Honeywell

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Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549-1090
VIA Internet Comment Form (http://www.sec.gov/rules/proposed.shtml)
Attention: Mr. Brett Fields, Secretary

RE: File Number S7-07-15

Dear Mr. Fields:

Thank you for providing Honeywell International Inc. ("Honeywell") with the opportunity to comment on the Securities and Exchange Commission's (the "SEC's") proposed "pay for performance" rule which implements Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"). Honeywell is a Fortune 100 company that invents and manufactures various technologies which address some of the world's toughest challenges. With more than 127,000 employees worldwide, including more than 22,000 engineers and scientists, we have an unrelenting commitment to quality and delivering results in everything we make and do.

Overview

In general, Honeywell believes that the proposed "pay versus performance" rule adds yet another layer of disclosure to an already excessively long and complex proxy statement without providing any significant benefit to investors. We are aware that many of our peer companies and trade associations, such as the National Association of Manufacturers and the Center on Executive Compensation, have, or will be, submitting comments to the SEC's proposed rulemaking on "pay for performance." Honeywell is fully supportive of those comment letters that express a strong preference for a principles-based rule, based on a more logical definition of compensation actually paid, to implement Section 953(a) of the Dodd-Frank Act. While a prescriptive supplemental proxy table display such as the SEC has proposed may create the appearance of uniformity and facially "enhance comparability among registrants", we think this approach will actually confuse the pay for performance picture for investors by requiring them to wade through additional disclosures focused more on explaining and reconciling the table and less on how the company approaches pay for performance. Because each registrant has a unique business profile and compensation programs vary widely, we believe there is no single way to uniformly measure performance or match the timing of compensation "earned". Given the sophistication of today's large institutional shareholders, the scrutiny of compensation disclosures by the proxy advisory firms and the importance that registrants place on successful "say on pay" voting outcomes, the SEC can be assured that registrants will provide effective disclosures describing the relationship of pay to performance under a principles-based rule.

Honeywell is also supportive of those comment letters which criticize the proposed rule's over-reliance on Total Shareholder Return or "TSR" as the primary metric for measuring performance. While we understand the importance of TSR to investors, the use of TSR as the single mandated measure of financial performance to be displayed on the face of a "pay for performance" table is too exclusive and ignores the fact that most compensation plans are designed to incentivize management to take actions that will improve operational results. And, while the goal of sustained improvement in operational results is to drive differentiated gains in TSR over time, the actions required to position a company to attain this result will vary significantly from company to company. Forcing all registrants, regardless of industry, maturity or individual circumstance, to report "pay for performance" in a tabular format using a single metric or single modified definition of compensation, and then having them explain why this is or is not appropriate, will just create confusion among investors. Rather, the SEC should promulgate a principles based rule that abandons the prescriptive table format and allow registrants to utilize the existing proxy disclosure framework in a way that is meaningful and tailored to each registrant's specific circumstances.

Should the SEC forgo a principles-based rules approach as Honeywell strongly prefers, and elect to promulgate a rule based on the prescriptive proposal published on April 29, 2015, then we ask that you consider the specific changes described below that will reduce the expense of compliance, enhance the quality of information made available, and help investors better assess the adequacy of executive compensation when they are exercising their rights to cast advisory votes on executive compensation under Exchange Act Section 14A.

Valuation of Stock Options

The SEC proposal requires that outstanding stock options be valued as of the vesting date using a new valuation of the option's fair value (i.e. present value as determined by the Black-Scholes model or other acceptable pricing model). While Honeywell agrees with a vesting date determination, the SEC should require that equity awards be valued using the actual option spread value (i.e., the "Intrinsic Value" or "In-the-Money" value) as of the vesting date, not at a calculated fair value as set forth in the proposed rule. Intrinsic Value represents the value actually realizable by the executive at vesting (absent any holding requirements) and hence is closest to satisfying the intent of Section 953(a) of the Dodd-Frank Act. Using a mathematical derivation of value may be an acceptable approach in determining the 'intended value' of an option as of the grant date for purposes of the Summary Compensation Table, however it is not an accurate gauge of actual value as of the vesting date. At vesting, an option's true value is determined by the amount the option is In-the-Money (if at all) as of that date and should not continue to reflect valuation assumptions aimed at predicting a potential future value. Any amount above the In-the-Money value that is realized after the vesting date will reflect investment decisions made by the executive, and not the registrant, which will differ significantly based on individual circumstances and beliefs.

Using Intrinsic Value as of the vesting date will also eliminate the additional burden and needless expense of hiring third party consultants to undertake the complex calculations associated with running Black-Scholes, Monti-Carlo or other binomial models to determine estimated fair value. For a registrant who grants annual stock option awards with a ratable, 4-year vesting schedule, the proposed rules would require they hire a consultant to run four separate valuation calculations, as of different dates, for each year of compensation disclosed (20 separate Black-Scholes calculations for five years of reported compensation). Registrants would then be required to disclose the methodologies and assumptions used to do this and explain the result. We feel this would be cumbersome, complicated, expensive and confusing to investors. Information regarding vesting date Intrinsic Value is readily available at little or no incremental cost.

Although not contemplated by the proposed rule, the SEC may receive comments suggesting that, in lieu of calculated fair value, the SEC should require registrants to use actual gain realized on the exercise of options as the measure of compensation actually paid for purposes of a standardized disclosure approach. Honeywell does not support using actual realized gain for this purpose as it results in a mismatch between pay and performance for executives who independently elect to retain their options for long periods after the vesting date. For example, Honeywell's stock options have a 10-year exercise period. If a Honeywell executive holds his or her stock options for almost their full term prior to exercise, the value realized over 9+ years of stock price appreciation would be compared to Honeywell's TSR for a much shorter period of time and hence misrepresent the alignment between the amount the executive realized as pay and the company's performance over the time period being reported. The linkage between pay and performance is skewed by the timing of each executive's decision on when to exercise his or her options. Executives who hold their options to the full term before exercise may be unjustifiably seen as being overpaid compared to executives who exercise their options quickly. Under a principles-based rule approach, registrants would have the flexibility to more accurately describe the alignment of pay and performance over the appropriate timeframes.

Treatment of Cash-Based Long-Term Incentive Compensation

The proposed rules do not address treatment of long-term incentive ("LTI") programs that are cash-based where the actual timing of payments to executives is not accurately reflected on the Summary Compensation Table. This occurs when there is a performance measurement period that is followed by a multi-year time-based vesting periods. For example, a company has a cash-based LTI program that measures a registrant's financial performance over a two-year performance period with cash payments made in the two years following the end of the measurement period assuming that the executive remains employed by the registrant on the payment date. That is, 50% of any earned award is paid in March of *the year following* the end of the two-year performance period, and the final 50% is paid in March *a year later (i.e. 15-months after the end of the performance cycle).* Current SEC rules require the full earned award to be reflected on the Summary Compensation Table in the second year of the performance cycle when all performance conditions are satisfied, even though the related compensation will vest and actually be paid over the two-years *following* the performance cycle. Honeywell suggests that the proposed rule stipulate that for cash-based LTI programs of this type, "compensation actually paid" is recognized only after the applicable vesting period is satisfied, consistent with the proposed rule for reporting equity award values as of their vesting date. This is another example where a prescriptive rule risks unintended consequences; here, treating one form of compensation differently than another. Under a principles-based rule approach, registrants would have the flexibility to more accurately describe company-specific nuances of their compensation program designs.

Using "Service Cost" to report annual increases in Pension Value

Honeywell agrees that the Change in Pension Value numbers reported on the current Summary Compensation Table includes amounts unrelated to performance, such as the impact of changes in the interest rate and other actuarial assumptions, which distort the total compensation picture. Honeywell believes that the SEC's proposal to limit the amount of pension change to the service cost for services rendered by the executive during the applicable year is a more appropriate measure for determining the amount of pension benefits earned during that year *for purposes of the Summary Compensation Table,* as it will eliminate the large fluctuations not related to the earned benefit. However, Honeywell does not believe that pension service cost is an appropriate measure of "compensation actually paid" during the year as such amounts may remain subject to vesting conditions as well as age and service requirements and may never actually be paid. As such, Honeywell believes the SEC should exclude changes in pension value entirely from the definition of compensation actually paid under the proposed pay for performance disclosure rules.

Situations with More Than One PEO

Honeywell does not agree with the proposed rule requiring registrants to aggregate the compensation of multiple PEOs in the same measurement period. Aggregation of two or more PEO's pay will result in anomalous results where, for example, a new CEO receives a one-time signing bonus or when an exiting CEO vests in certain awards upon retirement. A better approach would be to disclose each PEO as a separate line item, which would also be consistent with the Summary Compensation Table and allow for more relevant supplemental discussion.

Disclosure of Average Adjusted Compensation for Non-PEO NEOs

The Exchange Act Section 14(i) does not specify which executives must be included in the disclosure and Honeywell believes the disclosure should be limited to the PEO only. The proposed method of averaging the compensation values of other named executive officers, the composition and number of which may change significant from year to year, provides little investor insight into the pay for performance relationship and adds additional burden to the registrant in terms of cost and disclosure.

Years of Compensation to Be Reported

Honeywell believes that reporting of 5-years of restated compensation is excessive. The SEC should limit the compensation disclosure to 3-years, consistent with the Summary Compensation Table.

TSR Performance Periods & Use of Indexed Values

Honeywell believes that the aspect of the proposed rule mandating disclosure of cascading periods of cumulative TSR (i.e. each row showing TSR of a different duration), displayed as indexed values, is confusing and does not explain, inform or align the amount of adjusted annual compensation reflected on the Table. We believe it would be more meaningful if each row of restated annual compensation were displayed with a *consistent multi-year TSR value,* stated as a cumulative percentage, rather than indexed value. For example, using rolling 5-year TSR would aid in year-to-year table construction (information could be taken directly from stock performance graph required by Item 201(e) of Regulation S-K for the current and past 4 reporting periods) and provide a more meaningful display of consistent long-term TSR performance for each year of compensation being reported. In addition, annual table updates would be simplified whereas each registrant would only be required to add another row of the most recent year adjusted compensation and 5-year cumulative TSR and drop off the oldest row. The other rows would not need to be restated each year. A 5-year period is also consistent with a timeframe commonly used by institutional investors to assess long-term performance.

Set forth below is a simplified example of how the SEC's proposed "pay for performance" table would appear for the PEO using three years of restated compensation data (i.e., Compensation Actually Paid) and a rolling five-year cumulative TSR:

Year	Summary Comp Table PEO	Compensation Actually Paid to PEO*	5-Year Cumulative TSR	TSR Measurement Period
2015			%	2011-2015
2014			%	2010-2014
2013			%	2009-2013

* defined as " ".

The above format would also address one aspect of the proposed rule that is unclear and may result in inconsistent information being reported. The proposed rule provides large registrants with a phase-in period whereas they may report only 3-years of compensation & TSR information in the first year of adoption, four years in the second year and report the full 5-years thereafter. A registrant may, however, choose to report the full 5-years at adoption. As written, the proposed rule is unclear which years are envisioned to be used to report the TSR numbers. For example, if reporting only 3 years of compensation, would row 1 reflect 2015 compensation and be accompanied by TSR for the last 3-years (2013-2015), or is it intended that 2015 compensation be shown with 5-years of TSR (2011-2015), 2014 compensation be shown with 4-years of TSR (2011-2014) and 2013 be shown with 3-years of TSR (2011-2013), which would reconcile to the data reported in the current year stock performance graph required by Item 201(e) of Regulation S-K and improve comparability among respondents that elected the phase-in approach and those that don't. Using a rolling 5-year cumulative TSR value for each year reported would address this confusion and improve the overall comparability of the table.

Conclusion

Honeywell strongly believes that the SEC should reconsider and abandon the prescriptive tabular table format contained in its proposed rules in favor of a principles-based rule and allow registrants to utilize the existing proxy disclosure framework in a way that is meaningful and tailored to each registrant's specific circumstances. The suggested changes to the standardized tabular table approach we have offered here are intended to point out just some of the flaws in the proposed rules that will prevent them from achieving the goal of Section 953(a) of the Dodd-Frank Act and underscore the complexity in trying to apply a one-size-fits-all approach to all registrants.

We appreciate the opportunity to submit comments regarding the proposed "pay for performance" rule. We would be pleased to discuss our comments or any questions the SEC may have.

Sincerely,

Jeffrey Neuman
Vice President, Corporate Secretary & Deputy General Counsel
Honeywell International Inc.