



## Action Report

# Corporate Political Influence

## Honeywell International

March 29, 2022

Ticker	Exchange	Meeting Date	Record Date	Annual Meeting Location
HON	NYSE	4/25/2022	2/25/2022	Virtual Meeting

### Agenda

Item	Proposal
1	MGT: Elect directors
2	MGT: Ratify selection of auditors
3	MGT: Advisory vote on executive compensation
4	SH: Allow shareholder right to call special meetings
5	<b>SH: Review/report on climate change advocacy</b>
6	SH: Report on stakeholder consultation and risk remediation

#### Si2 Briefing

[Corporate Political Activity](#)

#### Report Author

[Robin Young](#)

#### Links

[Proxy Statement](#); [Climate and Sustainability Lobbying Report](#); [Political Contributions](#); [Code of Business Conduct](#); [2021 Corporate Citizenship Report](#)

#### Resolved Clause

RESOLVED: Shareholders request that the Board of Directors conduct an evaluation and issue a report (at reasonable cost, omitting proprietary information) describing if, and how, Honeywell's lobbying activities (direct and through trade associations and other organizations) align with the goal of the Paris Agreement to limit average global warming to well below 2 degrees Celsius (ideally 1.5 degrees Celsius) and how Honeywell plans to mitigate risks presented by any misalignment.

#### Lead Proponent

Proxy Impact

#### Vote History

This is the first time this proposal has appeared on the Honeywell proxy ballot.

#### Summary

Honeywell's existing lobbying policies contains almost all best practices requested by shareholders advocates – including board oversight, management governance and a policy on trade association activity. Honeywell recently released a climate lobbying report that includes expanded trade association disclosures and a list of potential misalignments between trade association and Honeywell policies on climate change.

## I. Honeywell International and Lobbying

Honeywell International is a diversified technology and manufacturing company that offers products over a range of industries. The company has four primary business segments:

Financials			
(\$ millions)	2021	2020	% Change
<b>Total Revenue</b>	\$34,392	\$32,637	5.4%
<b>Net Income</b>	\$5,542	\$4,779	16%

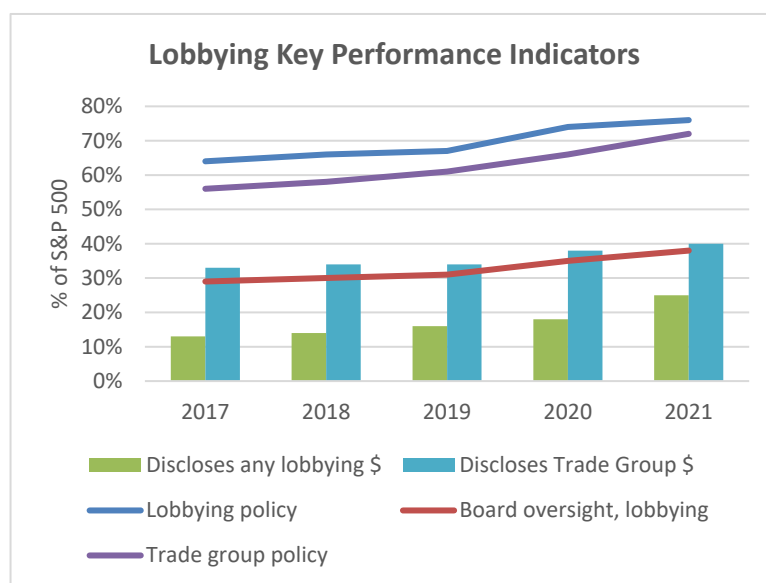
- The **Aerospace** segment provides products and services to the U.S. government and the commercial sector through airports, airlines and other companies. It accounted for 32 percent of total company sales in 2021. Sales to the U.S. government in 2021 were \$3.9 billion, approximately 11 percent of total revenue.
- The **Building Technologies** segment produces products, software, solutions and technologies that enable building owners and occupants to ensure their facilities are safe, energy efficient, sustainable and productive, including advanced software applications for building control and optimization; sensors, switches, control systems and instruments for energy management; access control; video surveillance; fire products; remote patient monitoring systems; and installation, maintenance and upgrades of systems.
- The **Performance Materials and Technologies** operations include developing and manufacturing advanced chemicals and materials, process technologies and automation solutions for a variety of industrial products. It accounted for 29 percent of sales in 2021.
- The **Safety and Productivity Solutions** business provide products, software and connected solutions to customers around the world that improve productivity, workplace safety and asset performance. Safety products include apparel, gear, and footwear designed for work, leisure and outdoor activities; gas detection technology; and cloud-based notification and emergency messaging.

Honeywell employs 99,000 people worldwide, with 34,000 in the United States. The remaining employees are in 81 countries throughout Asia, Canada, Europe and Latin America.

### Policy and Oversight

The bar chart and table below provide comparative data from Si2's benchmarking research, showing the gradual increase in corporate lobbying transparency, which has grown but still lags that for election spending. Si2's review of S&P 500 companies' political activity governance in 2021 found that 76 percent of companies publish at least a minimal policy on their lobbying activity, up from 36 percent in 2011, but only 43 percent specifically discuss their lobbying at the state level.

Company disclosure on corporate indirect spending has grown in the last five years. Si2 found that in 2021, 72 percent of the S&P 500 had a policy on trade associations and political involvement, an increase from only



Corporate Lobbying Policies and Governance			
	Honeywell International	2021 Si2 Study Averages	
		Industrials Sector	S&P 500
Policies			
...on lobbying	Yes	66%	76%
---mentions state lobbying	Yes	37%	43%
Governance			
Board oversight of lobbying	Yes	30%	38%
Management transparency*	Yes	58%	63%
Indirect spending			
Trade association covered	Yes	67%	72%
Other non-profits covered	Yes	33%	40%
Discloses memberships	Partial	58%	66%
Prohibits trade group use of co. \$ for political uses	Yes	8%	11%
Voluntary Spending Disclosure			
Reports federal lobbying \$	Yes	26%	20%
Reports state lobbying data	Yes	5%	12%
Discloses indirect payments	Partial	36%	40%

\*Identifies corporate officer(s) involved in decision-making

14 percent in 2010. About 40 percent disclose at least some payments to non-profits, which can be used for elections and/or lobbying.

**Peer comparison:** The table above shows how the company compares to sector peers and the S&P 500.

**Company policy:** Yes. Honeywell International's policy for lobbying is located on its [Political Contributions](#) webpage, in the [Code of Business Conduct](#) and in the [2021 Corporate Citizenship Report](#).

Climate change lobbying is specifically addressed in the [Climate and Sustainability Lobbying Report](#); see below for more in-depth information on that report.

**Board oversight:** Yes. The company does impose formal oversight of its direct corporate lobbying; the policy states, "With respect to Board of Directors oversight, our public policy efforts, including all lobbying activities, political contributions, and payments to trade associations and other tax-exempt organizations, are the responsibility of the Corporate Governance and Responsibility Committee (CGRC), which consists entirely of independent, non-employee directors."

**Management transparency:** Yes. The Senior Vice President, Global Government Relations is responsible for managing lobbying activities.

### **Spending Practices and Disclosure**

Voluntary disclosure of federal lobbying spending by companies has grown but remains low, at just 20 percent of the S&P 500, up from 3 percent seven years ago. Data on companies' federal lobbying expenditures are available from the U.S. Congress, but proponents seek voluntary disclosure to investors, as well as data on companies' state lobbying expenditures, since mandated disclosure is uneven and not comparable. The company's disclosures are noted in the box at right.

Honeywell International's Voluntary Lobbying Disclosure	
<b>Federal Lobbying \$</b>	<b>Yes</b>
Aggregate State Lobbying \$	No
<b>Amounts Disclosed by State</b>	<b>Yes</b>
States Disclosed with no \$	No

## Indirect Spending

**Intermediary group policy:** Yes. Honeywell International’s policy does address trade association activity and lobbying. The company notes it is a member of several trade associations and other tax-exempt groups (including 501(c)(4) groups) that engage in political activity. The company states that those relationships aim to accomplish the following:

- Support its commercial growth initiatives where we believe engaging in coalitions with other industry participants is likely to enable growth of end markets;
- Promote development of its internal technical and regulatory expertise as well as enable us to share with other companies our technical and regulatory expertise; and
- Assist in political advocacy and outreach, particularly related to public education efforts regarding major issues common to its industries.

In addition:

Honeywell instructs these organizations not to use funds received from Honeywell for any election-related activity at the federal, state or local levels, including contributions or expenditures in support of, or opposition to, any candidate for any office, ballot initiative campaign, political party, committee or Political Action Committee. Honeywell informs these organizations of this policy upon becoming a member and annually thereafter. Honeywell does not make additional, non-dues contributions to these organizations to support the organization’s political activities.

**Discloses any memberships:** Partial. Honeywell International’s policy sets a \$50,000 threshold for annual due/payments before memberships are disclosed. The [Climate and Sustainability Lobbying Report](#) lists 16 trade association memberships.

**Discloses any payments used for political purposes:** Partial. The company does not disclose dues or payments made to individual associations; instead the company says, “the aggregate amount of dues paid to trade associations receiving membership dues of \$50,000 or more from Honeywell is less than \$3.5 million annually.” Dues paid by the company help underwrite a percentage of each association’s political and lobbying expenses; available data on groups with which it is associated appear below.

Involvement with Trade Associations						
Organization	Honeywell				Most Recent IRS Data	
	On Board	Member	2021 Contributions <sup>#</sup>		Total Dues	Political Spending*
			Dues	Political*		
American Fuel & Petrochemical Manufacturers Association		X	>\$50,000	ND	\$33 mil.	\$3.4 mil.
National Assn. of Manufacturers		X	>\$50,000	ND	\$54 mil.	\$14.7 mil.
U.S. Chamber of Commerce	X	X	>\$50,000	ND	\$141.8 mil.	\$64.8 mil.
*Political and lobbying expenses non-deductible under Internal Revenue Code Section 162(e)1.						
# The company sets a threshold of \$50,000 in dues that triggers membership disclosure.						

**Potential controversy from associated trade groups:** Some business groups have taken positions at odds with public policy initiatives supported by leading institutional investors and corporate reformers. Organizations supported by Honeywell International that may advocate for positions at odds with some of the company’s stated objectives include the National Association of Manufacturers and the U.S. Chamber of Commerce. *(A more detailed description of controversies about these groups appears in Si2’s Briefing Paper on Corporate Political Activity, pp. 29-33.)*

### Lobbying Expenditure Record

Available information on the company's federal lobbying and in 20 states where such information is available shows it has given \$17.6 million in the last four years. These amounts exclude contributions that may have been from intermediaries discussed above.

### Climate Change Advocacy

As shown above, Honeywell's federal lobbying expenditures have remained relatively consistent over the last four years while state spending had dropped over 50 percent in the 20 states tracked.

Honeywell International's Recent Lobbying Expenditures		
Year	Federal	State*
2019	\$5,940,000	\$890,136
2020	\$4,810,000	\$431,388
2021	\$5,240,000	\$325,001
2022	-	NA
<b>Total</b>	<b>\$15,990,000</b>	<b>\$1,646,525</b>
Federal data from the Center for Responsive Politics through its website, <a href="https://www.opensecrets.org">OpenSecrets.org</a> . Quarterly lobbying reports are available at the <a href="https://www.senate.gov/legislative/public_records/">Senate Office of Public Records</a> . State data is available on 20 states from the <a href="https://www.nationalinstituteonpolitics.org">National Institute on in Politics</a> .		

A review of the company's latest quarterly federal lobbying disclosure forms shows it directly lobbied on several issues related to climate change in the last quarter of 2021:

Issues concerning energy conservation, energy research and development, low global warming offerings, FIFRA registration, and programs administered by the EPA Issues related to mobile air conditioning, biofuels, fuel efficient vehicles, FGas regulation, various EPA rules, climate change, and energy efficiency Appropriations for EPA

Cafe/GHG emissions standards

issues related to Corporate Average Fuel Economy and light duty vehicle greenhouse gas emissions

Issues concerning Methane monitoring and detection, EPA methane monitoring regulation

Clean Energy tax issues

Issues related to energy efficiency in commercial and residential buildings, and advanced building controls

Issues related to industrial technologies

Issues related to carbon capture and sequestration technologies

Issues related to nuclear energy

Issues related to Department of Energy wind technology programs (no pending legislation)

Issues related to renewable energy (no pending legislation)

Issues related to Smart Grid (no pending legislation) Issues related to natural gas

Issues related to energy savings performance contracts Department of Energy appropriations

Issues related to energy storage

Issues related to smart metering Pipeline Safety Act

H.R.2, Investing in a New Vision for the Environment and Surface Transportation in America Act Executive Order 13920: Securing the United States Bulk-Power System

Issues related to Hydrogen

Issues related to biofuels, sustainable aviation fuels

Issues related to energy storage

In its [Climate and Sustainability Lobbying Report](#), Honeywell says it “directly engages with policy makers to promote global policies for greater energy efficiency, clean energy generation, and energy savings performance contracts, as well as the global transition from high-Global Warming Potential HFCs to low-Global Warming Potential alternatives.” The report provides a brief overview of its “key elements of climate and energy policy” and an overview of its government relations approach, including lobbying. Key elements of its climate policy are:

- Commitment to reach carbon neutrality in operations and facilities by 2035;
- Reduce global Scope 1 and Scope 2 GHG emissions intensity by 10 percent from 2018 levels;
- Deploy at least 10 renewable energy opportunities; and
- Achieve certification to ISO's 50001 Energy Management Standard at 10 facilities by 2024.

The company also says that it has implemented more than 6,100 sustainability projects since 2010, which have saved it \$105 million, that 60 percent of 2021 product introduction research and development was directed toward ESG-oriented outcomes; and that more than 60 percent of 2021 sales were for products that contribute to ESG-oriented outcomes. More detailed information on the company's Climate and Energy Approach for broad sustainability these, carbon reduction solutions and global sustainability policy are included in Appendix 2 of the climate lobbying report.

Regarding trade association activities, the company says that it “believes membership in these organizations supplements and enhances the effectiveness of its Global Government Relations team. Honeywell’s membership in key industry associations allows us to create an industry-wide approach to combatting climate change and promoting sustainability through policy and regulations.” It also acknowledges that the positions of each association may not always align with Honeywell’s and that when they do not, “Honeywell evaluates the benefit of pursuing its strategic objectives through alternative avenues, including direct engagement.”

For the report, Honeywell also reviewed 16 trade association memberships where dues were \$50,000 or higher to “assess alignment with Honeywell’s sustainability objectives.” The report lists three associations that held climate views that Honeywell claims are “notable,” however the company makes sure to state that “we do not consider these differences to be material.” (*Boxes, right.*)

Honeywell says it “receives a high level of benefit from these associations” and has determined to retain its memberships in each. However, for each of the three associations, the company communicates how it will address the listed misalignments in positions. These actions range from formally communicating identified differences and continued annual evaluations to continued pressure for supporting specific pieces of legislation that Honeywell considers key to its policy.

In its 2021 [CDP response](#), the company says it has directly engaged with policy makers about energy efficiency, clean energy generation, climate finance and low-GWP products. It also lists three trade association memberships in groups that “are likely to take a position on climate change legislation,” but does not describe them. Instead, it lists two associations whose positions are considered “consistent” (Alliance for Responsible Atmospheric Policy and the National Electrical Manufacturers Association) and one that is “mixed” (American Chemistry Council.)

American Fuel And Petrochemical Manufacturers		
POLICY	ASSOCIATION POSITION	HONEYWELL POSITION
Renewable Fuels	AFPM has advocated for lowering the mandates in the EPA’s renewable fuel standard (RFS) program that aims to reduce greenhouse gas emissions and reliance on imported oil. AFPM has also petitioned to provide small refineries with exemptions from the RFS2	Honeywell supports the use of sustainable aviation fuel and biofuels to decarbonize transportation and heavy industrial sectors.

National Association of Manufacturers		
POLICY	ASSOCIATION POSITION	HONEYWELL POSITION
Climate Litigation	In 2017, the National Association of Manufacturers Legal Center established the Manufacturers’ Accountability Project (MAP) to defend manufacturers against climate-related liability lawsuits. A press release from the group states its purpose is to combat “the concerted, coordinated campaign being waged by plaintiffs’ lawyers, public officials, deep-pocketed foundations and other activists who have sought to undermine and weaken manufacturers in the United States.” <sup>3</sup>	Honeywell is not a member of the Manufacturers Accountability Project. We are committed to prioritizing sustainability, and have pivoted focus of our outstanding scientists, problem-solvers, and innovators to addressing sustainability and reducing the impact of our operations and products on the environment.
Paris Climate Agreement	In 2017 NAM did not support the Paris Climate Agreement, however, they have updated their stance and now support the objectives of the Paris Climate Accord <sup>4</sup> to significantly reduce the risks and impacts of climate change.	Honeywell aligns with the overall goals of the Paris Agreement adopted in December 2015 at COP21 to contain temperature rise over pre-industrial levels to well below 2°C.

U.S. Chamber of Commerce		
POLICY	ASSOCIATION POSITION	HONEYWELL POSITION
Climate	The Chamber supports the Biden Administration’s decision to rejoin the Paris Climate agreement, but has come under criticism for previous advocacy that encouraged a “discourses of delay” to discount climate science and dismiss a series of policy proposals <sup>5</sup> .	Honeywell is aligned with the goals of the Paris Agreement adopted in December 2015 at COP21 to contain temperature rise over pre-industrial levels to well below 2°C.



## II. Proponent Position

Citing an [update](#) to the United Nation’s 2021 Nationally Determined Contribution (NDC) Synthesis Report, the proponent says that global warming is not limited to 1.5 degrees Celsius by 2030, “emissions will need substantial reductions thereafter, at a higher financial cost, to compensate for the slow start on the path to global net zero emissions.” The proposal notes the UN’s Environment Programme has found “critical gaps remain between government commitments and the actions required to prevent the worst effects of climate change” and asserts companies must work with policy makers to close them.

The proponent believes corporate lobbying misaligned with the Paris Agreement is a risk to investors, as well as to the climate. The proposal is particularly concerned that trade associations can be used as “obstacles to progress” that companies hide behind, as they to slow emissions reductions. Investors “are convinced that unabated climate change will have a devastating impact on political stability and infrastructure, impair access to finance and insurance, exacerbate health risks and costs, and therefore significantly impact the value of our investments.”

Honeywell has already acknowledged certain risks associated with climate change in its 10-K statement, as well as affirming its belief in climate change and the need for “ambitious” climate policies, as evidenced by its commitment to carbon neutrality by 2035. However, the proponent states 3M has not publicly supported the Paris Agreement and “belongs to several organizations that have lobbied against Paris-aligned climate policy”—including the U.S. Chamber of Commerce, the American Fuel and Petrochemical Manufacturers and the National Association of Manufacturers. Additionally, the proponent asserts, “Honeywell has not disclosed any efforts to assess these associations against science-based policy principles or to engage these associations to evolve their positions to align with climate science.”

## III. Management Position

Honeywell opposes the proposal and says it already has evaluated its lobbying activities for alignment with the Paris Agreement, noting its recent Climate-Related Lobbying Report on its website. The report, used outside firms to summarize public positions taken by trade associations and they found no material misalignments between association positions and Honeywell’s climate-related objectives or the Agreement itself.

The company says that it has expanded the purview of its Political Contributions Advisory Board, which works to ensure alignment of its PAC contributions to Honeywell’s foundational principles, to ensure that its decisions are informed by “third-party due diligence reports identifying statements or activities that present potential misalignment.” The board now also will review all corporate funds used for political contributions, trade association memberships and their alignment with 3M sustainability goals.

Honeywell points to its ranking in the CPA-Zicklin Index of Corporate Political Disclosure and Accountability. While the Index does not take lobbying policies or governance into account, Honeywell notes that its place near the top of the Index is “consistent with Honeywell’s track record of enhancing our disclosures to be responsive to our shareowners’ need for sufficient information to assess whether Honeywell’s participation in the political process poses investment risk.”

## IV. Analysis

For a general analysis, see Si2's [Briefing Paper on Corporate Political Activity](#). The following is specific to Honeywell International.

### **Key Points at Issue**

- Is the company keeping pace with industry best practice?
- Do shareholders have enough information about the company's lobbying activities?

**Best practices:** Honeywell International's policies and procedures address direct corporate lobbying as well as lobbying by trade association partners and other tax-exempt groups. The company's policies include information on board oversight, discuss which officials approve lobbying activities and provide information on trade association activity.

**Disclosure:** Honeywell International voluntarily discloses its federal and state lobbying expenditures. Links to all the company's federal lobbying disclosure forms dating back to 2015 are on the company website and it recently has begun to disclose annual lobbying amounts for individual states. The latest update includes reported state lobbying expenditures for 2021.

Required federal disclosure forms provide information on the issues and legislation the company lobbies about, as well as the federal legislators or committees contacted by company lobbyists. But since a public repository of all state level lobbying expenditures does not currently exist and state disclosure regimes vary, it is not possible to accurately determine the full extent of state government influence spending.

Regarding trade associations, Honeywell International discloses a partial list of association memberships, once dues reach a \$50,000 threshold; it also partially discloses dues or payments made to these groups by listing an aggregate amount for all dues and payments (which were less than \$3.5 million for 2021). It does not report anything on the portion of dues used for political and lobbying purposes.

**Relationship with trade associations and other politically active non-profit groups:** Honeywell International's relationship with the U.S. Chamber of Commerce and the National Association of Manufacturers may prompt concern among some shareholders given the views held by those groups on climate change and other contentious issues.

**Climate lobbying:** The company recently released its first Climate and Sustainability Lobbying Report. The report includes a list of "Key Elements" of company climate policy and an overview of the Government Relations Team's responsibilities. The report also list all trade associations that meet the \$50,000 due threshold.

While the report includes the "Key Elements" for company climate policy, it mentions lobbying specifics only briefly. It makes only one mention of specific legislation (the American Innovation and Manufacturing Act (AIM)) and identifies one specific campaign (Honeywell worked with state legislatures and regulators to drive adoption of sector-specific high-GWP HFC prohibitions in 12 states (WA, CA, CO, ME, VT, NY, MA, RI, NJ, MD, DE, and VA)). The report includes information on the numerous issued 3M lobbies on at the federal level for just one quarter of 2021.

The company's relationship with each disclosed trade association is briefly covered in the report. Honeywell has also identified three associations whose climate positions contain "notable differences" with those of Honeywell, although it stresses the differences are not material. While 3M says it wishes to continue all its current trade association relationships, it does report on how its policies differ from those of each association and explains how it will address those differences.



Shareholders will need to decide if they believe that the new report includes enough information for to make an informed decision about the alignment of the company's stated climate positions and its lobbying and trade association activities.

**Summing up:** In short, the company's existing lobbying policies contain almost all best practices requested by shareholders advocates, including board oversight, management governance and a policy on trade association activity. Honeywell recently released a climate lobbying report that includes expanded trade association disclosures and a list of potential misalignments between trade association and Honeywell policies on climate change.

### ***Voting Considerations***

**Voting in favor:** Investors may want vote in favor of this proposal to send a message to management that its current disclosure of lobbying activities and expenditures related to climate change is inadequate. Shareholders who feel that company's new climate lobbying report fails to provide enough specifics to accurately assess the potential risks or rewards of those activities are likely to vote in favor.

**Voting against:** Investors may vote against the resolution because they think the company already provides adequate information about its climate change-related political activity, or they may believe that current disclosure laws are adequate. Some also may vote against because they consider corporate lobbying, or climate change issues, to be immaterial (either monetarily or from a public relations perspective). Others may vote against the proposal if they feel that the company has adequately disclosed the risks the company faces from proposed climate change-related legislative and regulatory action.