



Integrity and compliance are the foundation of everything we do at Honeywell. These core principles start at the top with me and my executive team and are openly discussed at our quarterly town meetings with employees. They are also a prominent part of my remarks every year at our annual senior leadership meeting, where we get 300 of our top leaders together to discuss the state of our business and our goals for the future. Business integrity is a priority of the executive team and is expected of all employees.

Acting with integrity protects the Honeywell brand. Our reputation and our brand mean everything to us. Employees want to feel good about the company they work for. From the shop floor to the boardroom, all of us associated with Honeywell want to be proud of our company and hold our heads up high in our communities. Getting everybody committed to the highest standards for integrity and compliance ensures that every employee gets to feel this sense of pride. This directly translates into positive perceptions of how others view us.

Honeywell has zero tolerance for employees who do not conduct business according to the law. I will not, and Honeywell will not, support anyone who breaks the law. When we identify irregularities, we deal with them swiftly! In fact, we have referred employees who have committed wrongdoing to law enforcement, regardless of the potential embarrassment to us as a company—anywhere in the world.

There have been several times when we have openly discussed an ethics issue and have leveraged our biggest communication vehicles that touch all 130,000 employees worldwide. We might not have named names, but we clearly identified the issue and the actions that were taken. In one of our town meetings, I specifically called out a very unfortunate incident in one of our businesses where there was improper conduct in connection with a contract bid. We had taken aggressive steps to address the issue, including the termination for cause of the individuals responsible for the incident. My words opened some eyes and ears and made for some very interesting conversations around the water cooler over the next few days!

This was a big opportunity to re-emphasize our ironclad commitment to integrity in all of our business dealings around the world. I reminded every employee that we are held accountable for maintaining our focus on integrity and full compliance with all laws in all countries. I was clear that there will be no support for those who violate laws or rules of business conduct in any way.

Having a strong and identifiable culture is also a big deal. It can be difficult to measure, but it is very real. We have 12 Behaviors—Growth and Customer Focus, Leadership Impact, Gets Results, Makes People Better, Champions Change, Fosters Teamwork and Diversity, Global Mindset, Intelligent Risk Taking, Self-Aware/Learner, Effective Communicator, Integrative Thinker, and Technical or Functional Excellence—that employees must understand and perform against every day.

An integral element of each of these Behaviors is integrity. There are no shades of gray when it comes to integrity. It is an absolute value and a key component of each of our 12 Behaviors. We constantly remind employees that both results and behaviors matter, and we are prepared to hold the good

SETTING THE TONE FROM THE TOP

Honeywell's Commitment to Integrity & Compliance: "Our Reputation is Simply Non-Negotiable"

Written by Dave Cote

"Is it true?"

"Did you know?"

"Have you ever done that?"

These are the three questions that we never want any of our employees to have to face when discussing Honeywell with their family and friends.



performer who gets results in the wrong way just as accountable as we do the poor performer.

At Honeywell, we strive to be a "thinking" company where employees understand why we do things—not thinking as in spending days in contemplation, or as in chaos where people decide not to do what they are asked, but rather a company where people understand why things are important and focus on compliance with intent and not just words. There is a huge difference. So, while talking about our commitment to integrity and compliance is nice, having meaningful actions to back up those words makes it real.

While this commitment starts at the top, we recognize that often the rubber hits the road at the middle level, where managers may be concerned about making short-term commitments. We are adamant that we will not compromise on integrity to achieve short-term results. This is why, when we talk about integrity and compliance, we also emphasize our commitment to having good accounting and controls. The well-being of our company depends on keeping accurate accounts and records and having a robust financial process. The accounting system is our primary source of information to determine how we are doing. If it is incomplete or inaccurate, we could make bad decisions. When times get tougher and it is even more difficult to make financial commitments, some will think of this as a place to go. We will never do that. It's too slippery a slope.

We have a reputation for superb earnings quality: strong earnings backed by strong cash flow. That's another reputation we want to keep. The same holds true for any kind of distributor, customer, channel stuffing or special deals on price or terms at quarter end—we just won't do it. When we report good results, we take pride in the fact that we achieved these results the right way.

As Honeywell continues to grow outside the United States, it is important to recognize that it is not just our business model and processes that give us a competitive advantage, but our commitment to integrity and compliance. Like our peers, we have a lot of tools to ensure our employees comply with our integrity and compliance values—a global Code of Conduct,

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training, audits, helpline, certifications, and the like. As I often like to say, "the trick is in the doing," and we need to hold employees accountable when they stray and recognize them when they do the right thing, especially if it is under stressful circumstances.

We have worked hard to develop and communicate our integrity and compliance expectations in our Code of Business Conduct. Getting our Code right was one of my first priorities when I came to Honeywell more than 13 years ago. Our Code is translated into 28 languages and is a baseline set of requirements for all employees that enable them to recognize and learn how to properly handle the integrity, compliance, and legal issues that may arise in doing business on behalf of Honeywell.

All employees are required to participate in training sessions on the Code. We provide both live training and online scenario-based training. This online training is currently available in 25 languages online and 26 languages offline for classroom delivery. We supplement the Code training with a variety of other compliance training, including "Leading with Integrity" video vignettes that cover a number of integrity and compliance topics. These vignettes are introduced by members of my leadership team.

We implement integrity and compliance communication and training strategies and have a global helpline for reporting al-



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legations of Code violations and alleged policy violations or to seek guidance. Honeywell will never tolerate retaliation against anyone for asking questions or raising concerns in good faith, so our employees know they can always feel comfortable coming forward. We also expect that employees who observe colleagues not following the Code should report concerns immediately through one of the reporting channels. We recognize that many reported concerns are not compliance or integrity issues, but the benefit of giving employees the ability to share real issues early far outweighs the nuisance represented by “false alarms.”

We have great positions in good industries, and we have a responsibility to conduct ourselves with the highest levels of integrity in every aspect of everything we do. This commitment to integrity helps ensure that we continue to sustain the credibility of our brand, maintain our strong reputation,

and build on our track record of growth and performance. It only takes one bad apple to embarrass us all, so it is important to take this seriously and always be vigilant. I believe it is smart business to be on the side of the angels.

We will always remain committed to integrity and compliance, and to acting on issues in real time. Honeywell is known for our ability to effectively make “seed planting” investments for future growth. Integrity and compliance make it possible for us to plan for the long term with confidence. We will continue to prioritize integrity and compliance and to be highly transparent to our employees about issues when they arise. Our reputation is simply non-negotiable.

Author Biography

Dave Cote is Chairman and CEO of Honeywell, a \$40 billion diversified technology and manufacturing leader serving customers worldwide with aerospace products and services; control technologies for buildings, homes, and industry; turbochargers; and performance materials. He was elected President, CEO, and a member of Honeywell’s Board in February 2002, and named Chairman of the Board on July 1, 2002. During his dozen years of leadership at Honeywell, the company has delivered strong growth in sales, earnings per share, segment profit, cash flow, and a total shareholder return of 400 percent. Honeywell has great positions in good industries and technologies that address some of the world’s toughest challenges such as safety and security, clean energy generation, energy efficiency, customer productivity, and globalization.



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