

## **HONEYWELL AEROSPACE INC.**

### **Corporate Governance Guidelines**

The Board of Directors (the “Board”) of Honeywell Aerospace Inc. (“Honeywell Aerospace” or the “Company”) has adopted these Corporate Governance Guidelines (the “Guidelines”). These Guidelines, in conjunction with the Company’s Certificate of Incorporation, By-laws, and the charters of the committees of the Board, form the framework of governance of the Corporation.

#### **A. Board Functions and Responsibilities**

The primary functions of the Board are to oversee management performance on behalf of the shareowners, to ensure that the long-term interests of the shareowners are being served, to monitor adherence to the Company’s standards and policies, to promote the exercise of responsible corporate citizenship, and generally to perform the duties and responsibilities of the Board in accordance with the laws of Delaware, which is the state of incorporation of the Company.

The Board fulfills these functions by, among other things:

- Selecting, evaluating and compensating the officers of the Company and planning for senior management succession;
- Reviewing and monitoring implementation of the Company’s strategic plans and annual operating plans;
- Reviewing and approving significant corporate actions and major transactions;
- Reviewing assessments of, and advising management with respect to, significant risks and issues facing the Company; and
- Ensuring the establishment of, and monitoring compliance with, processes designed to ensure the integrity of the Company’s actions, including its financial statements and financial reporting, its relationships with customers, suppliers and other constituencies, and its compliance with law and its Code of Conduct.

#### **B. Board Composition**

1. Requisite Skills and Characteristics. The composition of the Company’s Board, as well as the perspective and skills of its individual members, need to effectively support the Company’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’ perspectives and skills should evolve at an appropriate pace to meet the challenges of the Company’s changing commercial and strategic goals.

The Nominating and Governance Committee has primary responsibility for reviewing with the Board, on an annual basis, the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. This assessment will include a consideration of the independence, experience and backgrounds of candidates in the context of the needs of the Board and the Company, as well as the ability of members (and candidates for membership) to devote sufficient time to performing their duties in an effective manner. Directors are expected to exemplify the highest standards of personal and professional integrity and to constructively challenge management through their active participation and questioning. To ensure that the Board continues to evolve and be refreshed in a manner that serves the changing business and strategic needs of the Company, before recommending for re-nomination a slate of incumbent directors for an additional term, the Nominating and Governance Committee will evaluate whether incumbent directors possess the requisite skills and perspective, both individually and collectively.

The Nominating and Governance Committee has responsibility for periodically identifying and recruiting new members to the Board. Through discussions with the Chairman, CEO, Lead Independent Director (if any) and other Board members, specific skill sets, experience, and knowledge important for the new Board member to possess are identified and prioritized. Potential candidates meeting these criteria are then identified by third-party search firms, reputation, or existing Board members. Candidates will be interviewed to ensure that the successful candidate possesses the requisite skills, characteristics, personality, leadership traits, work ethic, and independence to effectively contribute as a member of the Board, and the Nominating and Governance Committee will require that one or more diverse candidates have been considered before a successful candidate is identified. After the successful candidate has been identified by the Board, the Board then nominates the successful candidate for election by the Company's shareowners at the next occurring Annual Meeting of Shareowners (or, if the Board remains classified in accordance with the Company's Amended and Restated Certificate of Incorporation and By-laws, the next Annual Meeting of Shareowners applicable to the class of directors to which such candidate would be nominated). From time to time, the Board may appoint a candidate identified using the process described above to fill vacancies in its membership which arise prior to the next applicable Annual Meeting of Shareowners.

2. Independence. It is the policy of the Company that the Board must consist of at least a majority of directors who meet the independence requirements of the Nasdaq Stock Market LLC ("Nasdaq"), as well as entirely independent Audit, Compensation and Nominating and Governance Committees. The Nominating and Governance Committee will conduct an annual review of the independence of the directors (and candidates for membership on the Board), taking into account all relevant facts and circumstances, and will report its findings to the full Board. The Board may consider, as appropriate from time to time, imposing independence requirements more stringent than those required by Nasdaq.

The Company will not make any personal loans to directors or executive officers.

3. Independent Chairman. The Company has no fixed rule as to whether the offices of Chairman and CEO should be vested in the same person or two different people, or whether the Chairman should be an employee of the Company or should be elected from among the non-employee directors. The Board believes that this determination is part of the corporate governance and succession planning process and that it is in the best interests of the Company to make such a determination when it elects a new CEO or from time to time depending on the strategic needs of the Company.

If the Chairman is an independent director, he or she shall have the following duties and responsibilities:

- Review, approve, and make changes to Board meeting agendas and Board meeting schedules, including to add or remove agenda items and to ensure there is sufficient time for discussion of all agenda items;
- Review, and when appropriate, make changes to presentation material and other written information provided to directors for Board meetings;
- Preside at all meetings including executive sessions of the independent directors and apprise the CEO of the issues considered;
- Serve as liaison between the CEO and the independent directors;
- Be available for consultation and direct communications with the Company's shareowners;
- Call meetings of the independent directors when necessary and appropriate;
- Retain outside professionals on behalf of the Board;
- Consult with management about what information is to be sent to the Board;
- Identify key strategic direction and operational issues upon which the Board's annual core agenda is based;
- Serve as an ex-officio member of each committee;
- As and when the Board considers adding new members, work with the CEO, Nominating and Governance Committee and the full Board to help identify and prioritize the specific skill sets, experience, and knowledge that candidates for election to the Board must possess; and
- Perform such other duties as the Board may determine from time to time.

4. Lead Independent Director.

If the Chairman is not an independent director, a Lead Independent Director shall be elected by the independent directors from among the independent directors. In electing the Lead Independent Director, the independent directors shall consider the following selection criteria:

- Qualifies as independent, in accordance with relevant listing standards;
- Able to commit the time and level of engagement required to fulfill the substantial responsibilities of the role;
- Effective communication skills to facilitate discussions among members of the Board, including between the independent directors and the CEO/Chairman, and to engage with shareowners and key stakeholders;
- Possesses a strong rapport with other members of the Board;
- Demonstrates high personal integrity and ethical character; and
- Skills and experience broadly in line with the Company's corporate strategy, including, as relevant:
  - Leadership experience within a large, complex organization;
  - International experience and exposure to a variety of markets; and
  - Expertise aligned with key growth initiatives.

The Lead Independent Director will have the following duties and responsibilities:

- Review, approve, and make changes to Board meeting agendas and Board meeting schedules, including to add or remove agenda items and to ensure there is sufficient time for discussion of all agenda items;
- Review, and when appropriate, make changes to presentation material and other written information provided to directors for Board meetings;
- Preside at all meetings at which the Chairman is not present, including executive sessions of the independent directors, and apprise the Chairman of the issues considered;
- Serve as liaison between the Chairman and the independent directors;
- Be available for consultation and direct communications with the Company's shareowners;
- Call meetings of the independent directors when necessary and appropriate;
- Retain outside professionals on behalf of the Board;

- Consult with management about what information is to be sent to the Board;
  - Identify key strategic direction and operational issues upon which the Board's annual core agenda is based;
  - Serve as an ex-officio member of each committee;
  - As and when the Board considers adding new members, work with the CEO, Chairman, Nominating and Governance Committee and the full Board to help identify and prioritize the specific skill sets, experience, and knowledge that candidates for election to the Board must possess; and
  - Perform such other duties as the Board may determine from time to time.
5. Board Size. Determination of the authorized number of directors is governed by the Company's Certificate of Incorporation and By-laws. The Nominating and Governance Committee and the Board periodically review the size of the Board and assess its ability to function effectively and with appropriate skills, backgrounds and expertise.
  6. Term Limits. The Board does not believe in the establishment of arbitrary term limits. While term limits may help ensure that fresh ideas and viewpoints are available to the Board, they may force the Company to lose the contribution of directors who, over time, have developed increased insight into Honeywell Aerospace's businesses and operations. The Board seeks to maintain a balance of directors who have longer terms of service and directors who have joined more recently. The Nominating and Governance Committee will conduct an annual review of each director whose term would expire at the next Annual Meeting of Shareowners regarding his or her continuation on the Board. Unless the Board otherwise determines, non-employee directors shall serve only until the later of (i) the day of the Annual Meeting of Shareowners immediately following their 75th birthday and (ii) the day of the 5th Annual Meeting of Shareowners following the consummation of the Company's spin-off from Honeywell International Inc.
  7. Occupations and Memberships on Other Boards. An individual member of the Board should not sit on more than four public company boards (including service on the Company's Board). If a member of the Company's Board serves as a CEO of a publicly traded company, that member should not serve on the boards of more than two public companies (excluding their own company). In selecting nominees for membership, the Board takes into account the other demands on the time of a candidate, and with respect to current members of the Board, their attendance at, preparedness for and participation in Board and committee meetings. Directors should advise the Chairman of the Board in advance of accepting an invitation to serve on another public company board.

Directors should offer to tender their resignation in the event of a change in the principal job responsibilities that they held at the time of their election to the Board

or the principal job responsibilities taken subsequent to their election to the Board. The Nominating and Governance Committee will review each situation and make a recommendation to the Board as to the continued appropriateness of Board membership given the change in circumstances.

8. Election of Directors. The Company's By-laws provide that in any uncontested election of directors, any director nominee who receives a greater number of votes "for" his or her election than votes "against" (excluding abstentions) his or her election (a "Majority Vote") will be elected to the Board. The By-laws also provide that any nominee who does not receive a Majority Vote in an uncontested election is expected to promptly tender his or her resignation to the Chairman of the Board following certification of the shareowner vote, which resignation shall be promptly considered through a process managed by the Nominating and Governance Committee and excluding any nominees who did not receive a Majority Vote.

### **C. Board Meetings**

1. Meetings. Regular meetings of the Board are scheduled in advance and are generally held at the Company's headquarters located in Phoenix, Arizona but may also be held by means of via remote communication. Special meetings of the Board may be called by the Chairman, the Chief Executive Officer, the Lead Independent Director, the Chair of the Nominating and Governance Committee of the Board, or at the request of any two independent directors, the Corporate Secretary.
2. Attendance. Board members are expected to prepare for, attend and participate in meetings of the Board and committees on which they serve. Information and data that are important to an understanding of the business to be conducted at a Board or committee meeting is generally distributed in writing to the directors before the meeting so as to provide directors with sufficient time to review the materials and consider key issues in advance of the meeting.

Board members are also encouraged to attend the Annual Meeting of Shareowners.

3. Agendas. At the end of each year, the Board reviews a schedule of agenda subjects (to the extent they can be foreseen) to be considered by the Board at its meetings in the coming year. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting and to suggest items for inclusion on future Board agendas.
4. Presentations to the Board. The Board welcomes regular attendance at each Board meeting of senior officers of the Company. The Board encourages presentations at its meetings by employees whose direct involvement in a particular area can bring key insights into a topic being reviewed with the Board or who have leadership potential of which the Board should be aware. Management presentations should be scheduled on the agenda so as to allow for question-and-answer sessions and open discussions of key policies and practices.

5. Meetings of Independent Directors. The Board will hold executive sessions of its independent directors on at least a quarterly basis. Over the course of each year, the topics of discussion in executive sessions of independent directors will include management performance and succession plans, Board compliance with the Company's corporate governance policies, and the needs of the Board (e.g., qualities, skills, background, etc.).

The Chairman, if an independent director, or the Lead Independent Director, if the Chairman is not an independent director, will serve as the chairperson for these executive sessions. Following an executive session of independent directors, the Chairman, if an independent director, meets with the CEO, or the Lead Independent Director, if the Chairman is not an independent director, meets with the Chairman, to provide feedback on matters discussed in the executive session, and/or input regarding agenda items or information requests for future Board and committee meetings.

#### **D. Board Committees**

1. Committees. The Board currently has the following committees: Audit, Compensation, and Nominating and Governance. All of the members of these committees are independent directors under criteria established by the SEC and Nasdaq. All directors serving on the Audit Committee and the Compensation Committee meet the enhanced independence criteria established by the SEC and Nasdaq for the respective committees. The Board may, from time to time, establish or maintain additional or alternative committees that it determines to be necessary or appropriate. The Chairman, if an independent director, or the Lead Independent Director, if the Chairman is not an independent director, shall be an ex-officio member of each committee.
2. Committee Assignments. Committee members and chairpersons will be appointed by the Board upon the recommendation of its Nominating and Governance Committee. Generally, committee chairpersons will have had prior service on the committee. There are no fixed terms for service on committees.
3. Charters. Each committee operates under a written charter setting forth its purpose, duties and responsibilities, and providing for an annual self-evaluation of its performance. These charters are published on the Company's website and are made available in print to any shareowners who requests them.
4. Meetings. Committee meetings are generally held in conjunction with full Board meetings. The chairperson of each committee determines the frequency and length of committee meetings (consistent with any applicable charter requirements) and, with the assistance of appropriate members of management, develops the agenda for committee meetings. Each committee will establish a schedule of agenda subjects (to the extent these can be foreseen) to be discussed during the year. The schedule for each committee will be furnished to all directors. Board members who

are not members of a particular committee are welcome to attend meetings of that committee.

#### **E. Access to Management, Employees and Independent Advisors**

1. Management and Employees. Directors have full and free access to management and employees of the Company. Meetings or contacts may be arranged through the Company's CEO or Corporate Secretary or directly by the director.
2. Independent Advisors. The Chairman, if an independent director, or the Lead Independent Director, if the Chairman is not an independent director, the Board and its committees have the right to retain independent outside financial, legal or other advisors as they may deem necessary.

#### **F. Director Orientation and Continuing Education**

The Company's Corporate Secretary will be responsible for (i) compiling and providing to each new director an orientation manual containing materials pertaining to, among other things, the Board and its committees, the Company's corporate governance policies and practices, and the Company's businesses, functions, initiatives and processes, (ii) coordinating new director orientation programs for new directors, and (iii) periodically providing materials and updates to all directors on issues and subjects that would assist them in fulfilling their responsibilities.

Board members may attend, at the Company's expense, seminars, conferences and other continuing education programs designed for directors of public companies.

#### **G. Director Compensation**

The Nominating and Governance Committee will periodically review and make recommendations to the Board regarding the form and amount of compensation for non-employee directors. The Nominating and Governance Committee may request information from Company staff or outside consultants on the compensation of boards of comparable companies. The Company'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 to address the increased time, effort, expertise and accountability required of active Board membership in light of evolving corporate governance requirements.

In general, the Nominating and Governance Committee believes that annual compensation for outside 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 the directors and the shareowners. The cash component currently consists of an annual retainer and a retainer for the Chairman, if an independent director, the Lead Independent Director if the Chairman is not an independent director, and each committee served upon (with a supplemental retainer for serving as a committee chairperson). The equity component currently consists of an annual equity grant of stock options and restricted stock units, with the restrictions lapsing and the options vesting over time so as to create an incentive for continued service on the Board, and deferred compensation in the form of common stock equivalents.



Director stock ownership guidelines have been adopted under which each non-employee director, while serving as a director of the Company, must hold shares of Company stock (including restricted shares) and/or common stock equivalents with a market value of at least five times the annual cash retainer. Directors have five years from election to the Board to attain the prescribed ownership threshold.

## **H. Management Compensation and Succession**

1. Succession Plan. The Board shall oversee and annually review leadership development and assessment initiatives, as well as short- and long-term succession plans for the CEO and other senior management, including in the event of unanticipated vacancies in those offices. Generally, the Compensation Committee considers leadership development, assessment and succession planning in preparation for a discussion by the full Board.

The Board is responsible for the selection of the CEO. When assessing possible CEO candidates as part of its annual review of succession plans, the independent directors shall identify and periodically update the skills, experience and attributes that they believe are required to be an effective CEO in light of the Company's business strategy, prospects and challenges. The independent directors shall also take into account perspectives provided by the incumbent CEO relating to the performance of internal candidates. In reviewing the appropriateness of the Company's leadership development and assessment process for the CEO position, the Board shall consider whether the independent directors have sufficient familiarity with senior management to make informed decisions about CEO succession.

2. Annual Compensation Review. The Compensation Committee reviews and approves the corporate goals and objectives relevant to compensation of the Company's CEO, evaluates the CEO's performance in light of those goals and objectives and, together with the other independent Directors, determines and approves the CEO's compensation level based on this evaluation. The CEO shall not be present during any voting or deliberations by the Committee regarding the CEO's compensation. The Compensation Committee also reviews and approves the goals and objectives of the other executive officers of the Company, and sets the compensation, of the officers of the Company.
3. Executive Stock Ownership Guidelines. Executive stock ownership guidelines have been adopted under which officers (1) must achieve ownership thresholds based on a multiple of salary and (2) hold net shares from the vesting of restricted stock units and performance stock units for one year. Shares used in determining whether these guidelines are met include shares held personally, share equivalents held in qualified and nonqualified retirement accounts and restricted units. Officers have five years to meet these guidelines.
4. Recoupment of Incentive Compensation. In the event of a significant restatement of financial results (a "Restatement"), the Board will review all incentive

compensation paid to senior executives on the basis of having met or exceeded specific performance targets for performance periods during the Restatement period. To the extent permitted by applicable law, the Board will seek to recoup incentive compensation, in all appropriate cases (taking into account all relevant factors, including whether the assertion of a recoupment claim may prejudice the interests of the Company in any related proceeding or investigation), paid to, or credited to a deferred compensation account of, any senior executive, if and to the extent that (i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a Restatement, (ii) the senior executive engaged in misconduct that caused the need for the Restatement, and (iii) the amount of incentive compensation that would have been awarded to the senior executive had the financial results been properly reported would have been lower than the amount actually awarded.

For purposes of this policy, the following terms shall have the meanings set forth below:

“senior executives” shall mean executive officers for purposes of the Securities Exchange Act of 1934, as amended, as well as the Company’s principal accounting officer and corporate secretary;

“incentive compensation” shall mean bonuses or awards issued under any compensation plan approved by the shareowners of the Company; and

“misconduct” shall mean a knowing violation of SEC rules and regulations or Company policy.

Determinations of misconduct for purposes of this policy shall be made by the Board (or, at the discretion of the Board, an appropriate committee of the Board) independently of, and the Board shall not be bound by, determinations by management or by any committee of the Board that a senior executive has or has not met any particular standard of conduct under law or Company policy.

This policy is not intended to amend or modify any right or obligation to pay or credit any amount due under any incentive compensation and/or deferred compensation plan, as distinguished from the right to recoup incentive compensation previously paid or credited. The right of the Board to assert a recoupment claim under this policy shall not survive the occurrence of a change in control of the Company as defined in the relevant incentive compensation plan.

The above policy is in addition to the SEC Clawback Policy adopted by the Board to comply with the listing standards of the Nasdaq Stock Market LLC (Nasdaq) related to the clawback of erroneously awarded executive compensation as required under Rule 10D-1 under the Securities Exchange Act of 1934 (such policy, the “SEC Clawback Policy”). For the avoidance of doubt, at the discretion of the Board, the above policy may be applied (i) in circumstances where the SEC Clawback Policy is not applicable, and/or (ii) in a manner that would result in a

broader recoupment claim than would be required under the SEC Clawback Policy; provided, however, that in no event shall the above policy be applied in a manner that would result in a duplicative recoupment claim against a senior executive. In the event of any direct conflict between this policy and the SEC Clawback Policy, the SEC Clawback Policy shall govern.

#### **I. Director Confidentiality**

To foster open discussions, the meetings and materials of the Board are confidential. A director shall not (a) use any confidential information for his or her own personal benefit or to benefit persons or entities outside the Company or (b) disclose confidential information to any person or entity outside the Company, either during or after his or her service as a director of the Company, except with the written authorization of the Chairman of the Board, the Lead Independent Director (if any), or the Board, or as may otherwise be required by law. “Confidential information” includes any non-public information that is provided to or obtained by a director in his or her capacity as a director of the Company, whether or not the information directly relates to the Company.

#### **J. Conflicts of Interest**

Directors shall avoid any situation that may give rise to a conflict of interest or the appearance of a conflict of interest. If an actual or potential conflict of interest (or a situation that is reasonably likely to appear to pose a potential conflict of interest) arises for a director, the director shall promptly inform the Nominating and Governance Committee. All directors will recuse themselves from any Board or committee discussion or decision in which they have an actual or potential conflict of interest. If a significant conflict of interest exists and cannot be resolved through recusal or other means reasonably acceptable to the Board, the director should offer to resign.

#### **K. Annual Performance Evaluation**

The Board will conduct an annual self-evaluation led jointly by the Chairman, if an independent director, or the Lead Director, if the Chairman is not an independent director, and the Chairman of the Nominating and Governance Committee to determine whether it and its committees are functioning effectively and to solicit feedback from directors as to whether the Board is continuing to evolve and be refreshed in a manner that serves the business and strategic needs of the Company. The annual self-evaluation will include the following elements:

1. The Nominating and Governance Committee will annually review the scope and content of the self-evaluation to ensure it is contemporary, appropriate for the needs of the Company and that actionable feedback is solicited on the operation and effectiveness of the Board and its committees.
2. After distribution of the self-evaluation materials to directors, the Nominating and Governance Committee will receive comments from all directors and report to the Board, which report will identify areas for improvement in the performance of the Board and its committees.

#### **M. Political Contributions**

The Company's Code of Business Conduct provides that Company funds generally may not be used for political contributions, directly or indirectly, in support of any candidate or political party. The Code of Business Conduct also provides that, wherever lawful, the Company may make a contribution in connection with an occasional local initiative or referendum campaign where the Company's interests are directly involved. Any use of corporate funds for political expenditures requires the prior approval of the Company's Senior Vice President and General Counsel and is rarely approved, and any such use of corporate funds will be disclosed.

The Company participates in the U.S. political process primarily through the non-partisan Honeywell International Political Action Committee (HIPAC), which is funded exclusively through voluntary contributions from eligible U.S.-based employees. HIPAC contributions can be viewed on the Federal Election Commission website at [www.fec.gov](http://www.fec.gov). Employees are not reimbursed, directly or indirectly, for political donations or expenses.

The Company also is and/or may become in the future a member of a number of trade associations. All trade association memberships are generally reviewed and approved by an executive officer of the Company. In addition, memberships in 501(c)(6) trade associations that receive more than US\$50,000 in membership dues from the Company in any fiscal year require prior approval of the Company's Senior Vice President and General Counsel, all such organizations shall be instructed not to use funds received from the Company for any election-related activity, and the names of such organizations along with the corresponding non-deductible portion of membership dues paid to such organizations shall be disclosed.

The Nominating and Governance Committee will receive an annual report on the Company's policies and practices related to political contributions and trade association memberships. The Nominating and Governance Committee's oversight of the Company's political activities will promote compliance with applicable law and alignment with the Company's policies and Code of Business Conduct. In addition, each year, the Senior Vice President, Global Government Relations will report to the Nominating and Governance Committee on trade association political spending and to the full Board on the Company's global lobbying and government relations program.

#### **N. Review and Modification of Corporate Governance Guidelines**

The Nominating and Governance Committee will review these guidelines annually (and more often if necessary) and will report to the Board any recommendations that it may have regarding modification of these guidelines.