

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES EXCHANGE ACT OF 1934
Release No. 96529 / December 19, 2022

ACCOUNTING AND AUDITING ENFORCEMENT
Release No. 4368 / December 19, 2022

ADMINISTRATIVE PROCEEDING
File No. 3-21255

In the Matter of

**HONEYWELL
INTERNATIONAL INC.**

Respondent.

**CORRECTED ORDER INSTITUTING
CEASE-AND- DESIST PROCEEDINGS
PURSUANT TO SECTION 21C OF THE
SECURITIES EXCHANGE ACT OF 1934,
MAKING FINDINGS, AND IMPOSING A
CEASE-AND-DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against Honeywell International Inc. (“Honeywell” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Honeywell has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, Respondent admits the Commission’s jurisdiction over it and the subject matter of these proceedings, and consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Honeywell's Offer, the Commission finds¹ that:

SUMMARY

1. This matter concerns violations of the anti-bribery, books and records, and internal accounting controls provisions of the Foreign Corrupt Practices Act ("FCPA") by Honeywell International Inc. ("Honeywell"), in connection with bribery schemes in Brazil and Algeria. In Brazil, Honeywell's U.S. wholly-owned subsidiary, Honeywell UOP ("UOP"), which, with the assistance of an intermediary, offered as much as \$4 million to a Brazilian official to win a contract with the Brazilian state-owned oil company, *Petróleo Brasileiro S.A. – Petrobras* ("Petrobras"). In Algeria, employees of the Honeywell Process Solutions ("HPS") business unit, with the assistance of an intermediary, paid money to an Algerian government official to secure a contract amendment with *La Société Nationale pour la Recherche, La Production, Le Transport, la Transformation, et la Commercialisation des Hydrocarbures* ("Sonatrach"), the Algerian state-owned oil company. Honeywell's books and records were not accurately maintained in connection with the schemes and it failed to have sufficient internal accounting controls in place to detect or prevent the misconduct.

RESPONDENT

2. **Honeywell International Inc.** ("Honeywell"), incorporated in Delaware, is a multinational manufacturing and technology company headquartered in Charlotte, North Carolina. Honeywell's shares are registered with the Commission pursuant to Section 12(b) of the Exchange Act and trade on the NASDAQ Stock Exchange under the symbol "HON." At the time of the relevant transactions, Honeywell operated through three business segments: (i) Aerospace, (ii) Automation and Control Solutions ("ACS"), and (iii) Performance Materials and Technologies ("PMT"). Honeywell Process Solutions ("HPS") is one of Honeywell's business units that at the time reported to Honeywell through ACS.

OTHER RELEVANT ENTITIES

3. **Honeywell UOP** ("UOP") is a wholly-owned subsidiary of Honeywell with offices in Des Plaines, Illinois. UOP reported to Honeywell through the PMT business segment and at all relevant times its books and records were consolidated into the books and records of Honeywell.

4. **Honeywell S.A. Belgique** ("Honeywell Belgium") is a wholly-owned subsidiary of Honeywell with offices in Diegem, Belgium. Honeywell Belgium reported to Honeywell through the HPS business unit, and at all relevant times its books and records were consolidated into the books and records of Honeywell.

5. **Petróleo Brasileiro S.A. – Petrobras** ("Petrobras") is an integrated energy

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

company headquartered in Rio de Janeiro, Brazil. The Brazilian government owns approximately 50.26% of Petrobras's common shares with voting rights, and the Brazilian Economic and Social Development Bank controls an additional 9.87% of Petrobras's common shares. Petrobras's common and preferred stock is registered with the Commission pursuant to Section 12(b) of the Exchange Act and trades on the New York Stock Exchange in the forms of ADRs under the symbols "PBR" and "PBR.A," respectively.

6. **La Société Nationale pour la Recherche, La Production, le Transport, la Transformation, et la Commercialisation des Hydrocarbures** ("Sonatrach") is Algeria's national state-owned oil company, headquartered in Algiers, Algeria.

7. **Brazil Agent** is a small oil and gas consulting firm located in Rio de Janeiro, Brazil. Brazil Agent, through its owner and director, acted as a consultant to UOP, and was an agent of Honeywell, the "issuer," as that term is used in the FCPA.

8. **Monaco Agent** was a Monaco-based company that acted as an intermediary and consultant in the oil and gas industry. The Monaco Agent acted as a consultant to a Honeywell subsidiary, and was an agent of Honeywell, the "issuer," as that term is used in the FCPA.

FACTS

UOP and the Petrobras Scheme in Brazil

9. In 2008 and 2009, Petrobras developed the Premium Refinery ("Premium") project to design and construct two grassroots refineries to process heavy oil in Maranhão and Ceará, Brazil. The bidding process had three phases: technical ranking, design competition, and commercial valuation. At the time, Honeywell was interested in developing a stronger foothold in the Brazilian oil industry.

10. In July 2009, Petrobras invited UOP and a number of other companies to participate in the first phase of the bidding process. The companies submitted technical proposals for the project, and UOP and two other companies received the highest technical rankings from Petrobras to proceed to the second and third phases.

UOP Retained the Brazil Agent to Gain Access to High-Ranking Petrobras Officials

11. Sometime in April 2010, UOP began searching for a potential sales intermediary to represent it in connection with the Premium project bid. UOP executives believed they needed higher-level contacts at Petrobras to succeed in the bidding process and UOP's Petrobras account manager recommended the Brazil Agent, who said that he had access to Petrobras's downstream director responsible for the Premium project.

12. On May 31, 2010, UOP submitted an internal request for approval to retain the Brazil Agent as a consultant on the Premium bid. The request, which called for a 3% sales commission or \$12 million, omitted the fact that the Brazil Agent's work would entail interacting with government officials and, at the direction of UOP's regional sales director for Latin America, it also falsely stated that UOP had known the Brazil Agent for two years. High-

level executives at Honeywell, including individuals at UOP and PMT, reviewed and approved the request to retain the Brazil Agent in July 2010. The Brazil Agent and UOP finalized their sales consultancy agreement on August 18, 2010.

13. Sometime between May and August 2010, the Brazil Agent and UOP's Petrobras account manager met with a Brazilian lobbyist with close ties to Petrobras's downstream director. At that meeting, UOP's Petrobras account manager offered the Brazilian lobbyist and Petrobras's downstream director a portion of the consulting contract (1% to 3%) in exchange for helping UOP win the Premium bid. UOP's Petrobras account manager subsequently met with Petrobras's downstream director and the Brazilian lobbyist at a shopping mall in Rio de Janeiro and they agreed that the Petrobras director would assist UOP in the bidding process in exchange for a percentage of the Premium contract.

**UOP Submitted the Winning Bid Based on
Information Provided by Petrobras's Downstream Director**

14. UOP emerged as the lead in the design contest by mid-July 2010, at which point the bidders began to prepare their commercial proposals to Petrobras in connection with the commercial phase of the bidding process. Only the commercial phase or phase three of the bidding process remained. Beginning at or about the same time, UOP's Petrobras account manager emailed his immediate supervisors with updates of meetings with Petrobras's downstream director, the Brazilian lobbyist and the Brazil Agent in which he or the Brazil Agent tried to obtain information on what to bid to win the commercial phase of the Premium bidding process. In these communications, UOP's Petrobras account manager and his supervisors referred to Petrobras's downstream director as the "King" and the Brazilian lobbyist as the "King's Assistant."

15. UOP submitted an initial commercial bid of \$425 million on July 28, 2010. Petrobras's technical buyer, who was at a lower decision-making level than Petrobras's downstream director, rejected UOP's bid as far too high.

16. On August 18, 2010, UOP's regional sales director for Latin America emailed high-level UOP executives that "we are pushing the King to step up and intercede [the King] is trying to pull the numbers and decisions up to his level in order to control." Also on August 18, 2010, UOP's regional account manager for Latin America emailed UOP's senior management, urging him to sign the sales consultancy agreement between the Brazil Agent and UOP that day and stating, "I want to get this back to [the Brazil Agent] as soon as possible, because we are pushing the king to step up and intercede." That same day, UOP submitted a revised commercial bid of \$348 million to Petrobras based on guidance provided by the Petrobras downstream director.

17. On August 24, 2010 Petrobras's technical buyer accepted UOP's revised bid. UOP also expected the Petrobras downstream director to prevent the technical buyer from negotiating any further reductions in the contract price until October 8, 2010, when Petrobras officially awarded UOP the Premium project.

UOP Paid the Brazil Agent

18. UOP paid the Brazil Agent a total \$10.4 million in commissions from a U.S. bank account. In many instances, the UOP employee responsible for processing the Brazil Agent's commission payments calculated the Brazil Agent's commission using numbers from UOP's invoice and neither asked for nor included an invoice from the Brazil Agent before forwarding the payment request to Honeywell's accounting group. The payment requests lacked relevant information and when the Brazil Agent changed his company's name and wanted the commission payments routed to a Swiss bank account in the new company's name, she forwarded the payment requests without question.

19. Petrobras terminated the Premium contract due to financial and other difficulties, making its last payment to UOP on October 9, 2014. UOP made its last payment to the Brazil Agent on November 14, 2014.

20. In connection with the Brazil conduct above, Respondent obtained at least \$61,554,213 in profits to be disgorged to the Commission.

The Monaco Agent and the Sonatrach Scheme in Algeria

21. In November 2004, Honeywell Belgium contracted with Algeria's state-owned downstream oil company, La Société Nationale de Raffinage de Pétrole ("NAFTEC"), to use HPS products to modernize the instrumentation and control systems at NAFTEC's Arzew refinery in Oran, Algeria. In 2008, Honeywell Belgium and NAFTEC renegotiated the technical specifications for upgrading Zone 4 of the Arzew refinery.

22. In July 2009, Sonatrach absorbed NAFTEC in a restructuring of the state oil industry. By at least late 2009, Sonatrach and Honeywell Belgium were at a standstill on Zone 4. The parties could not reach agreement concerning the construction schedule and the amount of liquidated damages that Sonatrach believed Honeywell Belgium should pay for the delay. Sonatrach's downstream development director ("the Sonatrach official") was a key decision maker in the resolution of the disputed issues.

23. Beginning in early 2009, HPS's regional general manager for Southern Europe and North Africa ("the HPS Regional GM") discussed retaining the Monaco Agent to develop business opportunities for HPS in Algeria. On behalf of Honeywell Belgium, the HPS Regional GM signed a memorandum of understanding with the Monaco Agent on November 26, 2010. A representative of the Monaco Agent signed the memorandum of understanding on January 4, 2011. On February 6, 2011 Honeywell initiated a due diligence review of the Monaco Agent, which was completed and approved on March 4, 2011.

A Honeywell Subsidiary Used the Monaco Agent to Further the Scheme

24. On February 22, 2011, the HPS Regional GM and Sonatrach reached an oral agreement on the liquidated damages and Zone 4 scheduling issues. The Monaco Agent was

not involved in the resolution of the Zone 4 issues or on any other aspect of the Arzew refinery contract. That same day, the HPS Regional GM falsely informed Honeywell Belgium's Arzew refinery project manager by email that HPS had a new agreement with the Monaco Agent to work on Zone 4 and other sales projects in Algeria.

25. Around this time, an executive of the Monaco Agent received a panicked phone call from the HPS Regional GM asking him to make a pass-through payment to a group of people in Europe who purportedly had helped Honeywell Belgium secure a contract with Sonatrach. The Monaco Agent executive understood this to mean that the payment was possibly a bribe.

26. The HPS Regional GM delegated the details of negotiating the pass-through payment with the Monaco Agent to his subordinate, a regional sales manager at HPS. According to the Monaco Agent, the HPS regional sales manager told him that the Monaco Agent needed only to make the pass-through payment and it would receive a lump sum payment from Honeywell. The HPS regional sales manager also explained that the Sonatrach official was the source of Honeywell's problems with Sonatrach. On March 22, 2011, an email internal to the Monaco Agent provided contact details of a shell entity that Honeywell Belgium "wants us to sign with" for purposes of the pass-through payment.

27. Sometime before April 19, 2011, the HPS regional sales manager engaged an individual to work unofficially to help resolve the company's problems with Sonatrach (the "Consultant"). On April 19, 2011, the Consultant, on behalf of Honeywell Belgium, paid the Sonatrach official \$50,000 from a Swiss bank account and an additional \$25,000 from the same Swiss bank account on December 28, 2011.

28. During much of the spring of 2011, Sonatrach and Honeywell Belgium continued to dispute the Zone 4 construction schedule, which Honeywell thought was too aggressive. Sonatrach also threatened to transfer the work on Zone 4 to a competitor if Honeywell Belgium did not agree to Sonatrach's scheduling demands. On June 19, 2011, after the first \$50,000 payment to the Sonatrach official, Honeywell Belgium and Sonatrach executed an amendment to the Arzew refinery contract memorializing the parties' oral agreement on the Zone 4 construction schedule and liquidated damages amount.

29. Two weeks later, the Monaco Agent and a Honeywell wholly-owned subsidiary entered into a fictitious sales consultancy agreement whereby the Monaco Agent would purportedly promote sales in Algeria for a 2% to 4.5% commission without exceeding \$500,000 per year. The agreement made no mention of Zone 4. Although the Monaco Agent never achieved certain milestones required for payments over \$50,000 or obtained any new business for HPS as contemplated under the consulting agreement, the Monaco Agent was nevertheless paid \$300,000.

**The Monaco Agent Repaid the Consultant Who Provided Funds
to a Sonatrach Official Through a Series of Transactions**

30. On December 19, 2011, the Monaco Agent sent an invoice to the HPS Regional GM requesting a "Lump Sum Fee of \$300,000" in connection with "Sonatrach Arzew Refinery

– Change Order / Zone 4.” Thereafter, the HPS Regional GM sent a copy of the invoice to Honeywell’s Arzew project manager, who had previously questioned the basis for the \$300,000 lump sum payment and thought it was higher than previously mentioned. The HPS Regional GM reiterated that \$300,000 was the agreed upon amount, and the project manager did not question him further or raise the issue to anyone else at Honeywell. Shortly thereafter, the HPS Regional GM forwarded the invoice to finance for their review and approval.

31. Honeywell Belgium approved the Monaco Agent’s invoice in late January 2012 and, on February 22, 2012, Honeywell Belgium paid a lump sum of \$300,000 to the Monaco Agent, which was falsely recorded as a sales commission. Through a series of intermediary transfers, the Monaco Agent used a portion of the money from Honeywell Belgium to repay the Consultant who had paid the \$75,000 in bribe payments to the Sonatrach official. The series of intermediary transfers involved multiple U.S. correspondent banks located in New York. The Monaco Agent admitted that it recorded the payments with internal codes the Monaco Agent sometimes used for bribe payments.

32. In connection with the Algeria Conduct above, Honeywell obtained \$3,118,350 in profits to be disgorged to the Commission.

LEGAL STANDARDS AND FCPA VIOLATIONS

33. Under Section 21C(a) of the Exchange Act, the Commission may impose a cease-and-desist order upon any person who is violating, has violated, or is about to violate any provision of the Exchange Act or any rule or regulation thereunder, and upon any other person that is, was, or would be a cause of the violation, due to an act or omission the person knew or should have known would contribute to such violation.

Honeywell Violated Exchange Act Section 30A

34. The anti-bribery provisions of the FCPA, Section 30A of the Exchange Act, make it unlawful for any issuer with a class of securities registered pursuant to Section 12 of the Exchange Act, or any employee or agent of such issuer, to make use of the mails or any means or instrumentality of interstate commerce corruptly in furtherance of an offer, payment, promise to pay, or authorization of the payment of any money, or offer, gift or promise to give anything of value to any foreign official for purposes of influencing any act or decision of such foreign official in his official capacity in order to assist such issuer in obtaining or retaining business for or with any person. As a result of the conduct described above Honeywell violated Exchange Act Section 30A.

Honeywell Violated Exchange Act Section 13(b)(2)(A)

35. The books and records provision of the FCPA, Section 13(b)(2)(A) of the Exchange Act, requires every issuer with a class of securities registered pursuant to Section 12 of the Exchange Act to make and keep books, records, and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the issuer. As a result of the conduct described above, Honeywell violated Exchange Act Section

13(b)(2)(A).

Honeywell Violated Exchange Act Section 13(b)(2)(B)

36. Section 13(b)(2)(B) of the Exchange Act requires companies with a class of securities registered under Section 12 of the Exchange Act to devise and maintain a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary (I) to permit preparation of financial statements in conformity with generally accepted accounting principles or any other criteria applicable to such statements, and (II) to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. As described above, Honeywell failed to implement a system of internal accounting controls sufficient to provide reasonable assurances that transactions were executed in accordance with management's general or specific authorization and that access to assets was permitted only in accordance with management's general or specific authorization. By this conduct, Honeywell violated Exchange Act Section 13(b)(2)(B).

Honeywell's Remedial Actions and Cooperation

37. In determining to accept the Offer, the Commission considered remedial acts undertaken by Honeywell and cooperation afforded the Commission staff. Honeywell cooperated in the Commission's investigation by identifying and timely producing key documents identified in the course of its own internal investigation, providing the facts developed in its internal investigation, and making current or former employees available to the Commission staff, including those who needed to travel to the United States.

38. Honeywell's remediation included: (i) strengthening its ethics and compliance organization; (ii) terminating sales directors involved in the misconduct in Brazil and demoting an employee with significant supervisory responsibilities over the misconduct in Brazil; (iii) implementing a program to eliminate UOP's use of sales agents altogether (as of 3Q 2021, UOP had reduced its sales agent force by two-thirds); (iv) enhancing Honeywell's policies and procedures including with respect to due diligence of third parties (including consolidating the due diligence process into one automated system and requiring third parties to submit quarterly reports and FCPA certifications); (v) improving Honeywell's financial controls over third parties (including implementing digital end-to-end controls over payments to third party sales agents and ensuring that payments to sales intermediaries are made by wire transfer to an account belonging to the same party and to a bank account where the sales intermediary resides); and (vi) enhancing training provided to Honeywell employees and sales intermediaries regarding anti-corruption, controls, and other compliance issues.

39. UOP has entered into a three-year deferred-prosecution agreement with the United States Department of Justice in which it acknowledges criminal responsibility for criminal conduct relating to the findings in the Order concerning Brazil.

DISGORGEMENT AND NON-IMPOSITION OF A CIVIL PENALTY

40. Honeywell acknowledges that the Commission is not imposing a civil penalty based upon the imposition of a \$39,621,375 million criminal fine (after providing a 50% offset for payments made to Brazilian authorities) as part of UOP's resolution with the United States Department of Justice concerning the conduct in Brazil.

41. The disgorgement and prejudgment interest ordered in paragraph IV.B is consistent with equitable principles, does not exceed Respondent's net profits from its violations, and returning the money to Respondent would be inconsistent with equitable principles. Therefore, in these circumstances, distributing disgorged funds to the U.S. Treasury is the most equitable alternative. The disgorgement and prejudgment interest ordered in paragraph IV.B shall be transferred to the general fund of the U.S. Treasury, subject to Section 21F(g)(3) of the Exchange Act.

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent shall cease and desist from committing or causing any violations and any future violations of Sections 30A, 13(b)(2)(A) and 13(b)(2)(B) of the Exchange Act.

B. Respondent is liable to the U.S. Securities and Exchange Commission for disgorgement of \$64,672,563 and prejudgment interest of \$16,485,630, for a total of \$81,158,193. Respondent shall receive a disgorgement and prejudgment interest offset of up to \$38,712,216 based on the U.S. dollar value (based on the exchange rate on the date of the payment) of any disgorgement paid to the Controladoria-Geral de União ("CGU")/Advocacia-Geral de União ("AGU") and the Ministério Público Federal ("MPF") reflected by evidence acceptable to the Commission staff in its sole discretion, in a parallel proceeding against Respondent in Federal Court in Brazil. Such evidence of payment shall include a copy of the wire transfer or other evidence of the amount of the payment, the date of the payment, and the name of the government agency to which payment was made. To receive this offset, Respondent must make the above-identified payments within 90 days from the date of this Order. Any amounts not paid as an offset within the specific time shall be immediately due to the U.S. Securities and Exchange Commission. Respondent shall, within 30 days of the entry of this Order, pay disgorgement of \$33,895,456 and prejudgment interest of \$8,550,521 for a total payment of \$42,445,977 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to the Exchange Act Section 21F(g)(3). If

timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

- C. Payment must be made in one of the following ways:
- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
 - (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC Web site at <http://www.sec.gov/about/offices/ofm.htm>; or
 - (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ- 341
6500 South MacArthur Boulevard Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying Honeywell as the Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Charles Cain, Unit Chief, FCPA Unit, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549.

By the Commission.

Vanessa A. Countryman
Secretary