

HONEYWELL INTERNATIONAL INC  
Form 11-K  
June 29, 2018  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

Form 11-K

ANNUAL REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-8974

Honeywell Puerto Rico Savings and Ownership Plan

(Full Title of Plan)

Honeywell International Inc.

115 Tabor Road

Morris Plains, NJ 07950

(Name of Issuer of Securities Held Pursuant to the Plan and

The Address of its Principal Executive Office)

**Honeywell Puerto Rico Savings and Ownership Plan**

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\* Other schedules required by Section 2520.103-10 of the Department of Labor Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted as the conditions under which they are required are not present.

Report of Independent Registered Public Accounting Firm

Plan Participants and Plan Administrator of Honeywell Puerto Rico Savings and Ownership Plan

Morris Plains, New Jersey

### **Opinion on the Financial Statements**

We have audited the accompanying statements of net assets available for benefits of Honeywell Puerto Rico Savings and Ownership Plan (the "Plan") as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Supplemental Information**

The supplemental Schedule H, Line 4(i) – Schedule of Assets (held at end of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of the Honeywell Puerto Rico Savings and Ownership Plan’s financial statements. The supplemental schedule is the responsibility of the Plan’s management. Our audit procedures included determining whether the information presented in the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor’s Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Crowe Horwath LLP

We have served as the Plan's auditor since 2016.

New York, New York

June 29, 2018

Honeywell Puerto Rico Savings and Ownership Plan

**Statements of Net Assets Available for Benefits**

**at December 31, 2017 and 2016**

	2017	2016
	(dollars in thousands)	
Plan interest in Honeywell Savings and Ownership Plan Master Trust, at fair value	\$35,224	\$26,314
Notes receivable from participants	1	1
Net assets available for benefits	\$35,225	\$26,315

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The accompanying notes are an integral part of these financial statements.

## Honeywell Puerto Rico Savings and Ownership Plan

**Statement of Changes in Net Assets Available for Benefits****for the Year Ended December 31, 2017**

	2017 (dollars in thousands)
Additions to net assets attributable to:	
Investment gain from Plan interest in Honeywell Savings and Ownership Plan Master Trust	\$ 6,463
Contributions:	
Participating employees	3,496
The Company, net of forfeitures	886
Roll-over contributions	40
Total contributions	4,422
Total additions	10,885
Deductions from net assets attributable to:	
Benefits paid to participants	(1,971 )
Plan expenses	(4 )
Total deductions	(1,975 )
Net increase in net assets during the year	8,910
Net assets available for benefits:	
Beginning of year	26,315
End of year	\$ 35,225

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The accompanying notes are an integral part of these financial statements.

## **Honeywell Puerto Rico Savings and Ownership Plan**

### **Notes to Financial Statements**

#### **1. Description of the Plan**

##### **General**

The Honeywell Puerto Rico Savings and Ownership Plan (the “Plan”) is a defined contribution plan for certain employees of Honeywell International Inc. (the “Company”), ADI of Puerto Rico, Inc. and Honeywell Aerospace de Puerto Rico, Inc. (together with the Company, the “Employer”). It is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended, (“ERISA”) and the Puerto Rico Internal Revenue Code. The following represents a summary of key provisions of the Plan but does not purport to be complete and is qualified in its entirety by the terms of the Plan. Participants should refer to the Plan document for a more complete description of the Plan’s provisions.

##### **Administration**

The Company’s Vice President of Compensation and Benefits is the Plan Administrator and has full discretionary authority to manage and control the operation and administration of the Plan, including the power to interpret provisions of the Plan and to promulgate policies and procedures for the Plan’s administration and to delegate administration of the Plan. The Savings Plan Investment Committee has the power and authority to enter into agreements with the trustee to provide for the investment of Plan assets and to appoint investment managers to direct such trustee, as appropriate. The day to day administration of the Plan is handled by Voya Financial. The trustee of the Plan is Banco Popular de Puerto Rico (the “Trustee”) and the custodian of the Plan is The Northern Trust Company (the “Custodian”).

Effective April 1, 2018, the day to day administration of the Plan moved from Voya Financial to Fidelity Investments Institutional Operations Company.

##### **Contributions and Vesting**

Participants may elect to contribute from 1 percent to 20 percent of their “base pay” as defined in the Plan during each pay period, subject to certain restrictions for “highly compensated employees”, as defined in the Plan. Contributions are permitted to be made either on a before-tax or after-tax basis, or a combination of both, and may be directed into any investment option available within the Plan. In addition to regular before-tax or after-tax contributions, eligible participants may also contribute up to \$1,000 per year in catch-up contributions if they are or will attain age 50 by December 31<sup>st</sup> and are contributing at least 10 percent on a before-tax basis to the Plan, or have contributed the maximum regular before-tax contributions to the Plan of \$10,000.



Generally, the Employer matching contribution does not begin until the first pay period following the employee's completion of one year of service with the Employer. The Employer matching contributions are made to the eligible participants' accounts each pay period that employee contributions are made to the Plan. The Employer matches 37.5 percent of the first 6 percent of base pay that the participant contributes to the Plan (excluding rollover and catch-up contributions) following one year vesting service. The Employer does not match catch-up contributions. All of the Employer's matching contributions are initially invested in the Honeywell Common Stock Fund. Vested participants may subsequently direct such matching contributions into any investment option available within the Plan.

## **Honeywell Puerto Rico Savings and Ownership Plan**

### **Notes to Financial Statements**

Effective on or about April 6, 2018, Honeywell enhanced the standard match formula in Plan for eligible participants to the following:

For those currently at 37.5 percent of the first 6 percent of eligible pay (maximum 3 percent match), the match will increase to 43.75 percent of the first 6 percent (maximum 3.5 percent match).

In addition, effective on or about April 6, 2018 employer matching contributions will be made annually in a lump sum by the end of the January following the calendar year-end. Participants must be actively employed on December 15<sup>th</sup>, are disabled or are deceased to receive such match. There is no minimum service requirement to receive the annual match.

Participants have a full and immediate vested interest in the portion of their accounts contributed by them and the earnings on such contributions. A participant will become 100 percent vested in any Employer contributions upon completion of three years of vesting service or upon attainment of age 65 while an employee of the Employer or an affiliated company. In addition, a participant's account will become 100 percent vested if the participant's termination with the Employer or an affiliated company was due to any one of the following (i) retirement under the terms of an Employer pension plan in which the participant participates; (ii) disability (as defined under the plan provisions); (iii) death; (iv) a reduction in force or layoff (as determined by the Employer); or (v) a participant's business unit is sold or divested. A participant will also become 100 percent vested in any Employer contributions in the event the Employer permanently discontinues contributions to or terminates the Plan.

### **Participant Accounts**

Each participant's account is credited with the participant's contribution and allocations of (1) the Employer's matching contribution, if applicable, and (2) investment earnings, and charged with an allocation of investment losses and certain administrative expenses that are not paid by the Company. The allocation is based on participants' account balances as defined in the Plan document. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account.

### **Notes Receivable from Participants**

No new loans are permitted from the Plan. Interest rates for loans outstanding at December 31, 2017 and 2016 were approximately 4.25%.

### **Termination**

Although it has not expressed intent to do so, the Employer has the right under the Plan document to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of a partial or full Plan termination, all Plan funds must be used in accordance with the terms of the Plan.

### **Distribution of Benefits**

Upon termination of service with the Employer, if a participant's vested account balance is \$1,000 or less (including any rollover contributions), the entire vested amount in the participant's account can be distributed to the participant in a single payment, without his or her consent, unless the participant affirmatively elects to have the benefit rolled over to an eligible retirement plan. If the participant's vested account balance exceeds \$1,000 (excluding any rollover contributions), the balance in the account will remain in the Plan and shall be distributed (1) at the participant's request, or (2) upon the participant's death, whichever is earlier. When a participant dies, if his or her spouse is the beneficiary, the spouse may remain in the Plan until December 31 of the calendar year following the calendar year of the participant's death. If the value of the participant's account is \$1,000 or less, the entire amount in the participant's account is distributed in a single payment to the participant's beneficiary(ies) according to the terms of the Plan.

## **Honeywell Puerto Rico Savings and Ownership Plan**

### **Notes to Financial Statements**

#### **Forfeitures**

Forfeitures of the Employer's contributions and earnings thereon due to terminations and withdrawals reduce contributions otherwise due from the Employer. Employer contributions made to the Plan were reduced by \$19,950 for the year ended December 31, 2017, due to forfeited nonvested accounts.

## **2. Significant Accounting Policies**

#### **Basis of Accounting**

The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") using the accrual basis of accounting.

#### **Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### **Investment Valuation**

For investment and administrative purposes, the Plan's assets are held in the Honeywell Savings and Ownership Plan Master Trust ("Master Trust") along with the assets of the Honeywell Savings and Ownership Plan (the "HSOP"), the Honeywell Secured Benefit Plan and the Intermec FSSP Spinoff Plan. The Plan's investment in the Master Trust represents the Plan's interest in the net assets of the Master Trust. The Plan's investment is stated at fair value and is based on the beginning of year value of the Plan's interest in the Master Trust plus actual Plan contributions and allocated investment income / (loss) less actual Plan distributions.

#### **Notes Receivable from Participants**

Notes receivable from participants are valued at cost plus accrued unpaid interest.

### **Payment of Benefits**

Withdrawals and distributions to participants are recorded when paid.

### **Expenses**

Certain expenses relating to the administration of the Master Trust and managing the investment funds established thereunder are borne by certain businesses of the Employer, not by the participating Plan.

### **Recent Accounting Pronouncements**

In February 2017, the Financial Accounting Standards Board issued Accounting Standard Update 2017-06 that clarifies presentation requirements for a plan's interest in a master trust and requires more detailed disclosures of the plan's interest in the master trust. Under the new guidance, a plan's interest in master trust balances and activities needs to be presented on the face of the plan's financial statements. Balances in the statement of net assets and activities in the statement of changes in net assets should be shown net, as a single line item for each interest in a master trust. The guidance is effective for fiscal years beginning after December 15, 2018; however, early adoption is permitted. Plan management is currently evaluating the impact of this guidance on the Plan's financial statements.

### **3. Interest in Honeywell Savings and Ownership Plan Master Trust**

The Plan's investment is held in the Master Trust, which is commingled with the assets of the HSOP, the Honeywell Secured Benefit Plan and the Intermec FSSP Spinoff Plan. Each participating plan's interest in the Master Trust is divided based on the participants' investment elections. At December

**Honeywell Puerto Rico Savings and Ownership Plan****Notes to Financial Statements**

31, 2017 and 2016, the Plan's interest in the net assets of the Master Trust was 0.225% and 0.196% respectively. The allocation of income and expenses is based upon each plan's specific interests in the underlying plan investments, which are based upon participant-direction and Company direction of the investments.

The Master Trust is comprised of the following types of investments, at fair value, as of December 31, 2017 and 2016:

	2017	2016
	(dollars in millions)	
Collective Trust Funds	\$7,926	\$6,220
Honeywell Common Stock	4,760	3,813
Common Stocks (Separately Managed Portfolios)	954	1,165
Fixed Income Investments (Separately Managed Portfolios)	2,021	2,248
Total Investments, at fair value	15,661	13,446
Due from (to) broker on pending trades	2	(10 )
Net assets of the Master Trust	\$15,663	\$13,436

The Master Trust's net appreciation and investment income for the year ended December 31 2017, is as follows:

	2017
	(dollars in millions)
Net appreciation in fair value of investments	\$ 2,585
Dividend and interest income	70
Total investment income and net appreciation	\$ 2,655

**Investment Valuation and Income Recognition – Master Trust**

Master Trust investments are stated at fair value. Interest income is recorded on the accrual basis, and dividend income is recorded on the ex-dividend date. Purchases and sales of securities are recorded on a trade-date basis. Net appreciation/(depreciation) consists of both realized gains/ (losses) on investments bought, sold and matured, as well

as the change in unrealized gains/ (losses) on investments held during the year.

From time to time, investment managers may use derivative financial instruments including foreign exchange forward and futures contracts. Derivative instruments are used primarily to mitigate exposure to foreign exchange rate and interest rate fluctuations as well as manage the investment composition in the portfolio. The Master Trust held no derivative instruments as of December 31, 2017 and 2016.

### **Determination of Fair Value**

The accounting guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishes a framework for measuring fair value.

## Honeywell Puerto Rico Savings and Ownership Plan

### Notes to Financial Statements

The Master Trust valuation methodologies for assets and liabilities measured at fair value are described below. The methods described as follows may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Master Trust believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

### Valuation Hierarchy

The accounting guidance establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 — inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
  
- Level 2 — inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
  
- Level 3 — inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The following is a description of the valuation methodologies used for financial instruments measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.



***Honeywell International Inc. common stock and other common stocks***

Honeywell International Inc. common stock is valued at the closing price reported on the New York Stock Exchange Composite Transaction Tape. Other common stocks are valued at the closing price reported on the principal market on which the respective securities are traded. Honeywell International Inc. common stock and other common stocks are all classified within level 1 of the valuation hierarchy.

***Collective Trust Funds***

Collective Trusts funds are investment vehicles utilized as the target date funds, equity index funds, investment grade bond fund, and global REIT fund. These funds permit daily subscriptions and redemption of units. These investments are valued using net asset values (“NAV”) provided by the administrator of the underlying fund. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, divided by the number of units outstanding.

Collective Trust funds measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the hierarchy tables for Collective Trust funds are intended to permit reconciliation of the Master Trust’s total investments, at fair value presented in Note 3.

**Honeywell Puerto Rico Savings and Ownership Plan****Notes to Financial Statements*****Fixed Income Investments***

Fixed income securities (other than commercial mortgage backed Securities) are valued at the regular close of trading on each valuation date at the evaluated bid prices supplied by pricing vendors or brokers, if any, whose prices reflect broker/dealer supplied valuations and electronic data processing techniques. Commercial mortgage backed securities are valued using pool-specific pricing. The pool specific pricing is provided by the pricing vendors and typically they use Interactive Data for these investments. Fixed income securities, including corporate bonds, U.S. government and federal agencies, Non U.S. government, municipal bonds, commercial paper, bank deposits, asset-backed securities and commercial mortgage backed securities are classified within Level 2 of the valuation hierarchy.

The following tables present the Master Trust's assets measured at fair value as of December 31, 2017 and 2016, by the fair value hierarchy.

	<b>2017</b>		
	Level 1	Level 2	Total
	(dollars in millions)		
Common Stocks	\$5,714	\$-	\$5,714
Fixed Income Investments:			
Asset Backed Securities	-	336	336
Bank Deposits	-	69	69
Commercial Mortgage Backed Securities	-	6	6
Corporate Bonds	-	744	744
U.S. Government and Federal Agencies	-	363	363
Municipal Bonds	-	135	135
Non US Government	-	96	96
Commercial Paper	-	272	272
	\$5,714	\$2,021	
Collective Trust Funds			7,926
<b>Total Investments</b>			<b>\$15,661</b>

**Honeywell Puerto Rico Savings and Ownership Plan****Notes to Financial Statements**

	<b>2016</b>		
	Level	Level	Total
	1	2	
	(dollars in millions)		
Common Stocks	\$4,978	\$-	\$4,978
Fixed Income Investments:			
Asset Backed Securities	-	295	295
Bank Deposits	-	171	171
Commercial Mortgage Backed Securities	-	4	4
Corporate Bonds	-	745	745
U.S. Government and Federal Agencies	-	553	553
Municipal Bonds	-	205	205
Non US Government	-	122	122
Commercial Paper	-	153	153
	\$4,978	\$2,248	
Collective Trust Funds			6,220
<b>Total Investments</b>			<b>\$13,446</b>

**4. Party-In-Interest Transactions**

The Master Trust is invested in the Company's common stock, which qualifies as a party-in-interest transaction. During the year ended December 31, 2017, the Master Trust's investment in the Company's common stock included purchases of approximately \$159 million, sales of approximately \$475 million, realized gains of approximately \$254 million, unrealized gains of approximately \$1,016 million and dividend income of approximately \$70 million. The Master Trust invests in short term investment funds managed by the Custodian. These investments qualify as party-in-interest transactions.

The Company is both the plan sponsor and a party to the Master Trust, therefore the Master Trust investment and the Plan's interest of \$11.1 million in the Company's common stock qualifies as a related party transaction.

**5. Risks and Uncertainties**

The Plan provides for various investment options. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits and the statement of changes in net assets available for benefits.

## **6.Federal Income Taxes**

The Plan is designed and intended to be qualified under Section 1165 of the Puerto Rico Internal Revenue Code of 1994, as amended (the “1994 PR Code”), and Section 1081.01(a) of the Internal Revenue Code for a New Puerto Rico, Act No. 1 of January 31, 2011, as amended from time to time (the “2011 PR Code”). The Plan has received a favorable determination letter from the Puerto Rico Treasury Department (the “PR Treasury”) as to its qualified status under the 1994 PR Code and the 2011 PR Code. The Trust associated with the Plan is intended to be exempt from Puerto Rico income taxation pursuant to the provisions of Section 1165(a) of the 1994 PR Code and Section 1081.01(a)

## **Honeywell Puerto Rico Savings and Ownership Plan**

### **Notes to Financial Statements**

of the 2011 PR Code, and pursuant to Section 1022(i)(1) of ERISA, for United States income tax purposes, the Plan's Master Trust is to be considered as an organization as described in Section 401 (a) of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Code") and exempt under Section 501(a) of the U.S. Code. Accordingly, no provision for income taxes has been made.

U.S. GAAP requires plan management to evaluate tax positions taken by the Plan and recognize a tax liability if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the PR Treasury. As of December 31, 2017 and 2016, the Plan Administrator has analyzed the tax positions by the Plan, and has concluded that there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The plan administrator believes it is no longer subject to income tax examinations for years prior to 2014.

Honeywell Puerto Rico Savings and Ownership Plan

**Schedule H, Line 4(i) – Schedule of Assets (held at end of year)**

**As of December 31, 2017**

**Employer Identification Number: 22-2640650**

**Plan Number: 341**

**(Dollars in Thousands)**

Identity of Issue	Description	Current Value
*Notes receivable from participants	(Interest rates approximate 4.25%, maturing through March 9, 2035)	\$ 1
* Party-in-interest.		

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan administrator has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

Honeywell Puerto Rico Savings and Ownership Plan

By: /s/Christopher Gregg

Christopher Gregg

Vice President, Compensation and Benefits

Date: June 29, 2018