

00:00:06

[VIDEO]

00:01:41

OPERATOR: Welcome to Honeywell's Virtual Shareholder Meeting. Please note, this webcast will be recorded and will consist of copyrighted materials. You may not record or rebroadcast these materials without the company's consent. I will now turn the call over to the Honeywell Team.

00:01:58

ANNE MADDEN: Good morning and welcome to Honeywell's 2023 Annual Meeting of Shareowners. This is Anne Madden, Senior Vice President and General Counsel of the company, and I hereby call this meeting to order. Proper notice of the date and time of the meeting has been given to all shareowners as of the record date.

00:02:19

On the line, we have each of our Director nominees. Our Chairman and CEO, Darius Adamczyk; our Lead Director, Scott Davis retired Chair and CEO of UPS; Duncan Angove, CEO of Blue Yonder Group; William Ayer, retired Chairman and CEO of Alaska Air Group; Kevin Burke retired Chairman, President and CEO of Consolidated Edison; Deborah Flint, President and CEO of the Greater Toronto Airports Authority; our President and Chief Operating Officer, Vimal Kapur; Rose Lee, President and CEO of Cornerstone Building Brands; Grace Lieblein, former Vice President, Global Quality of General Motors; Robin Washington, former Executive Vice President and Chief Financial Officer of Gilead Sciences; and Robin Watson, former CEO of John Wood Group PLC. Members of our Senior Leadership and representatives of Deloitte, our outside auditor, are also on the line.

00:03:30

Jim Raitt from American Election Services and Ken Engelhardt from Broadridge have been appointed as Inspectors of Election for the meeting and have joined the meeting. They have certified that enough shares of common stock are present or represented by proxy at today's meeting to constitute a quorum for the transaction of business.

00:03:53

Therefore, I now declare the meeting properly convened for the consideration of the items of business set forth in the Proxy Statement. The agenda for this meeting appears on your screen, and you can access the Rules of Conduct by clicking the link at the bottom right-hand corner of the screen.

00:04:14

For those who wish to vote during the meeting, the polls will be open for one minute shortly after all proposals have been presented. Questions submitted in advance of the meeting that relate to one of the proposals to be voted on during the business portion of the meeting will be addressed when the proposal is presented.

00:04:34

There will also be a question-and-answer period at the end of the meeting. We will use that time to answer general questions submitted by shareowners. To submit a question during the meeting, please use the text box on the virtual meeting portal. When submitting questions, please include your name and email address.

00:04:55

With that, I will turn the call over to our Chairman and CEO, Darius Adamczyk.

00:05:00

DARIUS ADAMCZYK: Thank you and good morning, everyone. The Board of Directors and I would like to welcome you to our Virtual Annual Meeting of Shareowners. I'm glad you could all join us today. In the year since our last Annual Meeting of Shareowners, the macroeconomic backdrop has continued to evolve, and the operating environment has remained challenging.

00:05:22

However, despite these external pressures, we continue to meet and, in many cases, exceed our commitments to our customers, to our employees, and to you, our shareowners. In 2022, we delivered 6% overall organic growth and approximately 20% organic growth in software sales across our segments. Our agile commercial actions and proven productivity playbook enabled us to expand segment margin by 70 basis points.

00:05:51

We also invested in many high-returning opportunities deploying \$7.9 billion of capital towards share repurchases, dividends, capital expenditures and M&A. Many shareowners value our dependability and operational expertise, and this was evident in our share price performance throughout the year, with Honeywell delivering a 5% total shareowner return in 2022, outperforming both the industrial sector and the broader market.

00:06:24

These results did not happen by accident. Our differentiated culture, operating system and core technology strengths are foundational to our outperformance. One specific core technology strength I would like to highlight is our expertise in sustainability.

00:06:41

Honeywell is not new to sustainability. We have been solving the world's toughest sustainability challenges for decades. We work every day to optimize the operations of aircraft, industrial

plants commercial buildings, warehouses and other verticals in which we work enabling a lower carbon future. We have intensified our focus in this area by developing two standalone sustainability businesses and further innovating to create sustainable solutions across each of our four segments.

00:07:13

And speaking of sharing news, I'm sure you have all seen our announcement that Vimal Kapur will succeed me as Chief Executive Officer on June 1, and I will continue to serve on the Board as Executive Chair. With that in mind, I want to invite Vimal to make a few brief remarks about his vision for Honeywell's future.

00:07:34

I'm very proud of everything we've accomplished together in my time as CEO, and I am confident Honeywell will continue to thrive under Vimal's leadership. Thank you for continuing to invest in Honeywell.

00:07:46

VIMAL KAPUR: Thanks, Darius. I am both excited and humbled to lead Honeywell, a high-performing company with a leading portfolio of technologies that are aligned to energy transition, automation, air travel and digitalization megatrends.

00:08:00

I am fortunate that Darius and leaders before me have built a strong foundation positioning the company well as we enter the next phase of growth and innovation. Several things will remain the same. We are committed to delivering on our upgraded financial algorithm, to maintain and enhance our long-standing leadership in ESG and sustainability, and to evolve our transformation efforts to outperform in all cycles.

00:08:26

We will put greater emphasis on organic growth acceleration by enhancing our innovation playbook, accelerating our leadership in sustainability and industrial software, and maintaining strong presence in high-growth regions. We are evolving our Accelerator Operating System to drive value through business model and functional process optimization.

00:08:46

We will leverage an already transformed Honeywell and optimize the portfolio by further aligning to megatrends and adding strategic bolt-on acquisitions. We will continue to execute on our proven value-creation framework and focus on driving superior shareholder returns. None of this happens without our team of Futureshapers showing up every day to move us forward.

00:09:08

I will focus on leadership development, inclusion and diversity, and succession planning. We will continue to have a strong purpose, a high-performance culture and competitive compensation to make us a global employer of choice. I'm confident and excited for the future of this great company. You should be too and thank you to Darius for his leadership, and to our shareholders, for continuing to own our stock and supporting Honeywell as we move forward. I will now turn things back over to Darius.

00:09:39

DARIUS ADAMCZYK: Thanks, Vimal. Let's now proceed to the business of our meeting.

The proposals we will vote on are fully described in our 2023 Proxy Statement. There are four management proposals to be voted on. The first proposal is the Election of Directors.

00:09:56

The Proxy Statement contains information relating to the 11 nominees standing for election. The Board of Directors has recommended a vote FOR each of the 11 nominees. Anne, did we receive any questions or comments related to this proposal?

00:10:13

ANNE MADDEN: Yes, we received a few similar questions related to the Election of Directors, and I will read a representative question.

00:10:21

How does Honeywell select Directors for nomination and ensure adequate diversity of experience, perspectives and values?

00:10:30

DARIUS ADAMCZYK: Honeywell's Board routinely reviews its collective experiences, skill sets, perspectives, and diversity, and is committed to promoting diversity of opinion. Primary responsibility for identifying and evaluating Director candidates and for recommending re-nomination of incumbent Directors resides with Honeywell's Governance Committee, which we call the CGRC. The CGRC consists entirely of independent Directors. Honeywell's independent Lead Director is formally charged with responsibility for new Director recruitment, including responsibility for working with the Chairman and CEO, the CGRC and the full Board to help identify and prioritize the specific skill sets, experience and knowledge that Director candidates should possess.

00:11:17

The CGRC and Lead Director then establish criteria for Director nominees based on these inputs. In 2021, Honeywell adopted the requirement to interview diverse candidates prior to selecting new Board members. This is to ensure that we continue to enhance both the diversity of the

Board and the diversity of perspectives and values that are represented at Board and committee meetings.

00:11:46

The second proposal is an Advisory Vote to Approve the Frequency of the Advisory Vote on Executive Compensation. The Board of Directors has recommended a vote FOR the option of a one year. Anne, did we receive any questions or comments related to this proposal?

00:12:06

ANNE MADDEN: No, we did not.

00:12:07

DARIUS ADAMCZYK: The third proposal is an Advisory Vote to Approve Executive Compensation. The Board of Directors has recommended a vote FOR this proposal. Anne, did we receive any questions or comments related to this proposal?

00:12:22

ANNE MADDEN: Yes, we received a few similar questions related to executive compensation, and I will read a representative question.

00:12:30

How does Honeywell determine compensation of its executives and overall workforce?

00:12:36

DARIUS ADAMCZYK: With respect to employee compensation, we are committed to hiring and retaining top talent across our businesses and functions at all levels of the organization. Our compensation practices are geared towards achieving that objective. We believe that our employees are compensated in a manner that enables us to recruit and retain the talent we need to run our business in the geographies in which we operate.

00:13:02

As it relates to executive compensation, the Honeywell Board is committed to the philosophy that our Executive Compensation Program should align pay with company and individual performance and with the interests of our shareowners. We have an Executive Compensation Program that appropriately motivates and rewards our leaders to deliver on our financial business goals, and strategic priorities, which translates into greater value for our shareowners.

00:13:31

Honeywell's Compensation Committee, which we call the MDCC, approaches executive compensation by focusing on four key objectives. Attracting and retaining world-class leadership talent, emphasizing variable at-risk compensation, pay for superior results and sustainable growth, and managing risk through compensation program design features and practices.

00:13:59

The fourth proposal is to approve the Audit Committee's appointment of Deloitte & Touche, LLP as the company's independent accountants for 2023. The Board of Directors has recommended a vote FOR this proposal. Anne, did we receive any questions or comments related to this proposal?

00:14:19

ANNE MADDEN: No, we did not.

00:14:21

DARIUS ADAMCZYK: We now move to the shareowner proposals we received. The first shareowner proposal is titled Independent Board Chair. This proposal was submitted by Mr.



John Chevedden who will present the proposal. Mr. Chevedden will have three minutes to present the proposal. Operator, could you please open Mr. Chevedden's line?

00:14:46

JOHN CHEVEDDEN: Hello, this is John Chevedden. Proposal 5, Independent Board Chairman requests that the Board of Directors adopt an enduring policy and amend the governing documents as necessary in order that two separate people hold the office of the Chairman and the office of the CEO.

00:15:03

Whenever possible, the Chairman of the Board shall be an independent Director. This proposal topic won 52% support at Boeing and 54% support at Baxter International in 2020. Boeing then adopted this proposal topic. The roles of Chairman and CEO are fundamentally different, and should be held by two Directors - a CEO and a Chairman who is completely independent of the CEO and Honeywell. This proposal topic won nearly 40% supported at a previous Honeywell Annual Meeting.

00:15:34

This was in spite of the fact that management, at that time, claimed a 490% total shareholder return over a period of time. By contrast now, Honeywell's stock has been on a downhill trend since its \$230 price in August 2021. Honeywell Lead Director, Mr. Scott Davis, with 17 years Honeywell Director tenure, violates the most important attribute of a Lead Director, independence. As Director tenure goes up, Director independence goes down. Mr. Davis received the most against votes of any Honeywell Director in 2022. And executive pay was rejected by 38% of shares in 2022, which suggested that Mr. Davis was blindsided by this negative.

00:16:28

It is important to note that when Mr. Adamczyk steps down as CEO in June, he will then be Chairman only, but he will not be an independent Chairman. The ascending complexities of a conglomerate worth \$120 billion in market capitalization, like Honeywell, increasingly demands that two people fill the two most important jobs at Honeywell on an enduring basis, Chairman and CEO. Please vote yes to Independent Board Chairman Proposal 5.

00:16:58

DARIUS ADAMCZYK: Thank you, Mr. Chevedden. The Board recommends AGAINST this proposal. This proposal, in various iterations, has been proposed several times over the last 20 years, and shareowners have consistently agreed that it is important for the Board to have the flexibility to determine the most effective leadership structure using its best business judgment in light of Honeywell's circumstances at any given time.

00:17:29

Under Honeywell's Corporate Governance Guidelines, the Board retains the flexibility to separate the Chairman and CEO roles if and when the Board believes that a separation will improve our performance or better serve our shareowners. In connection with these determinations, the Board carefully weighs the view of our shareowners, and, after a determination is made, consistently engages with shareowners on this topic.

00:17:56

We continue to hear a range of views during these meetings with most shareowners expressing confidence that the Honeywell Board understands the importance of good corporate governance and has the ability and insight to make the right decisions regarding its ongoing leadership structure. In 2019, the Board formalized the leadership role of the independent Lead Director so

that it is equivalent to that of an independent Chairman providing for an effective counterweight when the Chairman is not an Independent Director.

00:18:27

When Vimal Kapur replaces me as CEO on June 1st 2023, I will become Executive Chairman, and the CEO and Chairman roles will be separated at that time. The Board will assess the strategic needs of the company when determining whether to combine the roles or appoint an independent Chairman upon my retirement as the Executive Chairman. An independent Lead Director will be maintained whenever the Chairman is not an independent Director.

00:18:59

Anne, did we receive any questions or comments related to this proposal that have not yet been addressed?

00:19:06

ANNE MADDEN: No, we did not.

00:19:08

DARIUS ADAMCZYK: The second shareowner proposal is entitled Environmental and Health Impact Report. This proposal was submitted by the Franciscan Sisters of Allegheny. Mr. Jim Jones will present this proposal on behalf of the Franciscan Sisters of Allegheny. Mr. Jones will have three minutes to present the proposal. Operator, could you please open Mr. Jones' line?

00:19:36

JIM JONES: Good morning to all Honeywell employees and shareholders. My name is James Jones, and I am a Clean Air Coalition of Western New York Board member, a retired town engineer of the town of Tonawanda, Chair of the Rotary of Tonawanda, and a long-time Tonawanda, New York resident. Today, I'm representing the Franciscan Sisters of Allegheny,

New York, a long-term shareholder at Honeywell and the lead filer of the proposal requesting an Environmental Justice Report. I hereby move Proposal 6 and encourage your support for this proposal.

00:20:09

Honeywell, formerly Allied Chemical, is on record as a primary responsible party of the former Tonawanda coke site, IDC915353 located in the town of Tonawanda New York, and we are currently performing New York State's superfund remediation in three operating units at the site, as well as being involved with the New York State brownfield cleanup at the remainder of the site.

00:20:35

Clean Air successfully petitioned the New York State Department of Conservation to create a community advisory group, the first of its kind in New York, to participate in and receive bi-monthly dialogue and reports related to both the superfund and brownfield remediation activities. This is to be commended and encouraged as a minimum standard of care for the corporation.

00:20:58

Honeywell's report process to identify and address environmental and social risk, however, does not respond to the request of the proposal, which seeks disclosure on disparate environmental and health impacts on communities of color and low-income communities. Honeywell has not made a time-bound commitment to publish an Environmental Justice Report.

00:21:21

Specifically, Honeywell's disclosure around community consultation is insufficient and omits material risks associated with poor consultation, which may impact Honeywell. The company states in its report, our track record shows strong management of our environmental footprint and

how we positively impact the world through our operations, our revitalization of legacy properties and our products. This comment stands in stark contrast to numerous, high-profile lawsuits, community allegations and environmental fines connected to Honeywell's business.

00:21:58

Any meaningful disclosure to investors of Honeywell would be in the best interest of the company. In order to successfully achieve that goal, it's essential to have a meaningful community involvement and accurately achieve due diligence that is transparent to the public. The health risks and toxic dangers of Honeywell's operations are not reflected in the published report. Honeywell is unfairly putting a price on human health.

00:22:26

But everyone's health is priceless and must be protected. The health of families and communities is critical to, and essential to, any discussion of Honeywell's operations. The impact is not only on the person who has the health risk, but their families. Disease takes hold of families and communities in a very profound and tragic way. I, myself, have known loved ones who have lost family members and friends to the impacts of hazardous waste and chemical exposure.

00:22:54

I respectfully ask you to consider the toll that these losses have on people in your lives and those whom you have never met within your community when you cast your vote on this proposal today. Furthermore, whole restoration of land and water related to the cessation of company operations enables full environmental and economic recovery for our communities.

00:23:18

Providing meaningful disclosure to investors on Honeywell's environmental justice management is in the best interest of the company, its shareholders and all stakeholders. It would absolutely be mutually beneficial to everyone involved. Thank you. Respectfully submitted, James B. Jones, PE, Town of Tonawanda, New York. Thank you.

00:23:43

DARIUS ADAMCZYK: Thank you. The Board recommends that our shareowners vote AGAINST this proposal. Anne, did we receive any questions or comments related to this proposal that have not yet been addressed?

00:23:59

ANNE MADDEN: Yes, we received the following question. How does a shareowner read Shareowner Proposal Number 6, Environmental and Health Impact Report?

00:24:11

DARIUS ADAMCZYK: Proposal 6 requests an Environmental Justice Report on Honeywell's, efforts to reduce environmental and health impacts from the company's operations on communities of color and low-income communities. We support the spirit of this proposal and its intent to advance environmental justice. Last year, we published a report on our due diligence processes to identify and address environmental and social risk.

00:24:43

The report covers both current operations and legacy remediation sites. This year, we updated our report to include specific discussion of how our management system interacts with environmental justice considerations. As noted in our practice – Proxy Statement, we intend to issue additional environmental justice disclosure as industry norms emerge and as we engage with our shareowners to better understand the types of environmental justice disclosure that

would be meaningful to our broader shareowner community. Although we support the spirit of the proposal and intend to issue additional environmental justice reporting, our Board did not elect to support the proposal because we strongly disagree with the misleading allegations and mischaracterizations in the proponent's supporting statement.

00:25:37

I now invite shareowners who wish to vote to do so by clicking the vote here button on your screen. The polls are now open for voting and will remain open for one minute.

00:25:51

[VOTING]

00:26:53

DARIUS ADAMCZYK: I now declare the polls closed for all items of business. I have received a preliminary report of the Inspectors of Election who have certified the results of the voting to the time of the report. The results are: Each Director nominee has received a majority of votes cast in favor of his or her election.

00:27:15

Each management proposal has passed. The shareowner proposals did not receive the majority of votes cast, and thus, are not approved. Voting results will be posted on Honeywell's website and filed with the SEC on Form 8-K when they are available. The final report of the Inspectors of Election will be filed with the records of this meeting.

00:27:41

This concludes the business portion of the meeting, which now is adjourned. I will now turn the meeting over to Anne to facilitate the Q&A portion of the meeting.

00:27:54

ANNE MADDEN: Thank you, Darius. During this Q&A session, I will read questions submitted to us by shareowners and invite you or Vimal to respond. In order to cover a wide range of topics, I will combine similar questions into one and limit this session to questions that are of general concern to all shareowners. We will respond to questions that are individual in nature by directly sending a message to the email address submitted with the question.

00:28:25

First question. Do you help employees mitigate the impact of inflation on them through the use of salary increases?

00:28:39

DARIUS ADAMCZYK: Honeywell's approach to compensation is to pay employees competitively in alignment with our pay-for-performance philosophy, and this remains unchanged. We take a best practice approach to pay by utilizing independent external benchmarking when determining our annual merit budget. We will continue to strive to provide annual merit adjustment budgets that are within competitive range.

00:29:05

ANNE MADDEN: Thank you, Darius. Next question. When is Honeywell going to stop outsourcing all of its high paying jobs to other companies and countries and bring them back to their sites in the US? Vimal?

00:29:19

VIMAL KAPUR: We continually evaluate how to maximize financial performance and operations of every business, which involves determining the most efficient and concentrated location to resource talent for Honeywell.

00:29:32



ANNE MADDEN: Third question. Why and how does Honeywell continue to prioritize inclusion and diversity as part of the overall business strategy?

00:29:45

VIMAL KAPUR: Inclusion and diversity is a foundational principle at Honeywell both because it is the right thing to do and because it's a fundamental enabler for better business decisions and a driver of shareholder value. We actively recruit, develop and retain talent from diverse backgrounds and cultures who bring different experiences, perspective, abilities, and ideas.

00:30:07

We foster an inclusive environment in which all employees feel valued, respected and accepted. Inclusion and diversity is more than a commitment to us. It is the way we work and a key component of our corporate strategy. Our commitment to inclusion and diversity enables better decision making, and innovation helps build competitive advantages and furthers sustainable long-term success.

00:30:31

ANNE MADDEN: Thank you, Vimal. Next question. Can you talk about the company's recent financial results and how the stock has performed?

00:30:42

DARIUS ADAMCZYK: Honeywell has consistently outperformed the market and our peer group, growing share price by approximately 100% from 2016 to 2022. We have outperformed both the industrial sector and the broader market total shareowner return over the last one, three, five, and ten-year horizons.

00:31:02

We've also increased the dividend paid to our shareowners 13 times over 12 consecutive years. Over the last seven years, we have added \$60 billion of market capitalization to the company's value. Finally, in the first quarter of 2023, we beat guidance on all metrics and raised full-year sales, segment margin, and adjusted EPS guidance, proving that we will continue to deliver strong financial performance regardless of external pressures. Our robust balance sheet, diligent cost management and focus on sustainable, profitable growth will allow us to continue creating value for shareowners.

00:31:43

ANNE MADDEN: Great. Thanks Darius. Next question. How does Honeywell determine which political candidates to support, and do you fund republican candidates?

00:31:54

DARIUS ADAMCZYK: Honeywell does not donate to political candidates as a corporation. The non-partisan Honeywell International Political Action Committee, or HIPAC, which is funded exclusively through voluntary contributions from eligible US-based employees makes political disbursements without regard to personal political preferences of the company officers and executives. HIPAC funds candidates from both parties.

00:32:23

HIPAC's spending decisions are made solely to promote the strategic business interests of Honeywell based on the following criteria. Honeywell's employee supplier and/or customer base in the legislators' districts/states, support for Honeywell's initiatives, leadership positions in the US Congress or state legislatures, and leadership positions and legislative committees that are relevant to Honeywell's business.

00:32:50

In 2020, we established an Advisory Board representing a bi-partisan cross-section of Honeywell employees that regularly reviews proposed HIPAC disbursements to elected officials to assess alignment with the company's foundational principles of integrity and compliance, and inclusion/diversity and a workplace respect. All HIPAC spending is subject to the Board's review.

00:33:18

ANNE MADDEN: Great. Thanks, Darius. Vimal, this next question is for you. What is Honeywell doing to lead in the energy transition?

00:33:26

VIMAL KAPUR: Our solutions today are helping to solve the world's most complex sustainability challenges. We have technologies to address over 50% of global greenhouse gas emissions, and we are continuing to innovate in this area. In fact, approximately 60% of our new product R&D investment is directed towards ESG-oriented outcomes. Whether it is CO2 capture or ethanol-to-jet technology or low global warming refrigerant that contribute to the reduction of millions of metric tons of CO2 emissions, Honeywell is on the cutting edge of the innovation that the world needs to enable the energy transition.

00:34:03

Last year, we launched the Environmental Sustainability Index which polls nearly 700 sustainability professionals to understand the key indicators of sentiment and gets at their progress on sustainability initiatives, strategies, and budget deployment. What the data is pointing to so far is the need for advanced technologies to support achievement of more ambitious sustainability goals. The low hanging fruit, changing behaviors and procedures, is no longer enough as companies pursue carbon neutrality targets.

00:34:34

Companies now need to turn to green hydrogen, carbon capture and storage, improved renewable infrastructure, battery storage, and so on, technologies that Honeywell is ready now to deploy in support of the energy transition. Not only are we providing these solutions for the broader marketplace, we are also deploying them in our own operations to achieve carbon neutrality by 2035.

00:34:57

ANNE MADDEN: Great. Thank you. Vimal, next question. What commitments has Honeywell made with respect to its greenhouse gas footprint? What has been the progress against your journey to carbon neutrality?

00:35:10

VIMAL KAPUR: We have three commitments outstanding with a fourth one in process. Our 10-10-10 commitment, the target started in 2018 and concludes at the end of this year. This includes 10 new renewable projects; we have already surpassed this. 10 sites certified to ISO 50001 energy management standard; we have already surpassed this; and additional 10% reduction, in carbon intensity, and we are on track to make this commitment.

00:35:39

Our 2030 commitment, we have committed to the U.S. Department of Energy in the Better Climate Challenge to reduce our US greenhouse gases by 50% and improve our energy efficiency by 10% from a 2018 baseline by 2030. Our 2035 commitment, we have committed to be carbon neutral in our facilities and operations by year 2035. We have also committed to the Science-Based Target Initiative to set a target that extends to our Scope 3 emissions.

00:36:09

We intend to address all these targets through a variety of actions, including the deployment of Honeywell technologies that address many of the world's greenhouse gas emission reduction challenges. Our track record of reducing our greenhouse gas intensity by more than 90% since 2004 gives us confidence that we will meet these commitments.

00:36:30

ANNE MADDEN: Great. Thanks, Vimal. Our next question is what impact on the Honeywell building technologies segment does management see with both the current financial strains in the commercial building sector along with rising material and labor costs? What is management doing to mitigate revenue, profit and growth risks in this sector?

00:36:53

VIMAL KAPUR: Honeywell's building technologies serve many customers over a wide variety of end markets that include hospitals, schools, data centers, airports and more. New commercial buildings in the U.S. make up less than 10% of our total sales in HBT, and we are focused on growing sales outside of the U.S., particularly in our high-growth regions. Our high-growth regions footprint is central to our long-term growth strategy and helps mitigate risk in any particular region. We have not started seeing any specific impact from the current banking environment, but we continue to watch our pipeline very closely. As in our businesses, we are actively managing our price costs to ensure that we are protecting – protected in the current inflationary environment. Supply chains are improving sequentially, allowing us to ship more products to our customers.

00:37:39

ANNE MADDEN: Great. Thanks, Vimal. Our next question is, we noted some discussion in the Annual Report about cybersecurity risks, what is the company doing in the way of spending

and initiatives to mitigate risks associated with cybersecurity? This question applies to both internal cybersecurity measures and enhancements to its offerings to mitigate cybersecurity risks to both its customers and any potential liability to the company.

00:38:11

DARIUS ADAMCZYK: With respect to our own cybersecurity, Honeywell's cybersecurity framework safeguards the confidentiality, integrity and availability of information assets and ensures that all regulatory, operational, and contractual requirements are fulfilled. Our policies and practices include regular internal and external audits, vulnerability assessments and penetration testing of the company's systems, products and practices, and robust measures to monitor and respond to data breach and cybersecurity incidents.

00:38:48

The framework is aligned to industry standards. We also deploy mandatory employee training, conduct phishing scenario learning experiences and cybersecurity awareness campaigns. In addition, we maintain robust cybersecurity incident response policies and procedures that allow us to respond appropriately and promptly to any potential incidents.

00:39:13

With regard to customers, Honeywell's cybersecurity experts provide services to support the cybersecurity lifecycle from risk assessments to remediation, to incident response. Companies across industries have an urgent need to stay ahead of the latest threats affecting their critical infrastructure. Honeywell improves operational technology, OT, cybersecurity defenses and reduces risks through vendor-agnostic solutions, designed to assist in identifying, prioritizing and reducing OT cyber risks. The company helps its customers stay ahead of potential vulnerabilities affecting assets, operations and processes.

00:39:57

ANNE MADDEN: That's great. Thanks, Darius. I will turn this next question to you as well. How does Honeywell plan to address sustainability and social responsibility as part of its executive compensation plan?

00:40:12

DARIUS ADAMCZYK: While we expect our senior leaders to lead by example and drive results on both our principles and strategic objectives, we understand the interest shareowners have about ESG. Starting in 2023, 5% of each NEOs annual bonus will be measured specifically against environmental, social and governance goals.

00:40:37

ANNE MADDEN: Great. Thank you. Our next question is considering the Department of Justice settlement, how has the company's approach to risk management changed and what steps have been taken to mitigate future risks to the business?

00:40:54

DARIUS ADAMCZYK: In the more than 10 years since the events leading to the DOJ settlement occurred, Honeywell has intentionally redesigned and continues to evolve our global ethics and compliance program to meet the evolving risk environment. This included strengthening our anticorruption compliance program by investing in compliance resources and enhancing both our compliance program and internal controls on an evergreen basis. Honeywell is committed to ethical business practices, and every Honeywell employee is expected to abide by all laws in the countries in which we operate and conduct themselves with the highest levels of integrity.

00:41:36

ANNE MADDEN: Great. Thank you. Our next question, Darius, I'll direct this to you. What steps is the company taking to improve the link between executive compensation and performance in line with the SEC's pay versus performance rules?

00:41:56

DARIUS ADAMCZYK: We believe that our current Executive Compensation Program, which provides the majority of executive compensation in the form of long-term incentives, aligns very well with creating long-term shareowner value and to changes in our share price. Our spring and fall engagement with shareowners has given us the opportunity to receive feedback on this topic, and they are overwhelmingly supportive of the strong linkages we have between pay and performance.

00:42:24

ANNE MADDEN: Thanks Darius. Vimal, let me address this next question to you. How is Honeywell realizing efficiencies and improving margin expansion via standardizing and digitizing work?

00:42:39

VIMAL KAPUR: In our Accelerator Operating System, we are focused on designing, digitizing, and deploying global design models for each of our four business models: projects, services, products, and software. Once the GDMs are deployed throughout the business, we will have a standard throughout each of our segments that will create an even greater foundation for profitable growth, improve profitability and cash generation of underperforming businesses, streamline work for our employees, and better integrate acquisitions into our company.

00:43:10



ANNE MADDEN: Great, thank you. Next question. What is the company's strategy for organic growth and how will it be implemented?

00:43:18

VIMAL KAPUR: We have three levers to drive our profitable organic growth strategy. Enhance the innovation playbook by continuing to expand our serviceable, addressable market, keeping market share through new product innovation vitality, and generating breakthrough initiatives into new product categories. Accelerate sustainability and software offerings to further diversify our portfolio in these categories across segments and gain rapid share in faster growing categories like Net Zero and electrification solutions. Maintain the high-growth regions' approach and operations while also leveraging end market diversification and focusing more on select high-growth regions to reach double-digit organic growth in these geographies. We also have the opportunity to supplement our strong organic growth with smart M&A and inorganic growth, and we are looking for opportunities to deploy capital to strategic bolt-on transactions.

00:44:15

ANNE MADDEN: Great. Thanks, Vimal. Next question. What will stay the same and what will change as part of the CEO transition? Can you discuss separation of Chairman and CEO role referenced in the proxy?

00:44:31

DARIUS ADAMCZYK: Vimal Kapur, our incoming CEO, and I will continue to work closely together, as we have since 2012, to steer and shape Honeywell to become a modern technology industrial, focused on sustainability and digitalization. When Vimal replaces me as CEO, I will become Executive Chairman, and the CEO and Chairman roles will be separated at that time. The Board will assess the strategic needs of the Company when determining whether to re-combine the

roles or appoint an independent Chairman upon my retirement as Executive Chairman. An independent Lead Director will be maintained whenever the Chairman is not an independent Director.

00:45:14

ANNE MADDEN: Great. Thank you, Darius. Let me turn this next question to you, and the question is what will Darius focus on in the Executive Chairman role?

00:45:23

DARIUS ADAMCZYK: I will continue to play a vital role in customer relations, business development, enterprise strategic planning, shaping the portfolio, mergers and acquisitions, and global government relations.

00:45:37

ANNE MADDEN: Great. Thank you. Vimal, let me turn this next question to you. How is the company dealing with evolving and escalating geopolitical risks? China, supply chain, Russia?

00:45:52

VIMAL KAPUR: Consistent with guidance from regulators, we have established rigorous risk assessment processes that are designed to ensure compliance with applicable laws and regulations, protect against potential disruptions, and prioritize future opportunities that create shareowner value and support national security interests.

00:46:11

We have engaged with relevant stakeholders in government agencies, key Congressional committees, and industry associations for critical input. We are a U.S. company with global operations, and we effectively navigated turbulent geopolitical periods in the past. The 21st

century global economy will continue to evolve and provide new opportunities for business growth for those that can understand, navigate, and manage geopolitical risk.

00:46:38

ANNE MADDEN: Thanks, Vimal. Darius, this one I think is for you. The question is, how is the company addressing concerns about data privacy and protecting customer data?

00:46:48

DARIUS ADAMCZYK: As a global organization, Honeywell is committed to protecting the personal and customer data that we process and complying with applicable data privacy laws in the countries in which we operate. Honeywell's Global Privacy Program includes a dedicated in-house Data Privacy Team, led by our Chief Privacy Officer, which monitors developments in data privacy regulation globally, including the General Data Protection Regulation, GDPR. The data privacy function is responsible for overseeing our data protection strategy and its implementation to ensure compliance with applicable data protection regulations worldwide.

00:47:35

ANNE MADDEN: Thank you. Vimal, let me direct this next question to you. What is the capital deployment strategy, specifically around M&A. How many deals are you going to do?

00:47:48

VIMAL KAPUR: Our focus is on deploying capital on needle-moving strategic bolt-ons around \$1 billion to \$7 billion purchase price in core and adjacent spaces with above average industry growth, high gross margins, low cyclicalities, attractive cost and/or revenue synergies, reasonable valuations, and the ability to leverage our Accelerator Operating System. Significant effort has gone into building a robust pipeline of attractive acquisition targets that closely align with our

strategic plans. We will continue to use our strong balance sheet to invest in strategic spaces, accelerate growth, and create value for our shareowners.

00:48:26

ANNE MADDEN: Great, thanks. The next question is, how is the company planning to adapt to changes in the competitive landscape with emerging technologies or new market entrants?

00:48:38

VIMAL KAPUR: We'll continue driving our innovation framework to incubate new ideas, innovate new solutions, and commercialize at scale those that best solve our customers' and the world's greatest challenges. As a result of our well-defined breakthrough initiative framework, we have had successful breakthroughs like Quantinuum and Urban Air Mobility that showcase our ability to incubate startup technologies and grow them into mature businesses.

00:49:05

ANNE MADDEN: Thank you, and the next question is, how are you investing your R&D budget?

00:49:11

VIMAL KAPUR: Approximately 60% of our R&D in 2022 was spent on ESG-oriented solutions helping our customers solve the world's toughest sustainability problems. Our R&D spend is typically around 4% of our sales, with customer-funded R&D making up approximately an additional 3% to 4%. The key drivers for our R&D spend are new product introductions and breakthrough initiatives. These include the core product refreshes that we need to maintain our market share, as well as products in new markets such as advanced aerial mobility and sustainable technology solutions.

00:49:47

ANNE MADDEN: Thank you. Darius, let me direct the next question to you and the question is, how does the interest rate environment affect Honeywell? How is the company managing through inflation interest? How does inflation affect the pension?

00:50:05

DARIUS ADAMCZYK: There are two main ways in which the rate environment affects Honeywell, through the interest expense and interest income that we generate and through our pension assets, with the pension impact being the larger of the two. As a result of rising rates, the discount rate for Honeywell's pension plan went up from the end of 2021 to the end of 2022.

00:50:28

In addition, due to broad macroeconomic underperformance, the fair value of Honeywell's pension assets declined. These two effects combined created about 55 cents of headwinds to Honeywell's 2023 EPS year over year. However, despite this headwind, our current guidance is that we will grow our adjusted EPS by 3% to 6% in 2023, demonstrating the strength of our balance sheet.

00:51:07

In addition, our pension is over 125% funded, ensuring that we will not need to make any additional cash contributions. While the environment remains inflationary, Honeywell will maintain our disciplined cost actions to keep our price/cost positive.

00:51:15

ANNE MADDEN: Great. Thank you. Our next question is, what is the company's plan for returning value to shareowners through dividends or share buybacks?

00:51:27

VIMAL KAPUR: At our Investor Day last week, we committed to deploying \$25 billion in capital to share repurchases, dividends, CapEx, and M&A over the next three years, re-upping our commitment from last year's Investor Day. In 2022 we deployed approximately \$8 billion, including over \$4 billion in share repurchases and over \$2.5 billion in dividends. Dividends remain a key pillar of Honeywell's disciplined capital deployment strategy, and we do not expect this to change in any way. Over the past 12 years, we have raised our dividend 13 times, representing double-digit average annual growth in dividend payout per share.

00:52:04

Last year we felt our stock was undervalued, and so we committed to repurchasing \$4 billion in shares and then achieved that goal. This year, the M&A environment is more favorable, so we are looking to deploy more capital to M&A. However, we are going to maintain our disciplined M&A process, and if we do not find deals that will be beneficial to shareowners, we will use that money to increase our share repurchases instead. We remain committed to our goal of at least 1% share reduction each year.

00:52:33

ANNE MADDEN: Great. Thank you. Darius, let me turn this next question to you. The question is, what is the company's approach to corporate governance including Board composition, oversight, and accountability?

00:52:48

DARIUS ADAMCZYK: The primary functions of the Honeywell Board of Directors are, one, to oversee the management performance on behalf of our shareowners to ensure that the long-term interests of the shareowners are being served; two, to monitor adherence to Honeywell

standards and policies; three, to provide effective oversight, and four, to promote the exercise of responsible corporate citizenship.

00:53:13

The composition of Honeywell's Board, as well as the perspective and skill of its individual members, need to effectively support Honeywell's growth and commercial strategy.

Collectively, the Board must also be capable of overseeing risk management, capital allocation and leadership succession. Board composition and the members' perspective and skills should evolve at an appropriate pace to meet the challenges of Honeywell's commercial and strategic goals.

00:53:44

The Corporate Governance and Responsibility Committee has primary responsibility for reviewing with the Board, on an annual basis, the requisite skills and the characteristics of Board members as well as the composition of the Board as a whole.

00:53:59

ANNE MADDEN: Great. Thank you. Our next question is, does Honeywell foresee a recession?

00:54:06

VIMAL KAPUR: We cannot predict what external factors will come into play, and we have certainly experienced a lot of them in the last few years, but we are constantly monitoring every situation and planning against multiple scenarios. We've proven over the last seven years that we can operate and deliver against our guidance regardless of what the market does. We have improved our organic sales growth and strengthened our balance sheet. Moreover, we have

delivered two times sales growth compared to our peers due to our superior execution and 118% of total shareholder return over the last seven years, consistently beating indices.

00:54:42

ANNE MADDEN: Great, thanks. Our next question is what is Honeywell's strategy for maintaining and improving relationships with customers and suppliers?

00:54:52

VIMAL KAPUR: We take pride in making sure our customers and suppliers have an exemplary experience when working with us. On the customer side, Honeywell has a dedicated account manager for every customer to be the single point of contact for interaction. Every strategic account also has an executive sponsor on our Senior Leadership Team who interacts directly with the customer's leaders and guides our internal teams to deliver on their needs.

00:55:18

We also have quarterly business reviews and annual meetings to advance key priorities, define new pursuits and drive co-innovation. In addition, we provide customers with a bi-annual customer experience survey to obtain feedback on our performance against key deliverables.

00:55:33

On the supplier side, Honeywell is driving a supplier consolidation strategy, with the goal of partnering with select strategic suppliers versus traditional transactional relationships. We are engaging suppliers in our early new product introduction process and sharing technology roadmaps with preferred suppliers, with the goal of profitable growth for each other's businesses. We have also instituted a Strategic Supplier Council with senior executive engagement.

00:56:00



ANNE MADDEN: Great. Thank you, Vimal. This next question I'll direct to Darius' attention and the question is, what is the company doing to address any concerns or criticisms brought to the Board by shareowners or other stakeholders?

00:56:18

DARIUS ADAMCZYK: The Board takes pride in its direct engagement with and responsiveness to shareowners. Each year, we speak with a large swath of our largest shareowners, and we provide the shareowner feedback we receive to the Board. Oftentimes, our Lead Director or the Chair of one of our Board committees will also participate in these calls. These interactions allow our Directors to hear feedback from our shareowners directly and bring that feedback back to discussions with the Board.

00:56:51

ANNE MADDEN: Terrific, our next question is, it's been almost five years since you announced moving your global headquarters to Charlotte. What does your presence there look like and how has the transition to the city gone?

00:57:09

DARIUS ADAMCZYK: We were optimistic about our move to Charlotte when we announced in 2018, but it has exceeded our expectations. We have found great people and a great home for our company, and we have been happy to do our part to give back both in the local economy and in the community. We have approximately 1,300 employees, who we call Futureshapers, that come to work at our offices at least three days a week with our three plus schedule. We initiated mass COVID-19 vaccination events during the pandemic and established numerous STEM education opportunities with local schools and some of our professional sports teams. We will

continue to remain committed to being a leader in the Charlotte community and in every location where we operate to shape the future of these cities and our company.

00:57:58

ANNE MADDEN: Great. Great note to end on. Thank you, Darius and Vimal. We've now reached our allotted time. We'll respond to unanswered questions of general concern to all shareowners by posting the questions and answers on our investor relations website shortly after the meeting. Similar questions will be combined. Thank you again, and I will now turn the meeting back over to Darius.

00:58:26

DARIUS ADAMCZYK: Thank you, Anne, and to all our shareowners. Thank you for participating and for your continued support of Honeywell.

00:58:36

OPERATOR: This now concludes the meeting. Thank you for joining and have a pleasant day.

00:58:42

(END)