities and Exchange Commission.
3. Based on the review under 1 and 2 above, the Committee will advise the Board of Directors whether it recommends that the audited financial statements be included in the Company's Annual Report on Form 10-K and prepare the Committee report to be included in the Company's proxy statement in accordance with Securities and Exchange Commission rules.
4. Review with management and the independent auditors, prior to the filing thereof, the Company's annual and interim financial results (including Management's Discussion and Analysis) to be included in Forms 10-K and 10-Q, respectively, and the matters required to be communicated to the Audit Committee under generally accepted auditing standards and rules of the Securities and Exchange Commission. The Chair of the Committee may represent the entire Committee for purposes of the interim review.

5. Appoint, and recommend to the shareowners for approval, the firm to be engaged as the Company's independent auditor, which firm shall report directly to the Committee. The Committee shall be directly responsible for the compensation, retention and oversight of the independent auditor, including the resolution of disagreements between management and the independent auditor regarding financial reporting. The Committee shall have the sole authority to approve all audit engagement fees and terms.

6. Review and discuss the types of information to be disclosed and the types of presentations to be made in connection with earnings releases and financial information and earnings guidance provided to analysts and ratings agencies.

7. Evaluate the independent auditor's performance and, if appropriate, recommend its discharge.

8. Receive from the independent auditor annually a formal written statement delineating the relationships between the auditors and the Company consistent with Independence Standards Board Standard No. 1. The Committee shall discuss with the auditor the scope of any disclosed relationships and their impact or potential impact on the auditor's independence and objectivity, and recommend that the full Board take appropriate action to satisfy itself of the auditor's independence.

9. Review reports by the independent auditor describing the auditor's internal quality control procedures, material issues raised by its most recent internal quality control (or peer) review, all relationships between the auditor and the Company, and any audit problems or difficulties and management's response.

10. Approve all non-audit engagements with the independent auditor, either through express prior review and approval or through the adoption of policies and procedures for engaging the independent auditor to perform services other than audit, review and attest services. Between regularly-scheduled meetings of the Committee, the Chair of the Committee may represent the entire Committee for purposes of the review and approval of the terms of non-audit engagements with the independent auditor.

11. Review reports of the independent auditor and the chief internal auditor related to the adequacy of the Company's internal accounting controls, including any management letters and management's responses to recommendations made by the independent auditor or the chief internal auditor.

12. Consider, in consultation with the independent auditor and the chief internal auditor, the scope and plan of forthcoming external and internal audits, the involvement of the internal auditors in the audit examination, and the independent auditor's responsibility under generally accepted auditing standards.

13. Discuss the Company's guidelines and policies with respect to risk assessment and risk management.

14. As appropriate, obtain advice and assistance from outside legal, accounting or other advisors.

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