resideo

2019 ANNUAL REPORT

AND NOTICE OF

2020 ANNUAL MEETING

OF SHAREHOLDERS AND

PROXY STATEMENT

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to _____

Commission File Number 001-38635

Resideo Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware	82-5318796
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
901 E 6th Street Austin, Texas	78702
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (512) 726-3500

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol:	Name of each exchange on which registered:
Common Stock, par value $0.001 per share	REZI	New York Stock Exchange

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act Yes ☒ N ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on the New York Stock Exchange as of June 28, 2019, was $2.7 billion.

The number of shares outstanding of the Registrant's common stock, par value $0.001 per share as of February 21, 2020 was 122,936,579 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the registrant's 2020 Annual Meeting of Stockholders, which will be filed subsequent to the date hereof, are incorporated by reference into Part III of this Form 10-K. Such proxy statement will be filed with the Securities and Exchange Commission not later than 120 days following the end of the registrant's fiscal year ended December 31, 2019.

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PART I.

Item 1. Business

In this Annual Report on Form 10-K, unless the context otherwise dictates, references to "Resideo", "the Company", "we," "us" or "our" means Resideo Technologies, Inc. and its consolidated subsidiaries.

This Annual Report includes industry and market data that we obtained from various third-party industry and market data sources. While we believe the projections of the industry sources referenced in this Annual Report are reasonable, forecasts based upon such data involve inherent uncertainties, and actual results are subject to change based upon various factors beyond our control. All such industry data is available publicly or for purchase and was not commissioned specifically for us. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, forecasts based upon such data involve inherent uncertainties, and actual results regarding the subject matter of such forecasts are subject to change based upon various factors, including those beyond our control and those discussed under the headings "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" in this Annual Report.

Separation from Honeywell

The Company was incorporated in Delaware on April 24, 2018. We separated from Honeywell International Inc. ("Honeywell") on October 29, 2018, becoming an independent publicly traded company as a result of a pro rata distribution of our common stock to shareholders of Honeywell (the "Spin-Off"). The Spin-Off is further described in Note 1. Organization, Operations and Basis of Presentation of Notes to the Consolidated and Combined Financial Statements included in Item 8 of this Form 10-K.

Description of Business

Resideo is a leading global provider of critical comfort, residential thermal solutions and security solutions primarily in residential environments. We manage our business operations through two segments, Products & Solutions and ADI Global Distribution, which contributed 43.6% and 56.4%, respectively, of our net revenue for the year ended December 31, 2019. In addition, Products & Solutions sold $312 million to ADI Global Distribution for the year ended December 31, 2019. The Products & Solutions segment offerings consist of solutions in Comfort, Residential Thermal Solutions ("RTS") and Security categories and include temperature and humidity control, thermal, water and air solutions as well as security panels, sensors, peripherals, wire and cable, communications devices, video cameras, awareness solutions, cloud infrastructure, installation and maintenance tools and related software. Our ADI Global Distribution business is the leading wholesale distributor of security and low-voltage electronic and security products which include intrusion and smart home, fire, video surveillance, access control, power, audio and video, Pro AV, networking, communications, wire and cable, enterprise connectivity and structured wiring.

Our critical comfort, residential thermal and security solutions have a presence in over 150 million homes globally. Our products benefit from the trusted, well-established Honeywell Home brand. Over 15 million systems are installed in homes annually, allowing us to launch innovative technologies and services at scale. Included in our Products & Solutions segment are traditional products, as well as connected products, which we define as any device with the capability to be monitored or controlled from a remote location by an end-user or service provider. Approximately 6.7 million of our customers are connected via our software solutions, providing access to control, monitoring and alerts, and we have approximately 35 million installed sensors generating more than 400 billion data transmissions annually. Our broad portfolio of innovative products is delivered through a comprehensive network of over 110,000 professional contractors, more than 3,000 distributors and over 1,200 original equipment manufacturers ("OEMs"), as well as major retailers and online merchants.

Our ADI Global Distribution business is the leading wholesale distributor of low-voltage security products and is independently recognized for superior customer service. Through over 200 stocking locations in 17 countries, ADI Global Distribution distributes more than 350,000 products from over 1,000 manufacturers to a customer base of over 100,000 contractors. We believe this global footprint gives us distinct scale and network advantages in our core products over our competitors. Further, we believe our customers derive great value from the advice and recommendations of our knowledgeable design specialists, allowing our customers to better meet the technical and systems integration expertise requirements to install and service professional security systems. We continue to be a leader in the industry with value-added services including presales system design, 24/7 order pick-up, and the selective introduction of new product categories such as professional audio-visual. Additionally, ADI Global Distribution has long been an important channel to market for our security products, providing a level of end-customer intimacy that drives our ability to develop successful new products at an accelerated rate and insights into current market trends that help us quickly adapt our product portfolio to meet evolving customer needs. Similarly, ADI Global Distribution is an important channel to market for third-party manufacturers, whose products represent a significant majority of ADI Global Distribution's net revenue.

Addressable Markets and Competition

Products & Solutions

The addressable market for Comfort and RTS solutions is analyzed by IHS Markit (Information Handling Services, "IHS"), Navigant Consulting, Building Services Research and Information Association ("BSRIA"), and BRG Enterprise Solutions. Based on our analysis of these sources, we believe that the addressable market is approximately $8 billion for Comfort and approximately $3 billion for RTS in annual sales for 2020 in the markets and geographies that we compete in. The addressable market for Security solutions is analyzed by IHS and based on our analysis of this source, we believe that the addressable market is approximately $6 billion in annual sales for 2020 in the markets and geographies that we compete in, which includes security monitoring services and remote video services.

Some examples of the product categories that we compete in include: Comfort – thermostats, humidity controls, air filters, thermostatic radiator valves, backflow preventers, etc.; RTS – gas valves, ignition controls, air pressure switches, etc.; and Security – security panels, cellular communicators, motion sensors, smoke & carbon monoxide sensors, etc.

Our industries and markets are highly competitive. In our Products & Solutions segment we compete with global, national, regional and local providers for our products, services and solutions, including established manufacturers, distributors and service providers, as well as new entrants, in particular in connected home and smart products.

Our Security, Comfort and RTS solutions are generally installed professionally, and our channel partners rely on our high-quality OEM parts for repair and remodel services to meet their customers' needs. We believe our relationship and investment into the professional channel is one of the key differentiating factors to allow us to compete more effectively over our competitors. We also have long-standing relationships with important OEMs.

ADI Global Distribution

Based on IHS, we estimate that the global addressable market for the distribution of security and low-voltage products (which include intrusion and smart home, fire, video surveillance, access control, power, audio and video, Pro AV, networking, communications, wire and cable, enterprise connectivity and structured wiring) is approximately $22 billion in annual sales for 2020 in the markets and geographies in which we participate.

Examples of select product categories we distribute via ADI Global Distribution include video surveillance, intrusion systems, access control, fire and life safety systems, professional audio-visual systems, and networking products, etc.

In our ADI Global Distribution segment, we compete against manufacturer direct sales, other distributors and other sellers, including retail and e-commerce.

The most significant competitive factors we face are product and service innovation, our reputation and the reputation of our brands, sales and marketing programs, product performance, quality of product training and events, product availability, speed and accuracy of delivery, service and price, technical support, credit availability and product reliability and warranty. In addition to current competitive factors, there may be new market entrants with non-traditional business and customer service models or disruptive technologies and products, resulting in increased competition and changing industry dynamics.

Materials and Suppliers

Purchased materials in our manufacture of products include copper, steel, aluminum, plastics, printed circuit boards, semiconductors and passive electronics. Purchased materials cover a wide range of supplier value-add, from raw materials and single components to subassemblies and complete finished goods, and there are considerable expenditures on both commercial off-the-shelf and make-to-print items. Although execution of material substitutions or supplier changes may be resource intensive, alternatives usually exist in the event that a supplier becomes unable to provide material. Unforeseen shortages and supply disruptions occur from time to time but are typically manageable such that adverse impact to customers can be avoided. Raw material price fluctuations, the ability of key suppliers to meet quality and delivery requirements, and catastrophic events can increase the cost of our products and services, and impact our ability to meet commitments to customers.

Inventory

Our inventory levels vary by distribution channel. We typically maintain approximately three to six weeks of inventory for retail distribution and two to four weeks of inventory for professional installers, distributors and OEMs. In addition, ADI Global Distribution operates over 200 stocking locations globally and is contractually obligated to maintain four weeks of inventory for certain customers.

Customers

The end-users for our products are residential and commercial consumers throughout the world. We reach these end-users through sales to professional installers and OEMs, and through retail distribution including e-commerce. The global end-user customer base for the Products & Solutions segment includes over 150 million homes globally and greater than 15 million systems installed in homes annually. Our products and solutions are carried by major distributors in our relevant industries across North America and Western Europe, including our ADI Global Distribution business. We also have relationships with over 1,200 OEMs.

In the distribution segment, ADI Global Distribution has a customer base of over 100,000 contractors and covers a variety of product categories comprising over 350,000 products from over 1,000 leading manufacturers.

Regulatory and Environmental Compliance

We are subject to various federal, state, local and foreign government requirements relating to the protection of the environment. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, mainly because of past operations and operations of predecessor companies, we, like other companies engaged in similar businesses, have incurred and will continue to incur and manage remedial response and voluntary cleanup costs for site contamination. Lawsuits, claims and costs involving environmental matters may arise in the future.

As of December 31, 2019, we have recorded a liability for environmental investigation and remediation of approximately $22 million related to sites owned and operated by Resideo ("Resideo Sites"). We do not currently possess sufficient information to reasonably estimate the amounts of environmental liabilities to be recorded upon future completion of studies, litigation or settlements, and we cannot determine either the timing or the amount of the ultimate costs associated with environmental matters, which could be material to our consolidated and combined results of operations and operating cash flows in the periods recognized or paid. However, considering our past experience and existing reserves, we do not expect that environmental matters will have a material adverse effect on our consolidated and combined financial position.

Furthermore, we are required to indemnify Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of specified Honeywell properties contaminated through historical business operations prior to the Spin-Off ("Honeywell Sites"), including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales. As of December 31, 2019, we have recorded a liability of approximately $585 million in relation to our reimbursement obligation to Honeywell under the Honeywell Reimbursement Agreement. See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for a description of the material terms thereof.

Employees

As of December 31, 2019, we employ approximately 13,000 employees. Of this total, approximately 10.1% of our employees were covered by collective bargaining agreements and represented worldwide by numerous unions and works councils. We believe that our relations with our employees and labor unions have generally been good.

Seasonality

Our business experiences a moderate level of seasonality. Sales activity is generally highest during the early winter months, with the highest sales at the end of the fourth quarter and into the first quarter in the majority of our geographical markets.

Backlog

In general, we do not manufacture our products against a backlog of orders and do not consider backlog to be a significant indicator of the level of future sales activity. Therefore, we believe that backlog information is not material to understanding our overall business and should not be considered a reliable indicator of our ability to achieve any particular level of revenue or financial return.

Research and Development and Intellectual Property

We have software centers of excellence in Austin, Texas and Bengaluru and Madurai, India. In addition, our laboratories are certified to meet various industry standards, such as through UL, enabling us to test products internally. We also have a user experience design group that consists of researchers and product and user experience designers across three primary studios in Austin, Texas; Golden Valley, Minnesota; and Bengaluru, India. As of December 31, 2019, we employed over 1,100 engineers.

Our deep domain expertise, proprietary technology and brands are protected by a combination of patents, trademarks, copyrights, trade secrets, non-disclosure agreements and contractual provisions. We own approximately 3,000 worldwide active patents and pending patent applications to protect our research and development investments in new products and services. We have and will continue to protect our products and technology by asserting our intellectual property rights against third-party infringers. See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for more information.

Segments

We manage our business operations through two segments, Products & Solutions and ADI Global Distribution. The Products & Solutions segment offerings include our Comfort, RTS, and Security products, which, consistent with our industry, has a higher gross and operating margin profile in comparison to the ADI Global Distribution segment.

Products & Solutions

We estimate that our net revenue generated from our Products & Solutions segment is primarily from residential end-markets. Included in our Products & Solutions segment are traditional products, as well as connected products, which we define as any device with the capability to be monitored or controlled from a remote location by an end-user or service provider. Products & Solutions consist of solutions in the following Comfort, RTS and Security categories:

- **Comfort:** Our Comfort solutions have historically been marketed and sold primarily under the Honeywell brand, and following the Spin-Off, these products and solutions are now marketed and sold under the Honeywell Home brand. These solutions include home products, services and technologies including:
  - *Temperature and Humidity Control Solutions:* Products to control air conditioners and heating equipment, thermostats and zoning devices, control panels, dampers and actuators.
  - *Water Solutions:* Products to control hydronic heating, cooling, and potable water solutions, including control panels, zone valves, balancing valves, thermostatic radiator valves, temperature valves, floor temperature sensors and accessories, pressure regulators, backflow preventers and potable water care products to filter, clean and soften water.
  - *Air Solutions:* Products to control air quality, such as whole home humidifiers and dehumidifiers, air filters, air purification and odor control solutions and ventilation systems and controls.
  - *Software Solutions:* Global software platforms and mobile applications that provide contractors and consumers with access to services such as demand response, energy management, auto-replenishment services and predictive appliance diagnostics.
- **RTS:** Our RTS solutions have historically been marketed and sold under the Honeywell Home brand as part of our portfolio. These solutions include:
  - *Boiler Products:* Solutions that provide safe and efficient combustion for standard and high efficiency Boiler Systems. Key technology in gas adaptivity, gas pre-mix, and diagnostics used in critical components such as gas valves, electronic and ignition controls.
  - *Gas Storage Water Heating Solutions*: Solutions that provide safe and efficient combustion for Water Heating Systems. Key technology in gas pressure regulation, set-point control, and temperature accuracy used in critical components such as gas valves, electronic and ignition controls.
  - *Ducted Solutions:* Solutions that provide safe and efficient combustion for Warm Air Furnaces. Key technology in ignition, gas pressure regulation, fan control, and system monitoring used in critical components such as air pressure switches, gas valves and ignition controls.
  - *Thermal Adjacency Solutions*: Solutions that provide safe and efficient combustion for other gas burning appliances. Key technology in gas ignition and gas pressure regulation used in critical components such as air pressure switches, gas valves, electronic and ignition controls for use in Agricultural heaters, Commercial Cooking gas appliances, Pool heaters, Unit and Duct heaters. In addition, agricultural heaters, equipped with our gas valve, electronic and ignition control.
- **Security:** Our Security solutions are sold under the Honeywell Home and various OEM brands. They include professionally-installed and monitored intrusion and life safety detection and alarm systems, as well as self-installed and self-monitored awareness solutions including:
  - *Security Panels:* Product solutions that communicate with sensors that receive event or condition signals and send those signals to a monitoring station and cloud infrastructure.
  - *Sensors:* Product solutions that detect intrusion (for example, motion, opening of doors and windows and breaking of glass), smoke, carbon monoxide and water and transmit a signal to a security panel.
  - *Peripherals*: Accessory solutions that interact with security systems, such as keypads and key-fobs.
  - *Wire and Cable:* Low voltage electrical wiring and category cable.
  - *Software Solutions:* Global software platforms and mobile applications that provide contractors and consumers with access to services such as alarm monitoring, communication, automation and video services. In addition, we provide our contractors with data analytics tools, through our AlarmNet 360 software suite.
  - *Communications:* Solutions that transmit notifications and security information from security systems to monitoring stations, such as cellular radios and internet and telephone line communicators.

  - *Video Cameras:* Battery-operated indoor and outdoor video motion viewers that detect motion and enable live "look-in" remotely, and Wi-Fi cameras for indoor and outdoor use.
  - *Awareness:* Self-installed and self-monitored systems that include a home gateway/hub, cameras and awareness sensors to detect motion and sounds, opening and closing of doors, entry and exit of known users of the system (facial recognition) and provide alerts to the user via a mobile app.
  - *Cloud Infrastructure:* Network operating center that routes signals between home and monitoring station and enables secured, remote data transmissions.
  - *Installation and Maintenance:* Software tools and applications to enable security contractors to install, program and maintain security systems.

ADI Global Distribution

ADI Global Distribution is the leading wholesale distributor of security and low-voltage electronics products, which include security, safety and audio-visual products and related accessories. These products, which are commonly referred to as "low-voltage", are traditionally defined as products operating at or below 24 volts. According to IHS data, ADI Global Distribution has the leading global market share in security equipment distribution. ADI Global Distribution operates through a distribution network of over 200 stocking locations throughout the world, delivering to over 100,000 contractors.

Through ADI Global Distribution, we distribute a broad selection of our products as well as third-party products to meet customer needs, including:

- **Security products**
  - *Video Surveillance:* Internet protocol and high-definition analog cameras, recording and storage devices, video management and analytics software, and related system accessories.
  - *Intrusion:* Residential and commercial alarm systems, keypads, detection and sensing devices, alarm communication equipment, and related systems accessories.
  - *Access Control:* Access control panels and software, readers, credentials, locking hardware, gate control, intercoms and related system accessories.
- **Other products**
  - *Fire and Life Safety:* Fire alarm control panels, fire detection equipment, fire notification equipment, manual call points/stations and related system accessories.
  - *Wire, networking and professional audio-visual systems.*

In addition to our own Security products, which make up 13% of total ADI Global Distribution product line revenue, ADI Global Distribution distributes products from industry-leading manufacturers and also carries a line of private label products. We sell these products to contractors that service non-residential and residential end-users. Management estimates that in 2019 approximately two-thirds of ADI Global Distribution net revenue were attributed to non-residential end markets and one-third to residential end markets.

Other Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports are available free of charge on our website (www.resideo.com) under the heading Investors (see SEC Filings) immediately after they are filed with, or furnished to, the SEC. All of the reports that we file or furnish with the SEC are also available on the SEC's website at www.sec.gov. In addition, in this Form 10-K, we incorporate by reference certain information from parts of our Proxy Statement for the 2020 Annual Meeting of Stockholders and which will also be available free of charge on our website. Information contained on, or connected to, our website does not and will not constitute part of this Form 10-K.

We are a Delaware corporation incorporated on April 24, 2018. Our principal executive offices are located at 901 E. 6th Street, Austin, Texas 78702. Our telephone number is (512) 726-3500. Our website address is www.resideo.com.

We disclose public information to investors, the media and others interested in our Company through a variety of means, including our investor relations website (https://investor.resideo.com), press releases, SEC filings, blogs, public conference calls and presentations, webcasts and social media, in order to achieve broad, non-exclusionary distribution of information to the public. We use these channels to communicate with our stockholders and the public about our Company, our products, solutions and other issues. It is possible that the information we post on social media could be deemed to be material information. We encourage investors, the media and others interested in our Company to review the information we post on our website and the social media channels listed below. The list of social media channels we use may be updated from time to time on our investor relations website.

The Company's News Page (https://www.resideo.com/news)

The Company's Facebook Page (www.facebook.com/resideo)

The Company's Twitter Feed (https://twitter.com/resideo)

The Company's LinkedIn Feed (https://www.linkedin.com/company/resideo1/)

References to our website and other social media channels are made as inactive textual references and information contained on them is not incorporated by reference into this Annual Report.

Item 1A. Risk Factors

Cautionary Statement Concerning Forward-Looking Statements

This Form 10-K contains "forward-looking statements" that involve risks and uncertainties. These statements can be identified by the fact that they do not relate strictly to historical or current facts, but rather are based on current expectations, estimates, assumptions and projections about our industries and our business and financial results. Forward-looking statements often include words such as "anticipates," "estimates," "expects," "projects," "forecasts," "intends," "plans," "continues," "believes," "may," "will," "goals" and words and terms of similar substance in connection with discussions of future operating or financial performance. As with any projection or forecast, forward-looking statements are inherently susceptible to uncertainty and changes in circumstances. Our actual results may vary materially from those expressed or implied in our forward-looking statements. Accordingly, undue reliance should not be placed on any forward-looking statement made by us or on our behalf. Although we believe that the forward-looking statements contained in this Form 10-K are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in such forward-looking statements, including but not limited to:

- limited operating history as an independent, publicly traded company and unreliability of historical pre-Spin-Off combined financial information as an indicator of our future results;
- the level of competition from other companies in our markets and segments, as well as in new markets and emerging markets;
- ability to successfully develop new technologies and introduce new products;
- inability to attract and retain new leadership personnel, including the CEO and CFO and to manage successfully through leadership transitions;
- inability to recruit and retain qualified personnel;
- changes in prevailing global and regional economic conditions;
- natural disasters or inclement or hazardous weather conditions, including, but not limited to cold weather, flooding, tornadoes and the physical impacts of climate change;
- fluctuation in financial results due to seasonal nature of portions of our business;
- failure to achieve and maintain a high level of product and service quality;
- dependence upon investment in information technology;
- failure or inability to comply with relevant data privacy legislation or regulations, including the European Union's General Data Protection Regulation and the California Consumer Privacy Act ;
- technical difficulties or failures;
- work stoppages, other disruptions, or the need to relocate any of our facilities;
- economic, political, regulatory, foreign exchange and other risks of international operations, including the impact of tariffs and the recently negotiated USMCA, which, when legislatively approved by each of the U.S., Mexico and Canada, will serve to replace NAFTA;
- changes in legislation or government regulations or policies;
- our growth strategy is dependent on expanding our distribution business;

- inability to obtain necessary product components, production equipment or replacement parts;
- the significant failure or inability to comply with the specifications and manufacturing requirements of our OEM customers;
- inability to implement and execute on actions to achieve the expected results from our operational and financial review disclosed in connection with our 2019 third-quarter results;
- the possibility that our goodwill or other intangible assets become impaired;
- increases or decreases to the inventory levels maintained by our customers;
- difficulty collecting receivables;
- the failure to protect our intellectual property or allegations that we have infringed the intellectual property of others;
- our inability to maintain intellectual property agreements;
- our inability to service our indebtedness;
- the failure to increase productivity through sustainable operational improvements;
- inability to grow successfully through future acquisitions;
- the operational constraints and financial distress of third parties;
- changes in the price and availability of raw materials that we use to produce our products;
- labor disputes;
- our ability to borrow funds and access capital markets;
- the amount of our obligations and nature of our contractual restrictions pursuant to, and disputes that have or may hereafter arise under, the Honeywell Reimbursement Agreement and the other agreements we entered into with Honeywell in connection with the Spin-Off;
- our reliance on Honeywell for the Honeywell Home trademark;
- potential material environmental liabilities;
- our inability to fully comply with data privacy laws and regulations;
- potential material losses and costs as a result of warranty claims, including product recalls, and product liability actions that may be brought against us;
- potential business and other disruption due to cyber security threats or concerns;
- potential material litigation matters, including the shareholder litigation described in this Form 10-K;
- unforeseen U.S. federal income tax and foreign tax liabilities;
- U.S. federal income tax reform;
- the inception or suspension in the future of any dividend program; and
- certain factors discussed elsewhere in this Form 10-K.

These and other factors are more fully discussed in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections and elsewhere in this Form 10-K. These risks could cause actual results to differ materially from those implied by forward-looking statements in this Form 10-K. Even if our results of operations, financial condition and liquidity and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Form 10-K, those results or developments may not be indicative of results or developments in subsequent periods.

Any forward-looking statements made by us in this Form 10-K speak only as of the date on which they are made. We are under no obligation to, and expressly disclaim any obligation to, update or alter our forward-looking statements, whether as a result of new information, subsequent events or otherwise.

Risk Factors

You should carefully consider all of the information in this Form 10-K and each of the risks described below, which we believe are the principal risks that we face. Some of the risks relate to our business, others to the Spin-Off. Some risks relate principally to the securities markets and ownership of our common stock.

Any of the following risks, as well as other risks not currently known to us or that we currently consider immaterial, could materially and adversely affect our business, financial condition, results of operations and cash flows and the actual outcome of matters as to which forward-looking statements are made in this Form 10-K.

The following risk factors are not necessarily presented in order of relative importance and should not be considered to represent a complete set of all potential risks that could affect us.

Risks Relating to Our Business

We have limited operating history as an independent, publicly traded company, and our historical consolidated and combined financial information for the periods prior to the Spin-Off is not necessarily representative of the results we would have achieved as an independent, publicly traded company and may not be a reliable indicator of our future results.

We derived the historical combined financial information for periods prior to the Spin-Off included in this Form 10-K from Honeywell's consolidated financial statements, and this information does not necessarily reflect the results of operations and financial position we would have achieved as an independent, publicly traded company during the periods presented, or those that we will achieve in the future.

We operate in highly competitive markets.

We operate in highly competitive markets and compete directly with global, national, regional and local providers of our products, services and solutions including manufacturers, distributors, service providers, retailers and online commerce providers. The most significant competitive factors we face are product and service innovation, reputation of our Company and brands, sales and marketing programs, product performance, quality of product training and events, product availability, speed and accuracy of delivery, service and price, technical support, furnishing of customer credit and product reliability and warranty, with the relative importance of these factors varying among our segments and products. In addition to current competitive factors, there may be new market entrants with non-traditional business and customer service models or disruptive technologies and products, resulting in increased competition and changing business dynamics. See "Risks Relating to Our Business—The market for connected home solutions is fragmented, highly competitive, continually evolving and subject to disruptive technologies." Existing or future competitors may seek to gain or retain market share by reducing prices, and we may be required to lower prices or may lose business, which could adversely affect our business, financial condition, results of operations and cash flows. Also, to the extent that we do not meet changing customer preferences or demands or other market changes, or if one or more of our competitors introduces new products, becomes more successful with private label products, online offerings or establishes exclusive supply relationships, our ability to attract and retain customers could be adversely affected. For example, in the third quarter of 2019, and continuing through the fourth quarter, we experienced lower sales of our non-connected thermostats due in part to a pre-Spin-Off cutover from the prior generation of non-connected thermostats to the T-Series line which resulted in loss of sales of certain thermostats to competition.

We also have long-standing relationships with customers whose business models may be subject to the risks articulated above. For example, changes in the security system market, such as a shift away from subscription monitoring services, could adversely impact certain of our large customers or cause them to change their business models in ways that adversely impact our business and cash flows. As new market entrants emerge there can be no guarantee that we will be successful in developing customer relationships with them, or that such relationships will be as mutually beneficial as our current relationships. Furthermore, if new technologies or business models become ascendant in our customers' markets our relationships and service commitments with incumbent businesses may become a disadvantage.

To remain competitive, we will need to invest continually in product development, marketing, customer service and support, manufacturing and our distribution networks. We may not have sufficient resources to continue to make such investments and we may be unable to maintain our competitive position. In addition, we anticipate that we may have to reduce the prices of some of our products or solutions to stay competitive, potentially resulting in a reduction in the profit margin for, and inventory valuation of, these products. It is possible that competitive pressures resulting from consolidation, including customers taking manufacturing or distribution in house, moving to a competitor and consolidation among our customers, could affect our growth and profit margins. In addition, competitors in certain high-growth regions may have lower costs than we do due to lower local labor costs and favorable government regulation. Countries in high growth regions may have differing codes and standards impacting the cost of doing business and may have fewer protections for, or offer less ability to utilize, existing intellectual property. We may not be able to compete effectively with new competitors from such regions. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price for, and reducing the number of, suitable acquisitions.

Our competitors may have more substantial resources than we do.

Our current and potential competitors may have greater resources, access to capital, including greater research and development or sales and marketing funds, more customers, and more advanced technology platforms, particularly with our products and services in connected services and in new geographic regions. Many of our competitors may be able to develop offerings that have alternate income streams such as data and advertising revenue which we may not have, and therefore may be able to offer their service products for a lower price or for free and offset any business losses with profits from the rest of their broad product portfolios. Some of our competitors may also be able to deliver their service solutions more quickly to market than we can by capitalizing on technology developed in connection with their substantial existing service models. In addition, some of our competitors have significant bases of customer adoption in other services and in online content, which they could use as a competitive advantage in the growing connected home solutions services market or otherwise in our product or distribution businesses. New entrants into the wholesale distribution business or products business could include companies with significant presence in residential environments and could put us at a competitive disadvantage if they enter the market. Current and future competitive pressures may cause us to reduce our prices or lose market share, or could negatively affect our cash flow, all of which could have an adverse effect on our business, financial condition, results of operations and cash flows.

The market for connected home solutions is fragmented, highly competitive, continually evolving and subject to disruptive technologies.

The market for connected home solutions is fragmented, highly competitive, continually evolving and subject to disruptive technologies. Cable and telecommunications companies actively focusing on competing in connected home solutions and expanding into the monitored security space, and the recent expansion by large technology companies into connected home solutions, could result in pricing pressure, a shift in customer preferences towards the services of these companies and a reduction in our market share. New market entrants with non-traditional business and customer service models or disruptive technologies and products could result in increased competition and changing business dynamics. Continued pricing pressure from these competitors or other new entrants, failure to successfully partner with these companies or failure to achieve pricing based on competitive advantages could prevent us from maintaining competitive price points for our products and services, resulting in loss of customers or in our inability to attract new customers and have an adverse effect on our business, financial condition, results of operations and cash flows. Based on these or other factors described herein, we may not be able to grow our connected home solutions business as anticipated.

Competition in the distribution business is significant.

If end customers of our distribution business are not convinced of the reputation of our Company and brands and of our ability to compete on product performance, quality of product training and events, product availability, speed and accuracy of delivery, service and price, technical support, credit availability and product reliability and warranty, we could lose business, which could have an adverse effect on our business, financial condition, results of operations and cash flows. In addition, most of our products are available from several sources and our customers tend to have relationships with several distributors. Furthermore, if retail outlets, including online commerce or big box stores were to increase their participation in wholesale distribution markets, or if buying patterns for our products become more retail or e-commerce based through these outlets, we may not be able to effectively compete, which could have an adverse effect on our business, financial condition, results of operations and cash flows. Consolidation and entry of larger players via acquisition of companies in our industry can increase competition. Also, other sources of competition are buying groups that consolidate purchasing power, which if successful could have an adverse effect of our business, financial condition, results of operations and cash flows. The security industry is undergoing consolidation as many residential and commercially-focused companies combine to leverage product and vertical market expertise and expand their service footprint. In recent years, this trend of consolidation has accelerated, and many of our customers have combined with companies with whom we have little or no prior relationship. In addition, if manufacturers of products sold through our distribution business increase their direct-to-customer or retail distribution, it could have an adverse effect on our business, financial condition, results of operations and cash flows.

Growth of the retail market and e-commerce market could adversely affect our business.

Our solutions are primarily sold through a network of professional contractors, distributors, OEMs, retailers and online merchants. Growth of the retail market, including the self-installed or do-it-yourself retail markets and e-commerce markets could affect our business by attracting new competitors, some of whom may be larger and have more resources than we do. In addition, growth of these retail markets relative to the professional installation markets may negatively impact our margins, which could negatively affect our cash flow and have an adverse effect on our business, financial condition and results of operations and cash flows.

Technology in our markets is changing rapidly and our future results and growth are largely dependent upon our ability to develop new technologies and introduce new products that achieve market acceptance.

Technology in our markets is in a continuing and often rapid state of change as new technologies and enhancements to existing technologies continue to be introduced both in our traditional and connected product markets. There is increasing customer demand for connected home solutions and the development of new technologies as well as increasing emphasis on product efficiency in our traditional products. Our future results depend upon a number of factors, including our ability to (i) identify emerging technological trends, (ii) develop and maintain competitive products, in part by adding innovative features that differentiate our products from those of our competitors and prevent commoditization of our products, (iii) grow our market share, (iv) develop, manufacture and bring compelling new products to market quickly and cost-effectively, (v) find and effectively partner with and continue to partner with home connected device platforms and (vi) attract, develop and retain individuals with the requisite technical expertise and understanding of customers' needs to develop new technologies and introduce new products.

We can offer no assurance that we will be able to keep pace with technological developments, nor that we will achieve commercial success with any new products introduced to market. It is also possible that one or more of our competitors could develop a significant technical advantage or breakthrough that allows them to provide additional or superior products or services, or to lower their price for similar products or services, that could put us at a competitive disadvantage. Our inability to predict the growth of and respond in a timely way to customer preferences and other developments could have an adverse effect on our business, financial condition, results of operations and cash flows.

Our customer service model has historically been based largely around individualized product support, primarily through telephone communications. Although this allows a high degree of personalized and interactive dialogue, it differs from the highly scalable and rapid electronic response systems utilized by technology companies that operate in or may enter our markets. As such, we may be disadvantaged in terms of cost and overall customer satisfaction if we are unable to successfully adapt our support model to changes in customer expectations for our products.

Our connected solutions platform allows for integration and connection to third-party solutions and for application designs. This interoperability is designed to reduce the barriers to using our software and panels with different devices but could also have the effect of encouraging competitors to produce devices that operate on our platform, which could lower sales of our products. Adoption rates of our connected home solutions will also depend on a number of factors, including development of competitive and attractive products and the cost to customers of installation of new solutions or upgrade or renovation from older connected platforms or products. In addition to our application products, we rely on third-party designers to create applications connecting our products to other platforms. If developers choose not to develop on our system, the accessibility of our solutions across other systems, devices and platforms might not expand in line with our competitors.

In addition, if we are unable to effectively protect our trade secreted or proprietary technology from third parties or other competitors that may have access to our technology through our open architecture model, our business and competitive position may be harmed.

We expect that the growth of our business may depend on our development of new technologies in response to legislation and regulation related to efficiency standards, safety, privacy and security and environmental concerns. Agreement on legislation and regulation may be slow and implementation of any such reforms may take many years. As a result, any growth related to solutions that are responsive to such reforms may be delayed.

Our connected solutions and other products and services rely on enabling technology, connectivity, software and intellectual property that in certain instances we do not own or control.

Our operations depend upon third-party technologies, software and intellectual property. Additionally, our connected solutions and our security monitoring services may be accessed through the Internet and using connectivity infrastructures (for example, 4G, LTE, 5G and other wireless technologies) and cloud-based technologies. We rely on cloud service providers, cellular and other telecommunications and network providers to communicate signals to and from customers using our connected solution applications in a timely, cost-efficient and consistent manner.

The failure of one or more of these providers or technologies to transmit and communicate signals in a timely manner could affect our ability to provide services to our customers or for our connected solution products to work as designed. There can be no assurance that third-party telecommunications and network providers and signal-processing centers will continue to transmit and communicate signals to or from our third-party providers and the monitoring stations without disruption. Any such disruption, particularly one of a prolonged duration, could have an adverse effect on our business, financial condition, results of operations and cash flows. In addition, failure to renew contracts with existing providers or licensors of technology, software, intellectual property or connectivity solutions, or to contract with other providers or licensors on commercially acceptable terms or at all may adversely impact our business, financial condition, results of operations and cash flows.

We have experienced significant management turnover and need to retain key management personnel.

Our Board is conducting a search for a new Chief Executive Officer and a new Chief Financial Officer. In December 2019, we announced that the Board was conducting a search for a successor for our Chief Executive Officer. Our current Chief Executive Officer, Michael Nefkens, has agreed to remain with the company until his successor is appointed, subject to his right to leave the company sooner on at least 60 days advance notice. In November 2019, we announced the termination of employment of our former Chief Financial Officer, and the appointment of an Interim Chief Financial Officer. In January 2020, the Board appointed Sach Sankpal as our new President of Products & Solutions, at which time Niccolo de Masi who previously served as President of Products & Solutions and Chief Innovative Officer continued to be our Chief Innovation Officer, but he ceased to be an executive officer. In some cases, we are required to pay significant amounts of severance in connection with these management terminations and transitions. Transitions in senior executive leadership can adversely affect relationships with our clients, suppliers, and employees, make it difficult to attract and retain talent and disrupt execution of our strategy and our efforts to enhance our operations. In addition, the absence of permanent leaders in the Chief Executive Officer and Chief Financial Officer roles can pose challenges in planning for the future. In addition, we must successfully integrate any new management personnel whom we hire within our organization in order to achieve our operating objectives. Changes in other key management positions may temporarily affect our financial performance and results of operations as the new management becomes familiar with our business. Accordingly, our future financial performance will depend to a significant extent on our ability to motivate and retain key management personnel.

We depend on the recruitment and retention of qualified personnel, and our failure to attract and retain such personnel could adversely affect our business, financial condition, results of operations and cash flows.

Due to the complex nature of our business, our future performance is highly dependent upon the continued services of our employees and management who have significant industry expertise, including our engineering and design personnel and trained sales force. Our performance is also dependent on the development of additional personnel and the hiring of new qualified engineering, design, manufacturing, marketing, sales and management personnel for our operations. Competition for qualified personnel in our markets is intense, and we may not be successful in attracting or retaining qualified personnel. The loss of key employees, our inability to attract new qualified employees or adequately train employees, or the delay in hiring key personnel could negatively affect our business, financial condition, results of operations and cash flows.

Market and economic conditions may adversely affect the economic conditions of our customers, demand for our products and services and our results of operations.

As a global provider of Comfort, RTS and Security products, services and technologies for the home, as well as a worldwide wholesale distributor of security and low-voltage electronics products, our business is affected by the performance of the global new and repair and remodel construction industry. Our markets are sensitive to changes in the regions in which we operate and are also influenced by cyclical factors such as interest rates, inflation, availability of financing, consumer spending habits and confidence, employment rates and other macroeconomic factors over which we have no control, and which could adversely affect our business, financial condition, results of operations and cash flows. For example, downward changes in the housing market would be expected to depress sales to professional contractors and result in substantially all of our professional contractor and OEM customers lowering production schedules, which would have a direct impact on our business, financial condition, results of operations and cash flows.

Our sales are also affected by fluctuations in demand for Internet-connected devices. If the market for connected home solutions grows more slowly than anticipated, whether as a result of unfavorable economic conditions, uncertain geopolitical environments, budgetary constraints of our consumers or other factors, we may not be able to increase our revenue and earnings.

Portions of our revenue and cash flow are seasonal, which could cause our financial results and liquidity to fluctuate.

A portion of our revenue is seasonal, which impacts the comparison of our financial condition and results of operations on a quarter-by-quarter basis. Sales activity is generally highest during the early winter months, with the highest sales at the end of the fourth quarter and into the first quarter in the majority of our geographical markets.

Global climate change could negatively affect our business.

Responses to climate change may cause a shift away from fossil fuels to alternative power sources. Many of our thermal solutions are designed for application with oil and gas systems. A shift away from fossil fuels could affect our OEM customers' business and result in a loss of business for them and for us. If we fail to adapt our solutions to alternative power sources, it could have an adverse effect on our business, financial condition, results of operations and cash flows.

Cooler than normal summers and warmer than normal winters may depress our sales. In addition, stable temperatures may result in less wear and tear on cooling and heating equipment which may depress Comfort and RTS sales. Demand for our products and our services, particularly our products and solutions geared toward the home construction repair and remodel industry, including our Comfort and RTS businesses, is seasonal and strongly affected by the weather. Cooler than normal summers depress our sales of replacement controls for heating, ventilation, cooling and water heating equipment in certain larger markets. Similarly, warmer than normal winters have the same effect on our heating products and services. For example, in the third quarter of 2019, we experienced lower sales of our RTS products due in part to weather that slowed housing construction earlier in the year and a relatively mild start to the heating season. Increased public awareness and concern regarding global climate change have led to our development of social responsibility, sustainability and other business policies, which in some instances are more restrictive than current laws and regulations. In light of the current regulatory environment, we also face uncertainty with respect to future climate change initiatives, including regional and/or federal requirements to reduce greenhouse gas emissions.

Moreover, climate change itself creates financial risk to our business. Unseasonable weather conditions may impact the availability and cost of materials needed for manufacturing and increase insurance and other operating costs and, especially in the case of disruptions at our ADI Global Distribution stores, our ability to make sales during the pendency of site closures. These factors may influence our decisions to construct new facilities or maintain existing facilities in areas that are prone to physical climate risks. We could also face indirect financial risks passed through the supply chain, and process disruptions due to physical climate changes could result in price modifications for our products and the resources needed to produce them.

We could be adversely affected by any violations of the U.S. Foreign Corrupt Practices Act ("FCPA"), the U.K. Bribery Act, and other foreign anti-bribery laws.

We are subject to the U.S. Foreign Corrupt Practices Act ("FCPA") and other laws that prohibit improper payments or offers of payments to foreign government officials and political parties for the purpose of obtaining or retaining business or otherwise securing an improper business advantage. We do business and may do additional business in the future in countries and regions in which we may face, directly or indirectly, corrupt demands by officials. We face the risk of unauthorized payments or offers of payments by one of our employees, contractors or consultants. Our existing safeguards and any future improvements may prove to be less than effective in preventing such unauthorized payments, and our employees and consultants may engage in conduct for which we might be held responsible. Any such violation, even if prohibited by our policies, could subject us and such persons to criminal and/or substantial civil penalties or other sanctions, which could have a material adverse effect on our business, financial condition, cash flows, and reputation.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

We test, at least annually, the carrying value of goodwill for impairment, as discussed in Note 2 of the Notes to the Consolidated and Combined Financial Statements included in the 2019 Annual Report on Form 10-K. The estimates and assumptions about future results of operations and cash flows made in connection with the impairment testing could differ from future actual results of operations and cash flows. If the assumptions used in our analysis are not realized or if there was an adverse change in facts and circumstances, it is possible that an impairment charge may need to be recorded in the future. Specifically, the fair value of our Products & Solutions reporting unit, with goodwill of approximately $2,004 million, exceeded its carrying value by 10% and therefore is highly sensitive to adverse changes in the facts and circumstances that could result in a possible future impairment. If the fair value of the Company's reporting units falls below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. Any such charges may have a material negative impact on our results of operations. There were no impairment charges taken during the years ended 2019, 2018, and 2017.

Failure to achieve and maintain a high level of product and service quality could damage our image with customers and negatively impact our results.

Product and service quality issues could result in a negative impact on customer confidence in our Company and our brand image. If our product and service offerings do not meet applicable safety standards or our customers' expectations regarding safety or quality, we could experience lost sales and increased costs and be exposed to legal, financial and reputational risks. Actual, potential or perceived product safety concerns could expose us to litigation as well as government enforcement action. In addition, in the event that any of our products fail to perform as expected, we may face direct exposure to warranty and product liability claims or may be required to participate in a government or self-imposed recall involving such products which could result in costly product recalls and other liabilities. As a result, our reputation as a manufacturer and distributor of high-quality products and services could suffer and impact customer loyalty.

We maintain strict quality controls and procedures, including the testing of raw materials and safety testing of selected finished products. However, we cannot be certain that our testing will reveal latent defects in our products or the materials from which they are made, which may not become apparent until after the products have been sold into the market. We also cannot be certain that our suppliers will always eliminate latent defects in products we purchase from them. Accordingly, there is a risk that product defects will occur, which could require a product recall. Product recalls can be expensive to implement, and, if a product recall occurs during the product's warranty period, we may be required to replace the defective product. In addition, a product recall may damage our relationship with our customers which may result in a loss of market share.

In many jurisdictions, product liability claims are not limited to any specified amount of recovery. If any such claims or contribution requests exceed our available insurance or if there is a product recall, there could be an adverse impact on our results of operations. In addition, a recall claim could require us to review our entire product portfolio to assess whether similar issues are present in other product lines, which could result in significant disruption to our business and could have a further adverse impact on our business, financial condition, results of operations and cash flows. We cannot assure you that we will not experience any material warranty or product liability claim losses in the future or that we will not incur significant costs to defend such claims. There can be no assurance that we will have adequate reserves to cover any recalls, repair and replacement costs. Our customers that are not end-users of our products, including our OEM customers, may face similar claims or be obliged to conduct recalls of their own, which could result in lost business to us, or these customers may seek contribution from us for defects.

Our business is dependent upon substantial investment in information technology.

The efficient operation of our business requires substantial investment in technology infrastructure systems, including enterprise resource planning ("ERP") systems, supply chain management systems, digital commerce systems and connected solutions platforms. The inability to fund, acquire and implement these systems may impact our ability to respond effectively to changing customer expectations, manage our business, scale our solutions effectively or impact our customer service levels, which may put us at a competitive disadvantage and negatively impact our financial results. Repeated or prolonged interruptions of service, due to problems with our systems or third- party technologies, whether or not in our control, could have a significant negative impact on our reputation and our ability to sell products and services.

We are highly dependent upon a variety of internal computer and telecommunication systems to operate our business. In order to support our continued operational ability and growth, we must maintain and continuously upgrade our ERP and other information systems, which are critical to our operational, accounting and financial functions. Failure to properly or adequately invest in and maintain these systems could result in the diversion of management's attention and resources and could materially adversely affect our results of operations and impact our ability to efficiently manage our business. Our existing information systems may become obsolete, requiring us to transition our systems to a new platform. Such a transition would be time consuming and costly and would require management resources in excess of those we currently have.

Further, as we are dependent upon our ability to gather and promptly transmit accurate information to key decision makers, our business, results of operations, financial condition and cash flows may be adversely affected if our information systems do not allow us to transmit accurate information, even for a short period. Failure to properly or adequately address these issues could impact our ability to perform necessary business operations, which could adversely affect our reputation, competitive position, business, results of operations, financial condition and cash flows.

We must attract and retain qualified people to operate our systems, expand and improve them, integrate new programs effectively with our existing programs, and convert to new systems efficiently when required. Any disruption to our business due to such issues, or an increase in our costs to cover these issues that is greater than what we have anticipated, could have an adverse effect on business, financial condition, results of operations and cash flows. Our customers rely increasingly on our electronic ordering and information systems as a source for product information, including availability and pricing. There can be no assurance that our systems will not fail or experience disruptions, and any significant failure or disruption of these systems could prevent us from making sales, ordering and delivering products and otherwise conducting our business. Many of our customers use our website to check real-time product availability, see their customized pricing and place orders, and to access our connected solution platforms. Any material disruption of our website, our connected solution applications, or the Internet in general could impair our order processing or prevent our manufacturers and customers from accessing information and cause us to lose business or damage our reputation.

Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, could adversely affect our business, financial condition, results of operations and cash flows.

Our business depends on the processing of data (some of which contains personal data and protected health information), including the transfer of data between our affiliated entities, to and from our business partners and customers, and with third-party service providers. The laws and regulations relating to personal data constantly evolve, as federal, state and foreign governments continue to adopt new measures addressing data privacy and processing (including collection, storage, transfer, disposal and use) of personal data. Moreover, the interpretation and application of many existing or recently enacted privacy and data protection laws and regulations in the European Union, the U.S. and elsewhere are uncertain and fluid, and it is possible that such laws and regulations may be interpreted or applied in a manner that is inconsistent with our existing data management practices or the features of our products and services. Any such new laws or regulations, any changes to existing laws and regulations and any such interpretation or application may affect demand for our products and services, impact our ability to effectively transfer data across borders in support of our business operations, or increase the cost of providing our products and services. Additionally, any actual or perceived breach of such laws or regulations may subject us to claims and may lead to administrative, civil or criminal liability, as well as reputational harm to us or our employees. We could also be required to fundamentally change our business activities and practices, or modify our products and services, which could have an adverse effect on our business, financial condition, results of operations and cash flows.

In the U.S., various laws and regulations apply to the collection, processing, transfer, disposal, unauthorized disclosure and security of personal data. For example, data protection laws passed by most states within the U.S. require notification to users when there is a security breach for personal data. Additionally, the Federal Trade Commission ("FTC") and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, transfer and security of personal data. In particular, our privacy policy and other statements we publish provide promises and assurances about privacy and security that could subject us to potential regulatory action or other liabilities if such statements are found to be deceptive or misrepresentative of our privacy and data security practices. The U.S. Congress and state legislatures, along with federal regulatory authorities have recently increased their attention to matters concerning personal data, and this may result in new legislation which could increase the cost of compliance.

In California, some of our operations are subject to the California Consumer Privacy Act of 2018 (CCPA) which came into force in 2020. CCPA grants California residents new individual data privacy rights and imposes new obligations on our business, including enhanced transparency and security obligations. The CCPA envisages significant fines and allows for class actions to be brought that may have an adverse effect on our business, financial condition, results of operations and cash flows in the event of a security breach or other contravention of the CCPA's obligations. We must dedicate financial resources and management time to ensure ongoing compliance, particularly as the interpretation and application of the CCPA becomes clearer. As such, there can be no assurance that the measures we have taken for the purposes of compliance will be successful in preventing breach of the CCPA.

Other U.S. states are in the process of passing similar privacy legislation which may require us to further change our business practices. Sector-specific laws such as Illinois' Biometric Information Privacy Act of 2008 and California's IoT Security Law of 2018 also affect how we can market and maintain our products and the associated costs of development and support.

In addition to government regulation, privacy advocacy and industry groups may propose new and different self-regulatory standards that either legally or contractually apply to us or our customers.

In the European Union, some of our operations are subject to the European Union's General Data Protection Regulation ("GDPR"), which took effect May 25, 2018. The GDPR introduced a number of new obligations for subject companies and we will continue dedicating financial resources and management time to GDPR compliance in the future. The GDPR also provides that supervisory authorities in the European Union may impose administrative fines for certain infringements of the GDPR of up to EUR 20,000,000 or 4% of a company's total, worldwide, annual turnover of the preceding financial year, whichever is higher. Individuals who have suffered damage as a result of a subject company's non-compliance with the GDPR also have the right to seek compensation from such company. Given the breadth of the GDPR, compliance with its requirements is likely to continue to require significant expenditure of resources on an ongoing basis, and there can be no assurance that the measures we have taken for the purposes of compliance will be successful in preventing breach of the GDPR. Given the potential fines, liabilities and damage to our reputation in the event of an actual or perceived breach of the GDPR, such a breach may have an adverse effect on our business, financial condition, results of operations and cash flows.

Outside of the U.S. and the European Union, many jurisdictions (including Russia and China) have adopted or are adopting new data privacy laws that may impose further onerous compliance requirements, such as data localization, which prohibits companies from storing outside the jurisdiction data relating to resident individuals. The proliferation of such laws within the jurisdictions in which we operate may result in conflicting and contradictory requirements, particularly in relation to evolving technologies. Any failure to successfully navigate the changing regulatory landscape could result in legal liability or impairment to our reputation in the marketplace, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Privacy-related claims or lawsuits initiated by governmental bodies, customers or other third parties, whether meritorious or not, could be time consuming, result in costly regulatory proceedings, litigation, penalties and fines, or require us to change our business practices, sometimes in expensive ways, or other potential liabilities. Unfavorable publicity regarding our privacy practices could injure our reputation, harm our ability to keep existing customers or attract new customers or otherwise adversely affect our business, assets, revenue, brands and reputation which may have an adverse effect on our business, financial condition, results of operations and cash flows.

Cyber or other security incidents, could disrupt our internal systems causing service failures, disrupt our business operations, result in the loss of critical and confidential information, and adversely impact our reputation, our business, financial condition, results of operations and cash flows. Our connected products potentially expose our business to cybersecurity threats.

We create, deploy and maintain information technology ("IT") and engineering systems, some of which involve sensitive information, including personal data, trade secrets and other proprietary information. In addition, our connected products potentially expose our business to cybersecurity threats. As a result, we are subject to systems, service or product failures, not only resulting from our own failures or the failures of third-party service providers, natural disasters, power shortages or terrorist attacks, but also from exposure to cyber or other security threats. Most of the jurisdictions in which we operate have laws and regulations relating to data security and protection of information. See "Risks Relating to Our Business—Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, could adversely affect our business, financial condition, results of operations and cash flows." In preparation for our exit from the Transition Services Agreement ("TSA") with Honeywell, we are taking proactive measures to implement our own independent cybersecurity capabilities and operational model based upon risk prioritization. Additionally, we have certain measures to protect our information systems and products against unauthorized access and disclosure of personal information and of our confidential information and trade secrets and confidential information and trade secrets belonging to our customers. However, there is no assurance that the security measures we have put in place will be effective in every case.

Global cybersecurity threats and incidents can range from uncoordinated individual attempts to gain unauthorized access to IT, payment and other systems to sophisticated and targeted measures known as advanced persistent threats directed at us, our products, our customers, vendors and/or our third-party service providers, including cloud providers and Honeywell arising out of its provision of IT services under the TSA, which extends through April 2020. There has been an increase in the frequency and sophistication of cyber and other security threats we face, and our customers are increasingly requiring cyber and other security protections and standards in our products, and we may incur additional costs to comply with such demands. We have experienced, and expect to continue to experience, these types of threats and incidents.

We sell security and life safety solutions, which are designed to secure the safety of our subscribers and their residences or commercial properties. If these solutions fail for any reason, including due to defects in our software, a carrier outage, a failure of our network operating center, a failure on the part of one of our service provider partners, user error or cybersecurity incident, we could be subject to liability and reputational damage for such failures and our business could suffer.

We seek to deploy comprehensive measures to deter, prevent, detect, respond to and mitigate these threats, including identity and access controls, data protection, vulnerability assessments, product software designs that we believe are less susceptible to cyber-attacks, security and operational monitoring of our IT networks and systems and maintenance of backup and protective systems. Despite these efforts, cyber and other security incidents, depending on their nature and scope, could potentially result in the misappropriation, destruction, corruption, misuse or unavailability of personal data, company assets, critical data and confidential or proprietary information (our own or that of third parties), product failure and the disruption of business operations. Moreover, employee error or malfeasance, faulty password management or other intentional or inadvertent non-compliance with our security protocols and policies subject us to breaches of our information systems. Our efforts to protect our company data and the information we receive may also be unsuccessful due to software "bugs," system errors or other technical deficiencies, or vulnerabilities of our vendors and service providers. Cyber and other security incidents aimed at the software embedded in our products could lead to third-party claims that our product failures have caused a similar range of damages to our customers, and this risk is enhanced by the increasingly connected nature of our products.

The potential consequences of a material cyber or other security incident include financial loss, reputational damage, negative media coverage, litigation with third parties, including class-action litigation, regulatory investigations or actions, theft of intellectual property, fines, diminution in the value of our investment in research, development and engineering, and increased cyber and other security protection and remediation costs due to the increasing sophistication and proliferation of threats, which in turn could adversely affect our competitiveness, business, financial condition, results of operations and cash flows. In addition to any costs resulting from contract performance or required corrective action, these incidents could generate increased costs or loss of revenue if our customers choose to postpone or cancel previously scheduled orders or decide not to renew any of our existing contracts. Breaches in security could also result in a negative impact for our customers and thus affect our relations with our customers, injure our reputation and harm our ability to keep existing customers and to attract new customers. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data. Such mandatory disclosures could lead to negative publicity and may cause our current and prospective customers to lose confidence in the effectiveness of our data security measures.

We have cybersecurity insurance (subject to specified retentions or deductibles) related to a breach event covering expenses for items such as notification, credit monitoring, investigation, crisis management, public relations and legal advice. We also maintain product liability insurance (subject to specified retentions or deductibles) that may cover certain physical damage or third-party injuries caused by potential cybersecurity incidents associated with our products. However, damages, fines and claims arising from such incidents may not be covered or may exceed the amount of any insurance available or may not be insurable.

We could incur significant costs in protecting our data centers, servers, applications, and cloud environments against, or remediating, security vulnerabilities or breaches and cyber-attacks. Additionally, the costs related to cyber or other security incidents may not be fully insured or indemnified by other means. The successful assertion of a large claim against us with respect to a cyber or other security incident could seriously harm our business. Even if not successful, these claims could result in significant legal and other costs and may be a distraction to our management and harm our customer relationships and reputation.

The failure of our network operations centers and data backup systems could put our users at risk.

Many of our solutions operate with a hosted architecture, and we update our solutions regularly while our solutions are operating. If our solutions and/or upgrades fail to operate properly, our solutions could stop functioning for a period of time, which could put our users at risk. Our ability to keep our business operating is highly dependent on the proper and efficient operation of our network operations centers and data backup systems. Although our network operations centers have back-up computer and power systems, if there is a catastrophic event, adverse weather conditions, natural disaster, terrorist attack, security breach or other extraordinary event, we may be unable to provide our subscribers with uninterrupted monitoring service. Furthermore, because data backup systems are susceptible to malfunctions and interruptions (including those due to equipment damage, power outages, human error, computer viruses, computer hacking, data corruption and a range of other hardware, software and network problems), we cannot guarantee that we will not experience data backup failures in the future. A significant or large-scale security breach, malfunction or interruption of our network operations centers or data backup systems could adversely affect our ability to keep our operations running efficiently. If a malfunction or security breach results in a wider or sustained disruption, it could have an adverse effect on our reputation, business, financial condition, results of operations or cash flows. See “Risks Relating to Our Business—Internal system or service failures, including as a result of cyber or other security incidents, could disrupt business operations, result in the loss of critical and confidential information, and adversely impact our reputation, our business, financial condition, results of operations and cash flows. Our connected products potentially expose our business to cybersecurity threats.”

Disruptions, or the need to relocate any of our facilities, could significantly disrupt our business.

We manufacture many products at single-location production facilities and rely on certain suppliers who also may concentrate production in single locations. A disruption, including work stoppage, supply chain failures, natural disasters, weather-related disruptions, or other disruptions at one or more of our production facilities could have adverse effects on our business, financial condition, results of operations and cash flows. Moreover, due to unforeseen circumstances or factors beyond our control, we may be forced to relocate our operations from one or more of our existing facilities to new facilities and may incur substantial costs, experience program delays and sacrifice proximity to customers and geographic markets as a result, potentially for an extended period of time. Any significant interruption in production at one or more of these facilities could negatively impact our ability to deliver our products to our customers.

A significant disruption in the supply of a key component due to a work stoppage or other disruption at one of our suppliers or any other supplier could impact our ability to make timely deliveries to our customers and, accordingly, have an adverse effect on our business, financial condition, results of operations and cash flows. Where a manufacturer halts production because of another supplier failing to deliver on time, or as a result of a work stoppage or other disruption, it is unlikely we will be fully compensated, if at all.

We rely on certain suppliers of materials and components for our products.

Certain of the materials and components for products we manufacture and those manufactured on our behalf are supplied by single or limited source suppliers. Our business, results of operations, financial condition and cash flows could be adversely affected by disruptions in supply from our third-party suppliers, whether from supply chain disruptions or if suppliers lack sufficient quality control or if there are significant changes in their financial or business condition or otherwise. See “Business—Materials and Suppliers.”

If our third-party suppliers and manufacturers fail to deliver materials, products, parts and components of sufficient quality on time and at reasonable prices, we could have difficulties fulfilling our orders or stocking our distribution centers on similar terms or at all, sales and profits could decline, and our commercial reputation could be damaged. Our ability to manage inventory and meet delivery requirements may be constrained by our suppliers' inability to scale production and adjust delivery of long-lead-time products during times of volatile demand. Our inability to fill our supply needs would jeopardize our ability to fulfill obligations which could, in turn, result in reduced sales and profits, contract penalties or terminations, and damage to customer relationships.

Certain of our suppliers provide us with cloud-based services which we rely on to support our products and solutions and serve our customers and consumers. These types of relationships with cloud-based service providers are expected to increase over time. If their services fail, the operation and maintenance of our products and solutions, installed based as well as new sales, may be adversely impacted.

If we fail to adequately assess the creditworthiness and operational reliability of existing or future suppliers, if there is any unanticipated deterioration in their creditworthiness and operational reliability, or if our suppliers do not perform or adhere to our existing or future contractual arrangements, any resulting inability to otherwise obtain the supplies or our inability to enforce the terms of the contract or seek other remedies could have an adverse effect on our financial condition and results of operations and could cause us to incur significant liabilities.

We obtain many of the products for our ADI Global Distribution business from third parties.

Most of the low-voltage products we distribute through our ADI Global Distribution business are manufactured by third parties. As a result, terminations of supply or services agreements or a change in terms or conditions of sale from one or more of our key manufacturers could negatively affect our operating margins, net revenue or the level of capital required to fund our operations. We have standard distribution contracts with our manufacturers which are subject to renegotiation or non-renewal. Our dependence on third-party manufacturers leaves us vulnerable to having an inadequate supply of demanded products, price increases, late deliveries and poor product quality.

Our ability to obtain particular products or product lines in the required quantities and our ability to fulfill customer orders on a timely basis is critical to our success. Our manufacturers have experienced product supply shortages from time to time due to the inability of certain of their suppliers to supply certain products on a timely basis. As a result, we have experienced, and may in the future continue to experience, short-term shortages of specific products. We cannot provide any assurances that manufacturers will be able to maintain an adequate supply of products to fulfill all of our customer orders on a timely basis. Our reputation, sales and profitability may suffer if manufacturers are not able to provide us with an adequate supply of products to fulfill our customer orders on a timely basis or if we cannot otherwise obtain particular products or product lines.

Manufacturers who currently distribute their products through us may decide to shift to or substantially increase their existing distribution with other distributors, their own dealer networks, or directly to resellers or end-users. Increasingly, our manufacturers are combining, leaving us with fewer alternative sources. This could result in more intense competition as distributors strive to secure distribution rights with these manufacturers, which could have an adverse impact on our business, financial condition, results of operations and cash flows. If we are unable to maintain an adequate supply of products, or if manufacturers do not regularly invest in, introduce to us, and/or make new products available to us for distribution, our net revenue and gross profit could suffer considerably.

Raw material price fluctuations, the ability of key suppliers to meet quality and delivery requirements, or catastrophic events can increase the cost of our products and services, impact our ability to meet commitments to customers and cause us to incur significant liabilities.

The cost and availability of raw materials (such as copper, steel, aluminum, plastics, printed circuit boards, semiconductors and passive electronics) is a key factor in the cost of our products. Our inability to offset material price inflation through increased prices to customers, formula or long-term fixed price contracts with suppliers, productivity actions or through commodity hedges could adversely affect our business, financial condition, results of operations and cash flows. Supply interruptions could arise from shortages of raw materials, effects of economic, political or financial market conditions on a supplier's operations, labor disputes or weather conditions affecting products or shipments, transportation disruptions, information system disruptions, health issues or epidemics causing disruptions, or other reasons beyond our control.

The profitability of our business is also dependent upon the efficiency of our supply chain. An inefficient or ineffective supply chain strategy or operations could increase operational costs, reduce profit margins and adversely affect our business, financial condition, results of operations and cash flows. Short or long-term capacity constraints or financial distress at any point in our supply chain could disrupt our operations and adversely affect our financial performance, particularly when the affected suppliers and manufacturers are the sole sources of products that we require or that have unique capabilities, or when our customers have directed us to use those specific suppliers and manufacturers. We incur significant freight expenses related to the purchase of products for distribution and fluctuations in fuel costs may cause us to incur additional expense.

We are subject to the economic, political, health, epidemic, regulatory, foreign exchange and other risks of international operations.

Our international revenues are approximately 31% of our net revenue for the year ended December 31, 2019. Our international geographic footprint subjects us to many risks including: exchange control regulations; wage and price controls; antitrust/competition and environmental regulations; employment regulations; foreign investment laws; monetary and fiscal policies and protectionist measures that may prohibit acquisitions or joint ventures, establish local content requirements, or impact trade volumes; import, export and other trade restrictions (such as embargoes); violations by our employees of anti-corruption laws (despite our efforts to mitigate these risks); changes in regulations regarding transactions with state-owned enterprises; nationalization of private enterprises; natural and man-made disasters, hazards and losses; backlash from foreign labor organizations related to our restructuring actions; violence, civil and labor unrest; acts of terrorism; health epidemics; and our ability to hire and maintain qualified staff and maintain the safety of our employees in these regions. For more information on our international footprint, see "Item 2. Properties." Additionally, certain of the markets in which we operate have adopted increasingly strict data privacy and data protection requirements or may require local storage and processing of data or similar requirements. See "Risks Relating to Our Business —Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, could adversely affect our business, financial condition, results of operations and cash flows."

Instabilities and uncertainties arising from the global geopolitical environment can negatively impact our business. The implementation of more restrictive trade policies or the renegotiation of existing trade agreements in the U.S. or other countries where we sell or manufacture large quantities of products and services or procure supplies and other materials incorporated into our products could negatively impact our business results of operations, cash flows and financial condition. For example, a government's adoption of "buy national" policies or retaliation by another government against such policies, such as tariffs or quotas, could have a negative impact on our results of operations.

Tariffs, sanctions and other barriers to trade could adversely affect the business of our customers and suppliers, which could in turn negatively impact our net revenue and results of operations. For example, Chinese sanctions have remained in place for the majority of our products in the Products & Solutions segment, with mitigations in place to reduce the impact. The U.K. officially left the E.U. on January 31, 2020 with an agreement which includes a transition period currently expiring December 31, 2020. During the transition period no impact is expected on trade (business as usual as the movement of products between the U.K. and the E.U. remains in free circulation, with import and export declarations not implemented). These and other instabilities and uncertainties arising from the global geopolitical environment, along with the cost of compliance with increasingly complex and often conflicting regulations worldwide, can impair our flexibility in modifying product, marketing, pricing or other strategies for growing our businesses, as well as our ability to improve productivity and maintain acceptable operating margins.

Our global operations and supply chain which is supported by partners located around the world could be impacted by health and public safety issues, e.g. Coronavirus, and could have a material impact on demand for our products and solutions, our business operations in the impacted regions, and supplies to other regions.

As a result of our global presence, a portion of our net revenue are denominated in currencies other than the U.S. Dollar, whereas a significant amount of our payment obligations, including pursuant to the Honeywell Reimbursement Agreement and Tax Matters Agreement are denominated in U.S. Dollars, which exposes us to foreign exchange risk. We monitor and may seek to reduce such risk through hedging activities; however, foreign exchange hedging activities bear a financial cost and may not always be available to us or be successful in eliminating such volatility. Finally, we generate significant amounts of cash outside of the United States that is invested with financial and non-financial counterparties. While we employ comprehensive controls regarding global cash management to guard against cash or investment loss and to ensure our ability to fund our operations and commitments, a material disruption to the counterparties with whom we transact business could expose us to financial loss.

We operate in many high-growth regions that require modifications to our products based on local building codes, regulations, standards, certifications and other factors, which may impact our cost to serve and profitability as we continue our penetration into these regions.

We operate in regulated markets.

Many of our products, technologies and services, in particular products implicating life safety, are subject to regulatory agency oversight, such as the U.S. Consumer Product Safety Commission, the FTC, the Federal Communications Commission ("FCC"), the U.S. Environmental Protection Agency, the European Union's CE mark ("CE"), the European Community directive "Waste Electrical and Electronic Equipment Directive" ("WEEE Directive"), the regulation Registration, Evaluation, Authorization and Restriction of Chemicals ("REACH"), the Gulf Mark standard for low-voltage electric products required in Gulf Member States ("G Mark"), the EurAsian Conformity Mark for member countries of Customs Union ("EAC"), the China Compulsory Certification ("CCC") and the Regulatory Compliance Mark for Australia which may contribute to our compliance expenses. Many state regulators, such as the California Department of Toxic Substances Control, also have an impact on our markets. For example, 23 states have specific mercury thermostat regulations which require business compliance due to decades of sales of thermostats containing mercury. Mandatory collection requirements, penalties and federal legislation can have an impact on the expense. It is also important that our products comply with various third-party standards, such as those of UL.

In addition, the FCC repealed net neutrality rules in 2018. We do not yet know the impact it may have on our business. Less favorable treatment of traffic from our services or higher charges to customers by broadband service providers for using our products and services could cause us to lose existing subscribers, impair our ability to attract new subscribers and adversely affect our business, financial condition, results of operations and cash flows.

Further, third-party vendors that may be contracted by the Company may be subject to extensive regulation in the markets where we operate or may expand in the future. For example, the FTC and the FCC have issued regulations that place restrictions on, among other things, making unsolicited telephone calls to residential and wireless telephone subscribers using "automatic telephone dialing systems" or prerecorded or artificial voice messages, and/or making telemarketing calls to residential telephone numbers on the National Do Not Call Registry. We require third-party vendors to comply with these laws and regulations. If such third parties were to take actions in violation of these laws, we could be exposed to claims, including by government regulators, arising out of such actions. In addition, changes in the applicable laws, regulations and technology affecting telecommunication services could require us to change the way we operate, which could increase costs or otherwise disrupt our operations, which in turn could adversely affect our business, financial condition, results of operations and cash flows.

Some local governments impose assessments, fines, penalties and limitations on either customers or companies for false alarms. Certain municipalities have adopted ordinances under which both permit and alarm dispatch fees are charged directly to companies. Service providers generally pass these charges on to customers but may not be able to collect if customers are unwilling or unable to pay them, and this may require the service provider to suspend or terminate service and as a result adversely affect our business, financial condition, results of operations and cash flows. Furthermore, our customers may elect to terminate or not renew services if assessments, fines, or penalties for false alarms become significant. If more local governments were to impose assessments, fines or penalties or requirements for response such as video verification, it could adversely affect our customer base, business, financial condition, results of operations and cash flows.

The net revenue and margins of our business are directly impacted by government regulations, including safety, performance and product certification regulations, particularly those driven by customer demands and national approvals, as well as changes in trade agreements and environmental and energy efficiency standards. Growth within emerging markets may be adversely impacted by the inability to acquire and retain qualified employees where local employment law mandates may be restrictive.

Part of our growth strategy is dependent on expanding our distribution business.

Part of our growth strategy is to expand our geographic footprint and to increase the types and number of products sold through ADI Global Distribution. Our ability to open new ADI Global Distribution locations in both existing and new markets could be affected by local regulations and the availability of suitable real estate. We may not be able to acquire from manufacturers certain product lines that we are interested in adding to our distribution business, and if we are able to add products, they may not result in sales as expected and may not be profitable. If we are unable to execute on any part of our growth strategy, our business, financial condition, results of operations and cash flows could be adversely affected.

Our profitability and results of operations may be adversely affected by a significant failure or inability to comply with the specifications and manufacturing requirements of our OEM customers.

We generally have to qualify, and are required to maintain our status, as a supplier for each of our OEM customers. This is a lengthy process that involves the inspection and approval by a customer of our engineering, documentation, manufacturing and quality control procedures before that customer will place volume orders. If we are successful in qualifying, there is no assurance that any OEM will purchase products from us. Given the length of this qualification process, the risk that our business, results of operations and financial condition would be adversely affected by the loss of, or any reduction in orders by, any of our significant OEM customers is increased. Accordingly, the success of our business depends on OEMs continuing to outsource the manufacturing of critical products to us. It would be difficult to replace lost revenue resulting from the loss of, or the reduction, cancellation or delay in purchase orders by, any one of these customers, whether due to their decision to not continue to outsource all or a portion of their critical parts for their capital equipment, their moving their business to our competitors or otherwise. A significant failure or inability to comply with customer specifications and manufacturing requirements or delays or other problems with existing or new products (including program launch difficulties) could result in financial penalties, cancelled orders, increased costs, loss of sales, loss of customers or potential breaches of customer contracts, which could have an adverse effect on our profitability and results of operations. We have in the past lost business from OEM customers who have taken the manufacturing of our products in-house or moved business to our competitors. If we are unable to replace revenue from lost OEM customers it could have an adverse impact on our financial position, results of operation and cash flows. In addition, if we are unable to obtain additional business from OEMs the potential growth of our business results could be adversely affected. In some instances, such a move away from our company happens over time due to the lengthy qualification process our OEM customers employ.

We may not be able to retain or expand relationships with certain large customers.

A number of our customers are large and contribute significantly to our net revenue and operating income. Consolidation or change of control, particularly among our OEM customers, or a decision by any one or more of our customers to outsource all or most manufacturing work to a single equipment manufacturer, may continue to concentrate our business in a limited number of customers and expose us to increased risks relating to dependence on a smaller number of customers. By virtue of our largest customers' size and the significant portion of revenue that we derive from them, they are able to exert significant influence in the negotiation of our commercial agreements and the conduct of our business with them. Furthermore, there is significant consolidation of companies focused on security products, and we have had customers combine both with customers with whom we have had a prior relationship with, as well as those with whom we have little or no prior relationship, putting us at risk of loss of sales. If we are unable to retain and expand our business with these large customers on favorable terms, our business, financial condition, results of operations and cash flows will be adversely affected.

We have credit exposure to our customers.

Any adverse trends in our customers' businesses could cause us to suffer credit losses. As is customary in our markets, we extend credit to our customers. A portion of our customers are small contractors with inconsistent cash flow. As such, they rely on us to provide their businesses with credit and to carry specified inventory to support their operations. We may be unable to collect on receivables if our customers experience decreases in demand for their products and services, do not manage their businesses adequately, or otherwise become less able to pay due to adverse economic conditions or refinancing events. While we evaluate our customers' qualifications for credit and monitor our extensions of credit, these efforts cannot prevent all credit losses, and credit losses negatively impact our performance. In addition, for financial reporting purposes, we establish reserves based on our historical experience of credit losses. To the extent that our credit losses exceed those reserves, our financial performance will be negatively impacted beyond what is expected. If there is deterioration in the collectability of our receivables, or we fail to take other actions to adequately mitigate such credit risk, our earnings and cash flows, could deteriorate. In addition, if we are unable to extend credit to our customers, we may experience loss of certain contracts or business.

Extending credit to international customers involves additional risks. It is often more difficult to evaluate credit of a customer or obtain credit protections in our international operations. Also, credit cycles and collection periods are typically longer in our international operations. We are also subject to credit risk associated with customer concentration. If one or more of our largest customers were to become bankrupt or insolvent, or otherwise were unable to pay for our products, we may incur significant write-offs of accounts that may have an adverse effect on our business, financial condition, results of operations and cash flows. As a result of these factors and other challenges in extending credit to international customers, we generally face greater credit risk from sales internationally compared to domestic sales.

Failure to protect our intellectual property could adversely affect our business, financial condition and results of operations and cash flows.

We rely on a combination of patents, copyrights, trademarks, trade names, trade secrets and other proprietary rights, as well as contractual arrangements, including licenses, to establish, maintain and protect our intellectual property rights. Effective intellectual property protection may not be available in every country in which we do business. We may not be able to acquire or maintain appropriate registered or unregistered intellectual property in all countries in which we do business. Companies that license intellectual property we own or use, especially, the Honeywell Home brand, also may take actions that diminish the value of our intellectual property or harm our reputation.

Our intellectual property rights may not be sufficient to permit us to take advantage of some business opportunities. As a result, we may be required to change our plans or acquire the necessary intellectual property rights, which could be costly. Furthermore, our ability to enforce our intellectual property rights in emerging markets may be limited by legal or practical considerations that have not historically affected our business in markets with more established intellectual property protection systems.

The protection of our intellectual property may be expensive and time consuming. There can be no assurance that the steps we take to maintain and protect our intellectual property will be adequate, or that third parties will not infringe, circumvent, misappropriate or violate our intellectual property. If our efforts to protect our intellectual property are not adequate, the value of our goods and services may be harmed, which could have an adverse effect on our business, financial condition, results of operations and cash flows. Any impairment of our intellectual property, including due to changes in U.S. or worldwide intellectual property laws or the absence of effective legal protection or enforcement measures, could adversely impact our business, financial condition, results of operations and cash flows.

We may incur material losses and costs as a result of intellectual property infringement actions that may be brought against us.

We are, and may in the future be, subject to legal proceedings in various venues regarding alleged infringement by us of the intellectual property rights of third parties. In addition, our customer agreements can require us to indemnify the customer for infringement. Such claims, whether they are meritorious or not, may result in the expenditure of significant financial and managerial resources, injunctions against us, the payment of damages, and/or the entry into royalty or licensing agreements on unfavorable terms. These risks have been amplified by the increase in third parties whose sole or primary business is to assert such claims. Furthermore, the publicity we may receive as a result of such proceedings may damage our reputation and adversely impact our existing customer relationships and our ability to develop new business.

We cannot assure you that we will not experience any material intellectual property claim losses in the future or that we will not incur significant costs to defend such claims.

Failure to increase productivity through sustainable operational improvements, as well as an inability to successfully execute restructuring projects or to effectively manage our workforce, may reduce our profitability or adversely impact our businesses.

Our profitability and margin growth are dependent upon our ability to drive sustainable improvements. In addition, we seek productivity and cost savings benefits through restructuring and other projects, such as consolidation of manufacturing facilities, transitions to cost-competitive regions, workforce reductions, product line rationalizations and other cost-saving initiatives. Risks associated with these actions include delays in execution of the planned initiatives, additional unexpected costs, asset impairments, realization of fewer than estimated productivity improvements and adverse effects on employee morale. We may not realize the full operational or financial benefits we expect and the recognition of these benefits may be delayed and these actions may potentially disrupt our operations. In addition, organizational changes, attrition, labor relations difficulties, or workforce stoppage could have an adverse effect on our business, reputation, financial condition, results of operations and cash flows.

We can provide no assurance that the operational and financial review we are conducting will result in the effects we are expecting.

In the third quarter of 2019, and continuing through the fourth quarter, we experienced lower sales and lower margins than we expected in our Product & Solutions segment. As a result, we are conducting a comprehensive operational and financial review of our business. There can be no assurance that this review will appropriately identify the actions we need to take, or that we will be able to implement action, in a manner that will resolve the issues we have identified or achieve the results we are forecasting. In addition, uncertainty around the review could lead to disruption in our business, including our relationships with our customers, suppliers and employees.

We may not be able to successfully acquire and integrate other products, technologies or businesses or realize the anticipated benefits of acquisitions.

We actively evaluate acquisitions and strategic investments in products or technologies and businesses that could complement or expand our business or otherwise offer growth or cost-saving opportunities. From time to time, we may enter into letters of intent with companies with which we are negotiating for potential acquisitions or investments, or as to which we are conducting due diligence. An investment in, or acquisition of, complementary businesses, products or technologies in the future could materially decrease the amount of our available cash or require us to seek additional equity or debt financing. We may not be successful in negotiating the terms of any potential acquisition, conducting thorough due diligence, financing the acquisition or effectively integrating the acquired business, product or technology into our existing business and operations. Our due diligence may fail to identify all of the problems, liabilities or other shortcomings or challenges of an acquired business, product or technology, including issues related to intellectual property, product quality or product architecture, regulatory compliance practices, revenue recognition or other accounting practices or employee or customer issues.

In connection with any acquisitions we complete, we may have difficulty integrating the acquired business, may not achieve the synergies or other benefits we expected to achieve, and we may incur unanticipated expenses, write-downs, impairment charges or unforeseen liabilities that could negatively affect our business, financial condition, results of operations and cash flows. Further, contemplating or completing an acquisition and integrating an acquired product or technology or business could divert management and employee time and resources from other matters.

Our operations require substantial capital and we may not be able to obtain additional capital that we need in the future on favorable terms or at all.

We may require additional capital in the future to finance our growth and development, upgrade and improve our manufacturing capabilities, implement further marketing and sales activities, fund ongoing research and development activities, satisfy regulatory and environmental compliance obligations and national approvals requirements, satisfy obligations under the Honeywell Reimbursement Agreement, and meet general working capital needs. Our capital requirements will depend on many factors, including acceptance of and demand for our solutions, the extent to which we invest in new technology and research and development projects and the status and timing of these developments. If our access to capital were to become constrained significantly, or if costs of capital increased significantly, due to lowered credit ratings, prevailing business conditions, the volatility of the capital markets or other factors, our business, financial condition, results of operations and cash flows could be adversely affected.

We are responsible for obtaining and maintaining sufficient working capital and other funds to satisfy our cash requirements, and debt or equity financing may not be available to us on terms we find acceptable, if at all. Even if we are able to obtain financing or access the capital markets, incurring additional debt may significantly increase our interest expense and financial leverage, and our level of indebtedness could restrict our ability to fund future development and acquisition activities. Also, regardless of the terms of our debt or equity financing, our agreements and obligations under the Tax Matters Agreement that address compliance with Section 355 of the Internal Revenue Code of 1986, as amended (the “Code”), may limit our ability to issue stock. See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for more information. We believe that we have adequate capital resources to meet our projected operating needs, capital expenditures and other cash requirements, including payments to Honeywell under the Honeywell Reimbursement Agreement. However, we may need additional capital resources in the future and if we are unable to obtain sufficient resources for our operating needs, capital expenditures and other cash requirements for any reason, our business, financial condition and results of operations could be adversely affected. See “—Risks Relating to the Spin-Off—We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent, publicly traded company, and we may experience increased costs.”

We are subject to risks associated with the Honeywell Reimbursement Agreement, pursuant to which we are required to make substantial cash payments to Honeywell, measured in substantial part by reference to estimates by Honeywell of certain of its liabilities.

In connection with the Spin-Off, we entered into the Honeywell Reimbursement Agreement (as defined below), pursuant to which we have an obligation to make cash payments to Honeywell in amounts equal to 90% of payments, which include amounts billed (“payments”), with respect to certain environmental claims, remediation and hazardous exposure or toxic tort claims, in each case including consequential damages (the “liabilities”) in respect of the Honeywell Sites, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell’s net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales (the “recoveries”). The amount payable by us in respect of such liabilities arising in any given year is subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum). Payments in respect of the liabilities arising in a given year are made quarterly throughout such year on the basis of an estimate of the liabilities and recoveries provided by Honeywell. Following the end of any such year, Honeywell provides us with a calculation of the amount of payments and the recoveries received. Subject to the aforementioned cap, if the amount of payments (net of recoveries) is greater than the previously provided estimate, we pay Honeywell the amount of such difference (the “true-up payment”) and, if the amount of the previously provided estimate is greater than the amount of payments (net of recoveries), we will receive a credit in the amount of such difference that will be applied to future payments. If a true-up payment exceeds $30 million, such true-up payment will be made in eight equal installments, payable on a monthly basis on and following the date the true-up payment is due.

For example, if in any given year, Honeywell’s estimated annual payments that are within the scope of the Honeywell Reimbursement Agreement totaled $140 million, and if Honeywell’s estimated associated recoveries totaled $20 million, then our quarterly payment obligations in respect of that year would be 90% of the net amount (or $108 million) divided by four, or $27 million. If, for such year, Honeywell’s annual payments actually totaled $165 million, and if Honeywell’s associated recoveries actually totaled $10 million, our additional true-up payment obligation in respect of that year would be 90% of the net amount (or $139.5 million) minus the sum of our quarterly payments, or $108 million, resulting in an aggregate payment in respect of such year of $31.5 million, which, because it exceeds $30 million, would be made in eight equal installments, payable on the true-up date and on a monthly basis following the date the true-up payment is due. However, if in any given year, Honeywell’s estimated annual payments totaled $175 million, and the estimated associated recoveries totaled $5 million, then our quarterly payment obligations in respect of that year would be capped at $35 million even though 90% of the net amount (or $153 million) divided by four is higher at $38.25 million, resulting in an aggregate maximum payment for such year equal to the cap of $140 million (regardless of whether or not actual liabilities (net of recoveries) exceeded the previously provided estimates).

Honeywell’s environmental claim and remediation payments in respect of the Honeywell Sites for the years 2019, 2018 and 2017, including any legal fees, were approximately $258 million, $179 million and $200 million, respectively, and Honeywell’s associated receipts for insurance and amounts received by Honeywell in connection with affirmative claims, contributions and property sales for 2019, 2018 and 2017 were approximately $94 million, $0 million, and $2 million, respectively. At December 31, 2019 we have recorded a liability to Honeywell of approximately $585 million in relation to our environmental obligation to Honeywell under the Honeywell Reimbursement Agreement.

In the event that Honeywell completes a transfer to a third party in respect of a portion of the remediation liabilities that are within the scope of the Honeywell Reimbursement Agreement, we will be obligated to pay 90% of the amount paid or payable by Honeywell in connection with such liability transfer, less any applicable recoveries. Amounts payable in respect of liability transfers for any given year are paid in the year following the year in which they occur, at the time that the true-up payment is made. If the amounts payable in respect of a liability transfer, together with any true-up payment, exceeds $30 million, such amounts will be made in eight equal installments, payable on the true-up date and on a monthly basis following the date the true-up payment is due. While any amount in respect of a liability transfer is outstanding, the annual payment by us to Honeywell will be first allocated towards the liabilities described above relating to environmental claims, remediation, hazardous exposure and toxic tort claims arising outside of the scope of the liability transfer, and then towards the liability transfer payment. The amount payable by us in respect of (i) any such liability transfers and (ii) the liabilities described above relating to environmental claims, remediation, hazardous exposure and toxic tort claims arising in any given year, is subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum). The liability transfer amount for the 2019 year was approximately $8 million.

The scope of our current environmental remediation obligations subject to the Honeywell Reimbursement Agreement currently relates to approximately 230 sites or groups of sites that are undergoing environmental remediation under U.S. federal or state law and agency oversight for contamination associated with Honeywell historical business operations. The ongoing environmental remediation is designed to address contaminants at upland and sediment sites, which include, among others, metals, organic compounds and polychlorinated biphenyls, through a variety of methods, which include, among others, excavation, capping, in-situ stabilization, groundwater treatment and dredging. In addition, our obligations subject to the Honeywell Reimbursement Agreement will include certain liability with respect to (i) hazardous exposure or toxic tort claims associated with the Honeywell Sites that arise after the Spin-Off, if any, (ii) currently unidentified releases of hazardous substances at or associated with the Honeywell Sites, (iii) other environmental claims associated with the Honeywell Sites and (iv) consequential damages.

Payment amounts under the Honeywell Reimbursement Agreement will be deferred to the extent that the payment thereof would cause a specified event of default under certain indebtedness, including our principal credit agreement, or cause us to not be compliant with certain financial covenants in certain indebtedness, including our principal credit agreement on a pro forma basis, including the maximum total leverage ratio (ratio of debt to EBITDA, which excludes any amounts owed to Honeywell under the Honeywell Reimbursement Agreement), and the minimum interest coverage ratio. A 5% late payment fee will accrue on all amounts that are not otherwise entitled to be deferred under the terms of the Honeywell Reimbursement Agreement, without prejudice to any other rights that Honeywell may have for late payments. In each calendar quarter, our ability to pay dividends and repurchase capital stock in such calendar quarter will be restricted until any amounts payable under the Honeywell Reimbursement Agreement in such quarter (including any deferred payment amounts) are paid to Honeywell and we will be required to use available restricted payment capacity under our debt agreements to make payments in respect of any such deferred amounts. Payment of deferred amounts and certain other amounts could cause the amount we are required to pay under the Honeywell Reimbursement Agreement in respect of liabilities arising in any given calendar year to exceed $140 million (exclusive of any late payment fees up to 5% per annum). All amounts payable under the Honeywell Reimbursement Agreement are guaranteed by certain of our subsidiaries that act as guarantors under our principal credit agreement, subject to certain exceptions. Under the Honeywell Reimbursement Agreement, we are subject to certain of the affirmative and negative covenants to which we are subject under our principal credit agreement. Further, pursuant to the Honeywell Reimbursement Agreement, our ability to (i) amend or enter into waivers under our principal credit agreement or our indenture, (ii) enter into another credit agreement or our indenture or make amendments or waivers thereto, or (iii) enter into or amend or waive any provisions under other agreements, in each case, in a manner that would adversely affect the rights of Honeywell under the Honeywell Reimbursement Agreement, will be subject to Honeywell's prior written consent. This consent right will significantly limit our ability to engage in many types of significant transactions on favorable terms (or at all), including, but not limited to, equity and debt financings, liability management transactions, refinancing transactions, mergers, acquisitions, joint ventures and other strategic transactions. Please see "Risks Relating to the Spin-Off—<u>We have certain business conflicts of interest with Honeywell with respect to our past and ongoing relationships. In addition, the agreements that we entered into with Honeywell in connection with the Spin-Off may impose significant restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests, and we may from time to time have disputes with Honeywell under such agreements that could have a material impact on our business and operations."</u>

The Honeywell Reimbursement Agreement may have material adverse effects on our liquidity and cash flows and on our results of operations, regardless of whether we experience a decline in net revenue. The Honeywell Reimbursement Agreement may also require us to accrue significant long-term liabilities on our consolidated balance sheet, the amounts of which will be dependent on factors outside our control, including Honeywell's responsibility to manage and determine the outcomes of claims underlying the liabilities. This may have a significant negative impact on the calculation of key financial ratios and other metrics that are important to investors, rating agencies and securities analysts in evaluating our creditworthiness and the value of our securities. Accordingly, our access to capital to fund our operations may be materially adversely affected and the value of your investment in our company may decline. The Honeywell Reimbursement Agreement also includes other obligations that may impose significant operating and financial restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests.

Although we will have access to information regarding these liabilities as we may reasonably request for certain purposes, as well as the ability to participate in periodic standing meetings with Honeywell's remediation management team responsible for management of the underlying claims, including outside litigation or environmental counsel if necessary, the payment obligations under the Honeywell Reimbursement Agreement relate to legal proceedings and remediation efforts that we will not control, and we accordingly do not expect to be able to make definitive decisions regarding settlements or other outcomes that could influence our potential related exposure.

Our operations and the prior operations of predecessor companies expose us to the risk of material environmental liabilities.

We are subject to potentially material liabilities related to the investigation and cleanup of environmental hazards and to claims of personal injuries or property damages that may arise from hazardous substance releases and exposures. These liabilities arise out of our current and past operations and the operations and properties of predecessor companies (including off site waste disposal). We entered into the Honeywell Reimbursement Agreement, pursuant to which we have an obligation to make cash payments to Honeywell related to certain of Honeywell's environmental-related liabilities. See "Risks Relating to Our Business—We are subject to risks associated with the Honeywell Reimbursement Agreement, pursuant to which we will be required to make substantial cash payments to Honeywell, measured in substantial part by reference to estimates by Honeywell of certain of its liabilities."

We are also subject to potentially material liabilities related to the compliance of Resideo Sites with the requirements of various federal, state, local and foreign governments that regulate the discharge of materials into the environment and the generation, handling, storage, treatment and disposal of and exposure to hazardous substances. We believe that, as a general matter, our policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that our handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. However, if we are found to be in violation of these laws and regulations, we may be subject to substantial fines, criminal sanctions, trade restrictions, product recalls, public exposure and be required to install costly equipment or make operational changes to achieve compliance with such laws and regulations.

In addition, changes in laws, regulations or government enforcement of policies concerning the environment, the discovery of previously unknown contamination or new technology or information related to individual contaminated sites, the establishment of stricter state or federal toxicity standards with respect to certain contaminants, or the imposition of new clean-up requirements or remedial techniques, could require us to incur additional currently unanticipated costs in the future that would have a negative effect on our business, financial condition, results of operations and cash flows.

We cannot predict with certainty the outcome of litigation matters, government proceedings and other contingencies and uncertainties.

In the ordinary course of business, we may make certain commitments, including representations, warranties and indemnities relating to current and past operations, including those related to divested businesses, and issue guarantees of third-party obligations. We are also subject to various lawsuits, investigations and disputes arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee benefit plans, intellectual property, and environmental, health and safety matters. In particular, between November 8, 2019 and January 7, 2020, four separate purported class action complaints were filed in the United States District Court for the District of Minnesota against Resideo, its current chief executive officer, its former chief financial officer and/or Honeywell. These complaints allege, among other things, that the defendants (or some of them) made false and misleading statements (including prior to the spin-off from Honeywell) regarding, among other things, Resideo's business, performance, the efficiency of its supply chain, operational and administrative issues resulting from the spin-off from Honeywell, and the financial guidance regarding 2019. The court consolidated the pending actions into a single proceeding styled *In re Resideo Technologies, Inc. Securities Litigation*, 19-cv-02889 and appointed co-lead plaintiffs and co-lead plaintiff's counsel. The lead plaintiffs' deadline to file an amended, consolidated complaint is March 27, 2020. In addition, we are and could, in the future, face additional legal proceedings and investigations and inquiries by governmental agencies relating to these or similar matters.

We are unable to predict how long such proceedings, in particular the purported class action lawsuits, will continue, but we anticipate that we may incur significant costs in connection with some or all of these matters and that these proceedings and any related matters may result in a substantial distraction of management's time. Our potential liabilities are subject to change over time due to new developments, changes in settlement strategy or the impact of evidentiary requirements, and we may become subject to or be required to pay damage awards or settlements that could have an adverse effect on our business, financial condition, results of operations and cash flows. If we were required to make payments, such payments could be significant and could exceed the amounts we have accrued with respect thereto, adversely affecting our business, financial condition, results of operations and cash flows. While we maintain or may otherwise have access to insurance for certain risks, the amount of our insurance coverage may not be adequate to cover the total amount of all insured claims and liabilities and we may have to satisfy insurance retentions. The incurrence of significant liabilities for which there is no or insufficient insurance coverage (or where there is available insurance but high retention levels) could adversely affect our liquidity and financial condition, results of operations and cash flows.

Our business could be negatively affected as a result of the actions of activist or hostile stockholders.

Our business could be negatively affected as a result of stockholder activism, which could cause us to incur significant expense, hinder execution of our business strategy, and impact the trading value of our securities. Stockholder activism, which could take many forms or arise in a variety of situations, has been increasing in publicly traded companies in recent years and we are subject to the risks associated with such activism. Stockholder activism, including potential proxy contests, requires significant time and attention by management and the Board, potentially interfering with our ability to execute our strategic plan. Additionally, such stockholder activism could give rise to perceived uncertainties as to our future direction, adversely affect our relationships with key executives and business partners and make it more difficult to attract and retain qualified personnel. Also, we may be required to incur significant legal fees and other expenses related to activist stockholder matters. Any of these impacts could materially and adversely affect our business and operating results. Further, the market price of our common stock could be subject to significant fluctuation or otherwise be adversely affected by the events, risks and uncertainties described in this “Risk Factors” section.

Our effective tax rate will be affected by factors including changes in tax rules, and in the interpretation and application of those rules, in the countries in which we operate.

Our future results of operations could be adversely affected by changes in the effective tax rate as a result of a change in the mix of earnings in countries with differing statutory tax rates, changes in tax laws, regulations and judicial rulings (or changes in the interpretation thereof), changes in generally accepted accounting principles, changes in the valuation of deferred tax assets and liabilities, changes in the amount of earnings permanently reinvested offshore, the results of audits and examinations of previously filed tax returns and continuing assessments of our tax exposures and various other governmental enforcement initiatives. Our tax expense includes estimates of tax reserves and reflects other estimates and assumptions, including assessments of our future earnings which could impact the valuation of our deferred tax assets. Changes in tax laws or regulations, including multi-jurisdictional changes enacted in response to the guidelines provided by the Organization for Economic Co-operation and Development to address base erosion and profit shifting will increase tax uncertainty and may adversely impact our provision for income taxes. As noted under “—Risks Relating to Our Business—We are subject to risks associated with the Honeywell Reimbursement Agreement, pursuant to which we will be required to make substantial cash payments to Honeywell, measured by reference to estimates by Honeywell of certain of its liabilities.”

U.S. federal income tax reform could adversely affect us.

On December 22, 2017, the President of the United States signed into law H.R. 1, originally known as the “Tax Cuts and Jobs Act”, hereafter referred to as “U.S. Tax Reform”. Since the passing of U.S. Tax Reform, additional guidance in the form of notices and proposed regulations which interpret various aspects of U.S. Tax Reform have been issued. As of the filing of this document, additional guidance is expected. Changes could be made to the proposed regulations as they become finalized, future legislation could be enacted, more regulations and notices could be issued, all of which may impact our financial results. We will continue to monitor all of these changes and will reflect the impact as appropriate in future financial statements. Many state and local tax jurisdictions are still determining how they will interpret elements of U.S. Tax Reform. Final state and local governments’ conformity, legislation and guidance relating to U.S. Tax Reform may impact our financial results.

We may be required to make significant cash contributions to our defined benefit pension plans.

We sponsor defined benefit pension plans under which certain eligible Company employees will earn pension benefits. We have plans in several countries including the U.S. The Federal Pension Protection Act of 2006, which is generally applicable to U.S. qualified defined benefit pension plans, generally requires that qualified defined benefit pension plans maintain certain capitalization levels. Changes in discount rates and actual asset returns different than our anticipated asset returns can result in significant non-cash actuarial gains or losses. With regard to cash pension contributions, funding requirements for our pension plans are largely dependent upon interest rates, actual investment returns on pension assets and the impact of legislative or regulatory changes related to pension funding obligations. Our pension plan contributions may be material and could adversely impact our financial condition, cash flow and results of operations. We plan to make pension plan contributions during 2020 and in future periods sufficient to satisfy funding requirements.

Risks Related to the Spin-Off

Completion of the Spin-Off was conditioned on Honeywell's receipt of separate written opinions from Cleary Gottlieb Steen & Hamilton LLP and KPMG LLP to the effect that the Spin-Off should qualify for non-recognition of gain and loss under Section 355 and related provisions of the Code.

The opinions do not address any U.S. state or local or foreign tax consequences of the Spin-Off. The opinions assume that the Spin-Off was completed according to the terms of the Separation and Distribution Agreement and rely on the facts as stated in the Separation and Distribution Agreement, the Tax Matters Agreement, the other ancillary agreements and documents. In addition, the opinions are based on certain representations as to factual matters from, and certain covenants by, Honeywell and us. The opinions cannot be relied on if any of the assumptions, representations or covenants are incorrect, incomplete or inaccurate or are violated in any material respect.

The opinions are not binding on the Internal Revenue Service (the "IRS") or the courts, and there can be no assurance that the IRS or a court will not take a contrary position. If the conclusions expressed in the opinions are challenged by the IRS, and if the IRS prevails in such challenge, the tax consequences of the Spin-Off could be materially less favorable. Honeywell did not as part of the Spin-Off request a ruling from the IRS regarding the U.S. federal income tax consequences of the Spin-Off.

If the distribution made in connection with the Spin-Off were determined not to qualify for non-recognition of gain or loss under Section 355 and related provisions of the Code, then a U.S. Holder who received our common stock in the Spin-Off generally would be treated as receiving a distribution in an amount equal to the fair market value of our common stock received. The distribution would be treated as: (1) a taxable dividend to the extent of the holder's pro rata share of Honeywell's current or accumulated earnings and profits; (2) a reduction in the holder's basis (but not below zero) in Honeywell common stock to the extent the amount received exceeds the holder's share of Honeywell's earnings and profits; and (3) taxable gain from the exchange of Honeywell common stock to the extent the amount received exceeds the sum of the holder's share of Honeywell's earnings and profits and its basis in its Honeywell common stock.

We agreed in the Tax Matters Agreement not to take actions that could affect Honeywell's tax treatment. The need to comply with these provisions of the Tax Matters Agreement could reduce our strategic and operating flexibility. If we fail to comply with them, or breach representations or covenants made in the Tax Matters Agreement or in connection with the receipt of the tax opinion, we could incur material indemnification obligations to Honeywell, which could adversely affect our business, financial condition, results of operations and cash flows.

If one or more persons acquire a 50% or greater interest (measured by vote or value) in the stock of Honeywell or Resideo, directly or indirectly (including through acquisitions of stock after the completion of the Transactions), as part of a plan or series of related transactions that includes the Spin-Off, then the Spin-Off would be taxable to Honeywell, but not to Honeywell stockholders. Current law generally creates a presumption that any direct or indirect acquisition of stock of Honeywell or Resideo within two years before or after the Spin-Off is part of a plan that includes the Spin-Off, although the parties may be able to rebut that presumption in certain circumstances. The process for determining whether an acquisition is part of a plan under these rules is complex, inherently factual in nature, and subject to a comprehensive analysis of the facts and circumstances of the particular case. We have entered into covenants not to engage in specified transactions for two years after the Spin-Off without Honeywell's prior consent (which Honeywell may grant or withhold in its sole discretion),and have agreed to indemnify Honeywell for any costs that it may incur as a result of our failure to comply with those covenants. These obligations may limit our ability to pursue strategic transactions or engage in new business or other transactions, such as a share repurchase program, that may maximize the value of our business, and may discourage or delay a strategic transaction that our shareholders may consider favorable, including limiting our ability to use our equity to raise capital or fund acquisitions, and may otherwise impact our ability to implement structural or business changes as an outgrowth of the comprehensive financial and operational review announced connection with our third quarter 2019 earnings results. Any payments required under these obligations could be significant and could materially adversely affect our business, financial condition, results of operations and cash flows.

We are subject to numerous restrictions to preserve the non-recognition treatment of the Spin-Off, which may reduce our strategic and operating flexibility.

We are subject to covenants in the Tax Matters Agreement and indemnification obligations that address compliance with Section 355 of the Code and are intended to preserve the tax-free nature of the Spin-Off. These covenants include certain restrictions on our activity for a period of two years following the Spin-Off, unless Honeywell gives its consent for us to take a restricted action, which Honeywell is permitted to grant or withhold at its sole discretion. These covenants and indemnification obligations may limit our ability to pursue strategic transactions or engage in new businesses or other transactions that may maximize the value of our business and might discourage or delay a strategic transaction that our stockholders may consider favorable.

We may be unable to make, on a timely or cost-effective basis, the changes necessary to operate as an independent, publicly traded company, and we may experience increased costs after the Spin-Off.

Honeywell currently provides certain transitional corporate services under agreements with us. These services do not include every service that we received from Honeywell while we were part of Honeywell, and Honeywell is only obligated to provide the transition services for limited periods described in the agreements. We rely on Honeywell to satisfy its performance and payment obligations under any transition services agreements and other agreements related to the Spin-Off, and if Honeywell does not satisfy such obligations, we could incur operational difficulties or losses.

Our ability to position and market ourselves as a provider of connected home technology could be adversely affected by our loss of access to Honeywell's development platforms. If we fail to obtain the quality of services necessary to operate effectively or incur greater costs in obtaining these services, our business, financial condition, results of operations and cash flows may be adversely affected.

As we build our information technology infrastructure and transition our data to our own systems, we could incur substantial additional costs and experience temporary business interruptions, and our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we will be subject following the Spin-Off.

Following the Spin-Off, we installed and implemented information technology infrastructure to support certain of our business functions, including payment systems, ERP systems, accounting and reporting, manufacturing process control, customer service, inventory control and distribution. Such transition must also comply with applicable personal data privacy laws. See "Risks Relating to Our Business—Risks associated with data privacy issues, including evolving laws and regulations and associated compliance efforts, could adversely affect our business, financial condition, results of operations and cash flows." If we are unable to transition effectively, we may incur temporary interruptions in business operations. Any delay in implementing, or operational interruptions suffered while implementing, our new information technology infrastructure could disrupt our business and have an adverse effect on our business, financial condition, results of operations and cash flows.

In addition, if we are unable to replicate or transition certain systems, our ability to comply with regulatory requirements could be impaired. We are subject to reporting and other obligations under the U.S. Securities and Exchange Act of 1934, as amended (the "Exchange Act"). Beginning with this required Annual Report on Form 10-K, we comply with Section 404 of the Sarbanes Oxley Act of 2002, as amended (the "Sarbanes Oxley Act"), which requires annual management assessments of the effectiveness of our internal control over financial reporting and a report by our independent registered public accounting firm addressing whether we maintained effective internal controls over financial reporting.

The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. Under the Sarbanes Oxley Act, we are required to maintain effective disclosure controls and procedures and internal controls over financial reporting. Any failure to achieve and maintain effective internal controls could have an adverse effect on our business, financial condition, results of operations and cash flow. See "—Risks Relating to Our Common Stock and the Securities Market."

We incurred indebtedness in connection with the Spin-Off, and our leverage could adversely affect our business, financial condition and results of operations.

In connection with the Spin-Off, we incurred indebtedness in an aggregate principal amount of approximately $1,225 million in the form of senior secured term loans and senior unsecured notes, the net proceeds of which were used by the Company to (i) repay intercompany indebtedness to Honeywell or a subsidiary of Honeywell of approximately $1.2 billion, (ii) to pay fees, costs and expenses related to the senior notes offering and the senior credit facilities and (iii) for general corporate purposes. We also entered into a revolving credit facility to be used for our working capital and other cash needs in an aggregate principal amount of $350 million.

We are responsible for obtaining and maintaining sufficient working capital and other funds to satisfy our cash requirements. After the Spin-Off, our access to and cost of debt financing are different than it would have been as a part of Honeywell. Differences in access to and cost of debt financing may result in differences in the interest rate charged to us on financings, as well as the amount of indebtedness, types of financing structures and debt markets that may be available to us.

We amended our principal credit agreement on November 26, 2019 (the "Amendment") to, among other things, revise our covenant leverage ratio thresholds and related definitions in light of our 2019 financial performance and in a manner that was intended to give us greater flexibility, including in relation to anticipated restructuring activities that may implemented as part of the financial and operational review or otherwise.

Our ability to make payments on and to refinance our indebtedness, including the debt incurred in connection with the Spin-Off, as well as any future debt that we may incur, will depend on our ability to generate cash in the future from operations, financings or asset sales. Our ability to generate cash is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control, as well as the risk factors set forth herein.

The terms of our indebtedness restrict our current and future operations, particularly our ability to incur debt that we may need to fund initiatives in response to changes in our business, the industries in which we operate, the economy and governmental regulations.

The terms of the indebtedness include a number of restrictive covenants that impose significant operating and financial restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests. These may restrict our and our subsidiaries' ability to take some or all of the following actions:

- incur or guarantee additional indebtedness or sell disqualified or preferred stock;
- pay dividends on, make distributions in respect of, repurchase or redeem capital stock;
- make investments or acquisitions;
- sell, transfer or otherwise dispose of certain assets;
- create liens;
- enter into sale/leaseback transactions;
- enter into agreements restricting the ability to pay dividends or make other intercompany transfers;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our or our subsidiaries' assets;
- enter into transactions with affiliates;
- prepay, repurchase or redeem certain kinds of indebtedness;
- issue or sell stock of our subsidiaries; and/or
- significantly change the nature of our business.

On October 25, 2018, we entered into a credit agreement, which provides for (i) a seven-year senior secured first-lien term B loan facility in an aggregate principal amount of $475 million (the "Term B Facility"); (ii) a five-year senior secured first-lien term A loan facility in an aggregate principal amount of $350 million (the "Term A Facility" and, together with the Term B Facility, the "Term Loan Facilities"); and (iii) a five-year senior secured first-lien revolving credit facility in an aggregate principal amount of $350 million (the "Revolving Credit Facility" and, together with the Term Loan Facilities, the "Senior Credit Facilities"). The Senior Credit Facilities currently use LIBOR as a benchmark for establishing the interest rate. LIBOR is the subject of recent proposals for reform. These reforms and other pressures may cause LIBOR to disappear entirely or to perform differently than in the past. The consequences of these developments with respect to LIBOR cannot be entirely predicted but could result in an increase in the cost of our variable rate debt, which could adversely affect our financial condition and results of operations.

Furthermore, we have pledged our assets as collateral as security for our repayment obligations in respect of certain indebtedness and we are required to abide by certain financial and operational covenants. Our ability to comply with such covenants and restrictions may be affected by events beyond our control, including prevailing economic, financial and industry conditions. If market or other economic conditions deteriorate, our ability to comply with these covenants may be impaired. A breach of any of these covenants, if applicable, could result in an event of default under the terms of this indebtedness. If an event of default occurred, the lenders would have the right to accelerate the repayment of such debt, and the event of default or acceleration could result in the acceleration of the repayment of any other debt to which a cross-default or cross-acceleration provision applies. We might not have, or be able to obtain, sufficient funds to make these accelerated payments, and lenders could then proceed against any collateral. Any subsequent replacement of the agreements governing such indebtedness, or any new indebtedness could have similar or greater restrictions. The occurrence and ramifications of an event of default could adversely affect our business, financial condition, results of operations and cash flows. Moreover, as a result of all of these restrictions, we may be limited in how we conduct our business and pursue our strategy, unable to raise additional debt financing to operate during general economic or business downturns or unable to compete effectively or to take advantage of new business opportunities.

The commercial and credit environment may adversely affect our access to capital.

Our ability to issue debt or enter into other financing arrangements on acceptable terms could be adversely affected if there is a material decline in the demand for our products or in the solvency of our customers or suppliers or if there are other significantly unfavorable changes in economic conditions. Volatility in the world financial markets could increase borrowing costs or affect our ability to access the capital markets. These conditions may adversely affect our ability to obtain targeted credit ratings.

We have certain business conflicts of interest with Honeywell with respect to our past and ongoing relationships. In addition, the agreements that we entered into with Honeywell in connection with the Spin-Off may impose significant restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests, and we may from time to time have disputes with Honeywell under such agreements that could have a material impact on our business and operations.

Conflicts of interest may or have arisen with Honeywell in a number of areas relating to our past and ongoing relationships, including:

- labor, tax, employee benefit, indemnification and other matters arising from our separation from Honeywell;
- intellectual property matters;
- employee recruiting and retention;
- interpretations of contractual arrangements; and
- business combinations involving our Company.

We may not be able to resolve any potential conflicts, and, even if we do so, the resolution may be less favorable to us than if we were dealing with a party other than our former parent company.

The agreements that we entered into with Honeywell in connection with the Spin-Off may impose significant restrictions on us and our subsidiaries and limit our ability to engage in actions that may be in our long-term best interests. As described in more detail elsewhere in this Annual Report on Form 10-K, the Honeywell Reimbursement Agreement and the Tax Matters Agreement may impose material restrictions on our business and operations, including limitations or impediments on our ability to separate or otherwise divest businesses and modify or waive the terms of certain agreements in a manner that would adversely affect the rights of Honeywell under the Honeywell Reimbursement Agreement. In addition, we and Honeywell entered into a 40-year Trademark License Agreement (the "Trademark Agreement") that authorizes us to use certain of Honeywell's trademarks in the operation of our business for the advertising, sale and distribution of certain licensed products. The Trademark Agreement is terminable by Honeywell under certain circumstances, including if we fail to comply with all material obligations, including the payment obligations, set forth in the Honeywell Reimbursement Agreement. The Trademark Agreement also automatically terminates upon the occurrence of a change of control of Resideo that is not approved by Honeywell, and automatically terminates as to any subsidiary of Resideo upon it ceasing to be a wholly-owned subsidiary of Resideo. Any termination of the Trademark Agreement could have a material adverse effect on our business, financial condition, cash flows, and reputation. In addition, the provisions of the Trademark Agreement in respect of a change of control of Resideo or the sale of any interests in any subsidiary of Resideo may impact our ability to enter into transactions that are otherwise in the best interests of our stockholders.

We and Honeywell also may from time to time have disputes under the agreements and related exhibits entered into in connection with the Spin-Off. For example, the Honeywell Reimbursement Agreement incorporates certain of the affirmative and negative covenants contained in our principal credit agreement. Resideo believes that amendments to the principal credit agreement that do not adversely affect the rights of Honeywell under the Honeywell Reimbursement Agreement automatically apply to and amend the corresponding provisions of the Honeywell Reimbursement Agreement. Honeywell has informed us that it does not agree with this interpretation and has asserted that amendments to the provisions of the principal credit agreement are not incorporated into the Honeywell reimbursement agreement unless Honeywell has provided its consent. In particular, Honeywell has asserted that the amendment to the consolidated total leverage ratio and related terms under our principal credit agreement, which became effective on November 26, 2019 (the "Amendment"), do not automatically amend and apply to the corresponding provisions incorporated into the Honeywell Reimbursement Agreement. We were in compliance with the pre- and post-Amendment maximum consolidated total leverage ratio covenant under the Honeywell Reimbursement Agreement for the period ending December 31, 2019, but if Honeywell's position is determined to be valid and if we fail to comply with the pre-Amendment maximum consolidated total leverage ratio in future periods that could result in Honeywell asserting a default under the Honeywell Reimbursement Agreement

Certain of our directors and employees may have actual or potential conflicts of interest because of their financial interests in Honeywell.

Because of their former positions with Honeywell, certain of our executive officers and directors, including the chairman of the Board, own equity interests in Honeywell. Continuing ownership of Honeywell shares and equity awards could create, or appear to create, potential conflicts of interest if our Company and Honeywell face decisions that could have implications for both our Company and Honeywell.

Risks Relating to Our Common Stock and the Securities Market

No market for our common stock existed prior to the Spin-Off and our stock price has fluctuated and may continue to fluctuate significantly.

There was no public market for our common stock prior to the Spin-Off. Following the Spin-Off, the market price of our common stock has fluctuated and may continue to fluctuate widely. This could be the result of many factors, some of which may be beyond our control, including.

- actual or anticipated fluctuations in our results of operations or earnings guidance due to factors related to our business;
- success or failure of our business strategies;
- competition and industry capacity;
- changes in interest rates and other factors that affect earnings and cash flow;

- our level of indebtedness, our ability to make payments on or service our indebtedness and our ability to obtain financing as needed;
- our indemnification obligations to Honeywell;
- our ability to retain and recruit qualified personnel;
- our ability to recruit and retain a new CEO and CFO;
- our quarterly or annual earnings, or those of other companies in our industry;
- announcements by us or our competitors of significant acquisitions or dispositions;
- changes in accounting standards, policies, guidance, interpretations or principles;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our Company and our industry;
- overall market fluctuations unrelated to our operating performance;
- results from any material litigation or government investigation, including the shareholder litigation filed in the fourth quarter of 2019 and related government investigation;
- changes in laws and regulations (including tax laws and regulations) affecting our business;
- changes in capital gains taxes and taxes on dividends affecting stockholders; and
- general economic conditions and other external factors.

Our stock could sustain periods of low trading volume, which would amplify the effect of the above factors on our stock's price volatility.

Our ability to pay cash dividends to our stockholders is subject to the discretion of our Board and may be limited by the terms of our indebtedness and the Honeywell Reimbursement Agreement; there is no guarantee we will initiate dividends, or that once initiated, that we will continue paying dividends.

We have never declared or paid any cash dividends on our common stock and we currently do not intend to pay cash dividends. We currently expect to retain any future earnings to fund the operation and expansion of our business and restructuring activities associated with the financial and operational review announced in connection with our third quarter earnings results, and payback debt obligations. The Board's decision regarding any future payment of dividends will depend on the consideration of many factors, including our financial condition, earnings, sufficiency of distributable reserves, opportunities to retain future earnings for use in the operation of our business and to fund future growth, capital requirements, debt service obligations, obligations under the Honeywell Reimbursement Agreement, legal requirements, regulatory constraints and other factors that the Board deems relevant. Additionally, the terms of the indebtedness we incurred in connection with the Spin-Off, obligations under the Honeywell Reimbursement Agreement and other amounts owed to Honeywell under the Transition Services, Tax Matters, Employee Matters, Trademark License and Patent Cross-License Agreements, will limit our ability to pay cash dividends.

Stockholder's percentage ownership in our Company may be diluted in the future.

A stockholder's percentage ownership in our Company may be diluted in the future because of common stock-based equity awards that we have granted and expect to grant in the future to our directors, officers and other employees. Prior to completion of the Spin-Off, we approved the 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates, as may be amended from time to time (the "Stock Incentive Plan") for the benefit of certain of our current and future employees and other service providers, as well as an equity plan for our non-employee directors. In addition, we may issue equity as all or part of the consideration paid for acquisitions and strategic investments that we may make in the future or as necessary to finance our ongoing operations.

In addition, our Amended and Restated Certificate of Incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designation, powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions, as our Board may generally determine. The terms of one or more classes or series of preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of the members of our Board in all events or upon the happening of specified events, or the right to veto specified transactions. Similarly, the repurchase or redemption rights or liquidation preferences that we could assign to holders of preferred stock could affect the residual value of our common stock.

From time to time, we may opportunistically evaluate and pursue acquisition opportunities, including acquisitions for which the consideration thereof may consist partially or entirely of newly issued shares of our common stock and, therefore, such transactions, if consummated, would dilute the voting power and/or reduce the value of our common stock.

Certain provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws and Delaware law may discourage takeovers.

Several provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent a merger or acquisition. These include, among others, provisions that:

- provide for staggered terms for directors on our board for a period following the Spin-Off;
- do not permit our stockholders to act by written consent and require that stockholder action must take place at an annual or special meeting of our stockholders, in each case except as such rights may otherwise be provided to holders of preferred stock;
- establish advance notice requirements for stockholder nominations and proposals;
- limit the persons who may call special meetings of stockholders; and
- limit our ability to enter into business combination transactions.

These and other provisions of our Amended and Restated Certificate of Incorporation, Amended and Restated Bylaws and Delaware law may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of our Company, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their shares of our common stock at a price above the prevailing market price.

Our Amended and Restated Certificate of Incorporation designates the courts of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our Amended and Restated Certificate of Incorporation provides that, in all cases to the fullest extent permitted by law, unless we consent in writing to the selection of an alternative forum, the Court of Chancery located within the State of Delaware will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of us, any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee or stockholder of our Company to the Company or our Company's stockholders, any action asserting a claim arising pursuant to the Delaware General Corporate Law ("DGCL") or as to which the DGCL confers jurisdiction on the Court of Chancery located in the State of Delaware or any action asserting a claim governed by the internal affairs doctrine or any other action asserting an "internal corporate claim" as that term is defined in Section 115 of the DGCL. However, if the Court of Chancery within the State of Delaware does not have jurisdiction, the action may be brought in any other state or federal court located within the State of Delaware. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock will be deemed to have notice of and to have consented to these provisions. This provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits. Alternatively, if a court were to find this provision of our Amended and Restated Certificate of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions.

If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired and investors' views of us could be harmed.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of shares of common stock could decline and we could be subject to sanctions or investigations by the U.S. Securities and Exchange Commission (the "SEC") or other regulatory authorities, which would require additional financial and management resources.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer, and we may be unable to conclude that our internal control over financial reporting is effective and to obtain an unqualified report on internal controls from our auditors as required under Section 404 of the Sarbanes-Oxley Act. Moreover, we cannot be certain that these measures would ensure that we implement and maintain adequate controls over our financial processes and reporting in the future. Even if we were to conclude, and our auditors were to concur, that our internal control over financial reporting provided reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, because of its inherent limitations, internal control over financial reporting might not prevent or detect fraud or misstatements. This, in turn, could have an adverse impact on trading prices for our shares of common stock, and could adversely affect our ability to access the capital markets. See "—Risks Relating to the Spin-Off—As we build our information technology infrastructure and transition our data to our own systems, we could incur substantial additional costs and experience temporary business interruptions, and our accounting and other management systems and resources may not be adequately prepared to meet the financial reporting and other requirements to which we are subject following the Spin-Off."

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties

Our corporate headquarters is located in Austin, Texas.

The Products & Solutions segment owns or leases 17 manufacturing sites. ADI Global Distribution owns or leases 200 stocking locations. There are also 62 other sites owned or leased, including offices and 5 warehouses shared by both segments, and engineering and lab sites used by the Products & Solutions segment. The following table shows the regional distribution of these sites:

	Americas	Asia Pacific	EMEA	India
Sites	148	6	112	18

We also lease or sub-lease one manufacturing site, nine other sites, including offices, engineering, and lab sites and two warehouses from Honeywell. Twenty warehouses are operated by third parties. In addition, Honeywell leases or subleases four manufacturing sites and three other sites, including offices and engineering sites, from us. Honeywell is expected to use certain limited space in certain of our facilities under one or more services agreements.

For information on the lease by our ADI Global Distribution business of an administrative office building in Melville, New York, from Honeywell see Item 13. Certain Relationships and Related Transactions, and Director Independence, in this Form 10-K.

We believe our properties are adequate and suitable for our business as presently conducted and are adequately maintained.

Item 3. Legal Proceedings

We are subject to various lawsuits, investigations and disputes arising out of the conduct of our business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee matters, intellectual property, and environmental, health and safety matters. We recognize a liability for any contingency that is probable of occurrence and reasonably estimable. We continually assess the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. We do not currently believe that such matters are material to our results of operations.

In connection with our entry into the Honeywell Reimbursement Agreement, we will be required to make payments to Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages in respect of Honeywell properties contaminated through historical business operations, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales. See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements.

Between November 8, 2019 and January 7, 2020, four separate purported class action complaints alleging violations of the federal securities laws were filed against the Company, the Company's CEO Michael Nefkens, and the Company's former CFO Joseph Ragan, in the United States District Court for the District of Minnesota (the "Minnesota Court").

On November 8, 2019, the St. Clair County Employees' Retirement System filed a purported class action complaint in the Minnesota Court styled St. Clair County Employees' Retirement System v. Resideo Technologies, et. al, 19-cv-02863 (D. Minn Nov. 8, 2020) (the "St. Clair Action"). The St. Clair Action purports to assert claims on behalf of a class of persons who purchased the Company's stock between October 29, 2018 and October 22, 2019. It claims that the Company, Mr. Nefkens, and Mr. Ragan made false and misleading statements regarding, among other things, the Company's performance, the efficiency of its supply chain, and that it was ahead of schedule in resolving operational and administrative issues resulting from the Spin-Off. It alleges that the Company's financial guidance lacked a reasonable basis and the Company was not on track to make its 2019 earnings guidance. The St. Clair Action asserts claims under section 10b-5 and section 20 of the Exchange Act.

On November 12, 2019, the Hollywood Firefighters' Pension Fund filed a purported class action complaint in the Minnesota Court styled Hollywood Firefighters' Pension Fund v. Resideo Technologies, et. al, 19-cv-2889 (D. Minn Nov. 12, 2019) (the "Hollywood Action"). The Hollywood Action contains similar allegations and claims to those set forth in the St. Clair Action and purports to be asserted on behalf of a plaintiff class that purchased Company stock between October 10, 2018 and October 22, 2019.

On December 20, 2019, the Frampton Living Trust filed a purported class action complaint in the Minnesota Court styled Frampton Living Trust v. Resideo Technologies, et. al, 19-cv-3133 (D. Minn Dec. 20, 2019) (the "Frampton Action"). The Frampton Action contains similar allegations and claims to those set forth in the previous complaints and purports to be asserted on behalf of a plaintiff class that purchased Company stock between October 10, 2018 and October 22, 2019.

On January 7, 2020, a group of institutional investors, including the Gabelli Asset Fund, filed a purported class action complaint in the Minnesota Court styled The Gabelli Asset Fund, et. al v. Resideo Technologies, et. al, 20-cv-00094 (D. Minn Jan. 7, 2020) (the "Gabelli Action"). The Gabelli Action contains similar allegations and claims to those set forth in the previous complaints and purports to be asserted on behalf of a plaintiff class that purchased Company stock between October 15, 2018 and October 22, 2019. The Gabelli Action also asserts purported claims based on Honeywell's pre-spin conduct and statements and names Honeywell as a defendant.

On January 27, 2020, the Minnesota Court granted an order on a stipulation addressing the various motions for consolidation and appointment of lead plaintiff and lead counsel in the pending actions. By this ruling, the court consolidated the pending actions into a single proceeding styled In re Resideo Technologies, Inc. Securities Litigation, 19-cv-02889. The court also appointed co-lead plaintiffs and co-lead plaintiffs counsel. The lead plaintiffs' deadline to file an amended, consolidated complaint is March 27, 2020.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the New York Stock Exchange under the symbol "REZI". On February 21, 2020, there were 39,291 holders of record of our common stock and the closing price of our common stock on the New York Stock Exchange was $10.08 per share. As of February 21, 2020, 122,936,579 shares of our Common Stock and 0 shares of our preferred stock were outstanding.

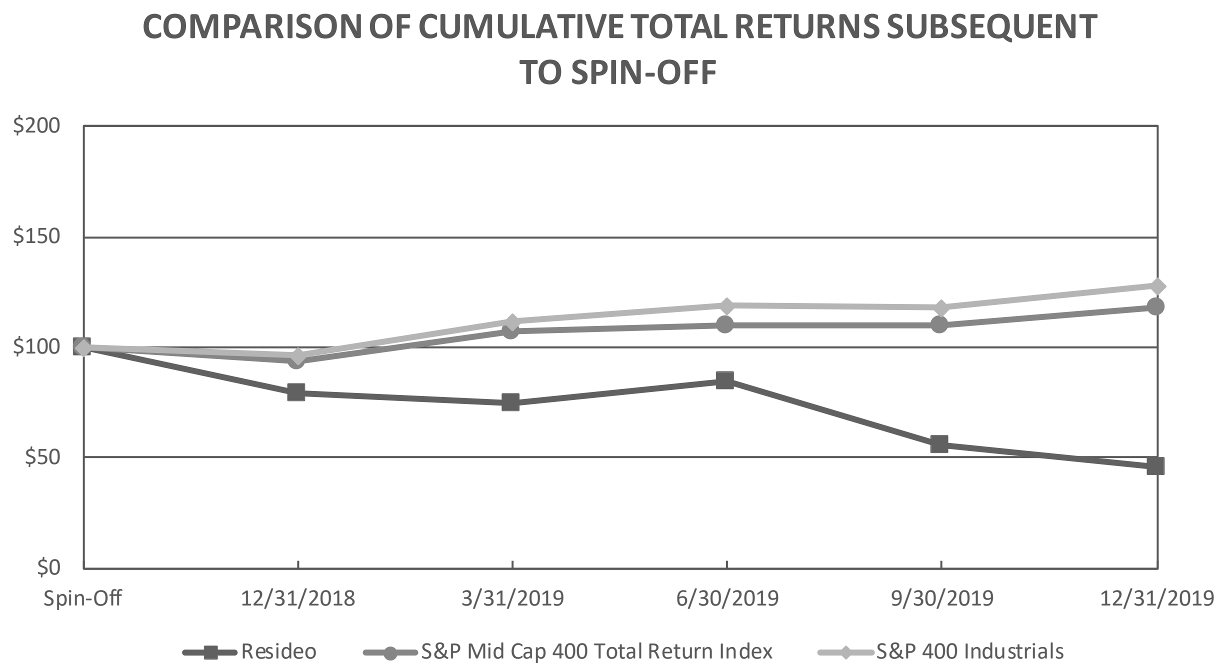
As described in Item 1, on October 29, 2018, Honeywell completed the separation of Resideo Technologies, Inc. Following the Spin-Off, our authorized capital stock consisted of 700,000,000 shares of common stock, par value $0.001 per share, and 100,000,000 shares of preferred stock, par value $0.001 per share. The Spin-Off is further described in Note 1 to the Consolidated and Combined Financial Statements included in Item 8. of this Form 10-K.

Dividends

We have never declared or paid any cash dividends on our common stock and we currently do not intend to pay cash dividends. We currently expect to retain any future earnings to fund the operation and expansion of our business and pay back debt obligations. The Board's decision regarding any future payment of dividends will depend on the consideration of many factors, including our financial condition, earnings, sufficiency of distributable reserves, opportunities to retain future earnings for use in the operation of our business and to fund future growth, capital requirements, debt service obligations, obligations under the Honeywell Reimbursement Agreement, legal requirements, regulatory constraints and other factors that the Board deems relevant. Additionally, the terms of the indebtedness we incurred in connection with the Spin-Off, obligations under the Honeywell Reimbursement Agreement and other amounts owed to Honeywell under the Transition Services, Tax Matters, Employee Matters, Trademark License and Patent Cross-License Agreements, will limit our ability to pay cash dividends.

Stock Performance Graph

The following graph shows a comparison through December 31, 2019 of the cumulative total returns for (i) our common stock, (ii) the S&P MidCap 400 Total Return Index and (iii) the S&P 400 Industrials assuming an initial investment of $100 on the Spin-Off date and reinvestment of all dividends. The returns in the graph are not intended to forecast or be indicative of possible future performance of our common stock.



Item 6. Selected Financial Data

Selected Historical Consolidated and Combined Financial Data

The following tables present certain selected historical consolidated and combined financial information as of and for each of the years in the five-year period ended December 31, 2019. The selected historical consolidated and combined financial data as of December 31, 2019 and 2018, and for each of the years in the three-year period ended December 31, 2019 are derived from our historical audited Consolidated and Combined Financial Statements included elsewhere in this Annual Report. The selected historical combined financial data as of December 31, 2017 and 2016 and for the year ended December 31, 2016 are derived from our historical audited Combined Financial Statements not included in this Annual Report. The selected historical combined financial data as of and for the year ended December 31, 2015, is derived from our historical unaudited combined financial statements not included in this Annual Report.

The selected historical consolidated and combined financial data presented below should be read in conjunction with Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical Consolidated and Combined Financial Statements and the accompanying Notes thereto included elsewhere in this Annual Report. For each of the periods presented, our business was wholly owned by Honeywell through October 29, 2018. The financial information included herein may not necessarily reflect our financial position, results of operations and cash flows in the future or what our financial position, results of operations and cash flows would have been had we been an independent, publicly traded company during the periods presented. In addition, for periods prior to our Spin-Off, our historical consolidated and combined financial information does not reflect changes that we have experienced as a result of our separation from Honeywell, including changes in the financing, operations, cost structure and personnel needs of our business. Further, the historical consolidated and combined financial information includes allocations of certain Honeywell corporate expenses, as described in Note 5. Related Party Transactions with Honeywell of the Notes to Consolidated and Combined Financial Statements. We believe the assumptions and methodologies underlying the allocation of these expenses are reasonable. However, such expenses may not be indicative of the actual level of expenses that we would have incurred if we had operated as an independent, publicly traded company or of the costs expected to be incurred in the future.

	Years Ended December 31,				
	2019	2018	2017	2016	2015
	(Dollars in millions except share and per share data)				
Selected Statement of Operations Information:					
Net Revenue	$ 4,988	$ 4,827	$ 4,519	$ 4,455	$ 4,154
Net income (loss) [(1)]	36	405	(394)	177	147
Selected Balance Sheet Information at Year-End:					
Total assets	$ 5,128	$ 4,972	$ 4,473	$ 4,294	$ 4,096
Long-term obligations	2,032	1,950	723	338	335
Total liabilities	3,526	3,439	1,870	1,420	1,377
Total equity	1,602	1,533	2,603	2,874	2,719
Earnings (Loss) Per Common Share [(1)]					
Basic:	$ 0.29	$ 3.31	$ (3.22)	$ 1.44	$ 1.20
Diluted:	0.29	3.30	(3.22)	1.44	1.20
Weighted Average Common Shares (in thousands) [(2)]					
Basic:	122,722	122,499	122,499	122,499	122,499
Diluted:	123,238	122,624	122,499	122,499	122,499

1) Net income (loss) attributable to Resideo and Earnings (Loss) Per Common Share for 2018 and 2017 were impacted by U.S. Tax Reform; see Note 9. Income Taxes of Notes to Consolidated and Combined Financial Statements for further details.
2) On October 29, 2018, the date of consummation of the Spin-Off, 122,498,794 shares of our Common Stock were distributed to Honeywell stockholders of record as of October 16, 2018. Basic and Diluted Earnings (Loss) Per Common Share for all periods prior to the Spin-Off reflect the number of distributed shares, or 122,498,794 shares. For the 2018 year to date calculations, these shares are treated as issued and outstanding from January 1, 2015 for purposes of calculating historical basic earnings per share. No dividends have been paid from October 29, 2018 through December 31, 2019.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

(Dollars in millions, except per share amounts)

The following Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to help you understand the results of operations and financial condition of Resideo Technologies, Inc. and its consolidated subsidiaries ("Resideo" or "the Company", "we", "us" or "our") for the three years ended December 31, 2019 and should be read in conjunction with the Consolidated and Combined Financial Statements and the notes thereto contained elsewhere in this Form 10-K.

Overview and Business Trends

We are a leading global provider of products, software solutions and technologies that help homeowners stay connected and in control of their comfort, security and energy use. We manage our business operations through two segments, Products & Solutions and ADI Global Distribution. Our Products & Solutions segment consists of solutions in Comfort, Residential Thermal Solutions ("RTS") and Security categories and includes temperature and humidity control, thermal, water and air solutions as well as security panels, sensors, peripherals, wire and cable, communications devices, video cameras, awareness solutions, cloud infrastructure, installation and maintenance tools and related software. Our ADI Global Distribution business is the leading wholesale distributor of low-voltage electronic and security products which include intrusion and smart home, fire, video surveillance, access control, power, audio and video, Pro AV, networking, communications, wire and cable, enterprise connectivity and structured wiring.

Our Chief Operating Decision Maker evaluates segment performance based on Segment Adjusted EBITDA. Segment Adjusted EBITDA is defined as segment net income before income taxes, net interest expense (income), depreciation and amortization plus or minus environmental expense, Honeywell Reimbursement Agreement expense, stock compensation expense, restructuring charges, other expense, net and other costs not directly relating to future ongoing business of the segments, such as Spin-Off related costs and consulting fees related to restructuring programs.

We evaluate our results of operations on both an as reported and constant currency basis. The constant currency presentation, which is a non-GAAP financial measure, excludes the impact of fluctuations in foreign currency exchange rates. We believe providing constant currency information provides valuable supplemental information regarding our results of operations, thereby facilitating period-over-period comparisons of the Company's business performance and is consistent with how management evaluates the Company's performance. We calculate constant currency percentages by converting both our prior period local currency financial results and current period local currency financial results at a fixed exchange rate and comparing these adjusted amounts. These metrics should be considered in addition to, and not as replacements for, the most comparable measure in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). They should be read in connection with our financial statements presented in accordance with U.S. GAAP.

Our financial performance is influenced by several macro factors such as repair and remodeling activity, residential and non-residential construction, employment rates, and overall macro environment.

During 2019, the Products & Solutions segment experienced flat revenue compared to 2018, with mixed results in the lines of businesses. Security maintained strong growth throughout the year, while Comfort and RTS results decelerated in the second half of the year. Segment adjusted EBITDA was impacted by negative product and channel mix, inventory write-downs, and high product rebates from a contract entered into prior to Spin-Off. The RTS business experienced a slowdown across large original equipment manufacturers ("OEMs") customers, which included impacts due to recent regulatory changes. The Comfort business revenue declines were primarily due to lower thermostat sales.

Our ADI Global Distribution business has been further aided by increasing contractor needs for training and technical expertise and increasing demand for same-day ordering. Throughout 2019, the ADI Global Distribution business continued its strong performance, achieving constant currency growth across all regions and expansion in top product lines. ADI Global Distribution accelerated the adoption of digital tools, which is reflected in strong e-commerce growth. ADI Global Distribution continued to expand its footprint, including recent opening and remodeling of branches in Eastern Europe.

Current Period Highlights

Net revenues increased $161 million in 2019 compared to 2018, primarily due to increased volume and price partially offset by foreign exchange translation. Gross profit as a percent of net revenues decreased to 24%, or $176 million, compared to 28% in 2018. The primary drivers to the decrease in gross profit percentage were a 200 bps impact from sales mix changes, 100 bps impact from material and labor inflation and fixed production costs which include inventory write-downs, and 100 bps impact from headquarter allocations previously classified in selling, general and administrative expense in the period prior to the Spin-Off. Net income for 2019 was $36 million compared to $405 million for 2018, which included an income tax benefit of $301 million.

Selling, general and administrative expenses increased by $59 million in 2019 compared to 2018. The increase was driven by Spin-Off related costs, license fees associated with the Trademark License Agreement, restructuring costs, labor cost inflation, legal expenses and impact of acquisitions totaling $146 million. These increases were partially offset by the impact of headquarter cost allocations previously classified in selling, general and administrative expense in the period prior to the Spin-Off, foreign currency translation, and miscellaneous cost reductions totaling $87 million.

We ended 2019 with $122 million in cash and cash equivalents. Net cash provided by operating activities was $23 million for the year. At December 31, 2019, accounts receivable were $817 million and inventories were $671 million.

Recent Developments

Operational and Financial Review

On October 22, 2019, we announced the commencement of a comprehensive operational and financial review focused on product cost and gross margin improvement, and general and administrative expenses simplification. The review is being overseen by the Strategic and Operational Committee of the board, comprised of independent directors. We have retained industry-recognized experts in supply chain optimization and organizational excellence to assist in the review.

Basis of Presentation

Prior to becoming an independent publicly traded company (the "Spin-Off") on October 29, 2018, our historical financial statements were prepared on a stand-alone combined basis and were derived from the consolidated financial statements and accounting records of Honeywell. Accordingly, for periods prior to October 29, 2018, our financial statements are presented on a combined basis and for the periods subsequent to October 29, 2018 are presented on a consolidated basis (collectively, the historical financial statements for all periods presented are referred to as "Consolidated and Combined Financial Statements"). The Consolidated and Combined Financial Statements have been prepared in accordance with U.S. GAAP. The historical combined financial information prior to the Spin-Off may not be indicative of our future performance and does not necessarily reflect what our consolidated and combined results of operations, financial condition and cash flows would have been had we operated as a separate, publicly traded company during the periods presented, particularly because of changes that we have experienced and may continue to experience as a result of our separation from Honeywell, including changes in the financing, cash management, operations, cost structure and personnel needs of our Company.

The Combined Financial Statements prior to the Spin-Off include certain assets and liabilities that were held at the Honeywell corporate level but were specifically identifiable or otherwise attributable to us. Additionally, Honeywell historically provided certain services, such as legal, accounting, information technology, human resources and other infrastructure support, on our behalf. The costs of these services were allocated to us on the basis of the proportion of net revenue. Actual costs that would have been incurred if we had been a stand-alone company for the entire period being presented would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. Both we and Honeywell consider the basis on which the expenses were allocated during the period before the Spin-Off to be a reasonable reflection of the utilization of services provided to or the benefits received by us during the periods presented.

Since the completion of the Spin-Off, we have incurred and expect to continue to incur expenditures consisting of employee-related costs, costs to start up certain stand-alone functions and information technology systems and other one-time transaction related costs. Recurring stand-alone costs include establishing the internal audit, treasury, investor relations, tax and corporate secretary functions as well as the annual expenses associated with running an independent publicly traded company including listing fees, compensation of non-employee directors, related board of director fees and other fees and expenses related to insurance, legal and external audit.

Prior to Spin-Off, our environmental expenses for specified Honeywell properties contaminated through historical business operations ("Honeywell Sites") now subject to the Honeywell Reimbursement Agreement were reported within other expense, net in our Consolidated and Combined Statement of Operations, which reflect an estimated liability for resolution of pending and future environmental-related liabilities. Prior to the Spin-Off, this estimated liability was calculated as if we were responsible for 100% of the environmental-liability payments associated with certain sites. See Environmental Matters and Honeywell Reimbursement Agreement in Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for additional information.

Components of Operating Results

Our fiscal year ends on December 31. The key elements of our operating results include:

Net Revenue

We manage our global business operations through two reportable segments, Products & Solutions and ADI Global Distribution:

Products & Solutions. We generate the majority of our Products & Solutions net revenue primarily from residential end-markets. Our Products & Solutions segment includes traditional products, as well as connected products, which we define as any device with the capability to be monitored or controlled from a remote location by an end-user or service provider. Our products are sold through a network of distributors (e.g. HVAC, Plumbing, Security, Electrical), OEMs, and service providers such as HVAC contractors, security dealers and plumbers including our ADI Global Distribution business. We also sell some products via retail and online channels.

ADI Global Distribution. We generate revenue through the distribution of low-voltage electronic and security products that are delivered through a comprehensive network of professional contractors, distributors and OEMs, as well as major retailers and online merchants. In addition to our own Security products, ADI Global Distribution distributes products from industry-leading manufacturers, and ADI Global Distribution also carries a line of private label products. We sell these products to contractors that service non-residential and residential end-users. 13% of ADI Global Distribution's net revenue is supplied by our Products & Solutions Segment. Management estimates that in 2019 approximately two-thirds of ADI Global Distribution's net revenue was attributed to non-residential end markets and one-third to residential end markets.

Cost of Goods Sold

Products & Solutions: Cost of goods sold includes costs associated with raw materials, assembly, shipping and handling of those products; costs of personnel-related expenses, including pension benefits, and equipment associated with manufacturing support, logistics and quality assurance; costs of certain intangible assets; and costs of research and development. Research and development expense consists primarily of support to existing customers with installed base and enhancements and improvements to existing products, as well as development of new products and product applications.

ADI Global Distribution: Cost of goods sold consists primarily of inventory-related costs and includes labor and personnel-related expenses.

Selling, General and Administrative Expense

Selling, general and administrative expense includes trademark royalty expenses, sales incentives and commissions, professional fees, legal fees, promotional and advertising expenses, and personnel-related expenses, including stock compensation expense and pension benefits. In addition, prior to the Spin-Off, our selling, general and administrative expense included an allocated portion of general corporate expenses.

Other Expense, Net

Other expense, net consists primarily of Honeywell Reimbursement Agreement expenses (partially offset by certain reductions) for certain environmental claims related to approximately 230 sites or groups of sites that are undergoing environmental remediation under U.S. federal or state law and agency oversight for contamination associated with Honeywell historical business operations. Prior to the Spin-Off, other expense, net also included the environmental expenses related to these same sites. For further information see the "Honeywell Reimbursement Agreement" and "Environmental Matters" sections of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Interest Expense

Interest expense consists of interest on our short and long-term obligations, including our senior notes, term credit facility, and revolving credit facility. Interest expense on our obligations includes contractual interest, amortization of the debt discount and amortization of deferred financing costs.

Tax Expense

Provision for income taxes includes both domestic and foreign income taxes at the applicable tax rates adjusted for U.S. taxation of foreign earnings and other non-deductible expenses, research and development tax credits and other permanent differences.

Results of Operations for the Years Ended December 31, 2019, 2018 and 2017

The following table sets forth our selected consolidated and combined statement of operations for the periods presented:

Consolidated and Combined Statement of Operations
(Dollars in millions except share and per share data)

	Years Ended December 31,		
	2019	2018	2017
Net revenue	$ 4,988	$ 4,827	$ 4,519
Cost of goods sold	3,798	3,461	3,203
Gross profit	1,190	1,366	1,316
Selling, general and administrative expenses	932	873	871
Operating profit	258	493	445
Other expense, net	118	369	279
Interest expense	69	20	-
Income before taxes	71	104	166
Tax expense (benefit)	35	(301)	560
Net income (loss)	$ 36	$ 405	$ (394)
Weighted Average Number of Common Shares Outstanding (in thousands)			
Basic	122,722	122,499	122,499
Diluted	123,238	122,624	122,499
Earnings (Loss) Per Share			
Basic	$ 0.29	$ 3.31	$ (3.22)
Diluted	$ 0.29	$ 3.30	$ (3.22)

Net Revenue

	Years Ended December 31,		
	2019	2018	2017
Net revenue	$ 4,988	$ 4,827	$ 4,519
% change compared with prior period	3%	7%	

The change in net revenue compared to prior period is attributable to the following:

	2019	2018
Volume	3%	4%
Price	2%	2%
Foreign currency translation	(2%)	1%
% change compared with prior period	3%	7%

A discussion of net revenue by segment can be found in the Review of Business Segments section of this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Cost of Goods Sold

	Years Ended December 31,		
	2019	2018	2017
Cost of goods sold	$ 3,798	$ 3,461	$ 3,203
% change compared with prior period	10%	8%	
Gross profit percentage	24%	28%	29%

2019 compared with 2018

Cost of goods sold for 2019 was $3,798 million, an increase of $337 million, or 10%, from $3,461 million in 2018. This $337 million increase in cost of goods sold was primarily driven by higher revenue in the ADI Global Distribution segment, material and labor inflation and increased production costs including inventory write-downs, changes in sales mix, headquarter allocations previously classified in selling, general and administrative expense in the period prior to the Spin-Off, restructuring costs and Spin-Off related costs totaling $416 million. The increased costs were partially offset by foreign currency translation and savings in other miscellaneous costs of goods sold totaling $79 million.

The primary drivers to the decrease in gross profit percentage were a 200 basis points ("bps") impact from changes in sales mix, 100 bps impact from material and labor inflation and fixed production costs, and 100 bps impact from headquarter allocations previously classified in selling, general and administrative expense in the period prior to the Spin-Off.

2018 compared with 2017

Cost of goods sold for 2018 was $3,461 million, an increase of $258 million, or 8%, from $3,203 million in 2017. This increase in cost of goods sold was primarily driven by higher revenue in both the ADI Global Distribution and Products & Solutions segments, foreign currency translation, material and labor inflation, and changes in sales mix totaling $258 million.

The decrease in gross profit percentage was primarily driven by a 200 bps impact of net direct material and labor inflation partially offset by 100 bps impact from higher sales prices.

Selling, General and Administrative Expense

	Years Ended December 31,		
	2019	2018	2017
Selling, general and administrative expense	$ 932	$ 873	$ 871
% of revenue	19%	18%	19%

2019 compared with 2018

Selling, general and administrative expense for 2019 was $932 million, an increase of $59 million, from $873 million in 2018. The increase was driven by Spin-Off related costs, license fees associated with the Trademark License Agreement, restructuring costs, labor cost inflation, legal expenses, and impact of acquisitions totaling $146 million. These increases were partially offset by headquarter cost allocation now partially classified in cost of goods sold, foreign currency translation, and miscellaneous cost reductions totaling $87 million.

2018 compared with 2017

Selling, general and administrative expense for 2018 was $873 million, essentially flat from $871 million in 2017. The increase was driven by the impact of foreign currency translation totaling $10 million and offset by savings attributed to restructuring actions taken and lower selling costs of $8 million.

Other Expense, Net

	Years Ended December 31,		
	2019	2018	2017
Other expense, net	$ 118	$ 369	$ 279

2019 compared with 2018

Other expense, net for 2019 was $118 million, a decrease of $251 million from $369 million in 2018. The decrease is mainly due to lower environmental remediation expense, now subject and presented as Honeywell Reimbursement Agreement expense subsequent to the Spin-Off.

2018 compared with 2017

Other expense, net for 2018 was $369 million, an increase of $90 million from $279 million in 2017. This increase mainly relates to the cost of certain environmental remediation expense.

Tax Expense (Benefit)

	Years Ended December 31,		
	2019	2018	2017
Tax expense (benefit)	$ 35	$ (301)	$ 560
Effective tax rate	48.6%	(289%)	337%

2019 compared with 2018

The effective tax rate increased in 2019 compared to 2018. The increase in effective tax rate was primarily attributable to tax benefits generated in 2018 related to the internal restructuring of Resideo's business in advance of its anticipated Spin-Off, currency impacts on withholding taxes on undistributed foreign earnings, and adjustments to the provisional tax amount related to U.S. Tax Reform, partially offset by decreases in tax expense related to Global Intangible Low Taxed Income ("GILTI") and non-deductible expenses.

Non-deductible expenses had a material impact which increased the current effective tax rate by 31.5% and management estimates non-deductible expenses will have a material impact on the future effective tax rate.

2018 compared with 2017

The effective tax rate decreased in 2018 compared to 2017. The decrease was primarily due to tax benefits attributable to the internal restructuring of our business in advance of its anticipated Spin-Off, adjustments to the provisional tax amount related to U.S. Tax Reform, adjustments to income tax reserves, partially offset by tax expense related to GILTI.

On December 22, 2017, the U.S. enacted H.R.1, formerly known as the Tax Cuts and Jobs Act ("TCJA"), that instituted fundamental changes to the taxation of multinational corporations. The TCJA includes changes to the taxation of foreign earnings by implementing a dividend exemption system, expansion of the current anti-deferral rules, a minimum tax on low-taxed foreign earnings and new measures to deter base erosion. The TCJA also imposed a one-time mandatory transition tax on the historical earnings of foreign affiliates and implemented a territorial-style tax system. Changes to the TCJA provisional charges recorded upon enactment were the primary driver of the decrease in the effective tax rate in 2018. Non-deductible expenses had a material impact on the current effective tax rate and management estimates non-deductible expenses will have a material impact on the future effective tax rate.

Review of Business Segments

Products & Solutions

	2019	2018	% Change	2017	% Change
Total revenue	$ 2,487	$ 2,474		$ 2,379	
Less: Intersegment revenue	312	305		337	
External revenue	2,175	2,169	0%	2,042	6%
Segment Adjusted EBITDA	$ 314	$ 460	(32)%	$ 409	12%

Factors Contributing to Period-Over-Period Change	2019 vs. 2018 Revenue (%)	2019 vs. 2018 Segment Adjusted EBITDA (%)	2018 vs. 2017 Revenue (%)	2018 vs. 2017 Segment Adjusted EBITDA (%)
Constant currency growth (decline)	2%	(29)%	5%	10%
Acquisitions	0%	(1)%	0%	0%
Foreign currency translation	(2)%	(2)%	1%	2%
Total % change	0%	(32)%	6%	12%

2019 compared with 2018

Products & Solutions revenue remained flat driven primarily by the Security business and the first quarter launch of a new residential intrusion security platform, offset by softness in Comfort and RTS product lines. Segment Adjusted EBITDA declined from $460 million to $314 million, or 32%. Segment Adjusted EBITDA was negatively impacted by $181 million from unfavorable product and channel mix, inventory variances, production cost increases including inventory write-downs, high product rebates from a contract entered into prior to the Spin-Off, license fee paid to Honeywell associated with the Trademark License Agreement, and impact of acquisitions. These negative impacts were partially offset by $35 million of profit from increased selling prices, material productivity, and miscellaneous cost reductions.

2018 compared with 2017

Products & Solutions revenue increased by 6% primarily due to an increase in external sales volume and higher prices in the Comfort and RTS product lines, and the impact of favorable currency translation. Segment Adjusted EBITDA increased from $409 million to $460 million, or 12%. Segment Adjusted EBITDA was positively impacted $72 million by volume growth, higher prices, and favorable currency translation. These positive impacts were partially offset by $21 million of inflation net of productivity and adverse product mix.

ADI Global Distribution

	2019	2018	% Change	2017	% Change
External revenue	$ 2,813	$ 2,658	6%	$ 2,477	7%
Segment Adjusted EBITDA	$ 188	$ 164	15%	$ 143	15%

Factors Contributing to Period-Over-Period Change	2019 vs. 2018 Revenue (%)	2019 vs. 2018 Segment Adjusted EBITDA (%)	2018 vs. 2017 Revenue (%)	2018 vs. 2017 Segment Adjusted EBITDA (%)
Constant currency growth	7%	16%	6%	15%
Foreign currency translation	(1)%	(1)%	1%	0%
Total % change	6%	15%	7%	15%

2019 compared with 2018

ADI Global Distribution revenue increased 6% on a reported basis, and 7% on a constant currency basis. ADI Global Distribution segment constant currency performance was driven by increased sales volume growth across all regions. Segment Adjusted EBITDA increased from $164 million to $188 million, or 15%. This increase was due to increased volume and productivity, net of inflation which was partially offset by unfavorable foreign exchange rates.

2018 compared with 2017

ADI Global Distribution revenue increased by 7% primarily due to volume growth across all of our key geographic markets. Segment Adjusted EBITDA increased from $143 million to $164 million, or by 15%. This increase was due to increased volume, and productivity, net of inflation.

Restructuring Charges

During the second quarter of 2019, management began a restructuring plan to reduce operating costs and better align our workforce with the needs of the business going forward. These restructuring actions generated incremental pre-tax savings of $15 million in 2019 compared with 2018 principally from planned workforce reductions. Cash spending related to our restructuring actions was $31 million for the year ended December 31, 2019 and was funded through operating cash flows.

Net restructuring and related expenses were $37 million, $5 million and $23 million for December 31, 2019, 2018 and 2017, respectively, primarily related to severance.

For further discussion of restructuring activities, refer to Note 7. Restructuring Charges of Notes to Consolidated and Combined Financial Statements.

Capital Resources and Liquidity

Our liquidity is primarily dependent on our ability to continue to generate positive cash flows from operations. Additional liquidity may also be provided through access to the financial capital markets and a committed global credit facility. The following is a summary of our liquidity position:

- As of December 31, 2019, total cash and cash equivalents were $122 million, of which 74% were held by foreign subsidiaries. At December 31, 2019, there were no borrowings and no letters of credit issued under our $350 million Credit Facility.
- Historically, we have delivered positive cash flows from operations. Operating cash flows from continuing operations were $23 million, $462 million and $37 million for the three years ended December 31, 2019, 2018 and 2017, respectively.

Liquidity

Our future capital requirements will depend on many factors, including the rate of sales growth, market acceptance of our products, the timing and extent of research and development projects, potential acquisitions of companies or technologies and the expansion of our sales and marketing activities. We believe our existing cash, cash equivalents and credit under our credit facilities are sufficient to meet our capital requirements through at least the next 12 months, although we could be required, or could elect, to seek additional funding prior to that time. We may enter into acquisitions or strategic arrangements in the future which also could require us to seek additional equity or debt financing.

Credit Agreement

On October 25, 2018, we entered into a credit agreement (the “Credit Agreement”), which provides for (i) a seven-year senior secured first-lien term B loan facility in an aggregate principal amount of $475 million (the “Term B Facility”); (ii) a five-year senior secured first-lien term A loan facility in an aggregate principal amount of $350 million (the “Term A Facility” and, together with the Term B Facility, the “Term Loans or “Term Loan Facilities”); and (iii) a five-year senior secured first-lien revolving credit facility in an aggregate principal amount of $350 million (the “Revolving Credit Facility” and, together with the Term Loan Facilities, the “Senior Credit Facilities”).

We incurred indebtedness under the Term Loan Facilities in an aggregate principal amount of approximately $825 million on October 25, 2018, and relied on the Revolving Credit Facility to support working capital needs during the remainder of 2018. As of December 31, 2019, there were no borrowings and no Letters of Credit outstanding under the Revolving Credit Facility.

We are obligated to make quarterly principal payments throughout the term of the Term Loan Facilities according to the amortization provisions in the Credit Agreement. During 2019 we made payments of $22 million. In addition to paying interest on outstanding borrowings under the Revolving Credit Facility, we are required to pay a quarterly commitment fee based on the unused portion of the Revolving Credit Facility. Borrowings under the Credit Agreement can be prepaid at our option without premium or penalty other than a 1.00% prepayment premium that may be payable in connection with certain repricing transactions within a certain period of time after the closing date. Up to $75 million may be utilized under the Revolving Credit Facility for the issuance of letters of credit to the Company or any of our subsidiaries. Letters of credit are available for issuance under the Credit Agreement on terms and conditions customary for financings of this kind, which issuances will reduce the available funds under the Revolving Credit Facility.

The Senior Credit Facilities are subject to an interest rate and interest period which we will elect. If we choose to make a base rate borrowing on an overnight basis, the interest rate will be based on the highest of (1) the rate of interest last quoted by The Wall Street Journal as the “prime rate” in the United States, (2) the greater of the federal funds effective rate and the overnight bank funding rate, plus 0.5% and (3) the one month adjusted LIBOR rate, plus 1.00% per annum. If we choose to make a LIBOR borrowing on a one, two, three or six-month basis, the interest rate will be based on an adjusted LIBOR rate (which shall not be less than zero) based on the interest period for the borrowing. The applicable margin for the Term B Facility is currently 2.25% per annum (for LIBOR loans) and 1.25% per annum (for base rate loans). The applicable margin for each of the Term A Facility and the Revolving Credit Facility varies from 2.25% per annum to 1.75% per annum (for LIBOR loans) and 1.25% to 0.75% per annum (for base rate loans) based on our leverage ratio. Accordingly, the interest rates for the Senior Credit Facilities will fluctuate during the term of the Credit Agreement based on changes in the base rate, LIBOR or future changes in our leverage ratio. Interest payments with respect to the borrowings are required either on a quarterly basis (for base rate loans) or at the end of each interest period (for LIBOR loans) or, if the duration of the applicable interest period exceeds three months, then every three months.

The Credit Agreement contains certain affirmative and negative covenants customary for financings of this type that, among other things, limit our and our subsidiaries’ ability to incur additional indebtedness or liens, to dispose of assets, to make certain fundamental changes, enter into restrictive agreements, to make certain investments, loans, advances, guarantees and acquisitions, to prepay certain indebtedness and to pay dividends, to make other distributions or redemptions/repurchases, in respect of our and our subsidiaries’ equity interests, to engage in transactions with affiliates or amend certain material documents. In addition, the Credit Agreement also contains financial maintenance and coverage covenants. The Credit Agreement contains customary events of default, including with respect to a failure to make payments under the Senior Credit Facilities, cross-default, certain bankruptcy and insolvency events and customary change of control events.

All obligations under the Senior Credit Facilities are or will be unconditionally guaranteed jointly and severally, by: (a) our Company and (b) substantially all of the direct and indirect wholly owned subsidiaries of our Company that are organized under the laws of the United States, any state thereof or the District of Columbia (collectively, the “Guarantors”). The Guarantors entered into a guarantee under the Credit Agreement concurrently with the effectiveness of the Credit Agreement. Subject to certain limitations, the Senior Credit Facilities are or will be secured on a first priority basis by: (x) a perfected security interest in the equity interests of each direct subsidiary of the Company and each Guarantor under the Senior Credit Facilities (subject to certain customary exceptions) and (y) perfected, security interests in, and mortgages on, substantially all tangible and intangible personal property and material real property of the Company and each of the Guarantors under the Senior Credit Facilities, subject, in each case, to certain exceptions. The Company and the Guarantors entered into security documents concurrently with effectiveness of the Credit Agreement.

In 2018, we incurred approximately $16 million in debt issuance costs related to the Term Loans and $5 million in costs related to the Revolving Credit Facility. The debt issuance costs associated with the Term Loans were recorded as a reduction of the principal balance of the debt, and the Revolving Credit Facility costs were capitalized in Other assets. The issuance costs are being amortized through Interest expense for the duration of each respective debt facility.

On November 26, 2019, the Company entered into a First Amendment to the Credit Agreement (the "Credit Agreement Amendment"). The Credit Agreement Amendment amended the Credit Agreement to, among other things: (i) increase the levels of the maximum consolidated total leverage ratio under the Credit Agreement, to not greater than 5.25 to 1.00 for the quarter ended December 31, 2019, with step-downs to 4.75 to 1.00 starting in the quarter ending December 31, 2020, 4.25 to 1.00 starting in the quarter ending December 31, 2021, and 3.75 to 1.00 starting in the quarter ending December 31, 2022; (ii) increase each applicable interest rate margin on loans outstanding after the first amendment effective date by 25 basis points per annum, to 2.25% per annum (for LIBOR loans) and 1.25% per annum (for alternate base rate "ABR" loans) in respect of the Term B Loan Facility, and based on our leverage ratio, from 2.25% per annum to 1.75% per annum (for LIBOR loans) and 1.25% to 0.75% per annum (for ABR loans) for the Term A Loan Facility and the Revolving Credit Facility; and (iii) modify the defined terms "Consolidated EBITDA" and "Pro Forma Basis" set forth in the Credit Agreement. In connection with the Credit Agreement Amendment, the Company incurred costs of approximately $4 million. The Term Loan costs were recorded as a reduction of the principal balance of the debt and the Revolving Credit Facility costs were capitalized in Other assets.

Senior Notes

In October of 2018, we issued $400 million in principal amount of 6.125% senior unsecured notes due in 2026 (the "Senior Notes"). The Senior Notes guarantees are unsecured senior debt obligations of the Senior Notes guarantors. The net proceeds from the borrowings under the Senior Credit Facilities and the offering of the Senior Notes were used as part of financing the Spin-Off.

In 2018, we incurred approximately $8 million in debt issuance costs related to the Senior Notes. The debt issuance costs associated with the Senior Notes are recorded as a reduction of the principal balance of the debt.

The interest expense for the Senior Notes and Credit Agreement during the year ended December 31, 2019 and 2018 was $69 million and $13 million, respectively, which includes the amortization of debt issuance cost and debt discounts.

Honeywell Reimbursement Agreement

In connection with the Spin-Off, we entered into the Honeywell Reimbursement Agreement, pursuant to which we have an obligation to make cash payments to Honeywell International Inc. ("Honeywell") in amounts equal to 90% of payments, which include amounts billed ("payments"), with respect to certain environmental claims, remediation and, following the Spin-Off, hazardous exposure or toxic tort claims, in each case including consequential damages (the "liabilities") in respect of the Honeywell Sites, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales (the "recoveries"). The amount payable by us in respect of such liabilities arising in any given year is subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum). Payments in respect of the liabilities arising in a given year will be made quarterly throughout such year on the basis of an estimate of the liabilities and recoveries provided by Honeywell. Following the end of any such year, Honeywell will provide us with a calculation of the amount of payments and the recoveries actually received. Subject to the aforementioned cap, if the amount of payments (net of recoveries) is greater than the previously provided estimate, we will pay Honeywell the amount of such difference (the "true-up payment") and, if the amount of the previously provided estimate is greater than the amount of payments (net of recoveries), we will receive a credit in the amount of such difference that will be applied to future payments. If a true-up payment exceeds $30 million, such true-up payment will be made in equal installments, payable on a monthly basis following the date the true-up payment is due.

In addition to the sites under the Honeywell Reimbursement Agreement, we have environmental expense related to sites owned and operated by Resideo ("Resideo Sites"). Prior to the Spin-Off, both of these expenses were combined and were presented as environmental expense. Expenses for environmental matters deemed probable and reasonably estimable were $323 million for the period from January 1, 2018 through October 29, 2018 and $282 million in 2017.

Subsequent to the Spin-Off, environmental expense was $2 million for 2019 and $17 million for the period October 30, 2018 through December 31, 2018 and Honeywell Reimbursement Agreement expense was $108 million for 2019 and $49 million for the period October 30, 2018 through December 31, 2018.

See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for further discussion.

Cash Flow Summary for the Years Ended December 31, 2019, 2018 and 2017

Our cash flows from operating, investing and financing activities for the years ended December 31, 2019, 2018 and 2017, as reflected in the audited Consolidated and Combined Financial Statements are summarized as follows:

	Years Ended December 31,		
	2019	**2018**	**2017**
Cash provided by (used for):			
Operating activities	$ 23	$ 462	$ 37
Investing activities	(112)	(74)	(51)
Financing activities	(53)	(167)	21
Effect of exchange rate changes on cash	(1)	(12)	2
Net (decrease) increase in cash and cash equivalents	$ (143)	$ 209	$ 9

2019 compared with 2018

Cash provided by operating activities for 2019 decreased by $439 million, due to lower net income of $369 million and a decrease in accounts payable and accruals, which includes the Honeywell Reimbursement Agreement liability of $553 million, offset by a favorable change in $298 million in deferred taxes and a $197 million reduction in inventory and accounts receivable.

Cash used for investing activities for 2019 increased by $38 million, primarily due to an increase of $17 million cash paid for acquisitions, an increase of $14 million cash paid for capital expenditures, and a decrease of $7 million in proceeds received related to amounts due from related parties.

Cash used for financing activities for 2019 decreased by $114 million. The decrease in usage was primarily due to the Spin-Off. Cash used for 2019 primarily consisted of $22 million of repayment of long-term debt and $24 million of non-operating obligations from Honeywell, net. Cash used for financing activities in 2018 primarily consisted of a $1.4 billion distribution to Honeywell in connection with the Spin-Off partially offset by $1.2 billion in proceeds received on long-term debt.

2018 compared with 2017

Cash provided by operating activities for 2018 increased by $425 million, primarily due to higher payments for income taxes of approximately $233 million in 2017 due to expenses related to U.S. Tax Reform. Cash from operating activities also increased due to a decrease in net working capital driven primarily by an increase in accounts payable due to timing of payments under our Transition Services Agreement ("TSA") with Honeywell, partially offset by an increase in inventory related to new product lines and increased sales.

Cash used for investing activities increased by $23 million, primarily due to an increase in expenditures on property, plant and equipment and software related to becoming an independent company.

Cash used for financing activities increased by $188 million. The increase in usage was primarily due to a $1.4 billion distribution to Honeywell in connection with Spin-Off partially offset by $1.2 billion in proceeds received on long-term debt.

Contractual Obligations and Probable Liability Payments

Following is a summary of our significant contractual obligations and probable liability payments at December 31, 2019:

	Payments by Period				
	Total (1)	2020	2021-2022	2023-2024	Thereafter
	(Dollars in millions)				
Long-term debt (2)	$ 1,203	$ 22	$ 97	$ 237	$ 847
Interest payments on long-term debt (3)	335	60	114	96	65
Honeywell Reimbursement Agreement payments (4)	585	140	280	165	-
Estimated environmental liability payments (5)	22	3	3	3	13
Minimum operating lease payments	166	38	64	34	30
Purchase obligations (6)	554	286	260	8	-
	$ 2,865	$ 549	$ 818	$ 543	$ 955

1) The table excludes tax liability payments, including those for unrecognized tax benefits. See Note 9. Income Taxes of Notes to Consolidated and Combined Financial Statements.
2) Assumes all long-term debt is outstanding until scheduled maturity.
3) Interest payments are estimated based on the interest rate applicable as of December 31, 2019.
4) In connection with the Spin-Off, we entered into the Honeywell Reimbursement Agreement with Honeywell. As of December 31, 2019, $585 million was deemed probable and reasonably estimable, however, it is possible we could pay $140 million per year (exclusive of any late payment fees up to 5% per annum) until the earlier of: (1) December 31, 2043; or (2) December 31 of the third consecutive year during which the annual reimbursement obligation (including in respect of deferred payment amounts) has been less than $25 million. For further discussion on the Honeywell Reimbursement Agreement refer to Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements.
5) Represents estimated environmental liability payments for sites which we own and are directly responsible for.
6) Purchase obligations are entered into with various vendors in the normal course of business and are consistent with our expected requirements.

Capital Expenditures

We believe our capital spending in recent years has been sufficient to maintain efficient production capacity, to implement important product and process redesigns and to expand capacity to meet increased demand. Productivity projects have freed up capacity in our manufacturing facilities and are expected to continue to do so. We expect to continue investing to expand and modernize our existing facilities and to create capacity for new product development. Capital expenditures for 2020 are expected to be $70 million to $80 million excluding any potential capital expenditures related to the operational and financial review.

Off-Balance Sheet Arrangements

We do not engage in any off-balance sheet financial arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, changes in financial condition, net revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

The preparation of our Consolidated and Combined Financial Statements in accordance with generally accepted accounting principles is based on the selection and application of accounting policies that require us to make significant estimates and assumptions about the effects of matters that are inherently uncertain. We consider the accounting policies discussed below to be critical to the understanding of our Consolidated and Combined Financial Statements. Actual results could differ from our estimates and assumptions, and any such differences could be material to our Consolidated and Combined Financial Statements.

Revenue — Product and service revenues are recognized when or as the Company transfers control of the promised products or services to the customer, in an amount the Company expects to receive in exchange for transferring goods or providing services. Each distinct performance obligation within a contract is identified, and a contract's transaction price is then allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

In the sale of products, the terms of a contract or the historical business practice can give rise to variable consideration due to, but not limited to, discounts, bonuses, and the right of return. The Company estimates variable consideration at the most likely amount that will be received from customers and reduces revenues recognized accordingly. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company.

Environmental — We accrue costs related to environmental matters for our Resideo Sites for which we are directly responsible when it is probable that we have incurred a liability related to a contaminated site and the amount can be reasonably estimated. Environmental-related expenses are for our owned sites presented within Cost of goods sold for operating sites in the Consolidated and Combined Statement of Operations. Prior to the Spin-Off, Honeywell Sites now under the Honeywell Reimbursement Agreement were presented within Other expense. For additional information, see Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements included herein for additional detail.

Honeywell Reimbursement Agreement — In connection with the Spin-Off, we entered into the Honeywell Reimbursement Agreement, pursuant to which we have an obligation to make cash payments to Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case, including consequential damages (the "liabilities") in respect of the Honeywell Sites, including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales. The amount payable by us in respect of such liabilities arising in any given year is subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum).

Through the Honeywell Reimbursement Agreement, we are subject to a number of environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims. We continually assess the likelihood of any adverse judgments or outcomes related to the Honeywell Reimbursement Agreement, as well as potential amounts or ranges of probable losses, and recognize a liability, if any, for these contingencies based on a thorough analysis of each matter with the assistance of outside legal counsel and Honeywell, and, if applicable, other experts. Such analysis includes making judgments concerning matters such as the costs associated with environmental matters, the outcome of negotiations, the number and cost of pending and future claims related to the sites covered by the Honeywell Reimbursement Agreement, and the impact of evidentiary requirements. Because most contingencies are resolved over long periods of time, we do not currently possess sufficient information to reasonably estimate the amounts of the Honeywell Reimbursement Agreement liabilities to be recorded upon future completion of studies, litigations or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined. Expenses related to the indemnification are presented within Other expense, net in the Consolidated and Combined Statement of Operations. See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for a discussion of management's judgment applied in the recognition and measurement of our environmental liabilities.

Goodwill — We perform goodwill impairment testing annually on October 1st of each year or more frequently if indicators of potential impairment exist. The goodwill impairment test is performed at the reporting unit level. We have two reporting units, Products & Solutions and ADI Global Distribution. In determining if goodwill is impaired, we compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value provided the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit.

For the 2019 annual impairment test, we determined the fair value of each reporting unit using a weighting of fair values derived from the income approach and the market approach. Under the income approach, we calculate the fair value of a reporting unit based on the present value of estimated future cash flows. Cash flow projections are based on management's estimates of operating results, taking into consideration industry and market conditions. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. The terminal value is estimated using a constant growth method which requires an assumption about the expected long-term growth rate. The estimates are based on historical data and experience, industry projections, economic conditions, and management's expectations. Under the market approach, we estimate the fair value based on market multiples of cash flow and earnings derived from comparable publicly traded companies with similar operating and investment characteristics as the reporting unit and considering a reasonable control premium. Due to the inherent uncertainty involved in making these estimates, actual results could differ from those estimates.

We believe the estimates and assumptions used in the calculations are reasonable. However, if there was an adverse change in the facts and circumstances, then an impairment charge may be necessary in the future. Specifically, the fair value of our Products & Solutions reporting unit, with goodwill of approximately $2,004 million, exceeded its carrying value by 10% and therefore is highly sensitive to adverse changes in the facts and circumstances that could result in a possible future impairment. Should the fair value of the Company's reporting units fall below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. The Company monitors its reporting units to determine if there is an indicator of potential impairment.

Income Taxes — Our provision for income tax expense is based on our income, the statutory tax rates and other provisions of the tax laws applicable to us in each of the various jurisdictions in which we conduct business. These laws are complex, and their application to our facts is at times open to interpretation. The process of determining our consolidated and combined income tax expense includes significant judgments and estimates, including judgments regarding the interpretation of those laws. Our provision for income taxes and our deferred tax assets and liabilities incorporate those judgments and estimates and reflect management's best estimate of current and future income taxes to be paid.

Deferred tax assets and liabilities relate to temporary differences between the financial reporting and income tax bases of our assets and liabilities, as well as the impact of tax loss carryforwards or carrybacks. Deferred income tax expense or benefit represents the expected increase or decrease to future tax payments as these temporary differences reverse over time. Deferred tax assets are specific to the jurisdiction in which they arise and are recognized subject to management's judgment that realization of those assets is "more likely than not." In making decisions regarding our ability to realize tax assets, we evaluate all positive and negative evidence, including projected future taxable income, taxable income in carryback periods, expected reversal of deferred tax liabilities, and the implementation of available tax planning strategies.

Significant judgment is required in evaluating tax positions. We establish additional reserves for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum recognition threshold. The approach for evaluating certain and uncertain tax positions is defined by the authoritative guidance which determines when a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, we are examined by various federal, state and foreign tax authorities. We regularly assess the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of our provision for income taxes. We continually assess the likelihood and amount of potential adjustments and adjust the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a change in estimate become known.

Pension — We have defined benefit plans covering certain employees. The benefits are accrued over the employees' service periods. We use actuarial methods and assumptions in the valuation of defined benefit obligations and the determination of net periodic pension income or expense. Differences between actual and expected results or changes in the value of defined benefit obligations and plan assets, if any, are not recognized in earnings as they occur but rather systematically over subsequent periods when net actuarial gains or losses are in excess of 10% of the greater of the fair value of plan assets or the plan's projected benefit obligation.

A 25 basis point increase in the discount rate would result in a decrease of approximately $6.4 million to the net periodic benefit cost for 2019, while a 25 basis point decrease in the discount rate would result in an increase of approximately $7.9 million. The resulting impact on the pension benefit obligation would be a decrease of $18.7 million and an increase of $20.6 million, respectively.

Other Matters

Litigation, Environmental Matters and the Honeywell Reimbursement Agreement

See Note 19. Commitments and Contingencies of Notes to Consolidated and Combined Financial Statements for a discussion of environmental and other litigation matters.

Recent Accounting Pronouncements

See Note 2. Summary of Significant Accounting Policies of Notes to Consolidated and Combined Financial Statements for a discussion of recent accounting pronouncements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risk from foreign currency exchange rates and interest rates, which could affect operating results, financial position and cash flows. We manage our exposure to these market risks through our regular operating and financing activities and, when appropriate, through the use of derivative financial instruments.

Interest Rate Risk

As of December 31, 2019, $803 million of our total debt of $1,203 million carried variable interest rates, including the effect of pay variable interest rate swaps, if any. The fair market values of our fixed-rate financial instruments are sensitive to changes in interest rates. At December 31, 2019, an increase or decrease of 100 basis points on our Term Loans would have approximately an $8 million impact on our annual interest expense on long-term debt.

Foreign Currency Exchange Rate Risk

We are exposed to market risks from changes in currency exchange rates. While we primarily transact with customers in the U.S. Dollar, we also transact in foreign currencies, primarily including the Euro, British Pound, Canadian Dollar, and Czech Koruna. These exposures may impact total assets, liabilities, future earnings and/or operating cash flows. Our exposure to market risk for changes in foreign currency exchange rates arises from transactions arising from international trade, foreign currency denominated monetary assets and liabilities, and international financing activities between subsidiaries. We rely primarily on natural offsets to address our exposures and may supplement this approach from time to time by entering into forward and option hedging contracts. As of December 31, 2019, we have no outstanding hedging arrangements.

Commodity Price Risk

While we are exposed to commodity price risk, we attempt to pass through significant changes in component and raw material costs to our customers based on the contractual terms of our arrangements. In limited situations, we may not be fully compensated for such changes in costs.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and the Board of Directors of Resideo Technologies, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of Resideo Technologies, Inc. (the "Company") as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2019, of the Company and our report dated February 27, 2020, expressed an unqualified opinion on those consolidated financial statements and included explanatory paragraphs relating to expense allocations for certain corporate functions historically provided by Honeywell International, Inc. and the Company's adoption of Accounting Standards Update No. 2016-02, *Leases (Topic 842)*.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Minneapolis Minnesota
February 27, 2020

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Resideo Technologies, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Resideo Technologies, Inc. (the "Company") as of December 31, 2019 and 2018, the related consolidated and combined statements of operations, comprehensive income (loss), cash flows, and equity, for each of the three years in the period ended December 31, 2019, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 27, 2020, expressed an unqualified opinion on the Company's internal control over financial reporting.

Emphasis of a Matter

As described in Note 1 to the financial statements, prior to the Spin-Off, the accompanying financial statements were derived from the separate records maintained by Honeywell International, Inc. ("Honeywell"). The financial statements also include expense allocations for certain corporate functions historically provided by Honeywell. These allocations may not be reflective of the actual expense that would have been incurred had the Company operated as a separate entity apart from Honeywell. A summary of transactions with related parties is included in Note 5 to the financial statements.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company adopted ASU No. 2016-02, *Leases (Topic 842)*, effective January 1, 2019, and applied the changes prospectively as of the adoption date.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. 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.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current-period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Honeywell Reimbursement Agreement — Refer to Note 19 to the financial statements

Critical Audit Matter Description

In connection with the Spin-Off, the Company entered into the Honeywell Reimbursement Agreement (the "Reimbursement Agreement"), pursuant to which the Company has an obligation to make cash payments to Honeywell with respect to certain environmental claims associated with specified properties contaminated through historical business operations. The Company's obligation is equal to 90% of payments for certain Honeywell environmental liability payments, less 90% of Honeywell's net insurance receipts plus certain other recoveries relating to such liabilities, as defined by the Reimbursement Agreement. The amount payable by the Company under this agreement is subject to an annual limit of $140 million.

The Company records its obligation under the Reimbursement Agreement based on the underlying environmental remediation liabilities of Honeywell which are recorded when a remediation liability is determined to be probable and the related costs can be reasonably estimated. The determination of the amount of future costs associated with environmental remediation requires judgments and estimates by management. Furthermore, information the Company uses to evaluate the estimates is obtained from Honeywell under the terms of the Reimbursement Agreement.

Given the subjectivity in estimating the remediation costs for environmental matters and judgments made by management related to those estimates, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions, requires a high degree of auditor judgment.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related to the Company's obligation under the Reimbursement Agreement and evaluation of the Company's evidence supporting its estimates included the following, among others:

- We tested the effectiveness of controls related to remediation costs for environmental matters, including management's controls over the recording of and changes to the liability for the Company's obligations under the Reimbursement Agreement.
- We read the Reimbursement Agreement and evaluated the Company's compliance with it to the extent it has the potential to affect the Company's related liability.
- We performed searches of third-party sources to identify potential liabilities related to the specified sites that may not have been included in the estimates.
- We tested the completeness and accuracy of the recognition of its liability for obligations under the Reimbursement Agreement through the following procedures:
    - For a selection of incremental charges to the Honeywell Environmental liability (increases), we obtained supporting documentation related to the sufficiency of the liability from management, including but not limited to regulatory records of decision, feasibility studies, and third-party engineering estimates.

- For a selection of payments related to the Honeywell Environmental liability (decreases), we obtained supporting documentation related to the original invoice and proof of payment.

- We made inquiries of internal and external legal counsel regarding environmental matters.

- We monitored external news sources and conducted a public domain search to assess the completeness of the liabilities.

Goodwill - Refer to Note 13 to the financial statements

Critical Audit Matter Description

The Company's evaluation of goodwill for impairment involves the comparison of the fair value of each reporting unit to its carrying value. The Company determines the fair value of its reporting units using income and market approaches. The determination of the fair value using an income approach involves the use of a discounted cash flow model that requires management to make estimates and assumptions related to future revenues and expenses, projected capital expenditures, changes in working capital cash flows, long-term growth rates, and discount rates. The determination of the fair value using the market approach requires management to make assumptions related to earnings before interest, taxes, depreciation, and amortization (EBITDA) multiples. The goodwill balance was $2,642 million as of December 31, 2019, of which $2,006 million related to the Products and Solutions reporting unit. The fair value of the Products and Solutions reporting unit exceeded its carrying value by 10% as of the measurement date and, therefore, no impairment was recognized.

Given the judgments made by management to estimate the fair value of the Products and Solutions reporting units and the difference between their fair value and carrying value, performing audit procedures to evaluate the reasonableness of management's estimates and assumptions related to forecasts of future revenues and expenses, projected capital expenditures, changes in working capital cash flow, EBITDA multiples, as well as the selection of the long-term growth rate and discount rate, required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists.

How the Critical Audit Matter Was Addressed in the Audit

Our audit procedures related estimates and assumptions for certain reporting units included the following, among others:

- We tested the effectiveness of controls over management's goodwill impairment evaluation, including those over the forecasts of future revenues and expenses, projected capital expenditures, changes in working capital cash flow, EBITDA multiples, and the selection of the long-term growth rate and discount rate.

- We evaluated management's ability to accurately forecast future revenues and operating expenses, capital expenditures, and working capital needs by comparing actual results to management's historical forecasts.

- We evaluated the reasonableness of management's forecasts by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecasted information included in Company press releases, analyst and industry reports for the Company and companies in its peer group.

- With the assistance of our fair value specialists, we evaluated the EBITDA multiples used in estimating fair value, including testing the underlying source information and mathematical accuracy of the calculations, and comparing the multiples selected by management to its guideline peer companies.

- With the assistance of our fair value specialists, we evaluated the discount rate, including testing the underlying source information and the mathematical accuracy of the calculations, and developing a range of independent estimates and comparing those to the discount rate selected by management.

- With the assistance of our fair value specialists, we evaluated the long-term growth rate by comparing management’s selected long-term growth rate to external data and a range of independent estimates.

/s/ Deloitte & Touche LLP

Minneapolis, Minnesota
February 27, 2020

We have served as the Company's auditor since 2018.

CONSOLIDATED AND COMBINED STATEMENT OF OPERATIONS
(Dollars in millions except share and per share data)

	Years Ended December 31,		
	2019	**2018**	**2017**
Net revenue	$ 4,988	$ 4,827	$ 4,519
Cost of goods sold	3,798	3,461	3,203
Gross profit	1,190	1,366	1,316
Selling, general and administrative expenses	932	873	871
Operating profit	258	493	445
Other expense, net	118	369	279
Interest expense	69	20	-
Income before taxes	71	104	166
Tax expense (benefit)	35	(301)	560
Net income (loss)	$ 36	$ 405	$ (394)
Weighted Average Number of Common Shares Outstanding (in thousands)			
Basic	122,722	122,499	122,499
Diluted	123,238	122,624	122,499
Earnings (Loss) Per Share			
Basic	$ 0.29	$ 3.31	$ (3.22)
Diluted	$ 0.29	$ 3.30	$ (3.22)

The Notes to Consolidated and Combined Financial Statements are an integral part of this statement.

CONSOLIDATED AND COMBINED
STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions except share and per share data)

	Years Ended December 31,		
	2019	**2018**	**2017**
Net income (loss)	$ 36	$ 405	$ (394)
Other comprehensive income (loss), net of tax			
Foreign exchange translation adjustment	(2)	(77)	69
Pension actuarial loss	(3)	(7)	-
Total other comprehensive income (loss), net of tax	(5)	(84)	69
Comprehensive income (loss)	$ 31	$ 321	$ (325)

The Notes to Consolidated and Combined Financial Statements are an integral part of this statement.

CONSOLIDATED BALANCE SHEET
(Dollars in millions, shares in thousands)

	December 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 122	$ 265
Accounts receivables – net	817	821
Inventories – net	671	628
Other current assets	175	95
Total current assets	1,785	1,809
Property, plant and equipment – net	316	300
Goodwill	2,642	2,634
Other intangible assets – net	127	133
Other assets	258	96
Total assets	$ 5,128	$ 4,972
LIABILITIES		
Current liabilities:		
Accounts payable	$ 920	$ 964
Current maturities of long-term debt	22	22
Accrued liabilities	552	503
Total current liabilities	1,494	1,489
Long-term debt	1,158	1,179
Obligations payable to Honeywell	594	629
Other liabilities	280	142
COMMITMENTS AND CONTINGENCIES (Note 19)		
EQUITY		
Common stock, $0.001 par value, 700,000 shares authorized, 123,488 and 122,873 shares issued and outstanding as of December 31, 2019, 122,967 and 122,499 shares issued and outstanding as of December 31, 2018, respectively	-	-
Additional paid-in capital	1,761	1,720
Treasury stock, at cost	(3)	-
Retained earnings	38	2
Accumulated other comprehensive (loss)	(194)	(189)
Total equity	1,602	1,533
Total liabilities and equity	$ 5,128	$ 4,972

The Notes to Consolidated and Combined Financial Statements are an integral part of this statement.

CONSOLIDATED AND COMBINED STATEMENT OF CASH FLOW
(Dollars in millions except share and per share data)

	Years Ended December 31, 2019	2018	2017
Cash flows provided by operating activities:			
Net income (loss)	$ 36	$ 405	$ (394)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	80	66	67
Restructuring charges, net of payments	6	(4)	6
Stock compensation expense	25	20	16
Deferred income taxes	(25)	(323)	297
Other	18	22	19
Changes in assets and liabilities:			
Accounts receivables	7	(62)	(31)
Inventories – net	(44)	(172)	(17)
Other current assets	(53)	(27)	(17)
Other assets	(15)	(4)	-
Accounts payable	(38)	231	11
Accrued liabilities	22	65	(5)
Obligations payable to Honeywell	(35)	24	-
Other liabilities	39	221	85
Net cash provided by operating activities	23	462	37
Cash flows used for investing activities:			
Expenditures for property, plant, equipment and software	(95)	(81)	(51)
Cash paid for acquisitions, net of cash acquired	(17)	-	-
Other	-	7	-
Net cash used for investing activities	(112)	(74)	(51)
Cash flows (used for) provided by financing activities:			
Proceeds from long-term debt	-	1,225	-
Payment of debt facility issuance and modification costs	(4)	(29)	-
Repayment of long-term debt	(22)	-	-
Distribution to Honeywell in connection with Spin-Off	-	(1,415)	-
Net increase in invested equity	-	39	19
Non-operating obligations from Honeywell, net	(24)	26	-
Other	(3)	(13)	2
Net cash (used for) provided by financing activities	(53)	(167)	21
Effect of foreign exchange rate changes on cash and cash equivalents	(1)	(12)	2
Net (decrease) increase in cash and cash equivalents	(143)	209	9
Cash and cash equivalents at beginning of period	265	56	47
Cash and cash equivalents at end of period	$ 122	$ 265	$ 56
Supplemental cash flow information:			
Interest paid	$ 72	$ -	$ -
Income taxes paid (net of refunds)	$ 86	$ 28	$ 261
Capital expenditures in accounts payable	$ 16	$ 23	$ 14

The Notes to Consolidated and Combined Financial Statements are an integral part of this statement.

RESIDEO TECHNOLOGIES, INC.

CONSOLIDATED AND COMBINED STATEMENT OF EQUITY
(Dollars in millions, shares in thousands)

	Common Shares	Treasury Shares	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Invested Equity	Accumulated Other Comprehensive Loss	Total Equity
Balance at December 31, 2016	-	-	$ -	$ -	$ -	$ -	$ 3,043	$ (169)	$ 2,874
Net loss	-	-	-	-	-	-	(394)	-	(394)
Other comprehensive income, net of tax	-	-	-	-	-	-	-	69	69
Change in invested equity	-	-	-	-	-	-	54	-	54
Balance at December 31, 2017	-	-	-	-	-	-	2,703	(100)	2,603
Net income	-	-	-	-	-	2	403	-	405
Other comprehensive (loss), net of tax	-	-	-	-	-	-	-	(84)	(84)
Change in invested equity	-	-	-	-	-	-	(1,398)	-	(1,398)
Issuance of common stock and reclassification of invested equity	122,499	468	-	-	1,713	-	(1,708)	(5)	-
Stock-based compensation	-	-	-	-	4	-	-	-	4
Other	-	-	-	-	3	-	-	-	3
Balance at December 31, 2018	122,499	468	-	-	1,720	2	-	(189)	1,533
Net income	-	-	-	-	-	36	-	-	36
Other comprehensive (loss), net of tax	-	-	-	-	-	-	-	(5)	(5)
Issuance of common stock, net of shares withheld for employee taxes	374	147	-	(3)	-	-	-	-	(3)
Stock-based compensation	-	-	-	-	25	-	-	-	25
Adjustments due to Spin-Off	-	-	-	-	16	-	-	-	16
Balance at December 31, 2019	122,873	615	$ -	$ (3)	$ 1,761	$ 38	$ -	$ (194)	$ 1,602

The Notes to Consolidated and Combined Financial Statements are an integral part of this statement.

Note 1. Organization, Operations and Basis of Presentation

Business Description

Resideo Technologies, Inc. ("Resideo" or "the Company"), is a global provider of products, software, solutions and technologies that help homeowners stay connected and in control of their comfort, security and energy use. The Company is a leader in the home heating, ventilation and air conditioning controls and security markets, and a leading global distributor of low-voltage electronic and security products.

Separation from Honeywell

The Company was incorporated in Delaware on April 24, 2018. The Company separated from Honeywell International Inc. ("Honeywell") on October 29, 2018, becoming an independent publicly traded company as a result of a pro rata distribution of the Company's common stock to shareholders of Honeywell (the "Spin-Off"). On October 29, 2018, Honeywell's shareholders of record as of October 16, 2018 ("Record Date") received one share of the Company's common stock, par value $0.001 per share, for every six shares of Honeywell's common stock, par value $1.00 per share, held as of the Record Date, and cash for any fractional shares of the Company's common stock. The Company began trading "regular way" under the ticker symbol "REZI" on the New York Stock Exchange on October 29, 2018.

In connection with the separation, Resideo and Honeywell entered into a Honeywell Reimbursement Agreement (as defined in Note 19. Commitments and Contingencies), a Separation and Distribution Agreement, an Employee Matters Agreement, a Tax Matters Agreement, a Transition Services Agreement, a Trademark License Agreement and a Patent Cross-License Agreement. The agreements govern the relationship between Resideo and Honeywell following the separation and provide for the allocation of various assets, liabilities, rights and obligations. These agreements also include arrangements for transition services to be provided by Honeywell to Resideo and by Resideo to Honeywell.

Basis of Presentation

Prior to the Spin-Off, the Company's historical financial statements were prepared on a stand-alone combined basis and were derived from the consolidated financial statements and accounting records of Honeywell. Accordingly, for periods prior to October 29, 2018, these financial statements are presented on a combined basis and for the periods subsequent to October 29, 2018 are presented on a consolidated basis (collectively, the historical financial statements for all periods presented are referred to as "Consolidated and Combined Financial Statements"). The Consolidated and Combined Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

All intracompany transactions have been eliminated for all periods presented. As described in Note 5. Related Party Transactions with Honeywell, all significant transactions between the Company and Honeywell occurring prior to the Spin-Off have been included in these Consolidated and Combined Financial Statements.

While the Company was owned by Honeywell, a centralized approach to cash management and financing was used. Prior to the consummation of the Spin-Off, the majority of the Company's cash was transferred to Honeywell daily and Honeywell funded the Company's operating and investing activities as needed.

The Combined Financial Statements prior to the Spin-Off include certain assets and liabilities that have historically been held at Honeywell corporate level but were specifically identifiable or otherwise attributable to the Company. The cash and cash equivalents held by Honeywell at the corporate level were not specifically identifiable to the Company and therefore were not attributed for any of the periods presented. Honeywell third-party debt and the related interest expense were not allocated for any of the periods presented as Honeywell's borrowings were not directly attributable to the company. In periods subsequent to the Spin-Off, we have made and may continue to make adjustments to balances transferred at the Spin-Off, including adjustments to the classification of assets or liabilities transferred. Any such adjustments are recorded directly to equity in Adjustments due to the Spin-Off and are considered immaterial.

Prior to the Spin-Off, Honeywell provided certain services, such as legal, accounting, information technology, human resources and other infrastructure support, on behalf of the Company. The cost of these services has been allocated to the Company on the basis of the proportion of net revenue. The Company and Honeywell consider these allocations to be a reasonable reflection of the benefits received by the Company. However, the financial information presented in these Consolidated and Combined Financial Statements may not reflect the consolidated and combined financial position, operating results and cash flows of the Company had the Company been a separate stand-alone entity during the periods presented. Actual costs that would have been incurred if the Company had been a stand-alone company would depend on multiple factors, including organizational structure and strategic decisions made in various areas, including information technology and infrastructure. Both Resideo and Honeywell consider the basis on which the expenses have been allocated to be a reasonable reflection of the utilization of services provided to or the benefits received by the Company during the periods presented. After the Spin-Off, a number of the above services have continued under a Transition Service Agreement with Honeywell, which the Company expenses as incurred based on the contractual pricing terms.

Note 2. Summary of Significant Accounting Policies

Accounting Principles—The financial statements and accompanying notes are prepared in accordance with U.S. GAAP. The following is a description of Resideo's significant accounting policies.

Principles of Consolidation—The Consolidated and Combined Financial Statements include the accounts of Resideo Technologies, Inc. and all of its subsidiaries in which a controlling interest is maintained. All intercompany transactions and balances are eliminated in consolidation.

Cash and Cash Equivalents—Cash and cash equivalents include cash on hand and highly liquid investments having an original maturity of three months or less.

Accounts Receivables and Allowance for Doubtful Accounts—Trade accounts receivable are recorded at the invoiced amount as a result of transactions with customers. The Company maintains allowances for doubtful accounts for estimated losses as a result of customers' inability to make required payments. The Company estimates anticipated losses from doubtful accounts based on days past due as measured from the contractual due date and historical collection history. The Company also takes into consideration changes in economic conditions that may not be reflected in historical trends, for example customers in bankruptcy, liquidation or reorganization. Receivables are written-off against the allowance for doubtful accounts when they are determined to be uncollectible. Such determination includes analysis and consideration of the particular conditions of the account, including time intervals since last collection, customer performance against agreed upon payment plans, solvency of customer and any bankruptcy proceedings.

Inventories—Inventories in the Products & Solutions business are stated at the lower of cost or net realizable value, determined on a first-in, first-out basis, including direct material costs and direct and indirect manufacturing costs, or net realizable value. Inventories in the ADI Global Distribution business are stated at average cost. Reserves are maintained for obsolete, inactive and surplus items.

Property, Plant and Equipment—Property, plant and equipment are recorded at cost, less accumulated depreciation. For financial reporting, the straight-line method of depreciation is used over the estimated useful lives of 10 to 50 years for buildings and improvements, 3 to 16 years for machinery and equipment and 3 to 10 years for tooling equipment.

Goodwill—The Company performs goodwill impairment testing annually, on October 1st of each year or more frequently if indicators of potential impairment exist. The goodwill impairment test is performed at the reporting unit level. The Company has two reporting units, Products & Solutions and ADI Global Distribution. The Company performs its goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value provided the loss recognized does not exceed the total amount of goodwill allocated to that reporting unit.

Determining the fair value of a reporting unit involves the use of significant estimates and assumptions. For the 2019 annual impairment test, the Company used a weighting of fair values derived from the income approach and market approach. Under the income approach, the Company calculates the fair value of a reporting unit based on the present value of estimated future cash flows. The income approach requires the exercise of significant judgment, including judgment about the amount and timing of expected future cash flows, assumed terminal value and appropriate discount rates. Under the market approach, the Company utilizes the public company guideline method. As a corroborative source of information, the Company reconciles the estimated fair value of its reporting units to within a reasonable range of its market capitalization, which includes an assumed control premium to verify the reasonableness of the fair value of its reporting units.

The Company believes the estimates and assumptions used in the calculations are reasonable. However, if there was an adverse change in the facts and circumstances, then an impairment charge may be necessary in the future. Specifically, the fair value of our Products reporting unit, with goodwill of approximately $2,004 million, exceeded its carrying value by 10% and therefore is highly sensitive to adverse changes in the facts and circumstances that could result in a possible future impairment. Should the fair value of the Company's reporting units fall below its carrying amount because of reduced operating performance, market declines, changes in the discount rate, or other conditions, charges for impairment may be necessary. The Company monitors its reporting units to determine if there is an indicator of potential impairment.

Other Intangible Assets and Long-lived Assets—Other intangible assets with determinable lives consist of customer lists, technology, patents and trademarks and software intangibles and are amortized over their estimated useful lives, ranging from 3 to 15 years. They are reviewed for impairment whenever events or circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of long-lived assets are measured by comparison of the carrying amount of the asset to the future undiscounted cash flows the asset is expected to generate. If the asset is considered to be impaired, the amount of any impairment is measured as the difference between the carrying value and the fair value of the impaired asset.

Warranties and Guarantees—Expected warranty costs for products sold are recognized based on an estimate of the amount that eventually will be required to settle such obligations. These accruals are based on factors such as past experience, length of the warranty and various other considerations. Costs of product recalls, which may include the cost of the product being replaced as well as the customer's cost of the recall, including labor to remove and replace the recalled part, are accrued as part of the warranty accrual at the time an obligation becomes probable and can be reasonably estimated. These estimates are adjusted from time to time based on facts and circumstances that impact the status of existing claims.

Leases—Effective January 1, 2019, arrangements containing leases are evaluated as an operating or finance lease at lease inception. For operating leases, the Company recognizes an operating right-of-use asset and operating lease liability at lease commencement based on the present value of lease payments over the lease term.

Since an implicit rate of return is not readily determinable for the Company's leases, an incremental borrowing rate is used in determining the present value of lease payments and is calculated based on information available at the lease commencement date. The incremental borrowing rate is determined using a portfolio approach based on the rate of interest the Company would have to pay to borrow funds on a collateralized basis over a similar term. The Company references a market yield curve consistent with the Company's credit rating which is risk-adjusted to approximate a collateralized rate in the currency of the lease. These rates are updated on a quarterly basis for measurement of new lease obligations. Most leases include renewal options; however, generally it is not reasonably certain that these options will be exercised at lease commencement. Lease expense is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not recognized on the Company's balance sheet. The Company does not separate lease and non-lease components for its real estate and automobile leases.

Revenue Recognition—Product and service revenues are recognized when or as the Company transfers control of the promised products or services to the customer. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services.

In the sale of products, the terms of a contract or the historical business practice can give rise to variable consideration due to, but not limited to, discounts and bonuses. The Company estimates variable consideration at the most likely amount that will be received from customers and reduce revenues recognized accordingly. The Company includes estimated amounts in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimates of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of our anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company.

The Company adopted the revenue recognition standard ASC 606 as of January 1, 2018 (see Note 6. Revenue Recognition). Prior to adoption, product and service revenues were recognized when there was evidence of a sales agreement, delivery of goods had occurred or services had been rendered, the sales price was fixed or determinable, and the collectability of revenue was reasonably assured. Service sales, principally representing network subscription services, were recognized over the contractual period or as services were rendered. Revenues from contracts with multiple element arrangements were recognized as each element was earned based on the relative fair value of each element provided the delivered elements had value to customers on a stand-alone basis. Amounts allocated to each element were based on its objectively determined fair value, such as the sales price for the product or service when it was sold separately or competitor prices for similar products or services.

Sales incentives and allowances were recognized as a reduction to revenue at the time of the related sale.

Sales, use and value added taxes collected by the Company and remitted to various government authorities were not recognized as revenues and are reported on a net basis.

Shipping and handling fees billed to customers were included in Cost of goods sold.

Royalty—In connection with the Spin-Off, the Company and Honeywell entered into a 40-year Trademark License Agreement ("the Trademark Agreement") that authorizes the Company's use of certain licensed trademarks in the operation of Resideo's business for the advertising, sale and distribution of certain licensed products. In exchange, the Company pays a royalty fee of 1.5% of net revenue of the licensed products to Honeywell which is recorded in Selling, general and administrative expense on the Consolidated and Combined Statement of Operations.

Environmental—The Company accrues costs related to environmental matters when it is probable that it has incurred a liability related to a contaminated site and the amount can be reasonably estimated. Environmental costs for our owned sites are presented within Cost of goods sold for operating sites. Prior to the Spin-off, sites now under the Honeywell Reimbursement Agreement were presented within Other expense, net in the Consolidated and Combined Statement of Operations. For additional information, see Note 19. Commitments and Contingencies.

Honeywell Reimbursement Agreement—In connection with the Spin-Off, the Company entered into an Indemnification and Reimbursement Agreement with Honeywell (the "Honeywell Reimbursement Agreement") on October 14, 2018, pursuant to which it has an obligation to make cash payments to Honeywell in amounts equal to 90% of payments, which include amounts billed, with respect to certain environmental claims, remediation and, to the extent arising after the Spin-Off, hazardous exposure or toxic tort claims, in each case, including consequential damages (the "liabilities") in respect of specified Honeywell properties contaminated through historical business operations prior to the Spin-Off ("Honeywell Sites"), including the legal and other costs of defending and resolving such liabilities, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales. The amount payable in respect of such liabilities arising in any given year is subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum). Honeywell reimbursement agreement expenses are presented within Other expense, net in the Consolidated and Combined Statement of Operations and within Accrued liabilities and Obligations payable to Honeywell in the Consolidated and Combined Balance Sheet. For additional information, see Note 19. Commitments and Contingencies.

Tax Indemnification Agreement—The Tax Matters Agreement provides that Resideo is required to indemnify Honeywell for any taxes (and reasonable expenses) resulting from the failure of the Spin-Off and related internal transactions to qualify for their intended tax treatment under U.S. federal, state and local income tax law, as well as foreign tax law, where such taxes result from (a) breaches of covenants and representations we make and agree to in connection with the Spin-Off, (b) the application of certain provisions of U.S. federal income tax law to these transactions or (c) any other action or omission (other than actions expressly required or permitted by the Separation and Distribution Agreement, the Tax Matters Agreement or other ancillary agreements) we take after the consummation of the Spin-Off that gives rise to these taxes. As of December 31, 2019 and 2018, the Company has indemnified Honeywell for $149 million and $153 million, respectively. See Note 19. Commitments and Contingencies.

Research and Development—The Company conducts research and development activities, which consist primarily of the development of new products as well as product applications support to existing customers with installed base and enhancements and improvements to existing products. Research and development costs primarily relate to employee compensation and consulting fees which are charged to expense as incurred. Such costs are included in Cost of goods sold and amount to $139 million, $105 million and $120 million for the years ended December 31, 2019, 2018 and 2017, respectively.

***Advertising Costs*—**The Company expenses advertising costs as incurred. Advertising costs totaled $46 million for the year ended December 31, 2019. Prior to the Spin-Off, advertising costs were allocated from Honeywell as described in Note 5. Related Party Transactions with Honeywell. Advertising costs are included within Selling, general and administrative expense.

***Defined Contribution Plans*—**The Company sponsors various defined contribution plans with varying terms depending on the country of employment. The Company recognized compensation expense of $18 million for the year ended December 31, 2019 related to employer contributions to these plans. Prior to the Spin-Off, costs were allocated from Honeywell as described in Note 5. Related Party Transactions with Honeywell.

Stock-Based Compensation Plans—The principal awards issued under Resideo's stock-based compensation plans, which are described in Note 18. Stock-Based Compensation Plans, are restricted stock units. The cost for such awards is measured at the grant date based on the fair value of the award.

Stock options are also issued under Resideo's stock-based compensation plans. The fair value of each grant is estimated on the date of grant using the Black-Scholes option pricing model which requires estimates of future stock price volatility, expected term, risk-free interest rate and forfeitures.

For all stock-based compensation, the fair value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods (generally the vesting period of the equity award) and is included in Selling, general and administrative expenses in the Consolidated and Combined Statement of Operations. Forfeitures are estimated at the time of grant to recognize expense for those awards that are expected to vest and are based on historical forfeiture rates.

Pension— The guidance requires that the Company disaggregates the service cost component of net benefit costs and report those costs in the same line item or items in the Consolidated and Combined Statement of Operations as other compensation costs arising from services rendered by the pertinent employees during the period. The other non-service components of net benefit costs are required to be presented separately from the service cost component and outside of income from operations.

The Company has recorded the service cost component of pension expense in Costs of goods sold and Selling, general and administrative expenses based on the classification of the employees it relates to. The remaining components of net benefit costs within pension expense, primarily interest costs and expected return on plan assets, are recorded in Other expense, net. The Company recognizes net actuarial gains or losses in excess of 10% of the greater of the fair value of plan assets or the plans' projected benefit obligation (the corridor) annually in the fourth quarter each year. This adjustment known as the mark to market adjustment will also be reported in Other expense, net.

Foreign Currency Translation—Assets and liabilities of operations outside the United States with a functional currency other than U.S. Dollars are translated into U.S. Dollars using year-end exchange rates. Revenue, costs and expenses are translated at the average exchange rates in effect during the year. Foreign currency translation gains and losses are included as a component of Accumulated other comprehensive (loss).

Income Taxes—Significant judgment is required in evaluating tax positions. The Company establishes additional reserves for income taxes when, despite the belief that tax positions are fully supportable, there remain certain positions that do not meet the minimum recognition threshold. The approach for evaluating certain and uncertain tax positions is defined by the authoritative guidance which determines when a tax position is more likely than not to be sustained upon examination by the applicable taxing authority. In the normal course of business, the Company and its subsidiaries are examined by various federal, state and foreign tax authorities. The Company regularly assesses the potential outcomes of these examinations and any future examinations for the current or prior years in determining the adequacy of its provision for income taxes. The Company continually assesses the likelihood and amount of potential adjustments and adjusts the income tax provision, the current tax liability and deferred taxes in the period in which the facts that give rise to a change in estimate become known.

Earnings (Loss) Per Share—Basic earnings (loss) per share is based on the weighted average number of common shares outstanding. Diluted earnings (loss) per share is based on the weighted average number of common shares outstanding and all dilutive potential common shares outstanding. For additional information, see Note 3. Earnings Per Share.

Use of Estimates—The preparation of the Company's Consolidated and Combined Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the Consolidated and Combined Financial Statements and related disclosures in the accompanying Notes. Actual results could differ from those estimates. Estimates and assumptions are periodically reviewed, and the effects of changes are reflected in the Consolidated and Combined Financial Statements in the period they are determined to be necessary. Estimates are used when accounting for stock-based compensation, pension benefits, contingent consideration, indemnification liabilities, goodwill and intangible assets and valuation allowances for receivables and inventory reserves, deferred tax assets, and the amounts of revenue and expenses reported during the period.

Recent Accounting Pronouncements—The Company considers the applicability and impact of all recent accounting standards updates ("ASUs") issued by the Financial Accounting Standards Board ("FASB"). ASUs not listed below were assessed and determined to be either not applicable or are expected to have an immaterial impact on the Company's consolidated and combined financial position or results of operations.

The Company adopted ASU No. 2016-02, Leases (Topic 842), effective January 1, 2019, and applied the changes prospectively as of the adoption date. As permitted by the new guidance, the Company elected the package of practical expedients, which, among other things, allowed historical lease classification to be carried forward.

Upon adoption of ASU No. 2016-02, the Company recognized an aggregate lease liability of $115 million, calculated based on the present value of the remaining minimum lease payments for qualifying leases as of January 1, 2019, with a corresponding right-of-use asset of $112 million. The cumulative-effect adjustment recognized to opening retained earnings was not material. The adoption of the new guidance did not impact the Company's Consolidated and Combined Statement of Operations or Cash Flows.

In February 2018, the FASB issued ASU No. 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which allows for an entity to elect to reclassify, to retained earnings, the one-time income tax effects stranded in accumulated other comprehensive income (AOCI) resulting from the U.S. Tax Cuts and Jobs Act ("U.S. Tax Reform"). An entity that elects to make this reclassification must consider all items in AOCI that have tax effects stranded as a result of the tax rate change and must disclose the reclassification of these tax effects as well as the entity's policy for releasing income tax effects from AOCI. The ASU may be applied either retrospectively or as of the beginning of the period of adoption. The Company adopted the standard on January 1, 2019 using the aggregate portfolio accounting policy for recognizing the disproportionate income tax effects in AOCI and has elected not to reclassify the stranded income tax effects of U.S. Tax Reform from AOCI to retained earnings.

On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326), which provides guidance designed to provide financial statement users with more information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. From November 2018 to November 2019, amendments to Topic 326 were issued to clarify numerous accounting topics. When determining such expected credit losses, the guidance requires companies to apply a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendment is effective on a modified retrospective basis for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted for fiscal years and interim periods beginning after December 15, 2018. The Company does not expect adoption of this pronouncement to have a material financial statement impact.

On August 18, 2018, the FASB issued ASU 2018-14, Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20) that amends the current disclosure requirements regarding defined benefit pensions and other post retirement plans and allows for the removal of certain disclosures, while adding certain new disclosure requirements. This standard is effective for fiscal years beginning after December 15, 2020 and allows for early adoption. The Company does not expect this new standard to have a significant impact on its disclosures.

In December 2019, the FASB issued ASU No. 2019-12, Simplifying the Accounting for Income Taxes (Topic 740). This ASU simplifies the accounting for income taxes by, among other things, eliminating certain existing exceptions related to the general approach in ASC 740 relating to franchise taxes, reducing complexity in the interim-period accounting for year-to-date loss limitations and changes in tax laws, and clarifying the accounting for transactions outside of business combination that result in a step-up in the tax basis of goodwill. The transition requirements are primarily prospective and the effective date for Resideo is January 1, 2021, with early adoption permitted. The Company is currently evaluating the impact of adopting this guidance.

Note 3. Earnings Per Share

On October 29, 2018, the date of consummation of the Spin-Off, 122,498,794 shares of the Company's Common Stock, par value $0.001 per share, were distributed to Honeywell shareholders of record as of October 16, 2018. This share amount is being utilized for the calculation of basic and diluted earnings per share for all periods presented prior to the Spin-Off as no common stock was outstanding prior to the date of the Spin-Off. For the 2018 year to date calculation, these shares are treated as issued and outstanding from January 1, 2018 for purposes of calculating historical basic earnings per share. For December 31, 2019 and 2018, this calculation excludes 615,351 and 467,764 treasury shares, respectively.

The details of the earnings per share calculations for the years ended December 31, 2019, 2018 and 2017 are as follows:

	Years Ended December 31,		
Basic:	**2019**	**2018**	**2017**
Net income (loss)	$ 36	$ 405	$ (394)
Weighted average common shares outstanding (in thousands)	122,722	122,499	122,499
Earnings (Loss) Per Share - Basic	$ 0.29	$ 3.31	$ (3.22)

	Years Ended December 31,		
Diluted:	**2019**	**2018**	**2017**
Net income (loss)	$ 36	$ 405	$ (394)
Weighted average common shares outstanding - Basic (in thousands)	122,722	122,499	122,499
Dilutive effect of common stock equivalents	516	125	-
Weighted average common shares outstanding - Diluted (in thousands)	123,238	122,624	122,499
Earnings (Loss) Per Share - Diluted	$ 0.29	$ 3.30	$ (3.22)

Diluted Earnings (Loss) Per Share is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of common stock equivalents using the treasury stock method and the average market price of our common stock for the period. For the year ended December 31, 2018, the average market price of our common stock was calculated from the Spin-Off date to December 31, 2018. In periods where the Company has a net loss, no dilutive common shares are included in the calculation for diluted shares as they are considered anti-dilutive. For the year ended December 31, 2019, average options and other rights to purchase approximately 2.8 million shares of common stock were outstanding, all of which were anti-dilutive during the year ended December 31, 2019, and therefore excluded from the computation of diluted earnings per common share. Additionally, an average of approximately 0.2 million shares of performance-based unit awards are excluded

from the computation of diluted earnings per common share for the year ended December 31, 2019 as the contingency has not been satisfied at December 31, 2019.

Note 4. Acquisitions

During the year ended December 31, 2019, the Company completed three acquisitions which have been integrated into the Products & Solutions segment. On March 28, 2019, the Company acquired all of the capital stock of Buoy Labs, which provides innovative Wi-Fi enabled solutions that track the amount of water used in a home, integrating smart software and hardware that can help consumers identify potential leaks and allow consumers to act to prevent them through its subscription-based app services. On May 21, 2019, the Company acquired certain assets relating to innovative energy efficiency from Whisker Labs. The acquired technology creates a thermodynamic model of a home to accurately predict home heating and air conditioning run time and energy use to enable a homeowner to use less energy while maintaining comfort. On June 27, 2019, the Company acquired all of the membership interests of LifeWhere. LifeWhere uses machine learning and analytics to predict potential failure on critical home appliances, such as water heaters, furnaces and air conditioners. This service provides the detailed analytics required for professional contractors to dispatch technicians with the right skills to quickly repair the appliance before it causes catastrophic failure. The aggregate purchase price paid for these acquisitions was $17 million. In connection with these acquisitions, the Company recognized goodwill and intangible assets of $10 million and $7 million, respectively. The Buoy Labs acquisition agreements include deferred payments for certain individuals that are contingent upon employment as well as financial performance. The Company determined that these deferred payments are accounted for as compensation expense over the requisite service period.

These acquisitions have an immaterial financial statement impact on both an individual basis and when considered in the aggregate.

Note 5. Related Party Transactions with Honeywell

Prior to the Spin-Off, the Consolidated and Combined Financial Statements were derived from the unaudited Consolidated Financial Statements and accounting records of Honeywell.

Prior to the Spin-Off, Honeywell was a related party that provided certain services, such as legal, accounting, information technology, human resources and other infrastructure support, on behalf of the Company. The costs of these services were allocated to the Company on the basis of the proportion of net revenue. The Company and Honeywell consider the allocations to be a reasonable reflection of the benefits received by the Company.

During the period from January 1, 2018 until October 29, 2018 and the year ended December 31, 2017, the Company was allocated $228 million and $289 million, respectively, of general corporate expenses incurred by Honeywell and such amounts are included within Selling, general and administrative expenses in the Consolidated and Combined Statement of Operations. As certain expenses reflected in the Consolidated and Combined Financial Statements include allocations of corporate expenses from Honeywell, these statements could differ from those that would have been prepared had the Company operated on a stand-alone basis.

(Dollars in millions, unless otherwise noted)

All significant intercompany transactions between the Company and Honeywell have been included in these Consolidated and Combined Financial Statements. Sales to Honeywell during the period from January 1, 2018 until October 29, 2018 and the year ended December 31, 2017 were $24 million and $36 million, respectively. Costs of goods sold to Honeywell during the period from January 1, 2018 until October 29, 2018 and the year ended December 31, 2017 were $19 million and $29 million, respectively. Purchases from Honeywell during the period from January 1, 2018 until October 29, 2018 and the year ended December 31, 2017 were $212 million and $213 million, respectively. The total net effect of the settlement of these intercompany transactions is reflected in the Consolidated and Combined Statements of Cash Flows as a financing activity and in the Consolidated and Combined Balance Sheets as invested equity.

Prior to the consummation of the Spin-Off, Honeywell managed the Company's hedging activity which included centrally hedging its exposure to changes in foreign exchange rates principally with forward contracts. Certain contracts were specifically designated to and entered on behalf of the Company with Honeywell as a counterparty and were used to hedge known or probable anticipated foreign currency sales and purchases. The Company designated these hedges as cash flow hedges and the impact to the financial statement for 2017 and 2018 was not material.

While the Company was owned by Honeywell, a centralized approach to cash management and financing of operations was used. Prior to consummation of the Spin-Off, the Company's cash was transferred to Honeywell daily and Honeywell funded the Company's operating and investing activities as needed. Net transfers to and from Honeywell are included within Invested equity on the Consolidated and Combined Statements of Equity. The components of the net transfers to and from Honeywell as of December 31, 2018, and 2017 are as follows:

	December 31,	
	2018	2017
General financing activities	$ (383)	$ (547)
Distribution to Honeywell in connection with Spin-Off	(1,415)	-
Net contribution of assets and liabilities upon Spin-Off	81	-
Unbilled corporate allocations	228	260
Purchases from Honeywell	161	168
Mandatory transition tax	(85)	156
Other	15	17
Net increase (decrease) in invested equity	$ (1,398)	$ 54

Subsequent to the Spin-Off on October 29, 2018, transactions with Honeywell were not considered related party transactions. Accordingly, no related party transactions with Honeywell were recorded for the year ended December 31, 2019.

Note 6. Revenue Recognition

On January 1, 2018, the Company adopted new guidance on revenue from contracts with customers using the modified retrospective method. As a result of adopting the new guidance, the Company determined there are no material impacts on the Consolidated and Combined Financial Statements.

(Dollars in millions, unless otherwise noted)

Disaggregated Revenue

Revenues by channel are as follows for the years ended December 31:

	2019	2018
U.S. and Canada	$ 2,294	$ 2,147
EMEA [(1)]	459	456
APAC [(2)]	60	55
ADI Global Distribution	2,813	2,658
Comfort	1,103	1,114
Security	520	479
Residential Thermal Solutions	552	576
Products & Solutions	2,175	2,169
Net revenue	$ 4,988	$ 4,827

(1) EMEA represents Europe, the Middle East and Africa.
(2) APAC represents Asia and Pacific countries.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is defined as the unit of account. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For product sales, typically each product sold to a customer represents a distinct performance obligation.

The Company recognizes the majority of its revenue from performance obligations outlined in contracts with its customers that are satisfied at a point in time. Less than 3% of the Company's revenue is satisfied over time. Performance obligations are supported by contracts with customers, providing a framework for the nature of the distinct goods, services or bundle of goods and services. The timing of satisfying the performance obligation is typically indicated by the terms of the contract. All performance obligations are expected to be satisfied within one year.

The timing of satisfaction of the Company's performance obligations does not significantly vary from the typical timing of payment. For some contracts, the Company may be entitled to receive an advance payment.

The Company has applied the practical expedient to not disclose the value of remaining performance obligations for (i) contracts with an original expected term of one year or less or (ii) contracts for which it recognizes revenue in proportion to the amount it has the right to invoice for services performed.

Contract Balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable and unbilled receivables (contract assets), reported in Accounts receivables – net, and customer advances and deposits (contract liabilities), reported in Accrued liabilities, on the Consolidated Balance Sheet. As of December 31, 2019 and 2018, contract assets and liabilities were not material.

Note 7. Restructuring Charges

During the second quarter of 2019, management began a restructuring plan to reduce operating costs and better align the Company's workforce with the needs of the business going forward. For the year ended December 31, 2019, restructuring and related expenses for the Products & Solutions segment and the ADI Global Distribution segment were $30 million and $7 million, respectively, and primarily related to severance.

(Dollars in millions, unless otherwise noted)

For the years ended December 31, 2018 and 2017, the Company recognized restructuring charges totaling $5 million and $23 million, respectively, related to the Products & Solutions segment mainly for severance costs related to workforce reductions. The workforce reductions were primarily related to cost savings actions taken in connection with the Company's productivity and ongoing functional transformation initiatives; factory transitions to more cost-effective locations and site consolidations and organizational realignments.

The following table summarizes the pretax distribution of total net restructuring charges by statement of operations classification:

	Years Ended December 31,		
	2019	2018	2017
Cost of goods sold	$ 20	$ 4	$ 17
Selling, general and administrative expenses	17	1	6
	$ 37	$ 5	$ 23

The following table summarizes the status of total restructuring reserves related to severance cost:

	Years Ended December 31,		
	2019	2018	2017
Beginning of year	$ 13	$ 22	$ 15
Charges	38	5	24
Usage	(31)	(9)	(18)
Other	(1)	(5)	1
End of year	$ 19	$ 13	$ 22

Note 8. Other Expense, Net

	Years Ended December 31,		
	2019	2018	2017
Environmental expense	$ -	$ 323	$ 281
Honeywell Reimbursement Agreement expense	108	49	-
Other, net	10	(3)	(2)
	$ 118	$ 369	$ 279

Refer to Note 19. Commitments and Contingencies for further details on environmental and Honeywell Reimbursement Agreement expense.

Note 9. Income Taxes

Prior to the consummation of the Spin-Off, Resideo's operating results were included in Honeywell's various consolidated U.S. federal and state income tax returns, as well as non-U.S. filings. For the purposes of the Company's Consolidated and Combined Financial Statements for periods prior to the Spin-Off, income tax expense and deferred tax balances have been recorded as if the Company filed tax returns on a standalone basis separate from Honeywell. The Separate Return Method applies the accounting guidance for income taxes to the standalone financial statements as if the Company was a separate taxpayer and a standalone enterprise prior to the separation from Honeywell.

(Dollars in millions, unless otherwise noted)

Income before taxes

	Years Ended December 31,		
	2019	2018	2017
U.S.	$ (83)	$ (169)	$ (107)
Non-U.S.	154	273	273
	$ 71	$ 104	$ 166

Income tax expense (benefit)

	Years Ended December 31,		
	2019	2018	2017
Tax expense (benefit) consists of:			
Current:			
U.S.	$ 23	$ (26)	$ 215
Non-U.S.	37	48	48
	$ 60	$ 22	$ 263
Deferred:			
U.S.	$ (11)	$ (15)	$ (6)
Non-U.S.	(14)	(308)	303
	(25)	(323)	297
	$ 35	$ (301)	$ 560

	Years Ended December 31,		
	2019	2018	2017
The U.S. federal statutory income tax rate is reconciled to our effective income tax rate as follows:			
U.S. federal statutory income tax rate	21.0 %	21.0 %	35.0 %
Impact of foreign operations	(10.2)	(11.6)	(30.2)
U.S. state income taxes	6.6	6.4	3.4
U.S. Tax Reform and related items	-	(385.1)	273.1
Non-deductible indemnification costs	28.0	75.4	58.8
Other non-deductible expenses	3.5	-	-
U.S taxation of foreign earnings	5.3	6.0	-
Tax credits	(2.6)	(2.1)	(1.4)
Change in tax rates	1.7	-	-
All other items – net (1)	(4.7)	0.6	(1.4)
	48.6 %	(289.4)%	337.3 %

(1) Prior years adjusted to separately state “Tax Credits”.

The effective tax rate increased in 2019 compared to 2018. The increase in effective tax rate was primarily attributable to tax benefits generated in 2018 related to the internal restructuring of Resideo’s business in advance of its anticipated Spin-Off, currency impacts on withholding taxes on undistributed foreign earnings, and adjustments to the provisional tax amount related to U.S. Tax Reform, partially offset by decreases in tax expense related to Global Intangible Low Taxed Income (“GILTI”) and non-deductible expenses.

(Dollars in millions, unless otherwise noted)

The effective tax rate decreased in 2018 compared to 2017. The decrease was primarily attributable to tax benefits attributable to the internal restructuring of Resideo's business in advance of its anticipated Spin-Off, adjustments to the provisional tax amount related to U.S. Tax Reform, adjustments to income tax reserves, partially offset by tax expense related to Global Intangible Low Taxed Income ("GILTI"). The Company's non-U.S. effective tax rate was (95.2)%, a decrease compared to 2017. The year-over-year decrease in the non-U.S. effective tax rate was primarily driven by increased tax benefits attributable to internal restructuring of Resideo's business and a change in assertion to permanently reinvest unremitted earnings.

Deferred tax assets (liabilities)

The tax effects of temporary differences and tax carryforwards which give rise to future income tax benefits and payables are as follows:

	Years Ended December 31,	
	2019	**2018**
Deferred tax assets:		
Pension	$ 27	$ 25
Other asset basis differences	70	73
Operating lease liabilities	33	-
Accruals and reserves	61	34
Net operating and capital losses	32	31
Other	6	-
Gross deferred tax assets	229	163
Valuation allowance	(32)	(29)
Total deferred tax assets	$ 197	$ 134
Deferred tax liabilities:		
Other intangible assets	$ (42)	$ (53)
Property, plant and equipment	(22)	(16)
Operating lease assets	(32)	-
Other	(12)	(6)
Total deferred tax liabilities	(108)	(75)
Net deferred tax asset	$ 89	$ 59

Deferred tax assets:

The Company maintains a valuation allowance of $32 million against a portion of the non-U.S. gross deferred tax assets. The change in valuation allowance resulted in increases (decreases) of $3 million, ($1) million to tax expense in 2019 and 2018, respectively. In the event the Company determines that it will not be able to realize its net deferred tax assets in the future, it will reduce such amounts through an increase to tax expense in the period such determination is made. Conversely, if the Company determines that it will be able to realize net deferred tax assets in excess of the carrying amounts, it will decrease the recorded valuation allowance through a reduction to tax expense in the period that such determination is made.

The Company has not provided deferred taxes on unremitted earnings of its foreign affiliates that exist at December 31, 2019 as the earnings are considered permanently reinvested. Accordingly, no deferred taxes have been provided for withholding taxes or other taxes that would result upon repatriation of our approximately $1.7 billion of undistributed earnings from foreign subsidiaries to the United States. It is impracticable to calculate the tax cost of repatriating our unremitted earnings which are considered indefinitely reinvested.

(Dollars in millions, unless otherwise noted)

As of December 31, 2019, the Company has federal tax credit carryforwards of $1 million, federal net operating loss carryforwards of $2 million, and foreign net operating loss carryforwards of $119 million. The federal tax credit carryforwards expire in 2029. The federal net operating loss carryforwards expire in 2027. $113 million of foreign net operating losses can be carried forward indefinitely with the remainder expiring between 2020 and 2029.

Many jurisdictions impose limitations on the timing and utilization of net operating loss carryforwards. In those instances where the net operating loss or tax credit carryforward will not be utilized in the carryforward period due to the limitation, the deferred tax asset and amount of the carryforward have been reduced.

As of December 31, 2019, 2018, and 2017 there were $6 million, $2 million, and $20 million of unrecognized tax benefits, respectively, that if recognized would be recorded as a component of income tax expense. The change in unrecognized tax benefits resulted in increases (decreases) of $4 million, ($18) million, and $0 million to tax expense in 2019, 2018, and 2017, respectively. The decrease in 2018 was primarily driven by the reclassification of unrecognized tax benefits attributable to periods prior to the consummation of the Spin-Off to the indemnity payable to Honeywell under the terms of the Tax Matters Agreement.

Unrecognized tax benefits for examinations in progress were $0 million, $0 million and $7 million, as of December 31, 2019, 2018 and 2017, respectively. An immaterial amount of estimated interest and penalties related to the underpayment of income taxes is included in the liability for unrecognized tax benefits, both of which are included as a component of income tax expense in the Consolidated and Combined Statement of Operations. We do not anticipate significant changes in total unrecognized tax benefits during the next twelve months.

The Company files income tax returns in the United States federal jurisdiction, all states, and various local and foreign jurisdictions. The Company's US federal returns are no longer subject to income tax examinations for taxable years before 2015. With limited exception, state, local and foreign income tax returns for taxable years before 2014 are no longer subject to examination.

On December 22, 2017, the U.S. government enacted U.S. Tax Reform, which included changes to the taxation of foreign earnings by implementing a dividend exemption system, expansion of the current anti-deferral rules, a minimum tax on low-taxed foreign earnings and new measures to deter base erosion. The U.S. Tax Reform also included a permanent reduction in the corporate tax rate, repeal of the corporate alternative minimum tax, expensing of capital investment, and limitation of the deduction for interest expense. Furthermore, as part of the transition to the new tax system, a one-time transition tax was imposed on a U.S. shareholder's historical undistributed earnings of foreign affiliates.

As described in the Combined Financial Statements for the year ended December 31, 2017, the Company reasonably estimated certain effects of U.S. Tax Reform and, therefore, recorded provisional amounts, including the deemed repatriation transition tax and withholding taxes on undistributed earnings. For the year ended December 31, 2018, the Company recorded an adjustment to the provisional tax amount related to the deemed repatriation transition tax and taxes on undistributed earnings of $(85.4) million and $(234.7) million, respectively. This adjustment resulted in a decrease to the effective tax rate for the year ended December 31, 2018 of 307.8%. The adjustment reflects the revised determination of the fair value of assets and liabilities of legal entities included in the Company's business. The accounting for the income tax effects of the U.S. Tax Reform was complete as of December 31, 2018.

Note 10. Accounts Receivables—Net

	December 31,	
	2019	**2018**
Accounts receivables	$ 834	$ 833
Allowance for doubtful accounts	(17)	(12)
	$ 817	$ 821

(Dollars in millions, unless otherwise noted)

Note 11. Inventories - Net

	December 31, 2019	December 31, 2018
Raw materials	$ 154	$ 167
Work in process	18	34
Finished products	568	452
Inventory reserves	(69)	(25)
	$ 671	$ 628

The expense related to inventory reserves was $56 million, $10 million and $5 in 2019, 2018 and 2017, respectively.

Note 12. Property, Plant and Equipment—Net

	December 31, 2019	December 31, 2018
Machinery and equipment	562	510
Buildings and improvements	260	246
Construction in progress	57	64
Others	16	33
	895	853
Accumulated depreciation	(579)	(553)
	$ 316	$ 300

Depreciation expense was $50 million, $45 million and $57 million in 2019, 2018 and 2017, respectively.

Note 13. Goodwill and Other Intangible Assets—Net

Goodwill as of December 31, 2019 and 2018 for Products & Solutions was $2,004 million and $1,995 million, respectively. The carrying value of goodwill increased by $10 million due to acquisitions during the year, slightly offset by foreign currency translation adjustments. Goodwill for December 31, 2019 and 2018 for and ADI Global Distribution was $639 million and $638 million, respectively. The decrease relates to foreign currency translation adjustments.

Other intangible assets with finite lives are comprised of:

	December 31, 2019			December 31, 2018		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and technology	$ 35	$ (19)	$ 16	$ 27	$ (16)	$ 11
Customer relationships	170	(106)	64	170	(95)	75
Trademarks	9	(7)	2	9	(6)	3
Software	139	(94)	45	122	(78)	44
	$ 353	$ (226)	$ 127	$ 328	$ (195)	$ 133

Other intangible assets amortization expense was $30 million, $21 million and $10 million in 2019, 2018 and 2017, respectively. Estimated intangible asset amortization expense for each of the next five years approximates $27 million in 2020, $24 million in 2021, $18 million in 2022, $13 million in 2023 and $12 million in 2024.

(Dollars in millions, unless otherwise noted)

Note 14. Accrued Liabilities

	December 31, 2019	December 31, 2018
Obligations payable to Honeywell	$ 140	$ 140
Taxes payable	66	76
Compensation, benefit and other employee-related	66	73
Customer rebate reserve	78	59
Other (primarily operating expenses)	202	155
	$ 552	$ 503

Refer to Note 19. Commitments and Contingencies for further details the Honeywell Reimbursement Agreement expense.

Note 15. Long-term Debt and Credit Agreement

The Company's debt at December 31, 2019 and December 31, 2018 consisted of the following:

	December 31, 2019	December 31, 2018
6.125% notes due 2026	$ 400	$ 400
Five-year variable rate term loan A due 2023	333	350
Seven-year variable rate term loan B due 2025	470	475
Unamortized deferred financing costs	(23)	(24)
Total outstanding indebtedness	1,180	1,201
Less: amounts due within one year	22	22
Total long-term debt due after one year	$ 1,158	$ 1,179

Scheduled principal repayments under the Senior Credit Facilities (defined below) and Senior Notes (defined below) subsequent to December 31, 2019 are as follows:

	December 31, 2019
2020	$ 22
2021	40
2022	57
2023	232
2024	5
Thereafter	847
	1,203
Amounts due within one year	(22)
	$ 1,181

At December 31, 2019 and 2018, the interest rate for the Term Loans (defined below) was 4.36% and 4.49%, respectively. At December 31, 2019, there were no borrowings and no letters of credit issued under the $350 million Revolving Credit Facility (defined below). The interest expense for the Senior Notes and Senior Credit Facilities during the year ended December 31, 2019 and 2018 was $69 million and $13 million, respectively, which includes the amortization of debt issuance cost and debt discounts.

Senior Notes

In October of 2018, the Company issued $400 million in principal amount of 6.125% senior unsecured notes due in 2026 (the "Senior Notes"). The Senior Notes are senior unsecured and unsubordinated obligations of Resideo and rank equally with all of Resideo's existing and future senior unsecured debt and senior to all of Resideo's subordinated debt.

Resideo may, at its option, redeem the Senior Notes in whole or part prior to November 1, 2021, at a redemption price equal to 100% of the principal amount of the Senior Notes redeemed, plus accrued and unpaid interest, if any, plus a "make-whole" premium. On or after November 1, 2021 Resideo may at its option, redeem the Senior Notes in whole or in part plus accrued and unpaid interest, plus a fixed redemption percentage on the principal amount of the Senior Notes redeemed of (i) 104.594% if redeemed during the twelve-month period beginning on November 1, 2021 (ii) 103.063% if redeemed during the twelve-month period beginning on November 1, 2022, (iii) 101.531% if redeemed during the twelve-month period beginning on November 1, 2023, or (iv) 100% if redeemed on or after November 1, 2024.

Credit Agreement

On October 25, 2018, in connection with the consummation of the Spin-Off, the Company as the borrower, entered into a credit agreement with JP Morgan Chase Bank N.A. as administrative agent (the "Credit Agreement").

In October of 2018, the Company incurred substantial indebtedness in the form of a seven-year LIBOR plus 2.25% senior secured first-lien term B loan facility in an aggregate principal amount of $475 million (the "Term B Facility") and a five-year LIBOR plus 2.25% senior secured first-lien term A loan facility in an aggregate principal amount of $350 (the "Term A Facility" and, together with the Term B Facility, the "Term Loans" or "Term Loan Facilities"). The Company is obligated to make quarterly principal payments throughout the term of the Term Loan Facilities according to the amortization provisions in the Credit Agreement. Borrowings under the Credit Agreement are able to be prepaid at the Company's option without premium or penalty other than a 1.00% prepayment premium that may be payable in connection with certain repricing transactions within a certain period of time after the closing date. Amounts repaid or prepaid in respect of Term Loan Facilities may not be re-borrowed.

In October of 2018, the Company established a five-year senior secured first-lien revolving credit facility to be used for the Company's working capital and other cash needs from time to time in an aggregate principal amount of $350 million (the "Revolving Credit Facility" and, together with the Term Loan Facilities, the "Senior Credit Facilities"). The interest rate on the Revolving Credit Facility borrowings are based on, at the option of the Company, either, (i) the rate of interest last quoted by The Wall Street Journal as the "prime rate" in the United States, (ii) the greater of the federal funds effective rate and the overnight bank funding rate, plus 0.75% and (iii) the one month adjusted LIBOR rate, plus 1.25% per annum. If the Company chooses to make a LIBOR borrowing on a one, two, three or six-month basis, the interest rate will be based on an adjusted LIBOR rate (which shall not be less than zero) based on the interest period for the borrowing. The applicable margin for the Term B Facility is 2.25% per annum (for LIBOR loans) and 1.25% per annum (for base rate loans). The applicable margin for each of the Term A Facility and the Revolving Credit Facility varies from 2.25% per annum to 1.75% per annum (for LIBOR loans) and 1.25% to 0.75% per annum (for base rate loans) based on the Company's leverage ratio. Accordingly, the interest rates for the Senior Credit Facilities will fluctuate during the term of the Credit Agreement based on changes in the base rate, LIBOR or future changes in our leverage ratio. Interest payments with respect to the borrowings are required either on a quarterly basis (for base rate loans) or at the end of each interest period (for LIBOR loans) or, if the duration of the applicable interest period exceeds three months, then every three months. The Revolving Credit Facility has a quarterly commitment fee based on the unused portion, which is determined by the Company's leverage ratio and ranges from 0.25% to 0.35% per annum.

The net proceeds from the borrowings under the Credit Agreement and the offering of the Senior Notes were used as part of the financing for the Spin-Off. For the year ended December 31, 2018, the Company incurred approximately $16 million in debt issuance costs related to the Term Loans, $5 million in costs related to the Revolving Credit Facility and $8 million in costs related to the Senior Notes. The debt issuance costs associated with the Term Loans and Senior Notes were recorded as a reduction of the principal balance of the debt, and the Revolving Credit Facility costs were capitalized in Other assets. The issuance costs are being amortized through Interest expense for the duration of each respective debt facility.

(Dollars in millions, unless otherwise noted)

The Credit Agreement and Senior Notes contain customary covenants limiting the ability of the Company and its subsidiaries to, among other things, pay cash dividends, incur debt or liens, redeem or repurchase stock of the Company, enter into transactions with affiliates, make investments, make capital expenditures, merge or consolidate with others or dispose of assets.

On November 26, 2019, the Company entered into a First Amendment to the Credit Agreement (the "Credit Agreement Amendment"). The Credit Agreement Amendment amended the Credit Agreement to, among other things: (i) increase the levels of the maximum consolidated total leverage ratio under the Credit Agreement, to not greater than 5.25 to 1.00 for the quarter ended December 31, 2019, with step-downs to 4.75 to 1.00 starting in the quarter ending December 31, 2020, 4.25 to 1.00 starting in the quarter ending December 31, 2021, and 3.75 to 1.00 starting in the quarter ending December 31, 2022; (ii) increase each applicable interest rate margin on loans outstanding after the first amendment effective date by 25 basis points per annum, 2.25% per annum (for LIBOR loans) and 1.25% per annum (for ABR loans) in respect of the Term B Loan Facility, and based on our leverage ratio, from 2.25% per annum to 1.75% per annum (for LIBOR loans) and 1.25% to 0.75% per annum (for ABR loans) for the Term A Loan Facility and the Revolving Credit Facility; and (iii) modify the defined terms "Consolidated EBITDA" and "Pro Forma Basis" set forth in the Credit Agreement. In connection with the Credit Agreement Amendment, the Company incurred costs of approximately $4 million. The Term Loan costs were recorded as a reduction of the principal balance of the debt and the Revolving Credit Facility costs were capitalized in Other assets.

As of December 31, 2019, the Company was in compliance with all covenants related to the Credit Agreement and Senior Notes.

Note 16. Leases

As discussed in Note 2, the Company adopted ASU No. 2016-02, Leases (Topic 842), effective January 1, 2019. The Company is party to operating leases for the majority of its manufacturing sites, offices, engineering and lab sites, stocking locations, warehouses, automobiles, and certain equipment. Certain of the Company's real estate leases include variable rental payments which adjust periodically based on inflation, and certain automobile lease agreements include rental payments which fluctuate based on mileage. Generally, the Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company's operating lease costs for the year ended December 31, 2019 consisted of the following:

	Year Ended December 31, 2019
Selling, general & administrative expenses	$ 37
Cost of goods sold	16
Total operating lease costs	$ 53

Total operating lease costs include variable lease costs of $11 million for the year ended December 31, 2019. Total operating lease costs also include offsetting sub-lease income which is immaterial for the year ended December 31, 2019.

The Company recognized the following related to its operating leases:

	Financial Statement Line Item	At December 31, 2019
Operating right-of-use assets	Other assets	$ 137
Operating lease liabilities - current	Accrued liabilities	$ 31
Operating lease liabilities - non-current	Other liabilities	$ 111

(Dollars in millions, unless otherwise noted)

Maturities of the Company's operating lease liabilities were as follows:

	At December 31, 2019
2020	$ 38
2021	34
2022	30
2023	23
2024	11
Thereafter	30
Total lease payments	166
Less: imputed interest	24
Present value of operating lease liabilities	$ 142
Weighted-average remaining lease term (years)	6.18
Weighted-average incremental borrowing rate	5.77%

Supplemental cash flow information related to the Company's operating leases was as follows:

	Year Ended December 31, 2019
Operating cash outflows	$ 35
Operating right-of-use assets obtained in exchange for operating lease liabilities	$ 60

As of December 31, 2019, the Company has additional operating leases that have not yet commenced. Obligations under these leases are not material. Additionally, as a lessor, the Company leases all or a portion of certain owned properties. Rental income for the year ended December 31, 2019 was not material.

Note 17. Financial Instruments and Fair Value Measures

***Credit and Market Risk*—**The Company continually monitors the creditworthiness of its customers to which it grants credit terms in the normal course of business. The terms and conditions of credit sales are designed to mitigate or eliminate concentrations of credit risk with any single customer.

***Foreign Currency Risk Management*—**The Company conducts its business on a multinational basis in a wide variety of foreign currencies. It is exposed to market risks from changes in currency exchange rates. These exposures may impact future earnings and/or operating cash flows. The exposure to market risk for changes in foreign currency exchange rates arises from transactions arising from international trade, foreign currency denominated monetary assets and liabilities, and international financing activities between subsidiaries. The Company relies primarily on natural offsets to address the exposures and may supplement this approach from time to time by entering into forward and option hedging contracts. As of December 31, 2019, the Company had no forward or hedging contracts.

***Senior Notes and Credit Agreement*—**As of December 31, 2019, the Company assessed the amount recorded under the Term Loans, the Senior Notes, and the Revolving Credit Facility and determined such amounts approximated fair value. The fair values of the debt are based on the quoted inactive prices and are therefore classified as Level 2 within the valuation hierarchy.

The carrying value of cash and cash equivalents, accounts receivables - net, and accounts payables contained in the Consolidated Balance Sheet approximates fair value.

Fair Value of Financial Instruments**—**The FASB's 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 (exit price). The FASB's guidance classifies the inputs used to measure fair value into the following hierarchy:

Level 1 Quoted prices in active markets for identical assets or liabilities;
Level 2 Observable inputs other than the quoted prices in active markets for identical assets and liabilities; and
Level 3 Unobservable inputs for which there is little or no market data, which require the Company to develop assumptions of what market participants would use in pricing the asset or liability.

Financial and non-financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Note 18. Stock-Based Compensation Plans

On October 29, 2018, the Board adopted, and Honeywell, as the Company's sole shareholder, approved, the 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates and the 2018 Stock Incentive Plan for Non-Employee Directors of Resideo Technologies, Inc. as may be amended from time to time (together, the "Stock Incentive Plan"). On or about December 21, 2018, the Board adopted the Amended and Restated 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates. The Stock Incentive Plan provides for the grant of stock options, stock appreciation rights, restricted stock units, restricted stock, other stock-based awards and cash-based awards. The maximum aggregate number of shares of the Company's common stock that may be issued under awards granted under the Stock Incentive Plan is 16 million. As of December 31, 2019, 10,705,849 shares of the Company's common stock were available to be granted under the Stock Incentive Plan.

Summary of Restricted Stock Unit Activity

Restricted stock unit ("RSU") awards entitle the holder to receive one share of common stock for each unit when the units vest. RSUs are issued to certain key employees and to non-employee directors. RSUs typically become fully vested over periods ranging from one to seven years and are payable in Resideo common stock upon vesting.

Since the Spin-Off on October 29, 2018 through December 31, 2018, the Company granted the following awards:

- 1,809,644 RSUs were granted to employees of Resideo with four-year vesting periods in accordance with the Stock Incentive Plan
- Honeywell stock options, RSUs, and performance-based awards held by certain of the key employees who would otherwise forfeit prior Honeywell awards as a result of the Spin-Off were issued replacement grants in the amount of 1,411,395 RSUs with substantially the same vesting schedule as the forfeited awards. Compensation expense for these awards will continue to be recognized ratably over the remaining term of the unvested awards, which ranged from one to four years as of the date of the Spin-Off.
- 117,145 RSUs were granted to members of the Board of Directors for annual director compensation with one to four-year vesting periods in accordance with the Stock Incentive Plan

(Dollars in millions, unless otherwise noted)

The following table summarizes RSU activity related to the Stock Incentive Plan during the year ended December 31, 2019:

	RSUs	
	Number of Restricted Stock Units	**Weighted Average Grant Date Fair Value Per Share**
Non-vested as of January 1, 2019	3,338,184	$ 24.05
Granted	1,607,204	21.83
Vested	(509,366)	23.78
Forfeited	(641,491)	24.07
Non-vested as of December 31, 2019	3,794,531	$ 23.14

As of December 31, 2019, there was approximately $53 million of total unrecognized compensation cost related to non-vested RSUs granted under the Stock Incentive Plan, which is expected to be recognized over a weighted-average period of 2.58 years. The fair value of RSUs that vested during the year ended December 31, 2019 is $11 million. Included in the outstanding RSUs are .3 million performance-based as of December 31, 2019 and the related expense is not material.

Summary of Stock Option Activity

Stock option awards entitle the holder to purchase shares of common stock at a specific price when the options vest. Stock options vest over three years from the date of grant and expire seven years from the grant date.

The fair value of stock options was calculated using the following assumptions in the Black-Scholes model:

	December 31, 2019
Expected stock price volatility	30%-32%
Expected term of options	4.5 years
Expected dividend yield	—
Risk-free interest rate	2.22% - 2.47%

The aggregate intrinsic value disclosed below represents the total intrinsic value (the difference between the fair market value of the Company's common stock as of December 31, 2019, and the exercise price, multiplied by the number of in-the-money service-based stock options) that would have been received by the option holders had all option holders exercised their options on December 31, 2019. This amount is subject to change based on changes to the fair market value of the Company's common stock.

(Dollars in millions, unless otherwise noted)

The following table summarizes stock option activity related to the Stock Incentive Plan during the year ended December 31, 2019:

	Stock Options					
	Number of Stock Options		Weighted Average Exercise Price	Weighted Average Contractual Life (years)		Aggregate Intrinsic Value
Stock Options outstanding as of January 1, 2019	-	$	-	-	$	-
Granted	1,155,566		24.37			
Forfeited	(165,312)		24.39			
Stock Options outstanding as of December 31, 2019	990,254		24.36	6		-
Vested and expected to vest at December 31, 2019	796,376		24.36	4		-
Exercisable at December 31, 2019	17,667	$	24.39	1	$	-

Stock options granted during the year ended December 31, 2019 had a weighted average grant date fair value per share of $6.71. As of December 31, 2019, there was approximately $3 million of total unrecognized compensation cost related to non-vested stock options granted under the Stock Incentive Plan, which is expected to be recognized over a weighted-average period of 2.12 years. No stock options were exercised during the year ended December 31, 2019.

Summary of Stock-Based Compensation

The following table summarizes stock-based compensation expense and the related tax benefits under the Company's plans:

	2019		2018	
Stock-based compensation expense before income taxes	$	25	$	20
Less income tax benefit		(1)		(5)
Stock-based compensation expense, net of income taxes	$	24	$	15

Certain share-based compensation expense relates to stock-based awards awarded to key employees of the Company as part of Honeywell's incentive compensation plans prior to the Spin-Off. Such share-based compensation expense was $16 million for both the period from January 1, 2018 until October 29, 2018 and the year ended December 31, 2017, of which approximately $6 million and $5 million, respectively, are specifically identifiable to the Company's employees, and $10 million, and $11 million, respectively, are attributable to shared employees not specifically identifiable to the Company.

Note 19. Commitments and Contingencies

Environmental Matters

The Company is subject to various federal, state, local and foreign government requirements relating to the protection of the environment. It believes that, as a general matter, its policies, practices and procedures are properly designed to prevent unreasonable risk of environmental damage and personal injury and that its handling, manufacture, use and disposal of hazardous substances are in accordance with environmental and safety laws and regulations. The Company has incurred remedial response and voluntary cleanup costs for site contamination and is a party to lawsuits and claims associated with environmental and safety matters, including products containing hazardous substances. Additional lawsuits, claims and costs involving environmental matters are likely to continue to arise in the future.

(Dollars in millions, unless otherwise noted)

With respect to environmental matters involving site contamination, the Company continually conducts studies, individually or jointly with other potentially responsible parties, to determine the feasibility of various remedial techniques. It is its policy to record appropriate liabilities for environmental matters when remedial efforts or damage claim payments are probable and the costs can be reasonably estimated. Such liabilities are based on the best estimate of the undiscounted future costs required to complete the remedial work. The recorded liabilities are adjusted periodically as remediation efforts progress or as additional technical, regulatory or legal information becomes available. Given the uncertainties regarding the status of laws, regulations, enforcement policies, the impact of other potentially responsible parties, technology and information related to individual sites, the Company does not believe it is possible to develop an estimate of the range of reasonably possible environmental loss in excess of our recorded liabilities. The Company expects to fund expenditures for these matters from operating cash flow. The timing of cash expenditures depends on a number of factors, including the timing of remedial investigations and feasibility studies, the timing of litigation and settlements of remediation liability, personal injury and property damage claims, regulatory approval of cleanup projects, remedial techniques to be utilized and agreements with other parties.

The Company accrues costs related to environmental matters when it is probable that it has incurred a liability related to a contaminated site and the amount can be reasonably estimated. Environmental-related expenses for sites owned and operated by Resideo are presented within Cost of goods sold for operating sites in the Consolidated and Combined Statement of Operations. Prior to the Spin-Off, expenses related to Honeywell Sites now under the Honeywell Reimbursement Agreement were presented within Other expense, net in the Consolidated and Combined Statement of Operations.

The following table summarizes information concerning the recorded liabilities for environmental costs. On October 29, 2018, upon the consummation of the Spin-Off, certain environmental liabilities became subject to the Honeywell Reimbursement Agreement and were reclassified to Obligations payable to Honeywell. For additional information, see Honeywell Reimbursement Agreement below.

	Years Ended December 31,		
	2019	2018	2017
Beginning of year	$ 20	$ 537	$ 453
Accruals for environmental matters deemed probable and reasonably estimable	2	340	282
Environmental liability payments	-	(179)	(198)
Less: Change due to the Honeywell Reimbursement Agreement Payments	-	(86)	-
Less: Liabilities subject to the Honeywell Reimbursement Agreement Payments	-	(592)	-
End of year	$ 22	$ 20	$ 537

The $86 million change due to the Honeywell Reimbursement Agreement represents a reduction in the estimated liability driven by the terms of Honeywell Reimbursement Agreement at October 29, 2018. Pursuant to the Honeywell Reimbursement Agreement, the Company is responsible to indemnify Honeywell in amounts equal to 90% of the environmental-liability payments of certain sites, less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales. Prior to the Spin-Off our estimated liability for resolution of the same pending and future environmental-related liabilities was calculated as if it was responsible for 100% of the environmental-liability payments. In addition, prior to the Spin-Off, these costs were calculated on the gross basis, excluding any insurance receipts or proceeds received by Honeywell.

The Company does not currently possess sufficient information to reasonably estimate the amounts of environmental liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined although they could be material to our consolidated and combined results of operations and operating cash flows in the periods recognized or paid.

Honeywell Reimbursement Agreement

On October 29, 2018, in connection with the Spin-Off, the Company entered into an indemnification and reimbursement agreement with Honeywell (the "Honeywell Reimbursement Agreement") pursuant to which the Company has an obligation to make cash payments to Honeywell in amounts equal to 90% of payments for certain Honeywell environmental-liability payments, which include amounts billed ("payments"), less 90% of Honeywell's net insurance receipts relating to such liabilities, and less 90% of the net proceeds received by Honeywell in connection with (i) affirmative claims relating to such liabilities, (ii) contributions by other parties relating to such liabilities and (iii) certain property sales (the "recoveries"). The amount payable by the Company in respect of such liabilities arising in respect of any given year is subject to a cap of $140 million (exclusive of any late payment fees up to 5% per annum). The scope of the Company's current environmental remediation obligations subject to the Honeywell Reimbursement Agreement relates to approximately 230 sites or groups of sites that are undergoing environmental remediation under U.S. federal or state law and agency oversight for contamination associated with Honeywell historical business operations. The ongoing environmental remediation is designed to address contaminants at upland and sediment sites, which include, among others, metals, organic compounds and polychlorinated biphenyls, through a variety of methods, which include, among others, excavation, capping, in-situ stabilization, groundwater treatment and dredging. In addition, the Company obligations subject to the Honeywell Reimbursement Agreement will include certain liabilities with respect to (i) hazardous exposure or toxic tort claims associated with the specified sites that arise after the Spin-Off, if any, (ii) currently unidentified releases of hazardous substances at or associated with the specified sites, (iii) other environmental claims associated with the specified sites and (iv) consequential damages.

Payments in respect of the liabilities arising in a given year will be made quarterly throughout such year on the basis of an estimate of the liabilities and recoveries provided by Honeywell. Following the end of any such year, Honeywell will provide the Company with a calculation of the amount of payments and the recoveries actually received.

Payment amounts under the Honeywell Reimbursement Agreement will be deferred to the extent that a specified event of default has occurred and is continuing under certain indebtedness, including under the Company's principal credit agreement, or the payment thereof causes the Company to not be compliant with certain financial covenants in certain indebtedness, including the Company's principal credit agreement on a pro forma basis, including the maximum total leverage ratio (ratio of consolidated debt to consolidated EBITDA, which excludes any amounts owed to Honeywell under the Honeywell Reimbursement Agreement), and the minimum interest coverage ratio. A 5% late payment fee will accrue on all amounts that are not otherwise entitled to be deferred under the terms of the Honeywell Reimbursement Agreement, without prejudice to any other rights that Honeywell may have for late payments.

The obligations under the Honeywell Reimbursement Agreement will continue until the earlier of: (1) December 31, 2043; or (2) December 31 of the third consecutive year during which the annual reimbursement obligation (including in respect of deferred payment amounts) has been less than $25 million.

(Dollars in millions, unless otherwise noted)

The following table summarizes information concerning our Honeywell Reimbursement Agreement liabilities:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Beginning of year	$ 616	$ -
Liabilities subject to the Honeywell Reimbursement Agreement payments	-	592
Accruals for indemnification liabilities deemed probable and reasonably estimable	179	49
Reduction (1)	(71)	-
Indemnification payment	(139)	(25)
End of year	$ 585	$ 616

(1) Reduction in indemnification liabilities relates to a provision in the Honeywell Reimbursement Agreement that reduces the obligation due to Honeywell for any proceeds received by Honeywell from a property sale of a site under the agreement.

Honeywell Reimbursement Agreement liabilities are included in the following balance sheet accounts:

	Year Ended December 31, 2019	Year Ended December 31, 2018
Accrued liabilities	$ 140	$ 140
Obligations payable to Honeywell	445	476
	$ 585	$ 616

The Company does not currently possess sufficient information to reasonably estimate the amounts of indemnification liabilities to be recorded upon future completion of studies, litigation or settlements, and neither the timing nor the amount of the ultimate costs associated with environmental matters can be determined although they could be material to our consolidated and combined results of operations and operating cash flows in the periods recognized or paid.

Independent of the Company's payments under the Honeywell Reimbursement Agreement, the Company will have ongoing liability for certain environmental claims which are part of the Company's going forward business.

Tax Matters Agreement

In connection with the Spin-Off, the Company entered into a tax matters agreement (the "Tax Matters Agreement") with Honeywell pursuant to which it is responsible and will indemnify Honeywell for all taxes, including income taxes, sales taxes, VAT and payroll taxes, relating to the business for all periods, including periods prior to the consummation of the Spin-Off. In addition, the Tax Matters Agreement addresses the allocation of liability for taxes that are incurred as a result of restructuring activities undertaken to effectuate the Spin-Off.

In addition, the Tax Matters Agreement provides that the Company is required to indemnify Honeywell for any taxes (and reasonable expenses) resulting from the failure of the Spin-Off and related internal transactions to qualify for their intended tax treatment under U.S. federal, state and local income tax law, as well as foreign tax law, where such taxes result from (a) breaches of covenants and representations it makes and agrees to in connection with the Spin-Off, (b) the application of certain provisions of U.S. federal income tax law to these transactions or (c) any other action or omission (other than actions expressly required or permitted by the Separation and Distribution Agreement, the Tax Matters Agreement or other ancillary agreements) the Company takes after the consummation of the Spin-Off that gives rise to these taxes.

The Tax Matters Agreement imposes certain restrictions on us and our subsidiaries (including restrictions on share issuances, redemptions or repurchases, business combinations, sales of assets and similar transactions) that are designed to address compliance with Section 355 of the Internal Revenue Code of 1986, as amended, and are intended to preserve the tax-free nature of the Spin-Off. Under the Tax Matters Agreement, these restrictions will apply for two years following the consummation of the Spin-Off, unless Honeywell gives its consent for us to take a restricted action, which it is permitted to grant or withhold at its sole discretion. Even if Honeywell does consent to our taking an otherwise restricted action, the Company will remain liable to indemnify Honeywell in the event such restricted action gives rise to an otherwise indemnifiable liability. These restrictions may limit the Company's ability to pursue strategic transactions or engage in new businesses or other transactions that may maximize the value of its business and might discourage or delay a strategic transaction that stockholders may consider favorable.

As of December 31, 2019, and 2018, the Company has indemnified Honeywell for future tax payments of $149 million and $153 million, which is included in Obligations payable to Honeywell.

Trademark Agreement

The Company and Honeywell entered into a 40-year Trademark License Agreement (the "Trademark Agreement") that authorizes the Company's use of certain licensed trademarks in the operation of Resideo's business for the advertising, sale and distribution of certain licensed products. In exchange, the Company will pay a royalty fee of 1.5% on net revenue to Honeywell related to such licensed products which is recorded in Selling, general and administrative expense on the Consolidated and Combined Statement of Operations. For the period ended December 31, 2019 and 2018, royalty fees were $27 million and $4 million, net of a one-time credit of $2 million received in December 31, 2018 for inventory on hand as of the Spin-Off, respectively.

Other Matters

The Company is subject to other lawsuits, investigations and disputes arising out of the conduct of its business, including matters relating to commercial transactions, government contracts, product liability, prior acquisitions and divestitures, employee matters, intellectual property, and environmental, health and safety matters. The Company recognizes a liability for any contingency that is probable of occurrence and reasonably estimable. The Company continually assesses the likelihood of adverse judgments of outcomes in these matters, as well as potential ranges of possible losses (taking into consideration any insurance recoveries), based on a careful analysis of each matter with the assistance of outside legal counsel and, if applicable, other experts. The Company recorded legal expense of $21 million for year the ended December 31, 2019. Prior to the Spin-off, legal expenses were paid by Honeywell and then allocated to the Company as part of a corporate expense allocation that did not separately identify the specific expenses. As of December 31, 2019 and 2018, the Company had a legal reserve of $8 million and $7 million, respectively.

The Company is involved in the class action suites as described below:

Between November 8, 2019 and January 7, 2020, four separate purported class action complaints alleging violations of the federal securities laws were filed against the Company, the Company's CEO Michael Nefkens, and the Company's former CFO Joseph Ragan, in the United States District Court for the District of Minnesota (the "Minnesota Court").

(Dollars in millions, unless otherwise noted)

On November 8, 2019, the St. Clair County Employees' Retirement System filed a purported class action complaint in the Minnesota Court styled St. Clair County Employees' Retirement System v. Resideo Technologies, et. al, 19-cv-02863 (D. Minn Nov. 8, 2020) (the "St. Clair Action"). The St. Clair Action purports to assert claims on behalf of a class of persons who purchased the Company's stock between October 29, 2018 and October 22, 2019. It claims that the Company, Mr. Nefkens, and Mr. Ragan made false and misleading statements regarding among other things, the Company's performance, the efficiency of its supply chain, and that it was ahead of schedule in resolving operational and administrative issues resulting from the Spin-Off. It alleges that the Company's financial guidance lacked a reasonable basis and the Company was not on track to make its 2019 earnings guidance. The St. Clair Action asserts claims under section 10b-5 and section 20 of the Exchange Act.

On November 12, 2019, the Hollywood Firefighters' Pension Fund filed a purported class action complaint in the Minnesota Court styled Hollywood Firefighters' Pension Fund v. Resideo Technologies, et. al, 19-cv-2889 (D. Minn Nov. 12, 2019) (the "Hollywood Action"). The Hollywood Action contains similar allegations and claims to those set forth in the St. Clair Action and purports to be asserted on behalf of a plaintiff class that purchased Company stock between October 10, 2018 and October 22, 2019.

On December 20, 2019, the Frampton Living Trust filed a purported class action complaint in the Minnesota Court styled Frampton Living Trust v. Resideo Technologies, et. al, 19-cv-3133 (D. Minn Dec. 20, 2019) (the "Frampton Action"). The Frampton Action contains similar allegations and claims to those set forth in the previous complaints and purports to be asserted on behalf of a plaintiff class that purchased Company stock between October 10, 2018 and October 22, 2019.

On January 7, 2020, a group of institutional investors, including the Gabelli Asset Fund, filed a purported class action complaint in the Minnesota Court styled The Gabelli Asset Fund, et. al v. Resideo Technologies, et. al, 20-cv-00094 (D. Minn Jan. 7, 2020) (the "Gabelli Action"). The Gabelli Action contains similar allegations and claims to those set forth in the previous complaints and purports to be asserted on behalf of a plaintiff class that purchased Company stock between October 15, 2018 and October 22, 2019. The Gabelli Action also asserts purported claims based on Honeywell's pre-spin conduct and statements and names Honeywell as a defendant.

On January 27, 2020, the Minnesota Court granted an order on a stipulation addressing the various motions for consolidation and appointment of lead plaintiff and lead counsel in the pending actions. By this ruling, the court consolidated the pending actions into a single proceeding styled In re Resideo Technologies, Inc. Securities Litigation, 19-cv-02889. The court also appointed co-lead plaintiffs and co-lead plaintiffs' counsel. The lead plaintiffs' deadline to file an amended, consolidated complaint is March 27, 2020.

Warranties and Guarantees

In the normal course of business, the Company issues product warranties and product performance guarantees. It accrues for the estimated cost of product warranties and performance guarantees based on contract terms and historical experience at the time of sale. Adjustments to initial obligations for warranties and guarantees are made as changes to the obligations become reasonably estimable. Product warranties and product performance guarantees are included in Accrued liabilities. The following table summarizes information concerning recorded obligations for product warranties and product performance guarantees.

	Years Ended December 31,		
	2019	2018	2017
Beginning of year	$ 26	$ 17	$ 24
Accruals for warranties/guarantees issued during the year	15	17	10
Adjustment of pre-existing warranties/guarantees	-	(1)	(4)
Settlement of warranty/guarantee claims	(16)	(7)	(13)
End of year	$ 25	$ 26	$ 17

Purchase Commitments

The Company's unconditional purchase obligations include purchase commitments with suppliers and other obligations entered in to during the normal course of business regarding the purchase of goods and services. For the year ended December 31, 2019, purchases related to these obligations were $343 million. Purchases under these obligations were not material for the years ended December 31, 2018 and 2017. As of December 31, 2019, our estimated minimum obligations associated with unconditional purchase obligations, which are not recognized in our Consolidated Balance Sheet, were $286 million in 2020, $252 million in 2021, $8 million in 2022, $6 million in 2023 and $2 million in 2024.

Note 20. Pension

Prior to the Spin-Off, certain of Resideo's employees participated in multiple U.S. and non-U.S. defined benefit pension plans (the "Shared Plans") sponsored by Honeywell, which includes participants from other Honeywell subsidiaries and operations. The Company accounted for participation in the Shared Plans as if the Shared Plans were a multiemployer benefit plan. Accordingly, it did not record an asset or liability to recognize the funded status of the Shared Plans.

The related pension expense was allocated based on annual service cost of active participants and reported within Costs of goods sold and Selling, general and administrative expenses in the Consolidated and Combined Statement of Operations. The pension expense related to participation in the Shared Plans for the period from January 1, 2018 until October 29, 2018 and the year ended December 31, 2017 was $11 million and $16 million, respectively.

As of the date of separation from Honeywell, these employees' and certain former Honeywell employees' entitlement to benefits in Honeywell's plans were transferred to Resideo sponsored plans.

The Resideo defined benefit pension plans have substantially similar benefit formulas as the Honeywell defined benefit pension plans. Moreover, vesting service, benefit accrual service and compensation credited under the Honeywell defined benefit pension plans apply to the determination of pension benefits under the Resideo defined benefit pension plan.

The Company sponsors multiple funded and unfunded U.S. and non-U.S. defined benefit pension plans. Pension benefits for many of its U.S. employees are provided through non-contributory, qualified and non-qualified defined benefit plans. It also sponsors defined benefit pension plans which cover non-U.S. employees who are not U.S. citizens, in certain jurisdictions, principally Germany, Austria, Belgium, France, India, Switzerland, and the Netherlands.

(Dollars in millions, unless otherwise noted)

The following tables summarize the balance sheet impact, including the benefit obligations, assets and funded status associated with the pension plans.

	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Change in benefit obligation:				
Benefit obligation at beginning of year [1]	$ 286	$ 279	$ 93	$ 95
Service cost	5	1	5	1
Interest cost	13	2	2	-
Actuarial losses (gains)	51	5	27	(3)
Net benefits paid	(13)	(1)	-	-
Other	2	-	10	-
Benefit obligation at end of year	344	286	137	93
Change in plan assets:				
Fair value of plan assets at beginning of year [1]	274	279	20	20
Actual return (loss) on plan assets	70	(4)	2	-
Contributions	-	-	2	-
Net benefits paid	(13)	(1)	(2)	-
Other	-	-	5	-
Fair value of plan assets at end of year	331	274	27	20
Funded status of plans (non-current)	$ (13)	$ (12)	$ (110)	$ (73)

(1) 2018 "Beginning of year" is the Spin-Off date, October 29, 2018.

Amounts recognized in Accumulated other comprehensive (income) loss associated with pension plans at December 31, 2019 and 2018 are as follows:

	U.S. Plans		Non-U.S. Plans	
	2019	2018 [1]	2019	2018 [1]
Prior service credit	$ (3)	$ (4)	$ -	$ -
Net actuarial loss	12	16	13	5
Net amount recognized	$ 9	$ 12	$ 13	$ 5

(1) 2018 begins at the Spin-Off date, October 29, 2018. 2017 activity was recognized under the Shared Plans.

(Dollars in millions, unless otherwise noted)

The components of net periodic benefit cost and other amounts recognized in Comprehensive (income) loss for pension plans include the following components:

	U.S. Plans		Non-U.S. Plans	
	2019	2018 (1)	2019	2018 (1)
Net Periodic Benefit Cost				
Service cost	$ 5	$ 1	$ 5	$ 1
Interest cost	13	2	2	-
Expected return on plan assets	(16)	(3)	(1)	-
Amortization of prior service credit	(1)	-	-	-
Actuarial losses	1	-	16	-
Other	-	-	2	-
Net periodic benefit cost	$ 2	$ -	$ 24	$ 1

(1) 2018 begins at the Spin-Off date, October 29, 2018. 2017 activity was recognized under the Shared Plans.

The components of net periodic benefit cost other than the service cost are included in Other expense, Net in the Consolidated and Combined Statement of Operations for the years ended December 31, 2019 and 2018.

	U.S. Plans		Non-U.S. Plans	
	2019	2018 (1)	2019	2018 (1)
Other Changes in Plan Assets and Benefits Obligations Recognized in Other Comprehensive (Income) Loss				
Actuarial (gains) losses	(3)	12	25	(3)
Actuarial gains recognized during the year	-	-	(17)	-
Total recognized in other comprehensive loss (income)	$ (3)	$ 12	$ 8	$ (3)
Total recognized in net periodic benefit cost and other comprehensive income (loss)	$ (1)	$ 12	$ 32	$ (2)

(1) 2018 begins at the Spin-Off date, October 29, 2018. 2017 activity was recognized under the Shared Plans.

The estimated prior service (credit) for pension benefits that will be amortized from Accumulated other comprehensive (income) loss into net periodic benefit (income) cost in 2020 are expected to be $(1) million and $0 million for U.S. and non-U.S. pension plans, respectively.

Significant actuarial assumptions used in determining the benefit obligations and net periodic benefit (income) cost for benefit plans are presented in the following table as weighted averages.

	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Actuarial assumptions used to determine benefit obligations as of December 31:				
Discount rate	3.3%	4.5%	1.1%	1.9%
Expected annual rate of compensation increase	3.4%	3.4%	2.4%	2.3%
Actuarial assumptions used to determine net periodic benefit cost for the twelve months ended December 31, 2019 and two months ended December 31, 2018:				
Discount rate - benefit obligation	4.5%	4.5%	2.0%	1.9%
Expected rate of return on plan assets	5.7%	5.7%	2.8%	3.3%
Expected annual rate of compensation increase	3.4%	3.4%	2.4%	2.3%

(Dollars in millions, unless otherwise noted)

The discount rate for the U.S. pension plans reflects the current rate at which the associated liabilities could be settled at the measurement date of December 31. To determine discount rates for the U.S. pension plans, the Company uses a modeling process that involves matching the expected cash outflows of its benefit plans to a yield curve constructed from a portfolio of high-quality, fixed income debt instruments. The Company uses the single weighted-average yield of this hypothetical portfolio as a discount rate benchmark.

The expected rate of return on U.S. plan assets of 5.7% is a long-term rate based on historical plan asset returns over varying long-term periods combined with current market conditions and broad asset mix considerations. The Company reviews the expected rate of return on an annual basis and revises it as appropriate.

For non-U.S. benefit plans, actuarial assumptions reflect economic and market factors relevant to each country.

The following amounts relate to pension plans with accumulated benefit obligations exceeding the fair value of plan assets.

	December 31,			
	U.S. Plans		Non-U.S. Plans	
	2019	2018	2019	2018
Projected benefit obligation	$ 344	$ 286	$ 137	$ 93
Accumulated benefit obligation	$ 332	$ 281	$ 116	$ 80
Fair value of plan assets	$ 331	$ 274	$ 27	$ 20

The Company utilized a third-party investment management firm to serve as its Outsourced Chief Investment Officer; however, the Company has appointed an internal fiduciary committee that monitors adherence to the investment guidelines the firm will follow.

The Company employs an investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. Risk tolerance is established through careful consideration of plan liabilities and plan funded status. The investment portfolio contains a diversified blend of equity and fixed income investments. Furthermore, equity investments are diversified across U.S. and non-U.S. stocks, as well as growth, value and small and large capitalizations. Other assets such as real estate and hedge funds may be used to improve portfolio diversification.

(Dollars in millions, unless otherwise noted)

The non-U.S. investment policies are different for each country as local regulations, funding requirements, and financial and tax considerations are part of the funding and investment allocation process in each country.

A majority of the U.S. pension plan assets as of December 31, 2019 do not have published pricing and are valued using Net Asset Value ("NAV") which approximates fair value. NAV by asset category and fair value by asset category are as follows for December 31, 2019 and 2018:

	U.S. Plans								
	2019					2018			
	Total	NAV	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Cash	$ 4	$ -	$ 4	$ -	$ -	$ -	$ -	$ -	$ -
Short-term investments	-	-	-	-	-	12	12	-	-
Equity	100	100	-	-	-	119	119	-	-
Investment funds	15	15	-	-	-	-	-	-	-
U.S. treasury obligations	132	132	-	-	-	-	-	-	-
Government bonds	32	32	-	-	-	-	-	-	-
Corporate bonds	16	16	-	-	-	143	143	-	-
Real estate / property	32	32	-	-	-	-	-	-	-
Total assets at fair value	$ 331	$ 327	$ 4	$ -	$ -	$ 274	$ 274	$ -	$ -

The fair values of the non-U.S. pension plan assets as by asset category are as follows:

	Non-U.S. Plans							
	December 31, 2019				December 31, 2018			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Equity	$ 1	$ 1	$ -	$ -	$ 6	$ 6	$ -	$ -
Short-term investments	-	-	-	-	4	4	-	-
Government bonds	1	-	1	-	1	1	-	-
Corporate bonds	1	-	1	-	2	2	-	-
Insurance contracts	8	-	-	8	6	-	-	6
Other	16	-	-	16	1	1	-	-
Total assets at fair value	$ 27	$ 1	$ 2	$ 24	$ 20	$ 14	$ -	$ 6

The following table summarizes changes in the fair value of Level 3 assets for Non-U.S. plans:

	Non-U.S. Plans
Balance at October 29, 2018	$ 5
Return on plan assets	1
Purchases, sales and settlements, net	-
Balance at December 31, 2018	6
Return on plan assets	2
Purchases, sales and settlements, net	15
Other	1
Balance at December 31, 2019	$ 24

(Dollars in millions, unless otherwise noted)

Excluding assets valued using NAV, Cash, Short-term Investments, Equity along with our Government Bonds and Corporate bonds held as of December 31, 2018 are valued at the closing price reported in the active market in which the individual securities are traded. Corporate Bonds and Government Bonds held as of December 31, 2019 are valued either by using pricing models, bids provided by brokers or dealers, quoted prices of securities with similar characteristics or discounted cash flows and as such include adjustments for certain risks that may not be observable such as credit and liquidity risks. Other investments as of December 31, 2019 and Insurance Contracts are classified as Level 3 as there are neither quoted prices nor other observable inputs for pricing. Insurance Contracts are issued by insurance companies and are valued at cash surrender value, which approximates the contract fair value. Other investments consist of a collective pension foundation that is valued and allocated by the plan administrator.

The Company utilizes the services of retirement and investment consultants to actively manage the assets of our pension plans. The Company has established asset allocation targets and investment guidelines based on the guidance of the consultants. The Company's target allocations are 50% fixed income investments, 30% global equity investments, 10% global real estate investments and 10% cash and other investments.

The Company's general funding policy for qualified defined benefit pension plans is to contribute amounts at least sufficient to satisfy regulatory funding standards. In 2019, it was not required to make contributions to the U.S. pension plans and no contributions were made. There is no requirement to make any contributions to the U.S. pension plans in 2020. In 2019, contributions of $2 million were made to the non-U.S. pension plans to satisfy regulatory funding requirements. In 2020, the Company expects to make contributions of cash and/or marketable securities of approximately $2 million to the non-U.S. pension plans to satisfy regulatory funding standards. Contributions for both the U.S. and non-U.S. pension plans do not reflect benefits paid directly from Company assets.

Benefit payments, including amounts to be paid from Company assets, and reflecting expected future service, as appropriate, are expected to be paid as follows:

	U.S. Plans	Non-U.S. Plans
2020	$ 18	$ 2
2021	$ 19	$ 2
2022	$ 19	$ 2
2023	$ 22	$ 2
2024	$ 23	$ 3
2025-2029	$ 112	$ 19

Note 21. Segment Financial Data

The Company globally manages its business operations through two reportable operating segments, Products & Solutions and ADI Global Distribution:

Products & Solutions—The Products & Solutions business is a leading global provider of products, software solutions and technologies that help homeowners stay connected and in control of their comfort, security and energy use.

ADI Global Distribution—The ADI Global Distribution business is a leading global distributor of low-voltage electronic and security products.

Segment information is consistent with how management reviews the businesses, makes investing and resource allocation decisions and assesses operating performance.

(Dollars in millions, unless otherwise noted)

Prior to the first quarter of 2019, the Company's Chief Operating Decision Maker ("CODM") managed and evaluated its segment performance based on segment profit defined as segment income (loss) before taxes excluding Other expense, net (primarily environmental cost now subject to the Honeywell Reimbursement Agreement), interest expense, pension expense, environmental expense related to Resideo's owned sites and restructuring charges. Beginning in the first quarter of 2019, the Company's CODM changed the way segment performance is evaluated by making financial decisions and allocating resources based on Segment Adjusted EBITDA. Segment Adjusted EBITDA is defined as segment net income before income taxes, net interest (income) expense, depreciation and amortization plus environmental expense, Honeywell Reimbursement Agreement expense, stock compensation expense, restructuring charges, other expense, net and other costs not directly relating to future ongoing business of the segments, such as Spin-Off related costs, and consulting fees relating to restructuring programs. adjustments. All periods have been adjusted to present the new measure of segment income.

	Years Ended December 31,		
	2019	2018	2017
Revenue			
Total Products & Solutions revenue	$ 2,487	$ 2,474	$ 2,379
Less: Intersegment revenue	312	305	337
External Products & Solutions revenue	2,175	2,169	2,042
External ADI Global Distribution revenue	2,813	2,658	2,477
Total revenue	$ 4,988	$ 4,827	$ 4,519

	Years Ended December 31,		
	2019	2018	2017
Segment Adjusted EBITDA			
Products & Solutions	$ 314	$ 460	$ 409
ADI Global Distribution	188	164	143
Total	$ 502	$ 624	$ 552

	Years Ended December 31,		
	2019	2018	2017
Capital expenditures			
Products & Solutions	$ 88	$ 73	$ 44
ADI Global Distribution	7	8	7
Total	$ 95	$ 81	$ 51

The table below provides a reconciliation of net income to Segment Adjusted EBITDA:

	Years Ended December 31,		
	2019	2018	2017
Net income (loss)	$ 36	$ 405	$ (394)
Net interest expense (income) (1)	66	13	(3)
Tax expense (benefit)	35	(301)	560
Depreciation and amortization	80	66	67
Environmental expense (2)	2	340	282
Honeywell Reimbursement Agreement expense (3)	108	49	-
Stock compensation expense (4)	25	20	16
Restructuring charges	37	5	23
Other (5)	113	27	1
Segment Adjusted EBITDA	$ 502	$ 624	$ 552

(1) For the year ended December 31, 2019, 2018, and 2017 interest expense was $69 million, $20 million and $- million net of interest income of $3 million, $7 million, and $3 million, respectively.
(2) Represents current environmental expense for Resideo's owned sites as well as pre-Spin-Off historical environmental expenses as reported under 100% carryover basis for sites now covered under the Honeywell Reimbursement Agreement
(3) Represents recorded expenses related to the Honeywell Reimbursement Agreement.
(4) Stock compensation expense adjustment includes only non-cash expenses.
(5) For the year ended December 31, 2019, represents $80 million in costs directly related to the Spin-Off, $20 million related to developments on legal claims that arose prior to the Spin-Off and consulting fees related to restructuring programs, and $13 million in non-operating expense adjustment which excludes net interest (income). For the year ended December 31, 2018, represents $23 million in costs directly related to the Spin-Off, and $4 million in non-operating (income) expense adjustment which excludes net interest (income). For the year ended December 31, 2017, represents $1 million in non-operating (income) expense adjustment which excludes net interest (income).

The Company's CODM does not use segment assets information to allocate resources or to assess performance of the segments and therefore, total segment assets have not been disclosed.

(Dollars in millions, unless otherwise noted)

Note 22. Geographic Areas—Financial Data

	Net Revenue (1) Years Ended December 31,			Long-lived Assets (2) December 31,		
	2019	2018	2017	2019	2018	2017
United States	$ 3,423	$ 3,289	$ 3,074	$ 186	$ 184	$ 162
Europe	1,117	1,138	1,063	103	91	82
Other International	448	400	382	27	25	21
	$ 4,988	$ 4,827	$ 4,519	$ 316	$ 300	$ 265

(1) Revenue between geographic areas approximate market and is not significant. Net revenue is classified according to their country of origin. Included in United States net revenue are export sales of $27 million, $31 million and $29 million in 2019, 2018 and 2017, respectively.
(2) Long-lived assets are comprised of property, plant and equipment—net.

Note 23. Unaudited Quarterly Financial Information

The following tables show selected unaudited quarterly results of operations for 2019 and 2018. The quarterly data have been prepared on the same basis as the audited annual financial statements and include all adjustments, which include only normal recurring adjustments, necessary for the fair statement of the results of operations for these periods.

	2019				
	March 31	June 30	September 30	December 31	Year Ended December 31,
Net Revenue	$ 1,216	$ 1,242	$ 1,226	$ 1,304	$ 4,988
Gross Profit	313	296	289	292	1,190
Net Income (loss)	48	(11)	8	(9)	36
Earnings (loss) per share -basic	0.39	(0.09)	0.07	(0.07)	0.29
Earnings (loss) per share - diluted	0.39	(0.09)	0.06	(0.07)	0.29

	2018				
	March 31	June 30	September 30 (b)	December 31	Year Ended December 31,
Net Revenue	$ 1,165	$ 1,196	$ 1,200	$ 1,266	$ 4,827
Gross Profit	343	346	347	330	1,366
Net Income	45	33	311	16	405
Earnings per share - basic (a)	0.37	0.27	2.54	0.13	3.31
Earnings per share - diluted (a)	0.37	0.27	2.54	0.13	3.30

(a) On October 29, 2018, the date of the Spin-Off, 122,498,794 shares of the Company's Common Stock were distributed to Honeywell stockholders of record as of October 16, 2018. Basic and Diluted EPS for all periods prior to the Spin-Off reflect the number of distributed shares, or 122,498,794 shares.
(b) Basic and diluted EPS for the three months ended September 30, 2018 has been revised from the third quarter 10-Q to correctly reflect the exclusion of 467,764 treasury shares received by Resideo as part of the Spin-Off. This increased earnings per share by $0.01 and $0.02 for the three and nine months ended September 30, 2018, respectively.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not Applicable.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures designed to give reasonable assurance that information required to be disclosed in the Company's reports filed or submitted under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to management to allow timely decisions regarding required disclosures.

Management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Because there are inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud have been or will be detected.

Our Chief Executive Officer and Interim Chief Financial Officer, with the assistance of other members of our management, conducted an evaluation of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based upon such evaluation, our Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures are effective at a reasonable assurance level as of the end of the period covered by this Annual Report on Form 10-K.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is a process designed to provide reasonable assurance to our management and board of directors regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2019. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013).

Based on this assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2019.

The effectiveness of the Company's internal control over financial reporting as of December 31, 2019 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report which is included in Item 8. Financial Statements and Supplementary Data.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during the quarter ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We have implemented, and continue to refine, internal controls and key system functionality to enable the preparation of financial information related to the new lease standard (ASU No. 2016-02) upon adoption on January 1, 2019. There were no significant changes to our internal control over financial reporting due to the adoption of the new lease standard.

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included in our Proxy Statement to be filed pursuant to Regulation 14A within 120 days after our year ended December 31, 2019 in connection with our 2020 Annual Meeting of Stockholders, or the 2020 Proxy Statement, and is incorporated herein by reference.

Item 11. Executive Compensation

Information relating to executive compensation is contained in the Proxy Statement referred to above in Item 10. Directors, Executive Officers and Corporate Governance, and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information relating to certain beneficial ownership of certain stockholders and management, as well as certain other information required by this Item 12, will be contained in the Proxy Statement referred to above in Item 10. Directors, Executive Officers and Corporate Governance, and such information is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information relating to certain relationships and related transactions, as required by this Item 13, will be contained in the Proxy Statement referred to above in Item 10. Directors, Executive Officers and Corporate Governance, and such information is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information relating to fees paid to and services performed by Deloitte & Touche LLP and our Audit Committee’s pre-approval policies and procedures with respect to non-audit services are contained in the Proxy Statement referred to above in Item 10. Directors, Executive Officers and Corporate Governance, and such information is incorporated herein by reference.

PART IV.

Item 15. Exhibits, Financial Statement Schedules

(a)(1) **Financial Statements**

The consolidated and combined financial statements and related notes, together with the report of Deloitte & Touche LLP, Independent Registered Public Accounting Firm, appear in Part II Item 8. *Financial Statements and Supplementary Data* of this Form 10-K.

(a)(2) **Financial Statements Schedules**

All schedules have been omitted because they are not required or because the required information is given in the Consolidated and Combined Financial Statements or Notes thereto.

(a)(3) **Exhibits**

The Exhibits listed below on the Exhibit Index are filed or incorporated by reference as part of this Form 10-K.

EXHIBIT INDEX

Exhibit Number	Exhibit Description
2.1	Indemnification and Reimbursement Agreement, dated October 14, 2018, between New HAPI Inc. and Honeywell International Inc. (this Agreement has been updated to include exhibits thereto) (filed herewith)
2.2	Separation and Distribution Agreement, dated October 19, 2018, between Honeywell International Inc. and Resideo Technologies, Inc.* (incorporated by reference to Exhibit 2.1 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
2.3	Transition Services Agreement, dated October 19, 2018, between Honeywell International Inc. and Ademco Inc., a subsidiary of Resideo Technologies, Inc.* (incorporated by reference to Exhibit 2.2 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
2.4	Tax Matters Agreement, dated October 19, 2018, between Honeywell International Inc. and Resideo Technologies, Inc.* (incorporated by reference to Exhibit 2.3 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
2.5	Employee Matters Agreement, dated October 19, 2018, between Honeywell International Inc. and Resideo Technologies, Inc.* (incorporated by reference to Exhibit 2.4 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
2.6	Patent Cross-License Agreement, dated October 19, 2018, between Honeywell International Inc. and Resideo Technologies, Inc.* (incorporated by reference to Exhibit 2.5 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
2.7	Trademark License Agreement, dated October 19, 2018, between Honeywell International Inc. and Resideo Technologies, Inc.* (incorporated by reference to Exhibit 2.6 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
3.1	Amended and Restated Certificate of Incorporation of Resideo Technologies, Inc. (incorporated by reference to Exhibit 3.1 to Resideo's Form 8-K filed on October 29, 2018, File No. 001-38635)
3.2	Amended and Restated By-laws of Resideo Technologies, Inc. (incorporated by reference to Exhibit 3.2 to Resideo's Form 8-K filed on October 29, 2018, File No. 001-38635)

Exhibit Number	Exhibit Description
4.1	Description of Securities of Registrant (filed herewith)
4.2	Indenture, dated as of October 19, 2018, among Resideo Funding Inc., Resideo Technologies, Inc., the other guarantors named therein, and Deutsche Bank Trust Company Americas, as trustee. (incorporated by reference to Exhibit 4.1 to Resideo's Form 8-K filed on October 19, 2018, File No. 001-38635)
4.3	Form of Resideo Technologies, Inc.'s 6.125% Notes due 2026 (included in Exhibit 4.2)
10.01	Offer Letter of Michael G. Nefkens (incorporated by reference to Exhibit 10.01 to Resideo's Form 10 filed on August 23, 2018, File No. 001-38635)
10.02	Offer Letter of Joseph D. Ragan III (incorporated by reference to Exhibit 10.02 to Resideo's Form 10 filed on August 23, 2018, File No. 001-38635)
10.03	Form of Internal Hire Offer Letter (incorporated by reference to Exhibit 10.03 to Resideo's Form 10 filed on August 23, 2018, File No. 001-38635)
10.04	Form of External Hire Offer Letter (incorporated by reference to Exhibit 10.04 to Resideo's Form 10 filed on August 23, 2018, File No. 001-38635)
10.05	Resideo Technologies Supplemental Savings Plan ‡ (incorporated by reference to Exhibit 10.05 to Resideo's Form 10-K filed on March 18, 2019, File No. 001-38635)
10.06	Resideo Technologies, Inc. Severance Plan For Designated Officers as amended on November 15, 2018 ‡ (incorporated by reference to Exhibit 10.07 to Resideo's Form 10-K filed on March 18, 2019, File No. 001-38635)
10.07	Credit Agreement, dated as of October 25, 2018, by and among Resideo Technologies, Inc. Resideo Holding Inc., Resideo Intermediate Holding Inc., Resideo Funding Inc., the Lenders and Issuing Banks party thereto, and JPMorgan Chase Bank, N.A., as administrative agent. (incorporated by reference to Exhibit 10.1 to Resideo's Form 8-K/A filed on October 29, 2018, File No. 001-38635)
10.08	First Amendment to Credit Agreement dated as of November 26, 2019, by and among the Company Resideo Holding Inc., a Delaware corporation, Resideo Intermediate Holding Inc., a Delaware corporation, Resideo Funding Inc., a Delaware corporation, the lenders and issuing banks party thereto, and JPMorgan Chase Bank, N.A., as administrative agent. (incorporated by reference to Exhibit 10.1 to Resideo's Form 8-K filed on November 27, 2019. File No. 001-38635)
10.09	Resideo Amended and Restated 2018 Stock Incentive Plan (incorporated by reference to Exhibit 10.1 to Resideo's Form 10-Q filed on August 7, 2019, File No. 001-38635)
10.10	2018 Stock Plan for Non-Employee Directors of Resideo Technologies, Inc. ‡ (incorporated by reference to Exhibit 4.4 to Resideo's Form S-8 filed on December 6, 2018, File No. 333-228687)
10.11	2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Stock Option Award Agreement. ‡ (incorporated by reference to Exhibit 4.5 to Resideo's Form S-8 filed on December 6, 2018, File No. 333-228687)
10.12	2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Restricted Stock Unit Agreement. ‡ (incorporated by reference to Exhibit 4.6 to Resideo's Form S-8 filed on December 6, 2018, File No. 333-228687)
10.13	2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Restricted Stock Unit Agreement (for replacement awards). ‡ (incorporated by reference to Exhibit 4.7 to Resideo's Form S-8 filed on December 6, 2018, File No. 333-228687)

Exhibit Number	Exhibit Description
10.14	2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Performance Stock Unit Agreement. ‡ (incorporated by reference to Exhibit 4.8 to Resideo’s Form S-8 filed on December 6, 2018, File No. 333-228687)
10.15	2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Performance Unit Agreement. ‡ (incorporated by reference to Exhibit 4.9 to Resideo’s Form S-8 filed on December 6, 2018, File No. 333-228687)
10.16	2018 Stock Plan for Non-Employee Directors of Resideo Technologies, Inc. Form of Stock Option Award Agreement. ‡ (incorporated by reference to Exhibit 4.10 to Resideo’s Form S-8 filed on December 6, 2018, File No. 333-228687)
10.17	2018 Stock Plan for Non-Employee Directors of Resideo Technologies, Inc. Form of Restricted Stock Unit Agreement. ‡ (incorporated by reference to Exhibit 4.11 to Resideo’s Form S-8 filed on December 6, 2018, File No. 333-228687)
10.18	Resideo Technologies UK Sharebuilder Plan. ‡ (incorporated by reference to Exhibit 4.12 to Resideo’s Form S-8 filed on December 6, 2018, File No. 333-228687)
10.19	Amended and Restated 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Stock Option Award Agreement. ‡ (incorporated by reference to Exhibit 10.20 to Resideo's Form 10-K filed on March 18, 2019, File No. 001-38635)
10.20	Amended and Restated 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Restricted Stock Unit Agreement. ‡ (incorporated by reference to Exhibit 10.21 to Resideo’s Form 10-K filed on March 18, 2019, File No. 001-38635)
10.21	Amended and Restated 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Performance Stock Unit Agreement. ‡ (incorporated by reference to Exhibit 10.22 to Resideo's Form 10-K filed on March 18, 2019, File No. 001-38635)
10.22	Amended and Restated 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates Form of Performance Unit Agreement. ‡ (incorporated by reference to Exhibit 10.23 to Resideo's Form 10-K filed on March 18, 2019, File No. 001-38635)
10.23	Resideo Supplemental Pension Plan ‡ (incorporated by reference to Exhibit 10.24 to Resideo's Form 10-K filed on March 18, 2019, File No. 001-38635)
10.24	Bonus Plan of Resideo Technologies, Inc. (incorporated by reference to Exhibit 10.1 to Resideo’s Form 8-K filed on February 14, 2019, File No. 001-38635)
10.25	Employment Separation Agreement and Release with Joseph D. Ragan dated October 21, 2019. ‡ (filed herewith)
10.26	Amended and Restated Restricted Stock Unit Agreement with Joseph D. Ragan dated November 6, 2019. ‡ (filed herewith)
10.27	Employment Offer letter agreement with Niccolo de Masi dated January 5, 2020 ‡ (filed herewith)
10.28	Amended and Restated Restricted Stock Unit Agreement with Niccolo de Masi dated January 6, 2020 ‡ (filed herewith)
10.29	Employment Separation Agreement and Release with Mike Nefkens dated January 22, 2020 ‡ (filed herewith)
21.1	List of subsidiaries of the registrant (filed herewith)

Exhibit Number	Exhibit Description
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm (filed herewith)
24.1	Powers of Attorney ‡ (filed herewith)
31.1	Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.2	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	XBRL Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (filed herewith)

* Certain schedules and similar attachments have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company hereby undertakes to furnish copies of any of the omitted schedules and similar attachments upon request by the U.S. Securities and Exchange Commission.

‡ Indicates management contracts or compensatory plans or arrangements.

Item 16. Form 10-K Summary

The Company has elected not to include a Form 10-K summary under this Item 16.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Resideo Technologies, Inc.

Date: February 27, 2020

By:/s/ Robert Ryder
Robert Ryder
Interim Chief Financial Officer
(on behalf of the Registrant and as the
Registrant's Principal Financial Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this annual report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated:

Name	Title	Date
/s/ Michael G. Nefkens Michael G. Nefkens	Chief Executive Officer and Director (Principal Executive Officer)	February 27, 2020
/s/ AnnMarie Geddes AnnMarie Geddes	Interim Chief Accounting Officer (Principal Accounting Officer)	February 27, 2020
* Roger B. Fradin	Chairman of the Board	February 27, 2020
* Paul F. Deninger	Director	February 27, 2020
* Brian G. Kushner	Director	February 27, 2020
* Jack R. Lazar	Director	February 27, 2020
* Nina L. Richardson	Director	February 27, 2020
* Andrew C. Teich	Director	February 27, 2020
* Sharon Wienbar	Director	February 27, 2020

*By: /s/ Jeannine J. Lane
(Jeannine J. Lane, Attorney-in-Fact)

February 27, 2020

April 24, 2020

Dear Resideo Shareholders:

In our first full year as a public company, Resideo faced considerable challenges and took significant actions to improve performance. Through it all, our talented employees have worked tirelessly to deliver trusted and reliable products and technology, and premier brands, to millions of customers around the world.

To meaningfully enhance our financial and operational performance, we are undergoing a business transformation to strengthen Resideo's competitive position and enable the company to achieve long-term success and value-creation. We are making changes to reduce our operating costs, while simultaneously making critical investments to improve our new product introductions, value engineering and product management.

In recent months, we have:

- Launched a multi-year, multi-phase operational and financial review and program to grow revenue and gross margin, optimize SG&A, and improve efficiency and working capital management. Through this effort we have identified specific SG&A cost saving and direct and indirect spend reduction opportunities.
- Formed a special committee of the Board, the Strategic & Operational Committee, to oversee the comprehensive operational and financial review underway at Resideo and provide guidance during the leadership transitions underway.
- Appointed Sach Sankpal, an experienced operational leader, as president of the Products & Solutions business to enhance our new product introduction process, accelerate our value engineering initiatives and augment our product management capabilities.
- Strengthened the board of directors with the appointment of two new independent directors. Brian Kushner joined the board, bringing decades of experience leading corporate transformations, including more than a dozen assignments as a transformational CEO, and Cynthia Hostetler joined the board, adding significant investment, financial and risk management expertise.
- Engaged a leading independent executive search firm to help identify the company's next CEO and CFO.

We are writing this letter to you at a time when COVID-19 is rapidly spreading across our country. We have assembled a cross-functional team, which includes our executive officers, for continuously monitoring the impact of the COVID-19 outbreak on our business operations and implementing measures to manage liquidity and other risks. The Board is actively engaged in overseeing these risk management strategies and initiatives, working closely with management during this unprecedented situation to maintain information flow and timely review of issues arising from the pandemic.

We remain focused on Resideo's transformation, and we believe our outlook for the future is promising. Resideo's employees will continue to drive our success, and they are the foundation of our confidence in Resideo's ability to deliver for our customers. We are excited to unlock the value inherent in Resideo, and we ask for your support.

Thank you for your investment in Resideo, and for the confidence you place in us as we work to ensure that Resideo achieves its full potential.

Sincerely,

Roger B. Fradin
Chairman of the Board

Andrew C. Teich
Lead Independent Director

901 E. 6th Street, Austin, TX 78702

Notice of 2020 Annual Meeting of Shareholders

DATE	TIME	PLACE
Monday, June 8, 2020	1:00 p.m. Eastern Daylight Time	Via the internet at www.virtualshareholdermeeting.com/ REZI2020

Our 2020 annual meeting will be a live virtual meeting. There will be no physical location for the annual meeting. You will be able to participate in the annual meeting, vote your shares electronically and submit your questions during the live virtual meeting by visiting www.virtualshareholdermeeting.com/REZI2020 and entering the 16-digit control number provided in your proxy materials. You may also submit questions in advance of the meeting by visiting www.proxyvote.com. For more information on accessing the virtual annual meeting, see Question 5 in the section entitled "Questions and Answers About the Annual Meeting and Voting" on page 71.

Agenda:

- Election of Class II Directors
- Advisory vote to approve executive compensation
- Ratification of the appointment of independent registered public accounting firm
- Approval of the Resideo Employee Stock Purchase Plan
- Transact such other business as may properly come before the meeting

How to Vote: Your vote is important to us. Unless you vote live at the virtual annual meeting, the deadline for receiving your vote is 11:59 p.m. Eastern Daylight Time, on June 7, 2020.

VIA INTERNET	BY PHONE	BY MAIL	VIA VIRTUAL MEETING
Visit www.proxyvote.com to vote your shares via the internet. You will need the 16-digit control number provided in your proxy materials when you access the web page.	If your shares are held in the name of a bank, brokerage firm or similar organization, follow the telephone voting instructions, if any, provided on your voting instruction card. If your shares are registered in your name, call 1-800-690-6903. You will need the 16-digit control number provided in your proxy materials when you call.	Complete and sign the proxy card or voting instruction form and return it in the enclosed postage pre-paid envelope.	You may vote your shares live at the virtual annual meeting by visiting www.virtualshareholdermeeting.com/ REZI2020. You will need to enter the 16-digit control number provided in your proxy materials to vote your shares at the virtual annual meeting.

This Notice of 2020 Annual Meeting of Shareholders and related proxy materials are being distributed or made available to shareholders beginning on April 24, 2020.

On behalf of Resideo's Board of Directors,

JEANNINE LANE
EXECUTIVE VICE PRESIDENT,
GENERAL COUNSEL, CORPORATE SECRETARY AND CHIEF COMPLIANCE OFFICER

Important Notice Regarding the Availability of Proxy Materials for the 2020 Annual Meeting of Shareholders to be held on Monday, June 8, 2020: our Proxy Statement and 2019 Annual Report are available free of charge on our Investor Relations website at investor.resideo.com.

Table of Contents

Proxy Statement Summary

Below are highlights of certain information in this Proxy Statement. As it is only a summary, it may not contain all of the information that is important to you. For more complete information, please refer to the complete Proxy Statement and Resideo's 2019 Annual Report before you vote. References to "Resideo," the "Company," "we," "us" or "our" refer to Resideo Technologies, Inc.

2020 Annual Meeting of Shareholders

Date and Time:	June 8, 2020, 1:00 p.m. EDT
Place:	Via the internet at www.virtualshareholdermeeting.com/ REZI2020
Record Date:	April 15, 2020
Voting:	Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.
Admission:	To enter Resideo's virtual annual meeting via www.virtualshareholdermeeting.com/REZI2020, you will need the 16-digit control number provided in your proxy materials.

How to Cast Your Vote

Your vote is important! Please cast your vote and play a part in the future of Resideo.

Shareholders of record on the Record Date can vote through any of the following ways:

INTERNET	PHONE	MAIL	VIRTUAL MEETING
Visit www.proxyvote.com	Call 1-800-690-6903 toll-free from the U.S. or Canada	Return the signed proxy card	Vote your shares live at the virtual annual meeting

The deadline for voting via the internet or by telephone is 11:59 p.m. EDT on June 7, 2020. If you vote by mail, your proxy card must be received before the virtual annual meeting.

Beneficial owners who own shares through a bank, brokerage firm or similar organization can vote by returning the voting instruction form, or by following the instructions for voting via the internet or by telephone, as provided by the bank, brokerage firm or similar organization. If you own shares in different accounts or in more than one name, you may receive different voting instructions for each type of ownership. Please vote all of your shares.

If you are a shareholder of record or a beneficial owner, you may choose to vote at the virtual annual meeting. **Even if you plan to attend our virtual annual meeting, please cast your vote as soon as possible.** For more information on voting your shares, please see “Questions and Answers About the Annual Meeting and Voting” beginning on page 71.

About Resideo and the Spin-Off

Resideo is a leading global provider of critical comfort, residential thermal solutions and security solutions primarily in residential environments. We manage our business operations through two segments, Products & Solutions and ADI Global Distribution, which contributed 43.6% and 56.4%, respectively, of our net revenue for the year ended December 31, 2019. In addition, Products & Solutions sold $312 million to ADI Global Distribution for the year ended December 31, 2019. The Products & Solutions segment offerings consist of solutions in Comfort, Residential Thermal Solutions (“RTS”) and Security categories and include temperature and humidity control, thermal, water and air solutions as well as security panels, sensors, peripherals, wire and cable, communications devices, video cameras, awareness solutions, cloud infrastructure, installation and maintenance tools and related software. Our ADI Global Distribution business is the leading wholesale distributor of security and low-voltage electronic and security products which include intrusion and smart home, fire, video surveillance, access control, power, audio and video, Pro AV, networking, communications, wire and cable, enterprise connectivity and structured wiring.

We were incorporated in Delaware on April 24, 2018. We separated from Honeywell International Inc. (“Honeywell”) on October 29, 2018, becoming an independent publicly traded company as a result of a pro rata distribution of our common stock to shareholders of Honeywell (the “Spin-Off”).

Voting Matters and Board Recommendations

	VOTING MATTERS	BOARD RECOMMENDATIONS	PAGE REFERENCE (FOR MORE DETAIL)
Proposal 1.	Election of Class II Directors	FOR Each Nominee	5
Proposal 2.	Advisory Vote to Approve Executive Compensation	FOR	35
Proposal 3.	Ratification of the Appointment of Independent Registered Public Accounting Firm	FOR	64
Proposal 4.	Approval of the Resideo Employee Stock Purchase Plan	FOR	67

Our Board of Directors

Name	Age	Independent	Board Committee Memberships	Other Public Company Board Service
Roger Fradin (Chairman)	66	No	Finance Innovation and Technology	Juniper Industrial Holdings, Inc. L3Harris Technologies, Inc. Vertiv Holdings Co
Michael Nefkens (President & CEO)	50	No	None	None
Paul Deninger	61	Yes	Audit Finance (Chair) Innovation and Technology	EverQuote Iron Mountain Inc.
Cynthia Hostetler	57	Yes	None	Vulcan Materials Company
Brian Kushner	61	Yes	Finance Strategic & Operational	Cumulus Media Inc. Mudrick Capital Acquisition Corporation Thryv, Inc.
Jack Lazar	54	Yes	Audit (Chair) Innovation and Technology Strategic & Operational	Box, Inc. Casper Sleep Inc. Mellanox Technologies Silicon Laboratories, Inc.
Nina Richardson	61	Yes	Compensation Nominating and Governance (Chair) Strategic & Operational	Silicon Laboratories, Inc. Cohu, Inc.
Andrew Teich (Lead Independent Director)	59	Yes	Compensation Finance Innovation and Technology (Chair) Nominating and Governance Strategic & Operational (Chair)	Sensata Technologies Holding PLC
Sharon Wienbar	58	Yes	Audit Compensation (Chair) Nominating and Governance	Colfax Corporation

Corporate Governance Highlights

We are committed to strong corporate governance practices and policies, as described below, that support effective Board leadership and prudent management practices.

- Annual election of all directors commencing in 2022, following an initial three-year phase-out of our classified board
- Majority voting for directors in uncontested elections
- Lead Independent Director with specified duties and responsibilities
- Robust risk oversight by full Board and Committees
- Annual review of Committee charters and Corporate Governance Guidelines
- Independent Audit, Compensation and Nominating and Governance Committees
- Newly formed Strategic & Operational Committee that oversees the comprehensive operational and financial review underway at Resideo, provides guidance during the CEO transition period and oversees the Company's management of COVID-19 pandemic related health and safety and business continuity concerns
- Finance Committee that reviews and oversees Resideo's capital structure and opportunities for maximizing shareholder value
- Innovation and Technology Committee that oversees Resideo's overall strategic direction and investment in technology initiatives
- Rigorous risk oversight of "enterprise" as well as "product" cybersecurity programs by the Audit and Innovation and Technology Committees

- Annual Board and Committee evaluations
- Proposed annual advisory vote to approve executive compensation
- Meaningful stock ownership guidelines for directors and executives
- Adoption of proxy access
- Limits on memberships on other boards
- A Board that is actively engaged in recruiting qualified, diverse director candidates
- Commitment to health, safety and environmental sustainability
- Pay parity oversight by the Compensation Committee
- Oversight of our code of business conduct, health, safety and environmental matters, equity employment opportunity and harassment policies and practices by the Nominating and Governance Committee
- Policies prohibiting short sales, hedging, margin accounts and pledging

Executive Compensation Preview

The Compensation Discussion and Analysis section of this Proxy Statement provides a focused discussion of our executive compensation philosophy and the pay programs applicable to our named executive officers. Our compensation program design directly links compensation to the performance of our business and rewards fiscal year results through our annual incentive plan and long-term performance with equity awards.

Our Named Executive Officers

Our leadership team includes the following Named Executive Officers ("NEOs"):

NAME	POSITION
Michael Nefkens	President and Chief Executive Officer
Robert Ryder	Interim Chief Financial Officer
Robert Aarnes	President, ADI Global Distribution
Stephen Kelly	Executive Vice President, Chief Human Resources Officer
Niccolo de Masi	Former Chief Innovation Officer
Joseph Ragan	Former Executive Vice President, Chief Financial Officer

Forward-Looking Statements

This Proxy Statement and the cover letter contains "forward-looking statements" regarding expectations about future business and financial results, which speak only as of the date of this Proxy Statement. Although we believe that the forward-looking statements contained in this Proxy Statement are based upon reasonable assumptions, such statements involve known and unknown risks, uncertainties, and other factors, which may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward-looking statements. Such risks and uncertainties include, but are not limited to, those described under the headings "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" in our Annual Reports on Form 10-K for the year ended December 31, 2019. You are cautioned not to place undue reliance on these forward-looking statements, which are not guarantees of future performance, and actual results, developments and business decisions may differ from those envisaged by our forward-looking statements. Except as required by law, we undertake no obligation to update such statements to reflect events or circumstances arising after the date of this presentation, and we caution investors not to place undue reliance on any such forward-looking statements.

Proposal 1: Election of Class II Directors

Our Board is divided into three classes with each class consisting, as nearly as may be possible, of one third of the total number of directors. The directors designated as Class II directors have terms expiring at this year's Annual Meeting of Shareholders. The directors designated as Class III directors have terms expiring at the 2021 Annual Meeting of Shareholders. Directors elected to succeed those directors whose terms then expire will be elected for a term of office to expire at the 2022 Annual Meeting of Shareholders. Beginning at the 2022 Annual Meeting of Shareholders, all of our directors will stand for election each year for annual terms, and our Board will therefore no longer be divided into three classes. Our Board has nominated the Class II director nominees for re-election to the Board. We do not know of any reason why any nominee would be unable to serve as a director. If any nominee should become unavailable to serve prior to the Annual Meeting, the shares represented by proxy will be voted for the election of such other person as may be designated by the Board. The Board may also determine to leave the vacancy temporarily unfilled or reduce the authorized number of directors in accordance with the By-Laws. Resideo's By-Laws provide that in any uncontested election of directors (an election in which the number of nominees does not exceed the number of directors to be elected), any nominee who receives a greater number of votes cast "FOR" his or her election than votes cast "AGAINST" his or her election will be elected to the Board.

Majority Voting for Directors

Resideo's By-Laws provide a majority voting standard for election of directors in uncontested elections. Each director will be elected by the affirmative vote of a majority of the votes cast, meaning that the number of votes cast "FOR" a director nominee exceeds fifty percent (50%) of the number of votes cast with respect to that director's election.

No incumbent director nominee shall qualify for service as a director unless he or she agrees to submit upon re-nomination to the Board an irrevocable resignation effective upon such director nominee's failure to receive a majority of the votes case in an uncontested election. The Nominating and Governance Committee (excluding the nominee, if applicable) will make a recommendation to the Board as to whether to accept or reject the resignation, or whether other action should be taken. The Board, excluding the nominee, will act on the resignation and publicly disclose its decision in accordance with the By-Laws.

An election of directors is considered to be contested if there are more nominees for election than positions on the Board to be filled by election at the meeting of shareholders. In a contested election, the required vote would be a plurality of votes cast.

Director Nominees

The Board has affirmatively determined that each of the nominees qualifies for election under the Company's criteria for evaluation of directors. See "Nominating Board Candidates – Procedures and Qualifications" on page 21 for more information on qualifications for director nominees. The Nominating and Governance Committee is responsible for nominating a slate of director nominees who collectively have the complementary experience, qualifications, skills and attributes to guide the Company and function effectively as a Board. The Committee believes that each of the nominees has key personal attributes that are important to an effective board, including integrity, industry background, contribution to the composition, diversity and culture of the Board, educational background, the ability and willingness to constructively challenge management and the ability and commitment to devote sufficient time to Board duties. Set forth below is biographical information about the director nominees and their specific experience, qualifications and skills that have led the Board and the Nominating and Governance Committee to conclude that they should continue to serve as directors of Resideo. In addition, the Board has determined that each non-employee director nominee qualifies as an independent director under NYSE corporate governance listing standards and the Company's director independence standards as further described under "Director Independence" on page 16. In addition, the biographical information about the other members of the Board and their specific experience, qualifications and skills are included.

The Board has established a director retirement policy whereby, unless the Board otherwise determines, non-employee directors shall serve only until the Annual Meeting of Shareholders immediately following their 75th birthday.

Director Qualifications and Skills

Our directors have a broad range of experience that spans different industries and encompasses the relevant business and technology sectors. Directors bring a variety of qualifications, skills and viewpoints to our Board that both strengthen their ability to carry out their oversight responsibilities on behalf of our shareholders and bring richness to Board deliberations. As described above and in the director biographies, our directors have key experiences, qualifications and skills that are relevant and important in light of our business, structure and growth strategy and include the following:

DIRECTOR QUALIFICATIONS AND SKILLS CRITERIA
Senior Leadership Experience Experience serving as CEO or a senior executive that provides a practical understanding of how complex organizations function and is able to support our commercial strategy, growth and performance
Consumer Products Experience with the retail consumer industry, e-commerce, customer service and consumer dynamics that aligns with our business strategies and opportunities
Manufacturing Experience with the operations of manufacturing facilities that provide critical perspectives in understanding and evaluating operational planning, management and risk mitigation of our business
Technology Experience developing and adopting new technologies as well as leading innovation initiatives that support the execution of our vision in the smart home market
Global Relations International business strategy, operations and substantive expertise in international matters relevant to our global business
Finance Experience with finance and financial reporting processes, including monitoring and assessing a company's operating performance to ensure accurate financial reporting and robust controls
Public Company Board Service Service on the boards and board committees of public companies that provides an understanding of corporate governance practices and risk management oversight as well as insights into board management and relations between the board, the CEO and senior management that will support our commitment to maintain a strong governance framework as an independent public company
Marketing Expertise in brand development, marketing and sales in local markets on a global scale relevant to our global business
Operations Managing the operations of a business and possessing a deep understanding of the end-markets we serve
Strategy Practical understanding of the development and implementation of strategic priorities and of the risks and opportunities that can impact a company's operations and strategies which will serve to drive our long-term growth
Mergers & Acquisitions Experience in business development and mergers and acquisitions to support our initiatives to identify and execute on tuck-in acquisitions and investments

The table below is a summary of the range of qualifications and skills that each director brings to the Board. The table does not include all of the qualifications that each director offers, and the fact that a particular experience, skill, or qualification is not checked for a specific director does not mean that the director does not possess it.

NAME	SENIOR LEADERSHIP EXPERIENCE	CONSUMER PRODUCTS	MANUFACTURING	TECHNOLOGY	GLOBAL RELATIONS	FINANCE	PUBLIC COMPANY	MARKETING	OPERATIONS	STRATEGY	M&A
Roger Fradin (Chairman)	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔
Michael Nefkens (President & CEO)	✔		✔	✔	✔	✔	✔	✔	✔	✔	✔
Paul Deninger	✔			✔	✔	✔	✔	✔		✔	✔
Cynthia Hostetler	✔				✔	✔	✔	✔	✔	✔	✔
Brian Kushner	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔
Jack Lazar	✔	✔	✔	✔	✔	✔	✔		✔	✔	✔
Nina Richardson	✔	✔	✔	✔	✔	✔	✔		✔	✔	
Andrew Teich (Lead Independent Director)	✔		✔	✔	✔		✔	✔	✔	✔	✔
Sharon Wienbar	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔

Director Biographies

The Board of Directors unanimously recommends a vote "FOR" Proposal 1 to elect each of the following Class II director nominees.

Nominees for Election (Class II Directors)

Included in each biography are the key qualifications that led to the conclusion that such directors should serve on our Board.

CYNTHIA HOSTETLER, Age 57

Independent Director

Director since 2020

Committee Memberships:

- None

Key Qualifications:

- Broad investment, financial and risk management skills
- Experienced public and investment company board member
- Significant experience with investment management, including ESG and investor relations issues

Other Current Public Company Directorships:

- Vulcan Materials Company

Background

Ms. Hostetler is a professional director of public companies and investment funds in the United States, and serves on several mutual fund boards, including as Trustee of Invesco Ltd., Atlanta, Georgia (international mutual funds) since 2017; Director of TriLinc Global Impact Fund, LLC, Los Angeles, California (international investment fund) since 2013; Trustee of Aberdeen International Funds, New York, New York (international mutual funds) from 2013 to 2017; Director of Artio Global Funds, New York, New York (international mutual funds) from 2010 to 2013; and Director of Edgen Group Inc., Baton Rouge, Louisiana (energy infrastructure) from 2012 to 2014. Ms. Hostetler served as the Head of Private Equity and Vice President of Investment Funds of Overseas Private Investment Corporation from 2001 to 2009 and as a board member and President of First Manhattan Bancorporation from 1991 to 2006. Ms. Hostetler began her career as a corporate lawyer with Simpson Thatcher & Bartlett in New York. Ms. Hostetler earned her bachelor's degree from Southern Methodist University and holds a Juris Doctor from the University of Virginia School of Law.

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BRIAN KUSHNER, Age 61

Independent Director

Director since 2019

Committee Memberships:

- Finance
- Strategic & Operational

Key Qualifications:

- Decades of experience leading corporate transformation efforts
- Proven expertise in corporate performance
- Served in roles that include chairman, director, chief executive officer and chief restructuring officer at more than 30 public and private companies

Other Current Public Company Directorships:

- Cumulus Media Inc.
- Mudrick Capital Acquisition Corporation
- Thryv, Inc.

Background

Mr. Kushner has served as a Senior Managing Director at FTI Consulting, Inc., a global business advisory firm, since 2009, where he serves as leader of the Private Capital Advisory Services practice and as the co-leader of the Technology practice, the Aerospace, Defense and Government Contracting practice and the Activism and M&A Solutions practice. Prior to joining FTI, Mr. Kushner was the co-founder of CXO, L.L.C., a boutique interim and turnaround management consulting firm that was acquired by FTI at the end of 2008. Mr. Kushner periodically served as the chief executive officer ("CEO"), interim CEO, or the chief restructuring officer ("CRO") of companies that elected to utilize bankruptcy proceedings as part of their financial restructuring process and, as such, he served as an executive officer of various companies that filed bankruptcy petitions under federal law, including, among others, Relativity Media LLC in 2015. Over the past three decades, Mr. Kushner has served as a director, CEO or CRO of over 30 public and private technology, manufacturing, telecom and defense companies, during which time he worked on the acquisition or disposition of more than 20 companies. Mr. Kushner received his B.S. degree in Applied and Engineering Physics from Cornell University, his M.S. degree in Applied and Engineering Physics from Cornell University and a PhD in Applied Physics with a minor in Electrical Engineering, also from Cornell University. He previously served as a director at Luxfer Holdings PLC (2016-2018).

JACK LAZAR, Age 54

Independent Director

Director since 2018

Committee Memberships:

- Audit (Chair)
- Innovation and Technology
- Strategic & Operational

Key Qualifications:

- Strong financial, technological and operational expertise
- Experienced technology company executive and consultant
- Expertise in best practices for a public company on a global scale

Other Current Public Company Directorships:

- Box, Inc.
- Casper Sleep Inc.
- Mellanox Technologies, Ltd.
- Silicon Laboratories Inc.

Background

Mr. Lazar has been an independent business consultant since March 2016. From January 2014 to March 2016, he served as the chief financial officer of GoPro, Inc., a provider of wearable and mountable capture devices. From January 2013 to January 2014, he was an independent business consultant. From May 2011 to January 2013, Mr. Lazar served as senior vice president, corporate development and general manager of Qualcomm Atheros, Inc., a developer of communications semiconductor solutions. Mr. Lazar is a certified public accountant (inactive) and received his B.S. degree in commerce with an emphasis in accounting from Santa Clara University. He previously served as a director at TubeMogul, Inc. (2013-2016) and Quantenna Communications (2016-2019).

Continuing Directors

Class III Directors (with terms expiring at the 2021 Annual Meeting of Shareholders)

ROGER FRADIN, Age 66

Non-Executive Chairman of the Board
Independent Director

Director since 2018

Committee Memberships:

- Finance
- Innovation and Technology

Key Qualifications:

- Extensive experience as an executive at Honeywell
- In-depth knowledge of the fire and security solutions and automation and control solutions industries
- Significant operational and product development experience
- Financial expertise and experience in capital markets
- Broad experience in marketing, including international markets

Other Current Public Company Directorships:

- Juniper Industrial Holdings, Inc.
- L3Harris Technologies, Inc. (formerly Harris Corporation)
- Vertiv Holdings Co (formerly GS Acquisition Holdings)

Background

Mr. Fradin joined Honeywell in 2000 when Honeywell acquired Pittway Corporation, where he served as president and chief executive officer of the Security and Fire Solutions segment. Mr. Fradin served as president and chief executive officer of Honeywell's Automation and Control Solutions business from January 2004 to April 2014 and served as vice chairman of Honeywell from April 2014 to February 2017. Mr. Fradin served as an independent contractor to Honeywell from March 2018 to September 2018. He has also served as an operating executive with The Carlyle Group since 2016 and an advisor to Seal Rock Partners since 2014. Mr. Fradin received his M.B.A. and B.S. degrees from The Wharton School at the University of Pennsylvania. While a student at Wharton, Mr. Fradin also served as a member of its faculty from 1976 to 1977. He previously served as a director of MSC Industrial Direct (1998-January 2020) and Pitney Bowes (2012-2019).

NINA RICHARDSON, Age 61

Independent Director

Director since 2018

Committee Memberships:

- Compensation
- Nominating and Governance (Chair)
- Strategic & Operational

Key Qualifications:

- Extensive global operational and leadership experience in the technology sector
- Experience ranging from start-up environmental to multi-billion dollar corporations
- In-depth knowledge of human resources

Other Current Public Company Directorships:

- Silicon Laboratories, Inc.
- Cohu, Inc.

Background

Ms. Richardson serves as managing director of Three Rivers Energy, Inc., a company she co-founded in 2004, and has been an independent consultant since March 2015. From February 2013 to February 2015, Ms. Richardson served as chief operating officer of GoPro, Inc. She has also held several executive positions of increasing responsibility at Flextronics, Inc., a global electronics and manufacturing service provider. Ms. Richardson received her B.S. degree in industrial engineering from Purdue University and an executive M.B.A. from Pepperdine University. She previously served as a director at Zayo Group Holdings, Inc. (2015-2018), Callidus Software, Inc. (2017-2018) and Silicon Graphics International Corp. (2016).

ANDREW TEICH, Age 59

Lead Independent Director

Director since 2018

Committee Memberships:

- Compensation
- Finance
- Innovation and Technology (Chair)
- Nominating and Governance
- Strategic & Operational (Chair)

Key Qualifications:

- Seasoned executive with experience in acquisitions and operational integration
- Extensive sales and marketing skills
- Expertise in artificial intelligence technology

Other Current Public Company Directorships:

- Sensata Technologies Holding PLC

Background

Mr. Teich has been a private technology consultant since June 2017. From May 2013 until June 2017, he served as the chief executive officer and president of FLIR Systems, Inc., a public multinational imaging and sensing company, and a director from July 2013 to June 2017. Mr. Teich joined FLIR Systems, Inc. in 1999 and held various positions of increasing responsibility within the company including president of the Commercial Systems, Commercial Vision Systems and Thermography divisions throughout his tenure. Mr. Teich received his B.S. degree in marketing from Arizona State University and is an alumnus of the Harvard Business School Advanced Management Program.

Class I Directors (with terms expiring at the 2022 Annual Meeting of Shareholders)

PAUL DENINGER, Age 61

Independent Director

Director since 2018

Committee Memberships:

- Audit
- Finance (Chair)
- Innovation and Technology

Key Qualifications:

- Extensive senior management experience in operations and strategy
- Extensive experience in banking, capital markets and merger and acquisition strategies
- Deep knowledge of the technology sector

Other Current Public Company Directorships:

- EverQuote
- Iron Mountain Inc.

Background

Mr. Deninger served as a senior advisor to Evercore Inc., a publicly held investment banking advisory firm, from June 2016 to February 2020. Mr. Deninger served as a senior managing director with Evercore from February 2011 to June 2016. From December 2003 until October 2010, Mr. Deninger served as a vice chairman at Jefferies Group LLC, a wholly-owned subsidiary of Jefferies Financial Group Inc., a diversified financial services company. Prior to that, he served as chairman and chief executive officer of Broadview International LLC, a mergers and acquisitions advisory firm focused on the technology industry. Mr. Deninger received his B.S. from Boston College and his M.B.A. from Harvard Business School.

MICHAEL NEFKENS, Age 50

President, Chief Executive Officer and Director

Director since 2018

Committee Memberships:

- None

Key Qualifications:

- Extensive experience running a complex, multi-national organization
- Expert on company transformation
- Extensive background in the technology sector
- Strong record of delivering innovative solutions and shareholder value
- Customer focused

Other Current Public Company Directorships:

- None

Background

Prior to joining Resideo, Mr. Nefkens served as the president and chief executive officer of Honeywell's Homes Business since May 2018 and has served as a member of the Board since the Spin-Off. Mr. Nefkens served as executive vice president and general manager of Regions & Industries at DXC Technology Company from April 2017 to February 2018. Mr. Nefkens served as executive vice president and general manager of Enterprise Services at Hewlett Packard Enterprise Company from November 2015 to April 2017. Prior to that, Mr. Nefkens performed a similar role at Hewlett-Packard Co. ("HP Co.") from December 2012 to November 2015, having been appointed to the role in an acting capacity in August 2012. Previously, Mr. Nefkens served as senior vice president and general manager of Enterprise Services in the EMEA region at HP Co. from November 2009 to August 2012. Mr. Nefkens received his bachelor's degree in finance from Texas Christian University and his M.B.A. from Duke University's Fuqua School of Business. He served as a director of Riverbed Technology, Inc. from September 2014 to April 2015.

SHARON WIENBAR, Age 58

Independent Director

Director since 2018

Committee Memberships:

- Audit
- Compensation (Chair)
- Nominating and Governance

Key Qualifications:

- Extensive experience as an operating executive and strategist in the software and technology sectors
- Leadership in technology investments and partnerships
- Expertise in start-up operations and venture capital investing

Other Current Public Company Directorships:

- Colfax Corporation

Background

Ms. Wienbar was chief executive officer of Hackbright Academy, a technology training firm, from 2015 to 2016. From 2007 to 2015, she served as a partner at Scale Venture Partners, a technology and healthcare venture capital firm. Ms. Wienbar received her A.B. and A.M. degrees in engineering from Harvard University and her M.B.A. from Stanford University. She previously served on Microsoft Inc.'s venture advisory committee and as a director of Everyday Health, Inc. (2007-2016) and Glu Mobile, Inc. (2004-2008).

Our Governance Framework

Our corporate governance framework is a set of principles, guidelines and practices that support strong performance and long-term value creation for our shareholders. Our commitment to good corporate governance is integral to our business and reflects not only regulatory requirements, NYSE listing standards and broadly recognized governance practices, but also effective leadership by our senior management team and oversight by our Board.

Our Board is committed to maintaining the highest standards of corporate governance. Our Board is guided by our Corporate Governance Guidelines, which address director responsibilities, director skills and characteristics, memberships on other boards, director access to management and other employees, director orientation and continuing education, director retirement and the annual performance evaluations of the Board and Committees. Because corporate governance practices evolve over time, our Board will review and approve our Corporate Governance Guidelines, Committee charters and other governance policies at least once a year and update them as necessary and appropriate.

Our Board and Culture

Our Board is deeply engaged, provides informed and meaningful guidance and feedback, and maintains an open dialogue with management based on a clear understanding of our strategic plans. At each Board meeting, we review components of our long-term strategy with our directors and engage in constructive dialogue which our leadership team embraces. Our directors have full and free access to our officers and employees to address questions, comments or concerns. Additionally, the Board and Committees have the power to hire independent legal, financial or other advisors without approval from, or consultation with, Resideo management.

Our Board also takes an active role in ensuring we embrace “best practices” in corporate governance. The partnership and oversight of a strong and multi-faceted Board with diverse perspectives rooted in deep experience in, global business, finance, technology and strategy are essential to creating long-term shareholder value.

Corporate Governance Overview

Presented below are some highlights of our corporate governance program. You can find details about these and other corporate governance policies and practices within this Proxy Statement.

KEY GOVERNANCE PRACTICES	
CORPORATE GOVERNANCE GUIDELINES	• Our Corporate Governance Guidelines have been designed to assist the Board in the exercise of its duties and responsibilities to our Company. They reflect the Board’s commitment to monitor the effectiveness of decision-making at the Board and management levels with a view to achieving our strategic objectives. • The guidelines are reviewed annually and subject to modification by the Board at any time.
INDEPENDENT BOARD	• 7 of our 9 directors are independent as defined by the listing standards of the NYSE. • Mr. Fradin is a former employee of Honeywell. Mr. Nefkens is a management director.
BOARD COMPOSITION	• Currently, the Board has fixed the number of directors at 9. • The Board will regularly assess its performance and can adjust the number of directors according to the needs of the Board and the Company. • As shown under “Director Qualifications and Skills” beginning on page 6 and in the biographies of the directors beginning on page 8, our Board has a diverse mix of skills, experience and backgrounds that support our growth and commercial strategy.

KEY GOVERNANCE PRACTICES	
LEAD INDEPENDENT DIRECTOR	• The Board has appointed Mr. Teich as Lead Independent Director. Mr. Teich possesses the attributes that the Board believes will ensure independent oversight of management. See "Board Leadership Structure" on page 15 for additional information.
BOARD COMMITTEES	• The Board consists of five standing committees: Audit, Compensation, Nominating and Governance, Finance and Innovation and Technology, and one special committee: Strategic & Operational. • Each of the Audit, Compensation, Nominating and Governance and the Strategic & Operational Committees is composed entirely of independent directors. • Each Board Committee has a written charter that will be reviewed and re-assessed annually. • Each Committee charter is posted and available on our Investor Relations website at investor.resideo.com.
MEMBERSHIPS ON OTHER BOARDS	• Under our Corporate Governance Guidelines, directors who serve as chief executive officers of public companies should not serve on more than three public company boards (including their own); provided, however, that solely with respect to the Company's CEO, such CEO may not sit on more than two public company boards (including service on the Company's Board). • Other directors should not serve on more than five public company boards (including service on our Board).
BOARD DIVERSITY	• Three of our nine Board members are women. The Nominating and Governance Committee actively considers diversity when evaluating new candidates.
ROBUST RISK OVERSIGHT	• Our full Board is responsible for risk oversight, and has designated Committees to have particular oversight of certain key risks. Our Board oversees management as it fulfills its responsibilities for the assessment and mitigation of risks and for taking appropriate risks.
BOARD AND COMMITTEE SELF-EVALUATION	• The Board conducts an annual self-evaluation led by the Nominating and Governance Committee to determine whether it and its Committees are functioning effectively and to solicit feedback from directors as to whether the Board is continuing to evolve and be refreshed in a manner that serves the needs of the Company.
MAJORITY VOTING OF DIRECTORS	• Our By-Laws provide for majority voting in uncontested elections of directors. Any directors standing for re-nomination to the Board shall agree to submit an irrevocable resignation effective upon that director's failure to receive a majority vote and the acceptance of the resignation by the Board.
CODE OF BUSINESS CONDUCT	• Our Code of Business Conduct applies equally to all of our directors, officers and employees, as well as those of our subsidiaries, affiliates and joint ventures. • Material amendments to, or waivers of, the Code of Business Conduct granted to any of our directors or executive officers will be posted on our website at www.resideo.com. • To date, no such amendments have been made or waivers granted. • Our Code of Business Conduct is drafted to provide guidance to our directors, officers, employees and others covered by the Code of Business Conduct as to what they should and should not do to comply with our policies. The statements contained therein are not representations and should not be relied upon as such by third parties, including shareholders.
COMMITMENT TO HEALTH, SAFETY AND ENVIRONMENTAL SUSTAINABILITY	• We customized our global health, safety and environmental ("HSE") management system to reflect what is important to our business. Our leadership is committed to and accountable for our sustainability efforts to ensure that sufficient resources are deployed to manage our commitments and maintain appropriate controls.
BOARD OVERSIGHT OF POLITICAL CONTRIBUTIONS	• The Nominating and Governance Committee oversees our policies and practices relating to political contributions.

KEY GOVERNANCE PRACTICES	
PROXY ACCESS	• Subject to certain terms and conditions, our By-Laws provide that shareholders who have maintained continuous qualifying ownership of at least 3% of our outstanding common stock for at least three years may use our annual meeting proxy statement to nominate a number of director candidates not to exceed the greater of two candidates or 20% of the number of directors then in office.
SUCCESSION PLANNING	• Our Board oversees and annually reviews leadership development and assessment initiatives, as well as short- and long-term succession plans for the CEO and other senior management.
HEDGING AND PLEDGING PROHIBITIONS	• All of our directors, officers and employees are prohibited from engaging in short sales of Resideo securities and selling or purchasing puts or calls or otherwise trading in or writing options on Resideo securities and using certain financial instruments (including forward sale contracts, equity swaps, collars and exchange funds), holding securities in margin accounts or pledging Resideo securities as collateral, in each case, that are designed to hedge or offset any decrease in the market value of Resideo securities.
STOCK OWNERSHIP GUIDELINES	• We have meaningful stock ownership guidelines: • CEO: 6x base salary • Other Executive Officers: 3x base salary • Non-employee directors: 5x annual cash retainer • Five year period to meet the ownership requirement

Our Certificate of Incorporation, By-Laws, Committee Charters, Corporate Governance Guidelines and Code of Business Conduct are available on our Investor Relations website at investor.resideo.com. Paper copies of these documents can be obtained by writing to Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary.

Board Leadership Structure

The Company's current Board leadership structure consists of a non-executive Chairman of the Board, and, because the Chairman is not independent due to his prior employment with Honeywell, a Lead Independent Director who was appointed by the independent directors of the Board. The Board believes the current structure of separating the roles of Chairman and CEO, as well as having a Lead Independent Director, allows for alignment of corporate governance with the interests of shareholders. The Board believes that this structure allows our CEO to focus on operating and managing the Company, leverages our Chairman's experience in guidance and oversight, and ensures overall independence of the Board through clearly defined roles and responsibilities of the Lead Independent Director. While the Board believes that this structure currently is in the best interests of Resideo and its shareholders, it does not have a policy with respect to separating the roles of Chairman and CEO and appointing a Lead Independent Director if the Chairman is independent and could adjust the structure in the future as it deems appropriate.

Lead Independent Director

The Board has determined that Mr. Fradin, a former employee of Honeywell, may not currently be independent and has appointed Mr. Teich as the Lead Independent Director in accordance with our Corporate Governance Guidelines. In electing Mr. Teich, the independent directors of the Board considered Mr. Teich in light of the following selection criteria:

- Qualifies as independent, in accordance with relevant listing standards;
- Able to commit the time and level of engagement required to fulfill the substantial responsibilities of the role; and
- Possesses effective communication skills to facilitate discussions among members of the Board, including among the independent directors, Mr. Nefkens and Mr. Fradin, and engage with key stakeholders.

As the Lead Independent Director, Mr. Teich has the following duties and responsibilities:

- Review Board meeting agendas and Board meeting schedules to ensure there is sufficient time for discussion of all agenda items;
- Provide input regarding presentation materials and other written information provided to directors for Board meetings;
- Preside at all meetings at which the Chairperson is not present including executive sessions of the independent directors;
- Be available for consultation and direct communications with the Company's shareholders; and
- Perform such other duties as the Board may determine from time to time.

Director Independence

Providing objective, independent judgment is at the core of the Board's oversight function. The Nominating and Governance Committee conducts an annual review of the independence of the directors and reports its findings to the full Board. The Board has affirmatively determined that all non-employee directors, other than Mr. Fradin who is a former employee of Honeywell, satisfy the independence criteria in the applicable NYSE listing standards and SEC rules (including the enhanced criteria with respect to members of the Audit Committee and the Compensation Committee). Regarding Mr. Fradin, the Board considered that more than three years have elapsed since Mr. Fradin was employed by Honeywell, but acknowledges that other relationships described in this Proxy Statement currently suggest that Mr. Fradin may not be fully independent.

For a director to be considered independent, the Board must determine that the director does not have any material relationships with Resideo, either directly or as a partner, shareholder or officer of an organization that has a relationship with Resideo, other than as a director and shareholder. Material relationships can include vendor, supplier, consulting, legal, banking, accounting, charitable and family relationships, among others. In addition to Mr. Fradin, Mr. Nefkens as an employee of Resideo, does not satisfy the independence criteria described below.

Criteria for Director Independence

The Board considered all relevant facts and circumstances in making its determination that all of our directors are independent other than Mr. Fradin and Mr. Nefkens, including the following:

- No such director or nominee receives any direct compensation from Resideo other than under the non-employee director compensation program described beginning on page 24.
- No immediate family member (within the meaning of the NYSE listing standards) of any such director or nominee is an employee of Resideo or otherwise receives direct compensation from Resideo.
- No such director or nominee is affiliated with Resideo or any of its subsidiaries or affiliates.
- No such director or nominee is an employee of Resideo's independent accountants and no such director or nominee (or any of their respective immediate family members) is a current partner of Resideo's independent accountants, or was within the last three years, a partner or employee of Resideo's independent accountants and personally worked on Resideo's audit.
- No such director or nominee is a member, partner or principal of any law firm, accounting firm or investment banking firm that receives any consulting, advisory or other fees from Resideo.
- No Resideo executive officer is on the compensation committee of the board of directors of a company that employs any of our non-employee directors or nominees (or any of their respective immediate family members) as an executive officer.
- No such director or nominee (or any of their respective immediate family members) is indebted to Resideo, nor is Resideo indebted to any such director or nominee (or any of their respective immediate family members).

- No such director or nominee serves as an executive officer of a charitable or other tax-exempt organization that received contributions from Resideo.
- While a non-employee director's or nominee's service as an outside director of another company with which Resideo does business would generally not be expected to raise independence issues, the Board also considered those relationships and confirmed the absence of any material commercial relationships with any such company. Specifically, those commercial relationships were in the ordinary course of business for Resideo and the other companies involved and were on terms and conditions available to similarly situated customers and suppliers.

The above information was derived from Resideo's books and records and responses to questionnaires completed by the directors in connection with the preparation of this Proxy Statement.

Committees of the Board

Our Board consists of five standing Committees: Audit, Compensation, Nominating and Governance, Finance and Innovation and Technology, and one special committee: Strategic & Operational. The Board has adopted written charters for each Committee, which are available on our Investor Relations website at investor.resideo.com. All Board members are invited to attend the meetings of each Committee, except as restricted by independence standards.

The following table sets forth the Board Committees and the current members of each of the Committees.

	Independent	Audit	Compensation	Nominating and Governance	Finance	Innovation and Technology	Strategic & Operational
Roger Fradin					Member	Member	
Michael Nefkens							
Paul Deninger	✔	Member			Chair	Member	
Cynthia Hostetler	✔						
Brian Kushner	✔				Member		Member
Jack Lazar	✔	Chair				Member	Member
Nina Richardson	✔		Member	Chair			Member
Andrew Teich	✔		Member	Member	Member	Chair	Chair
Sharon Wienbar	✔	Member	Chair	Member			
2019 Meetings		9	11	7	4	2	1

Each of the Audit, Compensation, Nominating and Governance and Strategic & Operational Committees consists solely of directors who have been determined by the Board to be independent in accordance with SEC regulations, NYSE listing standards and the Company's director independence standards (including the heightened independence standards and considerations for members of the Audit and Compensation Committees).

<table>
<tr><th>COMMITTEE</th><th>RESPONSIBILITIES</th></tr>
<tr><td>AUDIT COMMITTEE

Jack Lazar, Chair
Paul Deninger
Sharon Wienbar</td><td>• Appoint and recommend to the shareholders for approval the firm to be engaged as the Company's independent auditor and be directly responsible for the compensation, retention and oversight of the independent auditor, including the resolution of disagreements between management and the independent auditor regarding financial reporting;
• Review the results of each external audit and other matters related to the conduct of the audit and advise the Board on whether it recommends that the audited financial statements be included in the Annual Report on Form 10-K;
• Review with management and the independent auditors, prior to filing, the interim financial results to be included in quarterly reports on Form 10-Q;
• Evaluate the independent auditor's performance at least annually;
• Approve all non-audit engagements with the independent auditor;
• Review reports of the independent auditor and the chief internal auditor related to the adequacy of the Company's internal accounting controls, disclosure processes and its procedures designed to ensure compliance with laws and regulations;
• Consider and review, in consultation with the independent auditor and the chief internal auditor, the scope and plan for forthcoming external and internal audits;
• Review annually the performance of the internal audit group;
• Review management's assessment of the effectiveness of the Company's internal control over financial reporting;
• Review, approve and establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, auditing matters and for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters or other legal, ethical, reputational or regulatory concerns;
• Produce the annual Report of the Audit Committee included in the Proxy Statement; and
• Together with the full Board, exercise oversight of management's enterprise risk management (ERM) program.</td></tr>
<tr><td colspan="2">Each member of the Audit Committee is an independent director under applicable SEC rules and NYSE listing standards and is "financially literate" under NYSE listing standards. The Board has determined that Mr. Lazar and Mr. Deninger each qualify as an "audit committee financial expert" under applicable SEC rules. In addition to Resideo, Mr. Lazar serves on the audit committee of three other public reporting companies. The Board has determined that Mr. Lazar's simultaneous service on these other boards does not impair his ability to serve effectively on the Company's Audit Committee.</td></tr>
<tr><td>COMPENSATION COMMITTEE

Sharon Wienbar, Chair
Nina Richardson
Andrew Teich</td><td>• Review and approve the corporate goals and objectives relevant to the compensation of the CEO, evaluate the CEO's performance relative to these goals and objectives and determine and approve the CEO's compensation level;
• Review and approve the individual goals and objectives of the other executive officers and set the annual salary and other remuneration of the executive officers;
• Periodically review the operation and structure of the Company's compensation programs, and consider the Company's practices and programs related to internal pay equity;
• Review proposals for and determine total share usage under the Company's equity compensation programs;
• Review the development of our senior executives, including succession plans, and make recommendations to the Board relating to the election of executive officers;
• Review or take such action in connection with the bonus, stock, retirement and other benefit plans of the Company and its subsidiaries;
• Establish and review annual stock ownership guidelines applicable to directors and senior management;
• Review and discuss with management the Compensation Discussion and Analysis and other executive compensation disclosure included in the Proxy Statement;
• Produce the annual Compensation Committee Report included in the Proxy Statement; and
• Exercise sole authority to retain and terminate a compensation consultant, as well as to approve the consultant's fees and other terms of engagement. See "Oversight of Compensation Consultant" on page 19 regarding the Compensation Committee's engagement of a compensation consultant.</td></tr>
<tr><td colspan="2">The Compensation Committee may form and delegate its authority to subcommittees and management, when appropriate, including delegation to the CEO to determine and approve annual incentive and long-term incentive awards for non-executive employees of the Company as prescribed by the Compensation Committee. For more information on the responsibilities and activities of the Compensation Committee, including its processes for determining executive compensation, see "Compensation Discussion and Analysis" beginning on page 36.</td></tr>
</table>

COMMITTEE	RESPONSIBILITIES
NOMINATING AND GOVERNANCE COMMITTEE **Nina Richardson, Chair** **Andrew Teich** **Sharon Wienbar**	• Make recommendations to the Board concerning size, composition and organization of the Board, qualifications and criteria for election to the Board, nominees to be proposed by the Company for election to the Board, retirement from the Board, whether to accept any resignation tendered by a director and Board Committee assignments; • Actively seek individuals qualified to become Board members and recommend them to the full Board for consideration, including evaluating all potential candidates, including those suggested or nominated by third parties; • Make recommendations to the Board on whether to include disclosures in the Proxy Statement on director independence, governance and director nomination matters; • Oversee the Company's new director orientation program and continuing education program for incumbent directors; • Review and reassess the adequacy of the Company's Corporate Governance Guidelines; • Review and report to the Board on the Company's policies and programs relating to health, safety and environmental matters, equal employment opportunity, anti-harassment, political contributions, and such other matters, including the Company's Code of Business Conduct, that impact the Company's role as a responsible corporate citizen; and • Oversee the annual performance review of the Board and its Committees.
FINANCE COMMITTEE **Paul Deninger, Chair** **Roger Fradin** **Brian Kushner** **Andrew Teich**	• Review matters related to the Company's capital structure and allocation, financial condition, leverage and financial strategies, interest rate risk, expense management, strategic investments and dispositions such as significant mergers, acquisitions, divestitures, joint ventures, real estate purchases and other debt and equity investments; • Consider, review and recommend to the Board any Company dividend and share repurchase policies and programs; • Approve the Company's derivatives and hedging policies and strategies for managing interest rate and foreign exchange rate exposure; • Review the Company's investment policies and practices, credit ratings and ratings strategy; • Review the Company's investor relations strategy; and • Review the types of information to be disclosed in connection with earnings releases and earnings guidance provided to analysts and rating agencies.
INNOVATION AND TECHNOLOGY COMMITTEE **Andrew Teich, Chair** **Paul Deninger** **Roger Fradin** **Jack Lazar**	• Facilitate the Board's oversight, review, discussion and understanding of the Company's major technology and innovation strategies and plans in the following key areas: – investments in technology and software; – development and execution of technology strategies; – overall strategy, effectiveness and risk profile of its product technology and software cybersecurity program; – technology trends with significant impacts on our business; and – research and development operations.
STRATEGIC & OPERATIONAL COMMITTEE **Andrew Teich, Chair** **Brian Kushner** **Jack Lazar** **Nina Richardson**	• Facilitate the Board's oversight of the Company's operational and financial review, including the following: – review and evaluate the Company's product and market strategy; – oversee gross margin improvement efforts and general and administrative expense simplification actions; and – review supply chain optimization and operational improvements; • Provide focus and insight to the management team, particularly during the CEO transition period; and • Oversee the Company's management of COVID-19 pandemic related health and safety and business continuity matters.

Compensation Committee Matters

Compensation Committee Interlocks and Insider Participation

No current member of the Compensation Committee has served as one of our officers or employees at any time. None of our executive officers serves as a member of the compensation committee of any other company that has an executive officer serving as a member of our Compensation Committee or Board.

Oversight of Compensation Consultant

The Compensation Committee has sole authority to retain a compensation consultant to assist the Compensation Committee in the evaluation of director, CEO or senior management compensation, but only after considering all factors relevant to the consultant's independence from management. In addition, the Compensation Committee is directly responsible for approving the consultant's compensation, evaluating its performance and terminating its engagement.

The Compensation Committee has retained Frederic W. Cook & Co. (“FW Cook”) as its independent compensation consultant to assist the Compensation Committee with the design of our executive compensation programs as well as to provide objective advice on compensation practices and the competitive landscape for the compensation of Resideo’s executive officers. FW Cook reports to the Compensation Committee, has direct access to Compensation Committee members, interacts with Resideo management when necessary and appropriate and attends Compensation Committee meetings either in person or by telephone. FW Cook provides services only to the Compensation Committee as an independent consultant and does not have any other consulting engagements with, or provide any other services to, Resideo. The independence of FW Cook has been assessed according to factors stipulated by the SEC and the Compensation Committee concluded that no conflict of interest exists that would prevent FW Cook from independently advising the Compensation Committee.

FW Cook compiles information and provides advice regarding the components and mix (short-term/long-term; fixed/variable; cash/equity) of the executive compensation programs of Resideo and its peer group (see page 39 for further details regarding the compensation peer group) and analyzes the relative performance of Resideo and the compensation peer group with respect to the financial metrics generally used in the programs. FW Cook also provides information regarding emerging trends and best practices in executive compensation. The Compensation Committee also received general advice from FW Cook in 2019 and 2020 regarding the terms of the severance and transition agreements entered into with Resideo’s executive officers.

Compensation Input from Senior Management

The Compensation Committee considers input from senior management in making determinations regarding the overall executive compensation program and the individual compensation of the executive officers. As part of Resideo’s annual planning process, the CEO, CFO, and Chief Human Resources Officer develop targets for Resideo’s incentive compensation programs and present them to the Compensation Committee. These targets are reviewed by the Compensation Committee to ensure alignment with our strategic and annual operating plans, taking into account the targeted year-over-year and multi-year improvements as well as identified opportunities and risks. The CEO does not provide recommendations on his own compensation. The CEO recommends base salary adjustments and cash and equity incentive award levels for Resideo’s other executive officers. The recommendations of the CEO are based on performance appraisals (including an assessment of the achievement of pre-established financial and non-financial management objectives) together with a review of supplemental performance measures and prior compensation levels relative to performance. The CEO presents to the Compensation Committee and the full Board his evaluation of each executive officer’s contribution and performance over the past year, strengths and development needs and actions and presents to the Nominating and Governance Committee and the full Board succession plans for each of the executive officers.

The Board’s Role in Risk Oversight

The Board is actively engaged in overseeing and reviewing the Company’s strategic direction and objectives, taking into account (among other considerations) Resideo’s risk profile and exposures. It is management’s responsibility to manage risk as overseen and assessed by the Board. The Board receives regular updates on risk exposures and there is open communication between management and the directors. The Company has established processes to report and monitor for material risks applicable to the Company. The Board oversees these reporting processes and will review annually Resideo’s enterprise risk management programs.

The Board as a whole has responsibility for risk oversight, including succession planning relating to the CEO and risks relating to the competitive landscape, strategy, business conditions and capital requirements of the Company. The Committees of the Board also oversee Resideo’s risk profile and exposures relating to matters within the scope of their authority. The Board regularly receives detailed reports from the Committees regarding risk oversight in their areas of responsibility.

The Audit Committee discusses the Company’s risk profile, risk management, and exposure (and Resideo’s policies relating to the same) with management, the internal auditors and the independent auditors. Such discussions include the Company’s major financial risk exposures and the steps management has taken to monitor and control these exposures. The Audit Committee is also charged with oversight of Resideo’s enterprise risk management program, and risks relating to enterprise-wide cybersecurity, including review of the state of the Company’s cybersecurity program, emerging cybersecurity developments and threats and the Company’s strategy to mitigate cybersecurity risks.

The Compensation Committee considers risks related to the attraction and retention of talent and the design of compensation programs and incentive arrangements. The Compensation Committee periodically undertakes a review of Resideo's incentive structure to avoid encouraging material risk taking through financial incentives.

The Nominating and Governance Committee considers risks related to the Company's reputation, environmental and sustainability matters, health and safety issues, equal employment opportunity, anti-harassment matters and community/government relations. The Nominating and Governance Committee also oversees succession planning for the Board and the appropriate assignment of directors to the Board Committees for risk oversight and other areas of responsibilities.

The Finance Committee considers risks related to the Company's capital structure, capital allocation decisions, financial condition, leverage and financial strategies, interest rate risk, expense management and strategic investments and dispositions.

The Innovation and Technology Committee considers risks related to the Company's overall technology and innovation strategies and its product technology and software cybersecurity program.

The Strategic & Operational Committee considers risks related to the Company's product and market strategy and oversight related to the CEO transition period and the Company's management of COVID-19 pandemic related health and safety and business continuity matters.

Enterprise Risk Management Program

As a part of its overall risk management strategy, the Company, with advice from the Audit Committee, has adopted an Enterprise Risk Management ("ERM") framework consisting of enhancements to our ability to manage uncertainty and mitigate risk as we drive shareholder value creation. The ERM framework is being deployed to create a robust risk management program that is aligned with the Company's strategic and business objectives. The ERM program is overseen and governed by the Audit Committee and managed by members of senior management. Working with the ERM program management team, the Board and the Audit Committee regularly assess the overall risks applicable to the Company, its businesses and functions.

In 2019, the Audit Committee, in conjunction with management, utilized the ERM framework to establish the ERM program and completed its first ERM assessment based on an enterprise-wide "top down" and "bottom up" view of commercial, strategic, legal, compliance, cybersecurity and reputational risks. On an annual basis, the ERM assessment results, as well as management action plans to mitigate or minimize the risks identified, are presented to the Audit Committee and the full Board to provide visibility into the risks that impact us and the plans to mitigate them.

Nominating Board Candidates – Procedures and Qualifications

Minimum Qualifications for Director Nominees and Board Member Attributes

Board Composition, Characteristics and Skills

Collectively, the Board must be capable of effectively overseeing risk management, capital allocation and leadership succession. In addition, the composition of the Board, as well as the perspective and skills of its individual members, needs to align with the Company's growth and commercial strategy. Board composition and the members' perspectives and skills should evolve at an appropriate pace to meet the challenges of the Company's changing commercial and strategic goals. The identification and evaluation of director candidates is an essential part of this process.

The Nominating and Governance Committee has primary responsibility for reviewing with the Board, on an annual basis, the requisite skills and characteristics of Board members, as well as the composition of the Board as a whole. This assessment includes a consideration of director independence, procedures for shareholder suggestion or nomination of candidates for the Board and any requirements of applicable law or listing rules.

While the Company's Corporate Governance Guidelines do not prescribe diversity standards, as a matter of practice, the Nominating and Governance Committee considers diversity in the context of the Board as a whole and takes into account the personal characteristics (gender, ethnicity, age) and experience (industry, professional, public service) of current and prospective directors to facilitate Board deliberations that reflect a broad range of perspectives. The Board believes that increased heterogeneity leads to better governance. The Nominating and Governance Committee is dedicated to actively seeking to recruit director candidates with diverse characteristics and attributes who satisfy the Board's nomination criteria and will contribute to the collaborative culture of the Board.

Identifying and Recruiting New Members of the Board

The Nominating and Governance Committee shall actively seek individuals qualified to become directors. Through discussions with the Chairman, Lead Independent Director, CEO and other Board members, specific skill sets, experience and knowledge important for new Board members will be identified and prioritized in accordance with the procedures set forth in the Nominating and Governance Charter, the Company's Corporate Governance Guidelines, organizational documents and applicable law. Potential candidates meeting these criteria then will be identified either by professional recruiting agencies, reputation or existing Board members. Candidates are interviewed by the Chairman, CEO, Chair of the Nominating and Governance Committee, and other members of the Board, as appropriate, to ensure that candidates not only possess the requisite skills and characteristics but also the personality, leadership traits, work ethic and independence to effectively contribute as a member of the Board. On successful completion of this process, the Nominating and Governance Committee will recommend the proposed candidate to the Board and the Board may nominate the successful candidate for election to the Board at the annual meeting of shareholders or such other time as the Board determines appropriate.

The Nominating and Governance Committee has the sole authority to retain and terminate any search firm to be used to identify director candidates, and has sole authority to approve the search firm's fees and other retention terms. Search firms retained by the Nominating and Governance Committee shall be provided guidance as to the particular experience, skills or other characteristics that the Board is then seeking. Commencing in the fall of 2019, the Nominating and Governance Committee retained third-party search firms to identify potential director candidates, and directed the firms to ensure that the pool of candidates included women and other diverse candidates. The Nominating and Governance Committee may also retain other external advisors, including for the purposes of performing background reviews of potential candidates.

Except as described below, Resideo's current Board members were either identified through a nationally-recognized search firm or were recommended by Resideo's Chairman of the Board. Ms. Hostetler and Mr. Kushner joined the Board since the 2019 annual meeting of shareholders. Ms. Hostetler was identified as a potential director candidate by a search firm retained by the Nominating and Governance Committee to identify and assess potential director candidates. Mr. Kushner was identified as a potential director candidate by an independent member of the Board.

General Criteria

In addition to the specific criteria and priorities developed collectively, director candidates are considered by the Nominating and Governance Committee in light of a range of more general criteria:

- Exemplification of the highest standards of personal and professional integrity
- Experience and industry background that align with the Company's strategic and business objectives
- Potential contribution to the composition, diversity and culture of the Board
- Age, educational background and relative skills and characteristics
- Ability and willingness to constructively challenge management through active participation in Board and Committee meetings and to otherwise devote sufficient time to Board duties

Shareholder Recommendations for Director Nominees

Any shareholder wishing to recommend a candidate for director should submit the recommendation in writing to Resideo Technologies, Inc., Nominating and Governance Committee, 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary. The written submission should comply with all requirements set forth in the Company's Certificate of Incorporation and By-Laws. The Nominating and Governance Committee will consider all candidates recommended by shareholders who comply with the foregoing procedures and satisfy the minimum qualifications for director nominees and Board member attributes.

Advance Notice Director Nominations

Resideo's By-Laws provide that any shareholder entitled to vote at an annual meeting of shareholders may nominate one or more director candidates for election at that annual meeting by following certain prescribed procedures. To be timely, the shareholder must provide written notice of the shareholder's intent to make such a nomination or nominations to Resideo's Corporate Secretary not less than 90 days nor more than 120 days prior to the first anniversary date of the immediately preceding annual meeting, except as otherwise provided in our By-Laws. The notice must contain all of the information required in our By-Laws. Any such notice must be sent to Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary. For the 2021 annual meeting of shareholders, such notice must be delivered to the Corporate Secretary no earlier than February 8, 2021 and no later than March 10, 2021.

Proxy Access Director Nominations

In addition to advance notice procedures, our By-Laws also include provisions permitting, subject to certain terms and conditions set forth therein, shareholders who have maintained continuous qualifying ownership of at least 3% of our outstanding common stock for at least three years to nominate a number of director candidates not to exceed the greater of two candidates or 20% of the number of directors then in office who will be included in our annual meeting proxy statement. Shareholders who wish to nominate a proxy access candidate must follow the procedures described in our By-Laws. Proxy access candidates and the shareholder nominators meeting the qualifications and requirements set forth in our By-Laws will be included in the Company's proxy statement and ballot. To be timely, a shareholder's proxy access notice must be delivered to our principal executive offices, Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary, no less than 120 days and no more than 150 days prior to the first anniversary date that we commenced mailing of our definitive proxy statement (as stated in such proxy statement) for the immediately preceding annual meeting, except as otherwise provided in the By-Laws. For the 2021 annual meeting, such notice must be delivered to our principal executive offices no earlier than November 25, 2020 and no later than December 25, 2020.

Director Onboarding and Continuing Education

Under our Corporate Governance Guidelines, all new directors participate in an orientation program upon joining the Board. Orientation includes presentations by senior management to familiarize our new directors with Resideo's strategic plans, financial statements and key issues, policies and practices and materials pertaining to the Board, its Committees, corporate governance policies and practices and the Company's businesses, functions, initiatives and processes. Board members may attend, at the Company's expense, seminars, conferences and other continuing education programs designed for directors of public companies.

Board Meetings and Attendance

The Board met ten times in 2019. The directors attended at least 75% of the meetings of the Board and Committees on which they served. Though we have no specific policy regarding director attendance at annual meetings of shareholders, our directors are expected to attend. All of the then-serving directors attended our 2019 annual meeting of shareholders, except Niccolo de Masi, who previously served as a director and executive officer until January 2020.

Board and Committee Evaluations

As part of the Board's commitment to good governance, the Board conducts an annual process to assess the effectiveness of the full Board and the operations of its Committees. The Nominating and Governance Committee will oversee the evaluation of the Board as a whole and its Committees and solicit feedback from directors as to whether the Board is continuing to evolve and to be refreshed in a manner that serves our business and strategic needs. After distribution of the self-evaluation materials to directors, the Nominating and Governance Committee will receive comments from all directors and report to the Board, identifying areas for improvement in the performance of the Board and its Committees. The Nominating and Governance Committee intends to retain an external third-party to facilitate the evaluation process at least once every three years.

The Nominating and Governance Committee will annually review the scope and content of the self-evaluation to ensure it is contemporary, appropriate for the needs of the Company and that actionable feedback is solicited on the operation and effectiveness of the Board and its Committees.

Before recommending the re-nomination of a slate of incumbent directors for an additional term, the Nominating and Governance Committee will evaluate whether incumbent directors possess the requisite skills and perspective, both individually and collectively, to continue to serve our business and strategic needs. This assessment will include members' qualification as independent, strength of character, judgment and ability to devote sufficient time to attendance at, and preparation for, Board meetings.

Non-Employee Director Compensation

Director Compensation

Our Compensation Committee, with assistance from the independent compensation consultant, periodically reviews and makes recommendations to our Board regarding the form and amount of compensation for non-employee directors. Directors who are also our employees receive no compensation for service on our Board.

We believe that annual compensation for non-employee directors should consist of both a cash component, designed to compensate members for their service on the Board and its Committees, and an equity component, designed to align the interests of directors and shareholders. Our non-employee directors generally receive pro-rated equity grants when they first join the Board.

The table below outlines the current annual compensation program for our non-employee directors.

Board of Directors Annual Cash Compensation	Annual Retainer ($)
Member of the Board of Directors	90,000
Chairman of Board—Additional Cash Retainer	175,000
Lead Director—Additional Cash Retainer	25,000
Board Committee Membership—Additional Cash Retainers*:	
Chair of the Audit Committee	25,000
Member of Audit Committee	10,000
Chair of the Compensation Committee	15,000
Member of the Compensation Committee	7,500
Chair of the Finance Committee	10,000
Member of the Finance Committee	5,000
Chair of the Nominating and Governance Committee	10,000
Member of the Nominating and Governance Committee	5,000
Chair of the Innovation and Technology Committee	10,000
Member of Innovation and Technology Committee	5,000
Chair of the Strategic & Operational Committee**	360,000
Member of the Strategic & Operational Committee	10,000

* Committee Chair retainers include the member retainer fees.

** Reflects significant time and travel commitment related to oversight of the Company's comprehensive operational and financial review and CEO transition.

Board of Directors Annual Equity Compensation	Annual Retainer
Annual Restricted Stock Unit ("RSU") grants generally vest on the earliest of the first anniversary of the date of grant, the director's death or disability, or removal from the Board coincident with the occurrence of a change in control.	Each non-employee director receives an RSU grant with a grant date value of $120,000 on the date of the Annual Meeting of Shareholders.

Cash elements are paid in quarterly installments in arears and prorated if necessary, including for changes in Committee service or for partial years of service. We do not separately compensate our directors for attending Board or Committee meetings.

Director Deferred Compensation Plan

In September 2019, the Compensation Committee approved the adoption of the Resideo Deferred Compensation Plan for Non-Employee Directors (the “Director Deferred Compensation Plan”). This plan encourages our directors to hold a portion of their compensation in the form of equity or deferred cash, which can only be monetized at the end of their tenure on the Board or in other limited circumstances. At the same time, the Compensation Committee also permitted non-employee directors to defer their annual equity award in accordance with the terms of our 2018 Stock Plan for Non-Employee Directors of Resideo Technologies, Inc. (the “Director Stock Plan”).

Prior to the first day of each calendar year beginning on or after January 1, 2020, each non-employee director may (i) elect to convert all of his or her annual cash retainer fees as well as any annual committee and chair fees other than reimbursements otherwise payable to him or her by the Company into deferred stock units or deferred cash pursuant to the Director Deferred Compensation Plan, and (ii) elect to defer payment of his or her annual equity grant of restricted stock units once the award has vested in accordance with its terms and conditions. Each deferred stock unit under the Director Deferred Compensation Plan and each vested restricted stock unit that a non-employee director has elected to defer under the terms of the Director Stock Plan represents the right to receive one share of our common stock generally on the first day of the seventh calendar month following the date the non-employee director incurs a separation of service from us.

Other Benefits: Non-employee directors are also provided with $350,000 in business travel accident insurance.

Director Compensation for 2019

In 2019, each non-employee director received his or her annual cash retainer amount in addition to the annual equity retainer award of RSUs with a grant date fair value of approximately $120,000. Annual equity retainers generally vest with respect to 100% of the RSUs awarded on the first anniversary of the grant date, subject to continued service on the Board. Beginning in 2020, each of our non-employee directors has the ability to elect to defer all of his or her annual cash retainer as well as his or her annual equity retainer award pursuant to the terms of our Director Deferred Compensation Plan and Director Stock Plan, respectively, as discussed above. The table below reflects the 2019 compensation paid to our non-employee directors.

Director Name	Fees Earned or Paid in Cash ($)	Stock Awards (1)($)	Total ($)
Roger Fradin	275,000	119,999	394,999
Niccolo de Masi(2)	15,833	0	15,833
Paul Deninger	115,000	119,999	234,999
Brian Kushner(3)	8,219	63,601	71,820
Jack Lazar	120,822	119,999	240,821
Nina Richardson	108,322	119,999	228,321
Andrew Teich(4)	172,089	252,817	424,906
Sharon Wienbar	120,000	119,999	239,999

(1) The stock award values set forth in the above 2019 Director Compensation Table represent the aggregate grant date fair value of stock awards computed in accordance with FASB ASC Topic 718. Annual equity retainer awards in the form of RSUs totaling 5,799 shares were made to non-employee directors on June 12, 2019 with a fair value of $20.693 per share.

(2) Mr. de Masi earned cash retainer fees as a non-employee director of the Resideo board through February 12, 2019 after which time he became President, Products & Solutions and Chief Innovation Officer of Resideo, effective February 13, 2019 and became ineligible to earn any additional cash retainer amounts or an annual non-employee director equity retainer grant. Mr. de Masi resigned from the Board effective January 6, 2020.

(3) Mr. Kushner received an RSU award for 6,704 shares with a fair value of $9.487 per share upon joining the Resideo board on December 2, 2019. This award will vest in full on June 12, 2020.

(4) In addition to the standard annual equity retainer grant of RSUs awarded on June 12, 2019 described in the paragraph above, Mr. Teich also received an RSU award for 14,000 shares with a grant date fair value of $9.487 per share as a component of his compensation for his appointment as Chair of the Strategic & Operational Committee. This award will vest with respect to one-twelfth (1/12) of the units monthly throughout 2020, until this Committee has completed its work and is dissolved. Any unvested shares remaining at that time will be forfeited.

A more detailed discussion of the assumptions used in the valuation of stock awards made in fiscal year 2019 may be found in Note 18 of the Notes to the Financial Statements in the Company's Form 10-K for the year ended December 31, 2019.

Director Name	Outstanding Equity Awards as of 12/31/2019 (#)
Roger Fradin	16,956
Niccolo de Masi(1)	11,157
Paul Deninger	16,956
Brian Kushner(2)	6,704
Jack Lazar	16,956
Nina Richardson	16,956
Andrew Teich	30,956
Sharon Wienbar	16,956

Outstanding equity awards for all directors with the exception of Mr. Kushner include an RSU award for 11,157 shares granted on November 16, 2018 which will vest for 50% of the shares on November 16, 2021 and the remaining shares will vest on November 16, 2022, plus 5,799 shares granted under the 2019 annual equity retainer on June 12, 2019 which will vest in full on June 12, 2020. Mr. Teich also received an RSU award for 14,000 shares in recognition of his role as Chair of the Strategic & Operational Committee as noted above.

(1) Mr. de Masi's award will continue to vest pursuant to the terms of his award agreement, which was amended effective January 6, 2020.
(2) Mr. Kushner's award for 6,704 shares was granted on December 2, 2019 and will vest in full on June 12, 2020.

Stock Ownership Guideline for Non-Employee Directors

To further align the interests of directors with the long-term interests of our shareholders, non-employee directors are required to own, until their separation from service from the Board, at least five times the value of their annual cash retainer, or $450,000, in our common stock by the fifth anniversary of their appointment to the Board. For purposes of the guidelines, share ownership includes shares of Resideo common stock, restricted stock units and deferred stock units. Accordingly, the guidelines align our directors' economic interests in the performance of the Company with those of our shareholders.

As of December 31, 2019, Mr. Fradin and Mr. Teich have already met the minimum stock ownership required under our stock ownership guidelines. The other directors are still within the first five years of their service on the Board.

Other Executive Officers

In addition to Mr. Nefkens, whose biographical information is included on page 12, the following is a list of individuals serving as executive officers of Resideo as of the date of this Proxy Statement. All of Resideo's executive officers have been appointed by the Board and serve at the discretion of the Board and CEO. There are no family relationships among any of our executive officers.

NAME, AGE, YEAR FIRST APPOINTED AN EXECUTIVE OFFICER	POSITION	BUSINESS EXPERIENCE
Robert Ryder, 60, 2019	Interim Chief Financial Officer	Mr. Ryder currently serves as the President of Horsepower Advisors, LLC, a consulting firm through which his services have been retained by the Company. Immediately prior to that role, he served as the chief financial officer for Constellation Brands, a global beverage and alcohol company, from 2007 to 2015. Mr. Ryder has also held chief financial officer positions with IMG and American Greetings Corporation, as well accounting and finance positions of increasing responsibility at PepsiCo, Inc. Mr. Ryder started his career in public accounting at Price Waterhouse. He received a bachelor's degree from the University of Scranton in Accounting and Finance. Mr. Ryder is also a Certified Public Accountant.
Robert Aarnes, 50, 2018	President, ADI Global Distribution	Prior to joining the Company, Mr. Aarnes served as president of Honeywell's ADI Global Distribution business since January 2017. Mr. Aarnes served as vice president and general manager of Honeywell's ADI North America business from November 2014 to January 2017. Mr. Aarnes served as vice president of operations of Honeywell's ADI North America business from January 2013 to November 2014. Prior to joining Honeywell, Mr. Aarnes served as president and chief executive officer of GUNNAR Optiks, LLC, a company that specializes in developing and manufacturing digital eyewear, from September 2008 to November 2012. Mr. Aarnes received his bachelor's degree in political science from the United States Naval Academy and his MBA in management from San Diego State University.
Michael Flink, 59, 2018	Executive Vice President of Transformation	Mr. Flink has served as the Company's Executive Vice President of Transformation since January 2020, and previously served as the Company's Executive Vice President and Chief Sales and Marketing Officer from October 2018 to January 2020. Prior to joining the Company, Mr. Flink served as president of Honeywell Homes Products since June 2018. Mr. Flink served as president of Honeywell's Homes Business from January to May 2018. Prior to this, he served as President of Honeywell Security and Fire from January 2017 to December 2017. Mr. Flink served as president of Honeywell's ADI Global Distribution business from December 2014 to January 2017. Mr. Flink served as president of Honeywell's ADI Americas business from September 2010 to December 2014. He was managing director of Honeywell's Security division, Middle East region, from September 2006 to September 2010. He was managing director of Honeywell's ADI Global Distribution business, EMEA region, from December 2004 to September 2006. Mr. Flink served as vice president of marketing and operations of Honeywell from March 2003 to December 2004. Mr. Flink received his bachelor's degree in communications from North Carolina State University.

NAME, AGE, YEAR FIRST APPOINTED AN EXECUTIVE OFFICER	POSITION	BUSINESS EXPERIENCE
Stephen Kelly, 52, 2018	Executive Vice President and Chief Human Resources Officer	Prior to joining the Company, Mr. Kelly served as vice president of Human Resources and Communications for Honeywell's aerospace business from 2014 to 2018. Mr. Kelly was the vice president of Corporate Human Resources, Organizational Development & Learning at Honeywell from 2013 to 2014. Mr. Kelly joined Honeywell in 2008 and has served in various human resources leadership positions for Honeywell's aerospace business. He was vice president of Human Resources for Honeywell's aerospace business's commercial segment in 2013. Previously, Mr. Kelly was vice president of Human Resources for Honeywell's Aerospace Defense & Space unit from 2011 to 2013. He was vice president of Human Resources for Honeywell's aerospace Engineering & Marketing unit from 2008 to 2011. Prior to joining Honeywell, Mr. Kelly was vice president of Human Resources for the Dental business at Danaher Corporation, a global science and technology innovator, from 2007 to 2008. Mr. Kelly was Vice President of the EMEA region and global head of staffing and talent management of the Industrial Technologies business at Danaher from 2005 to 2007. Prior to joining Danaher, Mr. Kelly was the head of Human Resources for BHA Group, Inc., a leading global supplier of replacement parts and services for industrial air pollution control systems. Mr. Kelly received his bachelor's degree in personnel administration from the University of Kansas and a master's degree in organizational development from Ottawa University.
Jeannine Lane, 59, 2018	Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer	Prior to joining the Company, Ms. Lane was the Vice President and General Counsel of Honeywell Homes since January 2018. She was the Vice President and General Counsel of Honeywell Security and Fire from 2015 to 2017, Honeywell Fire Business and Honeywell Safety Business from 2014 to 2015, Honeywell Life Safety Business from 2013 to 2014 and Honeywell Security from 2004 to 2013. Ms. Lane holds a bachelor's degree in political science from SUNY University at Albany and a Doctorate of Law from Albany Law School.
Sachin Sankpal, 52, 2020	President, Products & Solutions	Prior to joining the Company, Mr. Sankpal served as senior vice president for Emerging Industries at Trimble, Inc. from October 2015 to December 2019. Mr. Sankpal served in various leadership roles in Honeywell from November 2010 to October 2015, including Vice President of Strategic Marketing and Vice President/General Manager and President of Honeywell Safety Products. Prior to that, Mr. Sankpal served in various leadership, strategy and operations roles at Avaya, Inc. and Navigant Consulting. Mr. Sankpal earned his bachelor's degree in civil engineering from Rutgers University, his master's degree in civil engineering from the University of Maryland and his MBA from Dartmouth College.

Our People, Our Environment and Our Community

Our Culture

Resideo has an aspirational vision called our Performance Signature®, which defines who we want to be as a company. We will keep doing what works, get rid of what does not and start new elements that we will need to be successful in the smart home market.

We promote a business with a clear purpose that we can all be proud of, that innovates in new ways, operates with high velocity and agility to get the job done, and is vested in our people.

Our Performance Signature® contains four energies that are intricately woven together to guide us in shaping the culture of Resideo. Energies are clusters of mindsets and behaviors with a strong link to business performance. Each of these describes a different aspect of the culture we need in order to succeed; driven by purpose, high velocity operators, breakout innovators, vested in our people.

Vested in Our People

Those who are Vested in Our People assist in the growth of those around them and bring joy to the business through care, transparency and building trust.

High Velocity Operators

Those who are High Velocity Operators consistently produce great products by working at a high-paced rhythm. They know how to operate within resource constraints and make decisions that serve the business as a whole while collaborating with those who need to be involved.

Driven by Purpose

Our business grows and thrives by focusing on our customer, commitment, courage and knowing where we are going and why. Those who are Driven by Purpose demonstrate their commitment and passion by coming up with distinctive solutions that create true value for our customers, partners, people and shareholders.

Breakout Innovators

Those who are Breakout Innovators set the industry standard through boldness, curiosity, questioning and calibrated risk taking.

Diversity and Inclusion

Resideo is committed to encouraging a diverse and inclusive environment that helps attract and retain the global talent needed to drive our business forward. We have adopted a Code of Business Conduct ("Code") that requires our employees to respect each other and promote a positive workplace. We regularly report the results of our efforts regarding diversity and inclusion and any reported allegations involving the Code to the Board.

In early 2020, we refreshed our Code, which continues to require that employees treat each other with dignity and respect, and links to our Global Harassment and Retaliation policy, prohibiting workplace harassment in any form. Per our Code, we believe that our diverse, talented global workforce is the key to our success. In 2019, we launched BeingYou@Resideo, an initiative to establish discussion forums such as Women@Resideo and Pride@Resideo, and we offered unconscious bias training to all our employees. We continue to require our businesses and regions to report to our executive leadership about progress with respect to our diversity and inclusion initiatives. Similarly, as part of our commitment to our communities and our world, Resideo respects a broad range of human rights. In 2019, we also implemented a Supplier Code of Conduct, available on our website, to communicate the expectation that suppliers treat their employees with dignity and respect. Per our codes and policies, Resideo does not condone child labor, trafficking in persons or forced labor in any form.

Employee Engagement through Total Rewards

Our compensation and benefits programs provide us with a solid foundation to attract, motivate and retain a technically-skilled workforce. As our strategy focuses us on being the market leader in the connected homes space, we emphasize a strong pay-for-performance culture. Our total rewards programs provide incentives to drive "top line" growth profitably, efficiently generate the cash needed to invest in innovative solutions and reward achievement of near and long-term business performance targets.

We have expanded the use of stock-based incentives to strengthen the alignment of manager interests with that of our shareholders and to encourage managers to think like owners of Resideo.

We provide comprehensive, competitive and contemporary benefits that recognize the diversity of our workforce. We provide benefits and services that help meet the varying needs of our employees and promote choice. Our package includes generous paid time off, flexible work schedules, education assistance programs and more. We believe the combination of our competitive pay-for-performance compensation programs and our comprehensive health and welfare benefits demonstrate our commitment to a compelling total rewards value proposition for our employees.

Environmental Sustainability and Health and Safety Overview

A focused approach to sustainability is a priority for us – our leadership is committed to and accountable for our sustainability efforts to ensure that sufficient resources are deployed to manage our commitments and maintain appropriate controls. This commitment is documented in our Sustainability Opportunity policy endorsed by our CEO and publicly available on our website.

To support this sustainability focus, we have established an Operational Sustainability Committee, led by our HSE team and consisting of representatives from leadership, government relations and product stewardship. The Committee's purpose is to evaluate the holistic sustainability agenda of the company, including water, waste, energy and greenhouse gas emissions and provide leadership with guidance on operational and strategic issues.

We communicate with internal and external stakeholders to promote awareness of their responsibilities and how they can contribute to improving sustainability efforts. As part of our Supply Chain Management processes we make our Supplier Code of Conduct available for review on our website in a multitude of languages. We review all direct material suppliers against this and physically audit before approval. Further, we include a link to the Supplier Code of Conduct in our standard purchase order.

In 2019, as a new, stand-alone public company, we measured and analyzed our Health, Safety and Environmental Sustainability performance across a comprehensive set of sustainability metrics. We used guidance issued by the Sustainability Accounting Standards Board (SASB) for our industry and have used 2019 as our baseline year. We are using this data to target reductions and sustainability projects for specific Resideo facilities in 2020.

We will continue to monitor the SASB standards applicable to our industry and will seek to increase compliance and reporting. We will also monitor practices and disclosures by others in our industry.

Based on our risk analysis we are focusing on our facilities located in extremely high water-stressed regions and other facilities that have a low waste diversion rate (waste diverted from landfill) for hazardous and non-hazardous waste, as well as general energy efficiency improvement projects across our portfolio.

Based on baseline year data analysis, we have set our sustainability goals on reducing energy and water consumption, greenhouse gas emissions, and increase waste recycling in our operations by 20% by 2025.

Environmental Sustainability

In 2019, we implemented global environmental projects at our sites that saved energy and reduced our carbon footprint.

- We reduced energy consumption by 53 BBTU (Billion British Thermal Units), which represents a 9% year-on-year reduction from 2018.
- We reduced our greenhouse gas emissions by 3013 metric tons of $CO2e$ (CO_2 equivalent), which represents a 5% year-on-year reduction from 2018.
- Our Nagykanizsa site in Hungary received the “Energy Efficient Company” award for the second time in 2019. The lighting projects at the site save a total of 298 Mwh (MegaWatt Hours) of electricity per annum.
- Our Tijuana site in Mexico (a high water stressed area) implemented a water reuse project in 2019, saving 180 CuM (Cubic Meters) per annum.

Health and Safety

Our global Total Case Incident Rate or “TCIR” (the number of occupational injuries and illnesses per 100 employees) was 0.24 at the end of 2019, which is significantly lower than the North American Industry Classification System injury rate for Automatic Environmental Controls of 3.7 as reported by the U.S. Bureau of Labor Statistics.

We monitor our safety through a balanced scorecard of key performance indicators. In addition to reactive incident management investigation and root cause analysis indicators, we measure and analyze the data generated from our hazard observation, designated HSE inspections by line managers and internal audit programs by accredited HSE lead auditors to provide insights and intelligence that help us proactively mitigate issues before they result in incidents.

Social Responsibility

Committed to a Sustainable Future

Resideo is working to address some of the fundamental global challenges we face. We are starting at home – with our neighborhoods and communities – and committing to making a difference.

As a company, we provide people with tools to manage their whole home to keep it more comfortable, safe, secure and healthy. We encourage our employees to participate in grass-roots efforts and initiatives that will drive continuous improvement in our communities and in the world.

Related Party Transactions

Certain Transactions with Related Parties

Our ADI Global Distribution business ("ADI") leases its administrative office building in Melville, New York at a current rent of approximately $1,100,000 per year through 2023 and reimburses the landlord for certain real estate taxes and insurance premiums paid on the property, the future value of which cannot be determined through 2023. ADI has the right to prematurely terminate the lease after March 2022 for a termination fee of $150,000. After ADI entered into this lease, the property was acquired by a partnership known as "New Island Holdings." There have been no material amendments to the lease since the property was acquired by New Island Holdings. Mr. Fradin, the Chairman of our Board, is a limited partner in New Island Holdings, holding a 12% ownership interest. The value of the aggregate payments allocable to Mr. Fradin's share of New Island Holdings from January 1, 2018 through the expiration of the lease in March 2023 is approximately $706,000. The limited partners of New Island Holdings receive distributions based on total lease payments generated from the portfolio of buildings that the partnership owns, less applicable mortgage and other expenses.

In connection with the Spin-Off, Resideo and Honeywell entered into a Separation and Distribution Agreement, an Employee Matters Agreement, an Indemnification and Reimbursement Agreement, a Tax Matters Agreement, a Transaction Services Agreement, a Trademark License Agreement and a Patent Cross-License Agreement. These agreements govern the relationship between Resideo and Honeywell including the allocation of various assets, liabilities, rights and obligations as well as transition services to be provided by Honeywell to Resideo and by Resideo to Honeywell. For additional details regarding these agreements see our Form 10-K for the year ended December 31, 2019.

Review, Approval and Ratification of Transactions with Related Parties

The Company has a written Policy Concerning Related Party Transactions (the "Policy") regarding the review, approval and ratification of transactions between the Company and related parties. The Policy applies to any transaction in which Resideo or its subsidiary is a participant, the amount involved exceeds $120,000 and a related party has a direct or indirect material interest. A related party means any director or executive officer of the Company, any nominee for director, any shareholder known to the Company to be the beneficial owner of more than 5% of any class of the Company's voting securities and any immediate family member of any such persons.

Under the Policy, reviews are conducted by management to determine which transactions or relationships should be referred to the Audit Committee for consideration. The Audit Committee then reviews the material facts and circumstances regarding a transaction and determines whether or not the transaction is fair and reasonable and consistent with the Policy and whether the transaction should be ratified or approved. The Policy is in addition to the provisions addressing conflicts of interest in our Code of Business Conduct and any similar policies regarding conflicts of interest adopted by the Board. Our directors, executive officers and all other employees are expected to comply with the terms of the Code of Business Conduct.

Beneficial Ownership

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who beneficially own more than 10% of a registered class of the Company's equity securities, to file initial reports of ownership and reports of changes in ownership of the Company's common stock and other equity securities with the SEC within specified periods. Due to the complexity of the reporting rules, the Company undertakes to file such reports on behalf of its directors and executive officers and has instituted procedures to assist them with these obligations. Based solely on a review of filings with the SEC and written representations from the Company's directors and executive officers, the Company believes that in 2019 all of its directors and executive officers filed the required reports on a timely basis with respect to Resideo's equity securities under Section 16(a), except that Mr. Fradin's Form 3 filed in October 2018 inadvertently omitted reporting the 2,622 shares he directly held and the 8 shares that he held indirectly through a limited liability company.

Stock Ownership of Certain Beneficial Owners

The following shareholders reported to the SEC that they beneficially owned more than 5% of Resideo common stock as of December 31, 2019.

Name and Address of Beneficial Owner	Title of Class	Amount and Nature of Beneficial Ownership (#)	Percent of Class (1)
The Vanguard Group 100 Vanguard Boulevard Malvern, PA 19355	Common Stock	11,299,609(2)	9.20%
BlackRock, Inc. 55 East 52nd Street, New York, NY 10055	Common Stock	11,155,978(3)	9.10%
Praesidium Investment Management Company, LLC 1411 Broadway – 29th Floor New York, NY 10018	Common Stock	7,781,233(4)	6.30%

(1) Percentage ownership based on the Schedule 13G/A filings of The Vanguard Group and BlackRock, Inc. as further described below.

(2) According to Schedule 13G/A filed with the SEC on February 12, 2020, The Vanguard Group is the beneficial owner of 11,299,609 shares (with sole voting power with respect to 63,775 shares, shared voting power with respect to 21,436 shares, sole dispositive power with respect to 11,231,095 shares and shared dispositive power with respect to 68,514 shares). Vanguard Fiduciary Trust Company (''VFTC''), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 47,078 shares or 0.03% of the common stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts. Vanguard Investments Australia, Ltd. (''VIA''), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 38,133 shares or 0.03% of the common stock outstanding of the Company as a result of its serving as investment manager of Australian investment offerings.

(3) According to Schedule 13G/A filed with the SEC on February 6, 2020, BlackRock, Inc. is the beneficial owner of 11,155,978 shares (with sole voting power with respect to 10,565,745 shares and sole dispositive power with respect to 11,155,978 shares).

(4) According to a Schedule 13D filed with the SEC on December 13, 2019, Praesidium Investment Management Company, LLC ("Praesidium"), in its capacity as investment manager to certain managed accounts and investment fund vehicles on behalf of investment advisory clients, is the beneficial owner of 7,781,233 shares (with sole voting power with respect to 7,331,691 shares and sole dispositive power with respect to 7,781,233 shares). As the managing members of Praesidium, Peter Uddo and Kevin Oram may be deemed to beneficially own such shares.

Stock Ownership of Directors and Executive Officers

The following table shows the ownership of Resideo common stock, as of April 15, 2020, by each director, each of the NEOs, and all directors and executive officers (serving as of such date) as a group. The address of each director and executive officer shown in the table below is c/o Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702. Executive officers and directors are subject to stock ownership guidelines. Please see the "Compensation Discussion and Analysis" for a discussion of executive stock ownership guidelines and the "Stock Ownership Guideline for Non-Employee Directors" for a discussion of non-employee stock ownership guidelines.

Name	Shares of Common Stock(4)	Rights to Acquire Shares of Common Stock(5)	Total(6)	Percentage of Class Beneficially Owned
Non-Employee Directors				
Roger Fradin	58,240	5,799	64,039	*
Paul Deninger	5,578	5,799	11,377	*
Cynthia Hostetler	0	6,143	6,143	*
Brian Kushner	0	6,704	6,704	*
Jack Lazar	30,587	5,799	36,386	*
Nina Richardson	10,498	5,799	16,297	*
Andrew Teich	60,242	8,133	68,375	*
Sharon Wienbar	10,478	5,799	16,277	*
Named Executive Officers				
Michael Nefkens(1)	41,372	94,114	135,486	*
Robert Ryder	22,900	0	22,900	*
Robert Aarnes	20,835	22,943	43,778	*
Stephen Kelly	45,887	12,684	58,571	*
Niccolo de Masi(2)	20,491	44,247	64,738	*
Joseph Ragan(3)	0	13,222	13,222	*
All Current Directors and Executive Officers as a Group (16 individuals)	402,526	251,134	653,660	*

* Indicates that the percentage of beneficial ownership does not exceed 1%, based on 123,140,863 shares of Company common stock outstanding as of April 15, 2020.

(1) Mr. Nefkens is also a director of Resideo.

(2) Mr. de Masi also served as a director of Resideo until January 6, 2020, and executive officer of Resideo until January 7, 2020, and his employment terminated on March 13, 2020.

(3) Mr. Ragan served as Executive Vice President and Chief Financial Officer of Resideo until November 6, 2019, at which time his employment terminated.

(4) This column includes shares held of record, shares held by a bank, broker or nominee for the person's account, shares held through family trust arrangements and shares held jointly with the named individuals' spouses. For Mr. Fradin, this column includes 8 shares held by a limited liability company owned by Mr. Fradin.

(5) This column includes shares of Company common stock that may be acquired under employee stock options that are exercisable as of April 15, 2020 or will become exercisable within 60 days thereafter and shares subject to restricted stock units that will vest within 60 days of April 15, 2020. No non-employee directors have Company stock options.

(6) This table does not include performance-based restricted share units or time-based stock options and restricted stock units that will not be earned and/or paid within 60 days of April 15, 2020.

Executive Compensation

Proposal 2: Advisory Vote to Approve Executive Compensation

We seek an annual non-binding advisory vote from our shareholders to approve the compensation of our Named Executive Officers as described in the “Compensation Discussion and Analysis” section beginning on page 36 and the accompanying compensation tables beginning on page 51. This vote is commonly known as “Say-on-Pay”.

We encourage you to read the “Compensation Discussion and Analysis” and accompanying compensation tables to learn more about our executive compensation programs and policies. Our Board believes that its 2019 compensation-related pay decisions and our executive compensation programs align the interests of shareholders and executives by emphasizing variable compensation tied to achieving measurable goals that drive value.

This vote is not intended to address a specific item of compensation, but rather our overall compensation policies and procedures related to the Named Executive Officers. Because the Say-on-Pay vote is advisory, it will not be binding upon our Board. However, our Board will take into account the outcome of the vote and discussions with investors when considering future executive compensation arrangements.

Our Board recommends that shareholders vote in favor of the following resolution:

“**RESOLVED**, that the Company’s shareholders approve, on an advisory basis, the compensation of the Named Executive Officers, as disclosed in the Company’s Proxy Statement for the 2020 Annual Meeting of Shareholders pursuant to the executive compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2019 Summary Compensation Table and the other related tables and disclosure.”

The Board of Directors unanimously recommends a vote “FOR” Proposal 2, to approve, on an advisory basis, the compensation of the Company’s Named Executive Officers, as stated in the above resolution.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

As a newly public company, we have unique opportunities and challenges in attracting, retaining and appropriately incentivizing our key employees. We believe these challenges and opportunities are best addressed by a compensation program directly linking compensation to the performance of our business and rewarding long-term performance with equity. Specifically, we sought to embed this objective into our compensation framework by clearly linking pay and performance under our annual and long-term incentive compensation program design for 2019. We adopted performance measures under these programs that align the key elements of our strategy with our objective of growing shareholder value, as described in detail below. We also maintain meaningful compensation governance policies, including stock ownership guidelines, an incentive recoupment policy and a policy prohibiting hedging and pledging of our stock by executives.

The second half of 2019 and early 2020 were a time of leadership transition for us. In late 2019, we began a comprehensive operational and financial review of Resideo to enhance long-term shareholder value, guided by the newly formed Strategic & Operational Committee of the Board. The review is designed to create a more efficient and profitable Resideo, building on the strength of our franchise. The Board has implemented certain leadership transitions in connection with this stage in our company's development.

On November 6, 2019, the Board terminated the employment of Joseph Ragan, our former Executive Vice President and Chief Financial Officer, and appointed Robert Ryder as our Interim Chief Financial Officer effective November 7, 2019 while the Board conducts a search for a permanent chief financial officer.

Subsequently on December 2, 2019, we announced that our Board is conducting a search for the Company's next president and chief executive officer. Mr. Nefkens is assisting in the transition and continues to run the business during the search for his successor.

Effective January 7, 2020, Sach Sankpal was appointed our President, Products & Solutions. Niccolo de Masi, who previously served as our President, Products & Solutions and Chief Innovation Officer, continued as our Chief Innovation Officer, which was not an executive officer position, until his employment terminated on March 13, 2020. Mr. de Masi resigned from the Board on January 6, 2020 when he ceased serving as an executive officer.

Our Named Executive Officers

Our leadership team includes the following Named Executive Officers ("NEOs"):

NAME	POSITION
Michael Nefkens	President and Chief Executive Officer
Robert Ryder	Interim Chief Financial Officer
Robert Aarnes	President, ADI Global Distribution
Stephen Kelly	Executive Vice President, Chief Human Resources Officer
Niccolo de Masi	Former Chief Innovation Officer(1)
Joseph Ragan	Former Executive Vice President, Chief Financial Officer(2)

(1) Mr. de Masi served as President, Products & Solutions and Chief Innovation Officer from February 13, 2019 to January 6, 2020. He continued serving as our Chief Innovation Officer, which was not an executive officer position, until his employment terminated on March 13, 2020.

(2) Mr. Ragan's employment was terminated effective November 6, 2019.

Because we do not maintain employment letter agreements with our NEOs, the material terms of their compensation and benefits are described throughout this Compensation Discussion and Analysis section and supporting tables.

Our Executive Compensation Philosophy and Approach

We operate in a highly competitive and rapidly evolving market. Our ability to compete and succeed in this environment depends on our ability to recruit, incentivize and retain talented individuals.

We believe we have created a compensation program for our employees, including our executives, that provides a compelling and engaging opportunity. The program offers rewards for performance and engages our participants by requiring them to focus on driving the business to generate long-term value for our shareholders. We believe this approach is building a performance-driven leadership culture. Utilizing this philosophy, our executive compensation program has been designed to:

- Be market competitive, targeting median pay levels for total annual compensation, as defined by our peer group;
- Create sustained increases in shareholder value through incentives designed to drive high performance;
- Reward achievement of near- and long-term business performance targets;
- Make pay decisions based on an executive's skills and responsibilities, individual performance, experience, importance to the organization, retention, affordability and internal pay equity;
- Encourage employees to think like owners and align the interests of our leaders at all levels with those of our shareholders by granting equity awards to mid-level and senior leaders; and
- Deliver compensation in accordance with good governance practices that do not encourage undue risk-taking by our employees.

These objectives played a critical role in the design of our executive compensation strategy as a newly independent company in 2019. As examples, our executive compensation program for 2019 utilized revenue growth as a component of our annual incentive plan and granted a portion of equity compensation in the form of stock options. We remain committed to best practices in compensation governance for public companies, as described in more detail below, and will regularly review our executive compensation strategy to maintain alignment with our objectives.

Our Commitment to Compensation Best Practices

As part of our executive compensation program, our Compensation Committee is committed to regularly review and consider best practices in governance and executive compensation. Following the Spin-Off, we implemented and maintain the following policies and practices.

WHAT WE DO

- ✔ Maintain robust stock ownership guidelines requiring our officers and directors to hold a significant ownership position in the Company
- ✔ Provide compensation packages where more than 50% of our NEOs' 2019 compensation is delivered in equity compensation
- ✔ Tie our incentive compensation programs directly to the creation of shareholder value
- ✔ Link our annual bonus plan goals directly to our annual operating plan to drive our growth plan
- ✔ Use multiple performance metrics for our 2019 annual and long-term incentive plans and include a maximum cap on our incentive award payouts
- ✔ Ensure a significant portion of our NEOs' compensation is variable and based on company performance - 86% for our CEO and 80% on average for our other NEOs in 2019
- ✔ Retain an independent compensation consultant, selected by our Compensation Committee, to advise on competitive compensation practices
- ✔ Provide for severance benefits to our NEOs in connection with a change-in-control of the Company that requires a double trigger
- ✔ Require our NEOs, where permitted by law, to sign non-competition and intellectual property agreements
- ✔ Set the annual goals for our CEO with consultation and regular performance evaluations by our independent directors
- ✔ Maintain a compensation recoupment ("clawback") policy triggered by a material restatement of the Company's financial statements which is applicable to all our NEOs
- ✔ Evaluate and manage risk in our compensation programs

WHAT WE DON'T DO

- ✖ Allow hedging or pledging of our securities by our directors and employees, including our NEOs
- ✖ Backdate or spring-load equity awards
- ✖ Reprice stock options or stock appreciation rights without shareholder approval
- ✖ Offer any compensation programs or policies which reward excessive risk-taking
- ✖ Provide multi-year guaranteed payments to executive officers
- ✖ Offer tax reimbursement payments or gross-ups on any severance or change-in-control payments
- ✖ Provide any significant perquisites

Peer Group and Market Data

With the assistance of our independent compensation consultant, FW Cook, our Compensation Committee we selected the companies below to include in our peer group based on similar size revenue and market capitalization as well as alignment with our current profile, targeting industrial and distribution companies and internet and technology companies and focusing on the connected home. This peer group was used to support 2019 compensation decisions.

- A.O. Smith Corp.
- Acuity Brands, Inc.
- ADT Inc.
- Alarm.com Holdings, Inc.
- Allegion plc
- Anixter International, Inc.
- Arlo Technologies Inc.
- BlackBerry Limited
- Fortune Brands Home & Sec.
- Itron, Inc.
- Juniper Networks, Inc.
- Lennox International Inc.
- NCR Corporation
- NETGEAR, Inc.
- Nuance Communications
- Owens Corning
- Pentair plc
- Watsco, Inc.

While our Compensation Committee considers peer group information provided by its independent consultant as part of its benchmarking analysis, it may also refer to other available resources including published compensation data from surveys to fully understand competitive compensation practices in the external marketplace for executive talent. While the Compensation Committee uses median benchmark data to guide its compensation decisions, actual compensation levels may vary based on the Compensation Committee's consideration of other factors described below.

Elements of Compensation

Overview

Our Compensation Committee has the primary authority to determine and approve the compensation of our NEOs. The Committee is charged with reviewing our executive compensation policies and practices annually to ensure that the total compensation paid to our NEOs is fair, reasonable, competitive to our peers and commensurate with the level of expertise and experience of our NEOs.

Our Compensation Committee reviews and approves the total amount of compensation for our NEOs and the allocation of total compensation among each of the components of compensation. Their decisions in 2019 were determined principally on the following factors:

- Individual and Company performance;
- Each executive's scope of responsibility and experience;
- The judgment and general industry knowledge obtained through years of service with comparably-sized companies in our industry and other similar industries; and
- Input about competitive market practices from our independent compensation consultant.

Our management team and human resources leadership worked closely with the Compensation Committee to analyze competitive market practices and effectively design and implement our executive compensation program. Our CEO regularly participates in Compensation Committee meetings and develops and provides recommendations to the Compensation Committee regarding the compensation for our NEOs (excluding himself) and the design of our incentive compensation programs. Our CEO and other NEOs are not present when their own compensation arrangements are discussed by the Compensation Committee.

Resideo's 2019 Executive Compensation Program

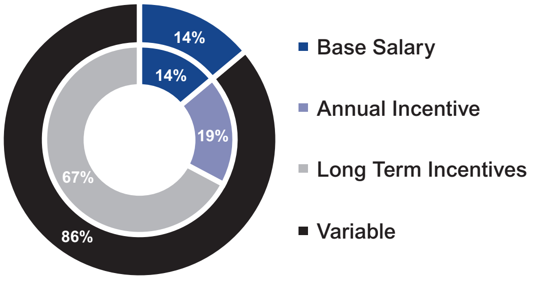
We have designed both near- and long-term incentive compensation packages that we believe are competitive and support the compensation objectives described above.

BASE SALARY	• Salaries are competitive with median market practice for the individual's role, taking into consideration individual performance, experience, scope of role relative to market benchmarks and other factors
ANNUAL INCENTIVE PLAN	• As a newly independent company, our 2019 annual incentives were tied to achieving growth and profitability targets approved by the Board. • Financial metrics for 2019 were revenue, adjusted EBITDA and operating cash flow • The individual performance component of each executive's annual incentive was linked to an assessment of each NEO's individual business initiatives • Each metric was treated independently when calculating the annual incentive
LONG-TERM INCENTIVES	• Target long-term incentive values were granted to our NEOs in three equally weighted equity instruments: • Stock options vesting annually over three years in equal, one-third installments • RSUs vesting annually over three years in equal, one-third installments • Performance share units ("PSUs") with a three-year performance period utilizing performance goals measuring revenue and adjusted EBITDA performance targets set at time of grant

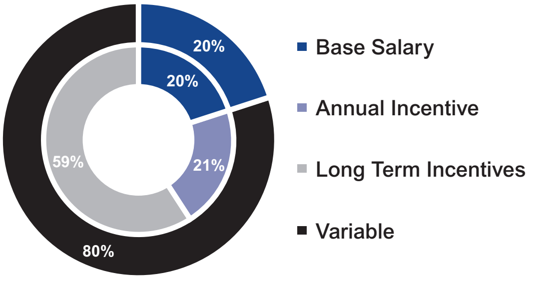
The Compensation Committee approved a 2019 executive compensation program which reflects our business strategy and a strong pay-for-performance culture. Our Compensation Committee views stock options as an equity instrument that strongly aligns the compensation realized by our NEOs and the long-term returns generated for our shareholders, as no compensation is earned unless the Company's stock price increases from the level at which the option is granted. In addition, PSUs provide for multi-year revenue and adjusted EBITDA performance measurement and reinforce the goals established through our long-range planning process and approved by our Board. Our RSU awards further align the interests of our NEOs with our shareholders and provide a meaningful retention vehicle. Lastly, our long-term incentive plan only offers share-settled awards for all long-term incentive awards, further ensuring an alignment with the interests of our shareholders.

The charts below illustrate our NEOs' compensation mix, which is heavily tied to variable compensation directly linked to company performance and aligned with our strong pay-for-performance compensation philosophy.

2019 CEO Total Target Direct Compensation



2019 Avg. Other NEO Total Target Direct Compensation



In determining the financial metrics used to set performance targets for our 2019 annual and long-term incentive compensation awards, our leadership team and Compensation Committee considered, among other factors, feedback received directly from certain shareholders and determined that revenue growth, profitability and cash flow measures were appropriate for our annual incentive program. The Compensation Committee also determined that revenue and profitability measures would be right for our long-term incentive plan for our first full year as an independent company. In coming to this decision, the Compensation Committee considered the fact that as a newly public company, we could not effectively establish measures which compare our performance against competitors or our executive compensation peer group.

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Preview of 2020 Executive Compensation Design Changes

For the 2020 compensation program, the Compensation Committee added relative total shareholder return (rTSR) to the financial metrics used under our PSUs and increased the weight of performance-based equity within the mix of awards offered to our executive officers to 50% of the total long-term incentive mix. Specifically, the Compensation Committee approved a long-term incentive (LTI) program consisting of 50% performance-based share units, 30% stock options, and 20% time-based restricted stock units. All PSUs have a three year performance period and PSUs subject to the rTSR metric will be earned by comparing our total shareholder return to the total shareholder return of other companies in the S&P 400 Industrials Index as of the beginning of 2020.

Base Salary

Our base salaries provide a competitive level of fixed compensation for our NEOs that is aligned with their role and accounts for additional factors such as their level of experience and individual performance. The Compensation Committee considers competitive fixed cash compensation to be an important foundation of a competitive total compensation program that will both retain and motivate our executives. At least annually, the Compensation Committee reviews the competitiveness of base salaries relative to external benchmarks and considers changes, as appropriate, taking into consideration market data as well as factors specific to our Company, including key elements of our compensation philosophy described above. During the 2019 compensation review, only Mr. Nefkens and Mr. Aarnes received salary adjustments of 2.3% and 12.5% respectively.

2019 Annual Incentive Plan

The annual incentive opportunity performance metrics established by the Compensation Committee included measuring Resideo’s performance by weighting revenue at 40%, Adjusted EBITDA and operating cash flow at 20% each and the remaining 20% measuring individual performance and achievements, as determined by the Compensation Committee. The revenue measure is based on the total value of the products and services sold to our customers net of discounts and returns. The adjusted EBITDA measure represents our earnings before interest, taxes, depreciation, and amortization and provides a reasonable measure of the profitability of our operations. The operating cash flow measure is calculated as adjusted EBITDA plus changes in working capital less adjusted capital expenditures during the year. The annual incentive award financial metrics for our NEOs, other than Mr. Aarnes and Mr. de Masi, were calculated solely based on overall Resideo results. The financial metrics used to determine Mr. Aarnes’ annual incentive payment were based solely on the results of ADI. The financial metrics used to determine Mr. de Masi’s annual incentive payment were calculated and weighted equally between overall Resideo results and the results for the Products & Solutions business.

The Compensation Committee performed a qualitative assessment of individual performance against the approved objectives specified for each officer for 2019 and their accomplishments against those objectives as summarized on pages 43 and 44 below.

In connection with our recent leadership transition, the Compensation Committee chose to pay each of Mr. Nefkens and our former executive officers, Mr. Ragan and Mr. de Masi, in accordance with the Company’s actual financial results with respect to the financial metric components of the award but reduced the individual performance component for each of their awards by 50%, resulting in the individual performance component payment of 10% rather than 20%.

The tables below summarize the plan goals and performance results for 2019 for the Company overall, for ADI and for the Products & Solutions business. These measures were used to determine the bonus payments to the NEOs as shown on page 45. Under the 2019 annual incentive plan, our NEOs were eligible to receive a bonus ranging from a threshold payment of 20% to a maximum of 200% of the target award allocated to achievement of the Revenue and Adjusted EBITDA goals, and ranging from a threshold payment of 16% to a maximum of 200% of the target award allocated to achievement of the Operating Cash Flow goal. With 100% target goal achievement, the resulting payment would be 100% of the target bonus for that performance metric.

Financial Performance (80% of bonus)	For the period January 1 - December 31, 2019				
Total Company	Threshold ($M)	Goal ($M)	Maximum ($M)	Actual ($M)	Financial Performance %
Resideo Revenue (40%)	4,613	5,014	5,515	4,986	99%
Resideo Adjusted EBITDA (20%)	353	420	504	360	86%
Resideo Operating Cash Flow (20%)	234	285	342	191	67%

Financial Performance (80% of bonus)	For the period January 1 - December 31, 2019				
ADI Global Distribution	Threshold ($M)	Goal ($M)	Maximum ($M)	Actual ($M)	Financial Performance %
ADI Revenue (40%)	2,583	2,808	3,089	2,813	100%
ADI Adjusted EBITDA (20%)	196	233	280	231	99%
ADI Operating Cash Flow (20%)	175	214	257	215	100%

Financial Performance (80% of bonus)	For the period January 1 - December 31, 2019				
Products and Solutions (P&S)	Threshold ($M)	Goal ($M)	Maximum ($M)	Actual ($M)	Financial Performance %
P&S Revenue (20%)	2,101	2,284	2,512	2,173	95%
P&S Adjusted EBITDA (10%)	572	681	817	533	78%
P&S Operating Cash Flow (10%)	464	566	679	397	70%

*For P&S, consolidated Resideo financial performance as reflected in the table above accounted for the remaining 40% of the financial component.

2019 Annual Incentive Award - Financial and Individual	For the period January 1 - December 31, 2019		
Performance Achievement	Financial Performance Result (80%)	Individual Performance (20%)	Total Award %
Michael Nefkens	42%	10%	52%
Robert Ryder	—	—	—
Robert Aarnes	79%	30%	109%
Stephen Kelly	42%	39%	81%
Niccolo de Masi	31%	10%	41%
Joseph Ragan	42%	10%	52%

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In determining the actual 2019 bonus awards paid to each executive, the following formula was applied.

Annual Incentive Cash Bonus = Base Salary × Target Bonus Percentage × [Financial Performance Payout Percentage + Individual Performance Payout Percentage]

2019 Annual Incentive Plan – Individual Performance Objectives (20% of target award)

The Compensation Committee conducted a qualitative assessment to determine the individual performance objectives portion of the 2019 annual incentive award payout, which accounts for 20% of the target award. The Committee first reviewed corporate performance for each business unit and functional area and noted general 2019 accomplishments that were significant to understanding individual NEO performance. Each NEO's objectives and results against those objectives is discussed below:

Michael Nefkens, President and Chief Executive Officer

Objectives	Results
• Establish organizational effectiveness to reflect new organizational structure • Establish three-year strategy • Launch ADT Command portfolio, North American and EMEA general market release and next generation thermostat • Establish new corporate headquarters • Establish cybersecurity capabilities and governance • Establish corporate scorecard with targets • Establish budget and line of business targets	In connection with Mr. Nefkens' transition, the Committee approved a payout of Mr. Nefkens' personal performance component at 50% of target for this component (equal to 10% of total target incentive), in recognition of satisfaction of many of the objectives related to the Spin-Off and the Company's first year of operations as an independent organization. In particular, the Committee considered Mr. Nefkens' achievement of the following: ➢ Implemented an effective operating cadence with the leadership team that includes regular customer visits ➢ Completed analysis of organization spend and corporate cost structure and kicked off strategy development with lines of business. ➢ Completed the relocation of the corporate headquarters to Austin, Texas ➢ Completed the assessment of cyber capabilities

Robert Aarnes, President, ADI Global Distribution

Objectives	Results
• Develop 3-5 year growth strategy • Develop EBITDA margin expansion plan and two-year financial plan • Execute ADI sales and marketing initiatives to deliver successful launches and growth objectives	Based on the results below, the Committee approved a payout of Mr. Aarnes' personal performance component at 150% of target for this component (equal to 30% of total target incentive) ➢ Developed and successfully implemented strategy with significant results in revenue and EBITDA expansion ➢ EBITDA expansion targets, plans and required investments approved and in place ➢ Completed restructuring activities, including headcount realignment ➢ Coordinated 2020 regional and line of business budgets to reflect expansion goals ➢ Implemented supplier stratification goal and plan for 2020 ➢ Supported Super Connected platforms, including thermostat ➢ Implemented product launch pipeline

Stephen Kelly, Executive Vice President and Chief Human Resources Officer

Objectives	Results
• Develop global benefits and compensation programs to compete with high-tech/consumer products companies and enable us to attract and retain top talent • Create and launch – diversity and social responsibility programs	Based on the results below, the Committee approved a payout of Mr. Kelly's personal performance component at 195% of target for this component (equal to 39% of total target incentive) ➢ Implemented the Resideo Signature Awards, a contemporary recognition program that promotes Resideo values and Performance Signature ➢ Designed and implemented the Resideo Bonus Plan that establishes better alignment between our pay for performance philosophy and business results ➢ Completed implementation of Total Rewards proposals for recruiting and engaging high technology workforce in the Austin technology center—Resideo Named one of 100 Best Places to Work in Austin 2020 ➢ Completed the design of new employee stock purchase plan for launch in June 2020 ➢ Launched various diversity affinity organizations at Resideo

Niccolo de Masi, Former Chief Innovation Officer – Former President, Products & Solutions and Chief Innovation Officer

Objectives	Results
• Develop 3-5 year growth strategy and begin execution • Develop a comprehensive, global manufacturing optimization strategy; begin review and execution • Drive acquisitions and strategic partnerships to take us into water, energy management, air, and electrical monitoring • Strengthen sales capability across segments	In connection with Mr. de Masi's transition, the Committee approved a payout of Mr. de Masi's personal performance component at 50% of target for this component (equal to 10% of total target incentive), in recognition of satisfying many of the objectives related to the Spin-Off and the Company's first year of operations as an independent organization. In particular, the Committee considered Mr. de Masi's achievement of the following: ➢ Established roadmaps for each line of business ➢ Hired applications team and drove new experience with gamification ➢ Made progress on new retail thermostat model ➢ Provided framework on channels to market for major businesses ➢ Improved manufacturing planning to reduce past dues and improved on-time delivery, while maintaining world-class safety programs ➢ Completed three acquisitions, Buoy, Whisker Labs and LifeWhere, and negotiated key strategic partnerships ➢ Developed new sales incentive program to drive upside for sales leaders

Joseph Ragan, Former Executive Vice President and Chief Financial Officer

Objectives	Results
• Develop 3-5 year financial plan • Establish corporate financial plan in conjunction with new strategy rollout • Establish a robust cybersecurity posture for Resideo by deploying security capabilities and governance in conjunction with Resideo's exit from Honeywell transition services agreements	In connection with Mr. Ragan's separation, the Committee approved a payout of Mr. Ragan's personal performance component at 50% of target for this component (equal to 10% of total target incentive), in recognition of the objectives related to the Spin-Off and the Company's first year of operations as an independent organization. In particular, the Committee considered Mr. Ragan's achievement of the following: ➢ Completed 2019 operating plan ➢ Completed assessment of cyber capabilities and product security assessment

Based on achievement of the financial and individual performance objectives as described above, the following table sets forth the target amount and actual annual incentive payout for each NEO for fiscal 2019:

Name	Target Bonus ($)	Actual Bonus ($)
Michael Nefkens	1,260,000	655,200
Robert Ryder(1)	N/A	N/A
Robert Aarnes	450,000	490,500
Stephen Kelly	344,000	279,328
Niccolo de Masi	843,750	345,938
Joseph Ragan(2)	420,411	218,614

(1) Mr. Ryder is not eligible for an annual incentive bonus per the terms of our engagement letter with Horsepower Advisors, LLC, the consulting firm through which we have retained his services.

(2) Mr. Ragan's target bonus reflected above is pro-rated based on the actual number of days he was employed during 2019.

2019 Long-Term Incentives

The goal of our long-term incentive plan is to align the compensation of our executives with the interests of shareholders by encouraging sustained long-term improvement in operational and financial performance and long-term increase in shareholder value. Long-term incentives also serve as retention instruments and provide equity-building opportunities for executives. Equity awards to our employees are granted under the Amended and Restated 2018 Stock Incentive Plan of Resideo Technologies, Inc. and its Affiliates (the "2018 Stock Incentive Plan"). Our first annual grants of LTI awards to the CEO and other NEOs as an independent, public company were issued on February 11, 2019, with the exception of Mr. de Masi, who joined Resideo as an executive officer on February 13, 2019. The Compensation Committee approved a mix of annual LTI awards in the form of performance stock units, stock options, and restricted stock units of equal value. The number of shares underlying the RSUs and PSUs was determined by dividing one-third of the total value of the LTI award by the average closing stock price of Resideo common stock on the three trading days leading up to and including the grant date. The number of stock options granted was calculated by dividing one-third of the total value of the annual LTI award by the Black-Scholes stock option value determined on the date of grant.

The table below provides a summary of the value and number of options and units granted to each NEO in 2019.

NAME	ROLE	Total Value of LTI Award ($)	Option Value (33%) ($)	TRSU Value (33%) ($)	PSU Value (33%) ($)	# of NQ Stock Options	# of TRSUs	# of PRSUs	Grant price of stock options ($)
Michael Nefkens	President and CEO	4,300,000	1,433,333	1,433,333	1,433,333	211,406	58,767	58,767	24.39
Robert Ryder*	Interim Chief Financial Officer	—	—	—	—	—	—	—	N/A
Robert Aarnes	President, ADI Global Distribution	1,400,000	466,666	466,666	466,666	68,829	19,133	19,133	24.39
Stephen Kelly	EVP, Chief Human Resources Officer	774,000	257,999	257,999	257,999	38,053	10,578	10,578	24.39
Niccolo de Masi	Former President, Products & Solutions and Chief Innovation Officer	2,700,000	900,000	900,000	900,000	132,743	36,101	36,101	25.04
Joseph Ragan	Former EVP, Chief Financial Officer	1,100,000	366,666	366,666	366,666	54,080	15,033	15,033	24.39

* Mr. Ryder received no equity awards in his role as interim Chief Financial Officer.

Note that Mr. de Masi became an officer on February 13, 2019, therefore his stock options were issued on that date based on the Black-Scholes value determined on that date and reflects a strike price based on the fair market value of Resideo stock on February 13, 2019. Similarly, the number of RSU and PSU shares awarded were determined using the three-day average closing stock price through February 13, 2019.

2019 Stock Options

The stock options awarded in 2019 will vest ratably over three-years with one third of the option shares vesting on each anniversary of the grant date until fully vested in February 2022, assuming the recipient is continually employed through each vesting date. The options will expire if unexercised prior to the seventh anniversary of the grant date. All of the stock options issued in 2019 were out-of-the money as of the date of this Proxy Statement.

2019 Restricted Stock Units

The restricted stock units awarded in 2019 will vest ratably over three-years with one third of the shares vesting on each anniversary of the grant date until fully vested in February 2022, assuming the recipient is continually employed through each vesting date.

2019 Performance Stock Units

The performance stock units awarded in 2019 will vest based on achievement of Resideo's financial results over three years from January 1, 2019 through December 31, 2021.

The performance metrics applicable to the 2019 PSU awards are revenue and adjusted EBITDA with each metric applied equally – 50% weight for each goal. The total shares which can be earned by an executive under these awards ranges from 20% of the target award to a maximum of 200% of target. One-third (1/3) of the total target PSUs will apply to the measures for each of the three years of the performance period covered by the 2019 PSU award and may be earned independently of PSUs applicable to the performance goals for the other two years. Once deemed to be earned, the PSUs for any year under the 2019 PSU award will no longer be subject to the performance measures for a subsequent year(s).

Other Compensatory Decisions Applicable to 2019

In connection with the management transitions described above, the Compensation Committee approved certain separation and engagement agreements, summarized below, to affect a smooth transition of leadership.

Separation Agreements

Mr. Nefkens. In connection with our CEO transition, Mr. Nefkens is entitled to receive severance benefits in accordance with and subject to the conditions of the Company's Severance Plan (as defined below under "Other Components of Our Compensation Program—Severance"). In addition, subject to the conditions of the Severance Plan and other conditions set forth in his separation agreement, Mr. Nefkens is also entitled to receive continued vesting of the founder's grant restricted stock units granted on October 29, 2018, and a payment equal to his 2020 target annual incentive award, which is equal to 140% of his base salary (with his base salary remaining unchanged from 2019), pro-rated for the portion of 2020 during which Mr. Nefkens remained employed. In addition, and subject to the same conditions, Mr. Nefkens is entitled to a long-term incentive grant for 2020 valued at $1.433 million that vests monthly during fiscal 2020 with a minimum vesting of three months. Following the severance period, Mr. Nefkens will be engaged to provide consulting services for twelve months for an annual fee of $200,000, as described below. The severance benefits above are conditioned on Mr. Nefkens' execution of and compliance with the separation agreement, including a release in favor of the Company and strict adherence to the restrictive covenants, which include one-year non-competition and two-year non-solicitation restrictions. If Mr. Nefkens exercises his right to terminate his employment on a date not selected by the Board of Directors, then he will receive only the severance benefits in accordance with the Company's Severance Plan. Furthermore, in the event of a change in control prior to Mr. Nefkens' last day of active employment, and if he experiences an involuntary termination (other than for cause) within two years after the change in control, then he will be entitled to a lump sum payment equal to twenty-four months of base pay plus two times his target annual incentive award.

The terms of Mr. Nefkens' separation agreement were determined by the Compensation Committee in consideration of Mr. Nefkens' significant contributions toward the Spin-Off and to facilitate a smooth transition of his responsibilities to a successor CEO, as described in more detail below:

- **Severance benefits.** The Compensation Committee determined that Mr. Nefkens was entitled to severance benefits under the Company's Severance Plan in connection with the Board's decision that a different skill set was needed to lead the next stage of the Company's evolution, which contributed to the mutual agreement of Mr. Nefkens and the Board to hire a new CEO.

- **Continued vesting of founder's grant.** Upon his appointment as CEO, Mr. Nefkens did not receive a signing bonus or new hire equity grant. The award of a signing bonus and/or a special equity award often occurs when hiring a CEO to lead an organization. Mr. Nefkens' October 29, 2018 founders grant was awarded in lieu of a signing bonus and new hire equity award. Therefore, the Compensation Committee determined that Mr. Nefkens should be entitled to continued vesting in this award to recognize the substantial efforts and work completed as part of the Company's Spin-Off and launch as an independent public company, subject to the terms of his separation agreement.
- **Eligibility for 2020 pro-rated target annual incentive award.** It is expected that Mr. Nefkens will remain in the role as CEO until a new CEO has been identified and hired, which is expected to occur sometime in 2020. Mr. Nefkens' continued eligibility for a pro-rata payout of his target annual incentive award will recognize his continuing service as CEO and his efforts to facilitate a smooth transition of his responsibilities.
- **2020 equity incentive award with monthly vesting.** Mr. Nefkens' 2020 equity incentive award is intended to keep Mr. Nefkens' interests aligned with the interests of shareholders during the transition period and keep him engaged and focused on both the immediate and long-term objectives of Resideo.
- **Post severance consulting agreement.** The Board determined it was advisable to retain access to Mr. Nefkens over the medium-term beyond his employment given his deep knowledge of our business and legal matters related to the Spin-Off, particularly in light of multiple executive transitions occurring at the same time.

Mr. de Masi. In connection with Mr. de Masi's continued employment as our Chief Innovation Officer following the Board's decision to hire a new President of the Products and Solutions business unit, he continued to receive the same base salary and annual incentive compensation but was not eligible to receive any further equity awards. Mr. de Masi was terminated on March 13, 2020 and received severance benefits under our Severance Pay Plan for Designated Executive Employees (the "Executive Severance Plan") with enhanced salary continuation payments of 18 months, in recognition of the benefit for which he had previously been eligible under the Officer Severance Plan. Under the terms of his separation agreement, Mr. de Masi is eligible for continued vesting of his November 18, 2018 restricted stock unit award that he received upon his election as a director and before he became an executive officer. In addition, Mr. de Masi will receive a payment equal to his 2020 target annual incentive award, which is equal to 125% of his base salary (with his base salary remaining unchanged from 2019), pro-rated for the portion of 2020 during which Mr. de Masi remained employed, which amount would only include one-half of the amount tied to the individual performance component. All the severance benefits are subject to the conditions in the Executive Severance Plan, and the additional benefits are also subject to Mr. de Masi's compliance with other covenants governing his separation, which include one-year non-competition and two-year non-solicitation restrictions.

In designing the terms of the letter agreement providing for Mr. de Masi's continued employment, the Compensation Committee considered the need to affect a smooth transition of Mr. de Masi's responsibilities to Mr. Sankpal and ensure that Mr. de Masi's interests remained aligned with the Company's as he continued in his non-executive position as Chief Innovation Officer. The Compensation Committee particularly considered the need for steady leadership during this time of significant change within Resideo. Accordingly, the Compensation Committee agreed to the additional severance benefits in the event that Mr. de Masi's employment was terminated without cause within the following twelve months. The Company later decided to terminate Mr. de Masi's employment effective March 13, 2020, thereby entitling him to the severance benefits provided in his letter agreement.

Mr. Ragan. As provided in Mr. Ragan's separation and release agreement, if he adheres to the terms and conditions of the separation agreement and complies with certain restrictive covenants, he is entitled to receive severance benefits under the Severance Plan. In addition, subject to the conditions of the Severance Plan and other conditions set forth in his separation agreement, Mr. Ragan received a pro-rated payout of his fiscal 2019 annual incentive award based on the Company's actual performance against the performance goals and one-half of the amount tied to individual performance, and is entitled to receive (i) continued vesting of a pro-rated portion of his restricted stock units that were granted to him on October 29, 2018 and (ii) reimbursement of the cost of real estate commission fees on the sale of his home and shipment of household goods if Mr. Ragan relocates to the metropolitan area where he resided prior to his move to Austin, TX in the six-month period following the termination of his employment. The restrictive covenants applicable to Mr. Ragan include a one-year non-competition and a two-year non-solicitation restriction.

Mr. Ragan was entitled to severance benefits under the Severance Plan as the Board terminated his employment in connection with a search for a new chief financial officer with a different skill set. The Compensation Committee approved the additional severance benefits for Mr. Ragan in consideration of his significant efforts in connection with the Spin-Off and launch of Resideo as an independent public company. Based on these factors, the Compensation Committee provided Mr. Ragan with a pro-rated payout of his fiscal 2019 annual incentive award (based on actual performance) and continued vesting of a pro-rated portion of the founder's grant he received on October 29, 2018, which was granted at Spin-Off and in lieu of any other sign-on compensation when he joined the Company.

Engagement Letter

Mr. Ryder. On October 22, 2019, the Board appointed Mr. Ryder as Interim Chief Financial Officer effective November 7, 2019. The terms of Mr. Ryder's service to Resideo are set forth in an engagement letter with Horsepower Advisors, LLC ("Horsepower"), a consulting firm through which we obtained his services. Mr. Ryder currently serves as the President of Horsepower. Pursuant to the engagement letter, Resideo will pay Horsepower a bi-weekly fee of $115,000 as compensation for Mr. Ryder's services, as well as reimbursement of Mr. Ryder's reasonable and authorized travel expenses related to performance of the services. Mr. Ryder shall not be eligible for an annual incentive award or any long-term incentive awards. The engagement will continue in effect for six months unless terminated earlier by either party upon 30 day's written notice.

Other Components of Our Compensation Program

Severance

In November 2018, the Compensation Committee adopted the Resideo Technologies, Inc. Severance Plan for Designated Officers (the "Severance Plan"), which includes each of our NEOs, other than Mr. de Masi. The terms of the Severance Plan were established following a review of the severance practices among companies in our approved compensation peer group.

The Severance Plan addresses severance for our NEOs upon a termination following a change in control ("CIC"), considered a "double trigger", and is intended to ensure the continued attention of our NEOs to their roles and responsibilities without the distraction that may arise from the possibility of a job loss concurrent with a CIC of Resideo.

In addition, the Severance Plan provides for severance payments and benefits that become payable if the employment of one of our NEOs is terminated by us without "cause" (as defined in the Severance Plan) subject to such individual signing and not revoking a release of claims agreement.

The Compensation Committee has adopted the Severance Plan to provide competitive post-employment compensation arrangements that promote the continued attention, dedication and continuity of the members of our senior management team, including our NEOs, and enable us to continue to recruit talented senior executive officers. The Compensation Committee intends to periodically review the severance available to our NEOs under the Severance Plan to ensure ongoing competitiveness and alignment with our overall compensation philosophy.

The severance benefits provided to our NEOs are outlined in the Potential Payments Upon Termination or Change in Control Table found later in this Proxy Statement.

Nonqualified Deferred Compensation Plan

Executive officers (including the NEOs) may choose to participate in the Resideo Supplemental Savings Plan, a nonqualified deferred compensation plan that permits additional tax-deferred retirement savings options. The Resideo Supplemental Savings Plan has two components, the Deferred Incentive Program (DIP) and the Supplemental Savings Program (SSP). Executive officers can elect to defer up to 100% of their annual incentive award under the DIP component. In addition, under the SSP component, executive officers may also elect to defer eligible compensation that cannot be contributed to the Company's 401(k) plan due to IRS limitations. The amounts contributed to the Supplemental Savings Plan are eligible for company matching credits, not to exceed 87.5% of the first 8% contributed combined between the SSP and the Company's 401(k) plan. The participant account balances in the Supplemental Savings Plan are subject to gains and losses, based on the returns of the Fidelity® U.S. Bond Index Fund.

Benefits and Perquisites

Our NEOs are eligible to receive the same benefits as our salaried employees in the United States. Resideo and the Compensation Committee believe this approach is reasonable and consistent with the overall compensation objectives to attract and retain employees. These benefits include medical, dental, vision, disability insurance, a 401(k) plan and other plans and programs made available to other eligible employees in the United States. Employee benefits and perquisites are reviewed periodically to ensure that benefit levels remain competitive.

In connection with the Spin-Off, in June 2019 we moved into our new headquarters in Austin, Texas, a state-of-the-art office building that houses our executive leadership team as well as a software development center. In connection with the relocation from Golden Valley, Minnesota to Texas, we provided certain relocation benefits to executives, officers and NEOs to ease the transition for relocating employees and their families while ensuring our team remained focused on achieving the Company's goals.

Executive Annual Physical Program

Effective with the 2019 calendar year, the Compensation Committee approved that all officers are required to have an annual executive physical and are eligible to participate in an executive annual physical program paid for by the Company. These physicals provide a more in-depth review of the health of those employees reporting to the President of the Company. Each of our NEOs participated in the annual physical exam program in 2019.

Executive Stock Ownership Guidelines

The Compensation Committee believes that the interests of our executives, including our NEOs, will be more aligned with those of our shareholders, and our NEOs will more effectively pursue strategies that promote our shareholders' long-term interests, if our executives hold substantial amounts of our stock. Accordingly, in November 2018, our Compensation Committee adopted minimum stock ownership guidelines for all executive officers, including our NEOs.

Under these guidelines, our executive officers must hold shares of Resideo common stock equal in value to the following multiples of their current base salary:

CEO	6x Base Salary
Other Executive Officers	3x Base Salary

Our executive officers have five years from the date they become subject to the guidelines to meet the ownership requirement. Shares owned outright, unvested RSU awards and earned performance share awards are counted toward the ownership requirement. Shares may be sold during the accumulation period if satisfactory progress towards meeting the minimum requirement is demonstrated. As of December 31, 2019, Mr. Kelly and Mr. Aarnes have met the minimum stock ownership requirement under the policy.

Incentive Recoupment Policy ("Clawback")

In the event of a material restatement of our financial results (a "Restatement"), the Board will review all incentive compensation paid to senior executives on the basis of having met or exceeded specific performance targets for performance periods during the Restatement period. To the extent permitted by applicable law, the Board will seek to recoup incentive compensation, in all appropriate cases (taking into account all relevant factors, including whether the assertion of a recoupment claim may prejudice the interests of the Company in any related proceeding or investigation), paid to, or credited to a deferred compensation account of, any senior executive, if and to the extent that:

(i) the amount of incentive compensation was calculated based upon the achievement of certain financial results that were subsequently reduced due to a Restatement;

(ii) the senior executive engaged in misconduct that caused the need for the Restatement; and

(iii) the amount of incentive compensation that would have been awarded to the senior executive had the financial results been properly reported would have been lower than the amount actually awarded.

Hedging and Pledging Policy

It is our policy that all of our directors, officers and employees are prohibited from engaging in short sales of Resideo securities and selling or purchasing puts or calls or otherwise trading in or writing options on Resideo securities and using certain financial instruments (including forward sale contracts, equity swaps, collars and exchange funds), holding securities in margin accounts or pledging Resideo securities as collateral, in each case, that are designed to hedge or offset any decrease in the market value of Resideo securities.

Tax Deductibility of Executive Compensation

Prior to 2018, Section 162(m) of the Internal Revenue Code generally limited the tax deductibility of compensation paid to the CEO and each of the next three most highly compensated executive officers (excluding the CFO) that exceeded $1 million in any taxable year unless the compensation over $1 million qualified as "performance-based" within the meaning of Section 162(m).

The ability to rely on the "performance-based" compensation exception under Section 162(m) was eliminated in 2017 and the $1 million limitation on deductibility generally was expanded to include all NEOs (including the CFO). Thus, we generally will not be able to take a deduction for any compensation paid to our NEOs in excess of $1 million unless the compensation qualifies for transition relief applicable to certain arrangements in place on November 2, 2017. The rules and regulations promulgated under Section 162(m) are complicated, and may change from time to time, and the scope of the transition relief under the legislation repealing Section 162(m)'s performance-based exemption from the deduction limit is uncertain. The Compensation Committee will continue to monitor the effect of tax reform on our executive compensation program.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Company's Compensation Discussion and Analysis included in this Proxy Statement. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this Proxy Statement and the Company's Form 10-K for the year ended December 31, 2019.

This report is provided by the following independent members of the Board, who comprise the Compensation Committee:

Sharon Wienbar (Chair)
Nina Richardson
Andrew Teich

Summary Compensation Table

The following table sets forth information concerning the compensation awarded to, earned by or paid to our NEOs during 2019.

Officer Name	Position	Year	Base Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)(3)	Non-Equity Incentive Plan Compensation ($)(4)	Changes in Pension Values and Non Qual. Deferred Comp Earnings ($)(5)	All Other Compensation ($)(6)	Total Compensation ($)
Michael Nefkens	President & Chief Executive Officer	2019	895,068	—	2,866,654	1,433,333	655,200	—	502,910	6,353,165
		2018	135,385	193,227	4,104,724	—	998,977	—	1,645	5,433,958
Robert Ryder	Interim Chief Financial Officer(7)	2019	—	—	—	—	—	—	391,000	391,000
Robert Aarnes	President, ADI Global Distribution	2019	437,671	—	933,308	466,661	490,500	40,977	19,145	2,388,262
		2018	60,135	44,987	885,007	—	138,905	9,996	4,440	1,143,470
Stephen Kelly	EVP, Chief Human Resources Officer	2019	430,000	—	515,995	257,999	279,328	140,014	713,972	2,337,308
		2018	65,346	67,898	1,041,057	—	178,415	8,163	9,111	1,369,991
Niccolo de Masi	Former Chief Innovation Officer(8)	2019	589,931	—	1,807,938	903,980	345,938	—	363,149	4,010,936
Joseph Ragan	Former EVP, Chief Financial Officer(9)	2019	492,885	—	733,310	366,662	—	—	365,444	1,958,301
		2018	84,615	44,090	1,050,108	—	156,237	—	2,051	1,337,101

(1) For 2018, our NEOs received a discretionary bonus payment for their significant contributions to our successful Spin-Off from Honeywell.

(2) Stock awards in 2019 consisted of restricted stock unit (RSU) awards and performance stock unit (PSU) awards. The amounts reported in this column represent the aggregate grant date fair value of the RSU awards for fiscal years 2019 and 2018 and of the target level of the PSU awards for fiscal years 2019. We calculated these amounts in accordance with the provisions of FASB ASC Topic 718 utilizing the assumptions discussed in Note 18 to our financial statements for the fiscal years ended December 31, 2019 and December 31, 2018. The grant date fair value of the 2019 RSUs and the grant date fair value of the 2019 PSUs if target performance and maximum performance is achieved are as follows:

		PSUs	
Name	RSUs ($)	Target ($)	Maximum ($)
Michael Nefkens	1,433,327	1,433,327	2,866,654
Robert Ryder	—	—	—
Robert Aarnes	466,654	466,654	933,308
Stephen Kelly	257,997	257,997	515,995
Niccolo de Masi	903,969	903,969	1,807,938
Joseph Ragan	366,655	366,655	733,310

(3) The amounts reported in this column represent the aggregate grant date fair value of the option awards for fiscal year 2019. No options were issued in 2018. We calculated these amounts in accordance with the provisions of FASB ASC Topic 718 utilizing the assumptions discussed in Note 18 to our financial statements for the fiscal year ended December 31, 2019.

(4) The amounts in this column represent the total 2019 annual incentive payments made to the NEOs as described in more detail above in the “Compensation Discussion & Analysis – Elements of Compensation” section of this Proxy Statement. The amount shown was paid shortly after the end of the fiscal year.

(5) The amounts in this column represent the aggregate change in the present value of each NEO’s accumulated benefit under the Company’s pension plans (as disclosed in the Pension Benefits table on page 57).

(6) The amounts reported in this column for 2019 include costs for company contributions under the 401(k) and deferred compensation plan, relocation benefits in connection with the Spin-Off, the imputed value of company-provided life insurance, costs for executive healthcare

services and in the case of Mr. Ragan only, severance benefits. The amount for Mr. Ryder includes the payments made to Horsepower, which are described in more detail below in footnote 7.

Name	401k Company Contributions ($)	Deferred Compensation Plan Company Contributions ($)	Relocation Expenses ($)(a)	Relocation-Related Tax Gross-Up ($)(b)	All Other ($)(c)
Michael Nefkens	9,800	—	429,270	58,300	5,540
Robert Ryder	—	—	—	—	—
Robert Aarnes	16,625	—	—	—	2,520
Stephen Kelly	16,625	13,475	533,953	144,379	5,540
Niccolo de Masi	—	—	332,625	28,084	2,440
Joseph Ragan	—	—	43,733	20,938	365,444

(a) The amounts shown relate to relocating our NEOs to Austin, Texas in connection with the relocation of our corporate headquarters following the Spin-Off. Eligible relocation expenses included: moving of household goods, travel expense reimbursement for home-finding trips and final journey to the destination, expense allowance, home sale assistance (including, potential payment of certain closing costs and reimbursement for certain losses on home sales), potential payment of certain closing costs in connection with a new home purchase temporary housing, reimbursement of lease cancellation expenses.

(b) The amounts shown are for taxes related to the reimbursement of relocation expenses.

(c) Includes costs for executive healthcare services and excess liability insurance premiums paid by the Company. In the case of Mr. Ragan only, includes severance benefits consisting of $78,269 of salary continuation following his termination date of November 6, 2019 through December 31, 2019 and $218,614 representing a pro-rated payout of his fiscal 2019 annual incentive award provided pursuant to the terms of his separation agreement.

(7) Mr. Ryder was appointed as Interim Chief Financial Officer effective November 7, 2019. Mr. Ryder is the President of Horsepower, a consulting firm through which his services have been retained under an engagement letter dated October 22, 2019. Pursuant to that engagement letter, the Company pays Horsepower a bi-weekly fee of $115,000 for Mr. Ryder's services, as well as reimbursement of reasonable and authorized travel expenses related to performance of the services. Mr. Ryder does not receive any equity compensation per the terms of the engagement letter.

(8) Mr. de Masi served as President, Products & Solutions and Chief Innovation Officer, from February 13, 2019 through January 6, 2020. Mr. de Masi continued serving as Chief Innovation Officer, which was not an executive officer position, until his employment terminated on March 13, 2020.

(9) Mr. Ragan's employment terminated effective November 6, 2019.

Grants of Plan-Based Awards - Fiscal Year 2019

The following table summarizes the grants of plan-based awards made to our NEOs during the fiscal year ended December 31, 2019.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards							
Officer Name	Award Type	Grant Date	Threshold ($)[A]	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/sh.)	Closing Price on Date of Grant of Option Awards ($/sh.)	Grant Date Fair Value of Stock and Option Awards ($)
Michael Nefkens	Annual Incentive Plan[1]	01/01/2019	191,520	1,260,000	2,520,000	—	—	—	—	—	—	—	—
	Stock Options [2]	02/11/2019	—	—	—	—	—	—	—	211,406	24.39	24.70	1,433,333
	RSU[3]	02/11/2019	—	—	—	—	—	—	58,767	—	—	—	1,433,327
	PSU[4]	02/11/2019	—	—	—	11,753	58,767	117,534	—	—	—	—	1,433,327
Robert Ryder	—	—	—	—	—	—	—	—	—	—	—	—	—
Robert Aarnes	Annual Incentive Plan[1]		68,400	450,000	900,000	—	—	—	—	—	—	—	—
	Stock Options [2]	02/11/2019	—	—	—	—	—	—	—	68,829	24.39	24.39	466,660
	RSU[3]	02/11/2019	—	—	—	—	—	—	19,133	—	—	—	466,654
	PSU[4]	02/11/2019	—	—	—	3,827	19,133	38,266	—	—	—	—	466,654
Stephen Kelly	Annual Incentive Plan[1]	01/01/2019	52,288	344,000	688,000	—	—	—	—	—	—	—	—
	Stock Options [2]	02/11/2019	—	—	—	—	—	—	—	38,053	24.39	24.70	257,999
	RSU[3]	02/11/2019	—	—	—	—	—	—	10,578	—	—	—	257,997
	PSU[4]	02/11/2019	—	—	—	2,116	10,578	21,156	—	—	—	—	257,997
Niccolo de Masi	Annual Incentive Plan[1]	01/01/2019	128,250	843,750	1,687,500	—	—	—	—	—	—	—	—
	Stock Options [2]	02/13/2019	—	—	—	—	—	—	—	132,743	25.04	25.17	903,980
	RSU[3]	02/13/2019	—	—	—	—	—	—	36,101	—	—	—	903,969
	PSU[4]	02/13/2019	—	—	—	7,220	36,101	72,202	—	—	—	—	903,969
Joseph Ragan[5]	Annual Incentive Plan[1]	01/01/2019	75,240	495,000	990,000	—	—	—	—	—	—	—	—
	Stock Options [2]	02/11/2019	—	—	—	—	—	—	—	54,080	24.39	24.39	366,662
	RSU[3]	02/11/2019	—	—	—	—	—	—	15,033	—	—	—	366,655
	PSU[4]	02/11/2019	—	—	—	3,007	15,033	30,066	—	—	—	—	366,655

(A) Represents the payment that would be received for the minimum level of performance required to achieve a payout under the plan for 2019. The amounts reflected are based on revenue achievement of 92% of target, adjusted EBITDA achievement of 84% of target, and operating cash flow achievement of 82% of target, with no payment under the individual performance component of the plan.

(1) Annual Incentive Compensation awarded under the Resideo Bonus Plan for the 2019 performance year. Amounts reflected are for the annual bonus payable in 2020, for the 2019 performance year. The amounts actually paid with respect to these awards are reflected in the Summary Compensation Table in the "Non-Equity Incentive Plan Compensation" column. See "Compensation Discussion and Analysis – Elements of Compensation- 2019 Annual Incentive Plan" for more information about our annual incentive compensation plan. The target award for each executive reflects adjustments for changes in salary and bonus targets during the Plan year.

(2) Non-qualified stock options granted under the 2018 Stock Incentive Plan. The options will vest ratably on February 11, 2020, 2021 and 2022, except for those granted to Mr. de Masi, which will vest ratably on February 13, 2020, 2021 and 2022. The grant date fair value of stock options was calculated in accordance with FASB ASC Topic 718 using the Black-Scholes option valuation model as of the date of grant based on the assumptions reflected in Note 18 of the Company's Form 10-K for the period ended December 31, 2019.

(3) Restricted stock units granted under the 2018 Stock Incentive Plan. The restricted stock units will vest ratably on February 11, 2020, 2021 and 2022 except for those granted to Mr. de Masi, which will vest ratably on February 13, 2020, 2021 and 2022. The grant date fair value of the RSUs reflected in the final column is equal to the average of the high and low price for Resideo on the date of grant.

(4) The amounts in the Target column represents the number of shares earned at target (100%) level of performance. The amounts in the column labeled Threshold represent the total number of shares that would be earned at the minimum level of performance achievement for each the revenue and adjusted EBITDA goals for each of the three-years during the performance period. Actual awards may range from 0% to 200% of target. The grant date fair value reflected in the final column is equal to the average of the high and low price for Resideo on the date of grant.

(5) Pursuant to the terms of the awards granted on February 11, 2019, upon his termination on November 6, 2019, Mr. Ragan (i) received (a) a pro-rata distribution of his RSU grant, and (b) pro-rated vesting of his stock option grant which vested options shall remain exercisable for one year after his termination of service and (ii) is entitled to receive a pro-rata number of the PSUs earned as of the end of the performance period, if any, based on Company's actual achievement against the revenue and adjusted EBITDA goals set for 2019, which shall be paid out at the same time as the other 2019 PSUs. Pursuant to the terms of Mr. Ragan's separation agreement, he was also

entitled to receive a pro-rated payout of his 2019 annual incentive award based on the Company's actual performance against the performance goals and one-half of the amount tied to individual performance.

Description of Grants of Plan Based Awards

The amounts shown in the "Estimated Future Payouts Under Non-Equity Incentive Plan Awards" columns in the table above represent each NEO's opportunity under the Company's Annual Incentive Compensation Plan for 2019. The target award is based on the individual's base salary throughout the period of employment during the performance period, as well as changes in the individual's bonus target that may have occurred.

The awards shown in the "Estimated Future Payouts Under Equity Incentive Plan Awards" column in the table above are PSU awards and are earned over three years if the Company achieves certain performance goals over a three-year performance period (2019 – 2021). The 2019 PSU metrics are the Company's revenue (50%) and the Company's Adjusted EBITDA (50%) results. One-third (1/3) of the total target PSUs will apply to the measures for each of the three years of the performance period covered by the 2019 PSU award and may be earned independently of PSUs applicable to the performance goals for the other two years covered by the awards. Once deemed to be earned, the PSUs for any year under the 2019 PSU award will no longer be subject to the performance measures for a subsequent year(s).

Dividend equivalents may be earned on the 2019 RSU and PSU awards, however they will be subject to the same vesting and forfeiture provisions that apply to the underlying award to which they relate.

The 2019 option, RSU and PSU awards are subject to double trigger accelerated vesting and payout upon a change in control only if the award is (1) assumed, replaced or continued by the successor entity and (2) the recipient's employment is terminated without cause or, in the case of certain executives only, if the award recipient resigns for good reason, in each case, within 24 months after the change in control, or if the surviving entity in the change-in-control transaction refuses to continue, assume, or replace the awards. In such instance the 2019 options and RSU awards will vest in full immediately, and assuming the performance period has not been completed, the 2019 PSU awards will vest based on target performance during the truncated performance period and on a pro rata basis based on a target number of units for the year following the truncated performance period.

If an award recipient's employment ends as a result of his or her death or disability, vesting of the options and RSU awards will accelerate in full while the 2019 PSU awards will vest on a pro-rata basis, based on actual performance as measured at the end of the performance period. If an award recipient's employment ends as a result of retirement and the participant accepts certain post-employment conditions, the RSU awards and options will continue to vest in accordance with the original vesting schedule and the 2019 PSU awards will vest in accordance with the previous sentence.

In the case of executive officers only, if an award recipient's employment ends as a result of an involuntary termination without cause by the Company, the options and RSU awards will vest on a pro rata basis immediately and the 2019 PSU awards will vest on a pro-rata basis, based on actual performance as measured at the end of the performance period.

If an award recipient's employment ends for any other reason, unvested options, RSU and PSU awards will be forfeited. With respect to each of the option, RSU and PSU awards described above, if an award recipient breaches certain non-competition or non-solicitation obligations, the recipient's unvested units will be forfeited, and certain shares issued in settlement of units that have already vested must be returned to Resideo or the recipient must pay Resideo the amount of the shares' fair market value as of the date they were issued.

The impact of a termination of employment or change in control of our Company on option, RSU and PSU awards held by our NEOs is quantified in the "Potential Payments Upon Termination or Change in Control" section below.

All stock awards granted to the NEOs shown in the table above were granted under the 2018 Stock Incentive Plan and are governed by and subject to the terms and conditions of the plan and the relevant award agreements.

Outstanding Equity Awards at 2019 Fiscal Year-End

The following table summarizes information regarding outstanding equity awards held by our NEOs as of December 31, 2019.

			Option Awards				Stock Awards		Equity Incentive Plan Awards	
Officer Name	Grant Date	Notes	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Exercise Options (#) Unexercisable	Option Exercise Price ($)	Unexercised Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units That Have Not Vested* ($)	Number of Unearned Shares or Other Rights That Have Not Vested (#)(18)	Market or Payout Value of Unearned Shares or Other Rights That Have Not Vested ($)
Michael Nefkens	10/29/2018	(1)	—	—	—	—	154,400	1,841,992		
	2/11/2019	(2)	—	211,406	24.39	2/10/2026	—	—		
	2/11/2019	(3)	—	—	—	—	58,767	701,090		
	2/11/2019	(4)	—	—	—	—	—	—	11,753	140,213
	Total			211,406			213,167	2,543,082	11,753	140,213
Robert Ryder	—	—	—	—	—	—	—	—	—	—
Robert Aarnes	2/25/2016	(5)	—	—	—	—	1,611	19,219		
	9/29/2016	(6)	—	—	—	—	7,450	88,879		
	2/28/2017	(7)	—	—	—	—	4,313	51,454		
	2/28/2017	(8)	—	—	—	—	2,241	26,735		
	2/28/2017	(9)	—	—	—	—	4,810	57,383		
	2/27/2018	(10)	—	—	—	—	4,394	52,420		
	2/27/2018	(11)	—	—	—	—	3,631	43,318		
	10/29/2018	(1)	—	—	—	—	28,730	342,749		
	11/15/2018	(12)	—	—	—	—	5,558	66,307		
	2/11/2019	(2)	—	68,829	24.39	2/10/2026	—	—		
	2/11/2019	(3)	—	—	—	—	19,133	228,257		
	2/11/2019	(4)	—	—	—	—	—	—	3,827	45,656
	Total			68,829			81,871	976,721	3,827	45,656
Stephen Kelly	7/26/2013	(13)	—	—	—	—	10,094	120,421		
	2/25/2016	(5)	—	—	—	—	4,833	57,658		
	7/29/2016	(14)	—	—	—	—	13,096	156,235		
	2/28/2017	(7)	—	—	—	—	8,626	102,908		
	2/28/2017	(8)	—	—	—	—	4,480	53,446		
	2/28/2017	(9)	—	—	—	—	10,596	126,410		
	2/27/2018	(10)	—	—	—	—	6,533	77,939		
	2/27/2018	(11)	—	—	—	—	5,415	64,601		
	10/29/2018	(1)	—	—	—	—	32,320	385,578		
	11/15/2018	(12)	—	—	—	—	8,337	99,460		
	2/11/2019	(2)	—	38,053	24.39	2/10/2026	—	—		
	2/11/2019	(3)	—	—	—	—	10,578	126,196		
	2/11/2019	(4)	—	—	—	—	—	—	2,115	25,232[5]
	Total			38,053			125,468	1,497,048	2,115	25,232[5]
Niccolo de Masi	11/16/2018	(15)	—	—	—	—	11,157	133,103		
	2/13/2019	(16)	—	132,743	25.04	2/12/2026				
	2/13/2019	(17)	—	—	—	—	36,101	430,685		
	2/13/2019	(4)	—	—	—	—	—	—	7,220	86,135
	Total			132,743			47,258	563,788	7,220	86,135
Joseph Ragan (19)	10/29/2018	(1)	—	—	—	—	11,763	140,333		
	2/11/2019	(2)	13,222	—	24.39	11/5/2020	—	—		
	2/11/2019	(4)	—	—	—	—	—	—	2,542	30,326
	Total		13,222				11,763	140,333	2,542	30,326

* Based on the closing stock price for Resideo stock on December 31, 2019 ($11.93). All awards with grant dates prior to October 29, 2018, the date of the Spin-Off, were equity awards (stock options, RSUs and PSUs) issued by Honeywell that were converted to Resideo RSUs on October 29, 2018.

(1) These Founder's Grant RSU Awards granted on October 29, 2018 will vest in equal amounts on October 29, 2021 and October 29, 2022.

(2) These non-qualified stock options will vest in equal annual installments on each of February 11, 2020, February 11, 2021 and February 11, 2022.

(3) These RSUs will vest in equal annual installments on each of February 11, 2020, February 11, 2021 and February 11, 2022.

(4) The PSUs reported in this column represent 2019 PSU awards will vest at the end of the three-year performance period ending December 31, 2021. The number of PSUs that the NEO will receive is dependent upon the achievement of certain financial metrics approved by the Compensation Committee measuring revenue and Adjusted EBITDA. For each NEO other than Mr. Ragan, the amount of PSUs shown is the threshold number of units that could be earned and paid out in shares. The amount of PSUs shown for Mr. Ragan reflects the pro-rata number of the PSUs earned as of the end of the performance period, based on our actual achievement against the revenue and adjusted EBITDA goals set for 2019, which shall be paid out at the same time as the other 2019 PSUs.

(5) The remaining unvested units under this converted Honeywell award will vest in full on February 25, 2020.

(6) The remaining unvested units under this converted Honeywell award will vest in the amount of 3,662 shares on September 29, 2021 and 3,788 shares on September 29, 2023.

(7) The remaining unvested units under this converted Honeywell award will vest in equal amounts on February 28, 2020 and February 28, 2021.

(8) The remaining unvested units under this converted Honeywell award will vest on February 28, 2020.

(9) The remaining unvested units under this converted Honeywell award will vest on March 15, 2020.

(10) The remaining unvested units under this converted Honeywell award will vest in equal annual installments on each on February 27, 2020, February 27, 2021 and February 27, 2022.

(11) The remaining unvested units under this converted Honeywell award will vest on February 27, 2021.

(12) The remaining unvested units under this converted Honeywell award will vest on March 15, 2021.

(13) The remaining unvested units under this converted Honeywell award will vest on July 26, 2020.

(14) The remaining unvested units under this converted Honeywell award will vest with respect to 6,446 shares on July 29, 2021 and 6,650 shares on July 29, 2023.

(15) These RSUs were granted to Mr. de Masi while he was an independent director on our board prior to his service as an executive officer of the Company. The award will vest in equal amounts on November 16, 2021 and November 16, 2022.

(16) These non-qualified stock options will vest in equal annual installments on each of February 13, 2020, February 13, 2021 and February 13, 2022.

(17) These RSUs will vest in equal annual installments on each of February 13, 2020, February 13, 2021 and February 13, 2022.

(18) The PSUs reported in this column represent 2019 PSU awards that will vest at the end of the three-year performance period. The number of PSUs that the NEO will receive is dependent upon the achievement of certain financial metrics approved by the Compensation Committee measuring revenue and Adjusted EBITDA. The amount of PSU units shown is the threshold number of units that could be earned and paid out in shares.

(19) Per the terms of his separation agreement, a pro rata portion of Mr. Ragan's October 29, 2018 RSU grant will continue to vest in accordance with the original vesting schedule. Pursuant to the terms of the awards granted on February 11, 2019, upon his termination on November 6, 2019, Mr. Ragan (i) received: (a) a pro-rata distribution of his RSU grant and (b) pro-rated vesting of his stock option grant which vested options shall remain exercisable for one year after his termination of service and (ii) is entitled to receive a pro-rata number of the PSUs earned as of the end of the performance period, if any, based on our actual achievement against the revenue and adjusted EBITDA goals set for 2019, which shall be paid out at the same time as the other 2019 PSUs. The remainder of Mr. Ragan's 2019 equity grants were forfeited upon his termination.

Option Exercises and Stock Vested-Fiscal Year 2019

The following table summarizes information regarding stock options exercised by the NEOs during the fiscal year ended December 31, 2019 and RSU awards held by the NEOs that vested during that same period.

	Option Awards		Stock Awards	
Officer Name	# of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)(1)	Value Realized on Vesting ($) (2)
Michael Nefkens	—	—	—	—
Robert Ryder	—	—	—	—
Robert Aarnes	—	—	12,977	293,435
Stephen Kelly	—	—	30,607	749,729
Niccolo de Masi	—	—	5,578	56,366
Joseph Ragan	—	—	3,675	37,228

(1) Represents the total number of RSUs that vested during 2019 before share withholding for taxes and transaction costs.

(2) Represents the total value of RSUs at the vesting date calculated at the average of the high and low share price of one share of Common Stock on the day of vesting multiplied by the total number of RSUs that vested. The individual totals may include multiple vesting transactions during the year.

Pension Benefits

The following table provides summary information and related disclosures provide information regarding benefits under the Resideo Technologies Inc. Pension Plan ("RPP") and the Resideo Supplemental Pension Plan ("SPP"), a nonqualified plan, for the executive officers named in the Summary Compensation Table above who are participating in such plans.

The RPP and SPP benefits depend on the length of each NEO's employment with the Company and certain predecessor companies. This information is provided in the table below under the column entitled "Number of Years of Credited Service." A participant's credited service is generally equal to his or her period of employment with the Company or an affiliate (or, for periods prior to October 29, 2018, Honeywell International Inc. or a Honeywell affiliate), excluding periods of employment when the participant was not eligible to participate in the RPP or a predecessor Honeywell plan. The column in the table below entitled "Present Value of Accumulated Benefits" represents a financial calculation that estimates the cash value today of the full pension benefit that has been earned by each NEO. It is based on various assumptions, including assumptions about how long each NEO will live and future interest rates. Additional details about the pension benefits for each NEO follow the table.

Officer Name	Plan Names	Early Retirement Eligible?	Number of Years of Credited Service (#)	Present Value of Accumulated Benefits ($)	Payments During Last Fiscal Year ($)
Michael Nefkens	—	N/A	—	—	—
Robert Ryder	—	N/A	—	—	—
Robert Aarnes	Resideo Technologies Inc. Pension Plan (Qualified component)	No	7.0	73,879	—
	Resideo Supplemental Pension Plan (Non-Qualified component)		7.0	32,827	—
	Total			106,706	—
Stephen Kelly	Resideo Technologies Inc. Pension Plan (Qualified component)	No	11.4	238,046	—
	Resideo Supplemental Pension Plan (Non-Qualified component)		11.4	230,304	—
	Total			468,350	—
Niccolo de Masi	—	N/A	—	—	—
Joseph Ragan	—	N/A	—	—	—

Summary Information

- The RPP is a tax-qualified pension plan in which a significant portion of our U.S. employees participate.
- The RPP complies with tax requirements applicable to broad-based pension plans, which impose dollar limits on the compensation that can be used to calculate benefits and on the amount of benefits that can be provided. As a result, the pensions that can be paid under the RPP for higher-paid employees represent a much smaller fraction of current income than the pensions that can be paid to less highly paid employees. We make up for this difference, in part, by providing supplemental pensions through the SPP.

Pension Benefit Calculation Formulas

Within the RPP and the SPP, a variety of formulas are used to determine pension benefits. Different benefit formulas apply for different groups of employees for historical reasons (e.g., past acquisitions by a predecessor company) and the differences in the benefit formulas for our NEOs reflect this history. The Retirement Earnings Plan ("REP") Formula is used to determine the amount of pension benefits for each of our NEOs under the RPP and the SPP. Under this Formula, benefits are paid as a lump sum equal to (1) 3% or 6% of final average compensation (the average of a participant's annual compensation for the five calendar years out of the previous ten calendar years that produces highest average) times (2) credited service.

For each pension benefit calculation formula, compensation includes base pay, short-term incentive compensation, payroll-based rewards and recognition and lump sum incentives. The amount of compensation taken into account under the RPP is limited by tax rules. The amount of compensation taken into account under the SPP is not.

The table below describes which formulas are applicable to each of our participating NEOs.

NAME/FORMULA	DESCRIPTION OF TOTAL PENSION BENEFITS
Mr. Aarnes REP formula 3%	• Mr. Aarnes' pension benefits under the RPP and the SPP are determined under the REP formula.
Mr. Kelly REP formula 6%	• Mr. Kelly's pension benefits under the RPP and the SPP are determined under the REP formula.

None of our NEOs are currently eligible for early retirement. At early retirement, the monthly pension is computed on the same basis as at normal retirement, but the pension is reduced 6.67% per year for each of the first five years and 3.33% for each of the next five years by which commencement precedes normal retirement date.

Nonqualified Deferred Compensation

Officer Name	Executive Contributions in 2019 ($)(1)	Registrant Contributions in 2019 ($)(2)	Aggregate Earnings in 2019 ($)(3)	Aggregate Withdrawals and Distributions in 2019 ($)	Aggregate Balance at the End of Fiscal Year 2019 ($)
Michael Nefkens	—	—	—	—	—
Robert Ryder	—	—	—	—	—
Robert Aarnes	—	—	—	—	—
Stephen Kelly	17,200	13,475	3,852	—	157,574(4)
Niccolo de Masi	—	—	—	—	—
Joseph Ragan	—	—	—	—	—

All deferred compensation amounts are unfunded and unsecured obligations of the Company and are subject to the same risks as any of the Company's general obligations.

(1) The amounts in this column were contributed by the NEO into his account under the deferred compensation plan, which includes amounts reflected in the "Base Salary" column of the Summary Compensation Table.

(2) Amounts in this column are contributions made to the NEOs account in 2020 for the 2019 calendar year.

(3) The amounts in this column represent interest and dividends earned on balances held in the NEO's account during 2019.

(4) Amount includes (i) $5,228 reported as Salary and $550 reported as All Other Compensation in the Summary Compensation table for 2018, and (ii) $17,200 reported as Salary and $13,475 reported as All Other Compensation in the Summary Compensation Table for 2019.

Resideo Supplemental Savings Plan

The Resideo Supplemental Savings Program ("RSSP") is a nonqualified deferred compensation plan that allows eligible Resideo employees, including the NEOs, to save additional amounts in excess of what is allowed under the Company's tax-qualified 401(k) plan due to the annual deferral and compensation limits imposed by the Internal Revenue Code. The RSSP has two components, the Deferred Incentive Program (DIP) and the Supplemental Savings Program (SSP). Executive officers can elect to defer up to 100% of their annual bonus awards under the DIP component. In addition, executive officers may also participate in the SSP component to defer eligible compensation that cannot be contributed to the Company's 401(k) savings plan due to IRS limitations. The amounts contributed to the SSP component are eligible for matching contributions not to exceed 87.5% of the first 8% contributed combined between the SSP and the 401(k) plan. Matching contributions are always vested.

Interest Rate. Participant account balances were moved from the Honeywell plans to the RSSP on October 29, 2018. All funds are invested in the Fidelity U.S. Bond Index Fund and participant accounts are credited with interest based on the fund's performance. Matching contributions are also treated as invested in Fidelity U.S. Bond Index Fund.

Distribution. Amounts transferred from the Honeywell Supplemental Savings Plan or Honeywell Deferred Incentive Plan to the RSSP will follow the same distribution options as applied under the Honeywell plan. For deferrals to the RSSP starting in 2019 or later years, payments will commence at the earlier of the participant's separation from service, death or the in-service distribution date elected by the participant. Amounts will be paid to participants in a lump sum or installment payments, for payments triggered by separation from service or an in-service distribution at the election of the participant. Participant RSSP accounts are distributed in cash only. Participants can make different payment elections under the SSP and the DIP components of the RSSP.

Potential Payments Upon Termination or Change in Control

Overview

This section describes the benefits payable to our NEOs in two circumstances:

- Termination of employment
- Change in Control ("CIC")

Officer Severance Plan

These benefits are determined primarily under our Resideo Technologies, Inc. Severance Plan for Designated Officers, or Severance Plan, which our Compensation Committee approved in November 2018 and reflects their assessment of external market data on benefits commonly offered to senior executives in such circumstances. The Committee strongly believes that our severance benefits are generally in line with current market practices and are particularly important as we do not maintain employment agreements with our NEOs. Benefits provided under the Severance Plan are conditioned on the executive executing a full release of claims and compliance with certain non-competition and non-solicitation covenants in favor of the Company. The right to continued severance benefits under the plan ceases in the event of a violation of such covenants. In addition, we would seek to recover certain severance benefits already paid to any executive who violates such restrictive covenants.

In addition to the Severance Plan, several of our other benefits plans, such as our Annual Incentive Compensation Plan, also have provisions that impact these benefits. These benefits ensure that our executives are motivated primarily by the needs of the businesses for which they are responsible, rather than circumstances that are outside the ordinary course of business, i.e., circumstances that might lead to the termination of an executive's employment or that might lead to a CIC of the Company. Generally, this is achieved by assuring our NEOs that they will receive a level of continued compensation if their employment is adversely affected in these circumstances, subject to certain conditions. We believe that these benefits help ensure that affected executives act in the best interests of our shareholders, even if such actions are otherwise contrary to their personal interests. This is critical because these are circumstances in which the actions of our NEOs may have a material impact upon our shareholders. Accordingly, we set the level and terms of these benefits in a way that we believe is necessary to obtain the desired results. The level of benefit and the rights to benefits are determined by the type of termination event, as described below.

In the case of a CIC, severance benefits under the Severance Plan are payable only in the event that both parts of the “double trigger” are satisfied. That is, (i) there must be a CIC of our Company, and (ii)(A) the NEO must be involuntarily terminated other than for cause, or (B) the NEO must initiate the termination of his own employment for good reason. Similarly, our 2018 Stock Incentive Plan does not offer single-trigger vesting of equity awards that are assumed or replaced by an acquirer upon a CIC.

Equity Awards

Death and Disability – In the case of a recipient’s death or disability, vesting of options and restricted stock units accelerates in full and a pro rata portion of the PSUs will vest and settle if, and to the extent of, Resideo’s actual achievement of the performance measures during the performance period. The options remain exercisable until the earlier of three years after termination or the original expiration date.

Involuntary Termination Without Cause – If an executive officer is subject to an involuntary termination without cause by Resideo, a pro rata portion of his or her options and restricted stock units will vest immediately upon termination, and a pro rata portion of the PSUs will vest and settle if, and to the extent of, Resideo’s actual achievement of the performance measures during the performance period. The options will remain exercisable until the earlier of one year after termination or the original expiration date.

Voluntary Resignation – If a recipient resigns voluntarily from the Company, he or she will forfeit any unvested options, restricted stock units and PSUs, and will have 30 days to exercise any then-vested options.

Retirement – With respect to equity awards granted prior to February 2019, non-vested awards are generally forfeited upon any retirement. Equity awards granted in or after February 2019 generally provide that an award recipient is retirement eligible if he or she is age 55 years or older, has at least 10 years of service to Resideo and also has provided Resideo with at least 6 months’ prior notice that he or she is considering retirement. If an NEO is retirement eligible, his or her employment with Resideo ends as a result of retirement and he or she accepts certain post-employment conditions, the RSU awards and options granted in or after February 2019 will continue to vest in accordance with the original vesting schedule (and options shall remain exercisable until the earlier of their original expiration date and three (3) years after retirement) and the PSU awards granted in or after February 2019 will vest on a pro-rata basis, based on actual performance as measured at the end of the performance period. None of our NEOs is currently retirement eligible.

Pension and Non-Qualified Deferred Compensation

Pension and non-qualified deferred compensation benefits, which are described elsewhere in this Proxy Statement, are not included in the table below in accordance with the applicable proxy statement disclosure requirements, even though they may become payable at the times specified in the table. If an officer who participates in the RSSP terminates employment with Resideo, the balance of that executive’s SSP or DIP account will be paid to the executive in June of the year following his or her termination. Similarly, if an officer who is a participant in the RPP or the SPP described above terminates employment, the executive’s balance in the pension plan will be paid to the executive one hundred and five days after his or her termination date.

The following table summarizes estimated payments and benefits to which our NEOs would be entitled upon the hypothetical occurrence of various termination scenarios or a CIC. The information in the table below is based on the assumption, in each case, that the termination of employment occurred on December 31, 2019. None of these termination benefits are payable to NEOs who voluntarily resign (other than voluntary resignations for good reason as specified or certain qualifying retirements) or whose employment is terminated by us for cause.

Payments and Benefits	Named Executive Officer	Termination by the Company Without Cause ($)	Death ($)	Disability ($)	Change-in-Control– No Termination of Employment ($)	Change-in-Control– Termination of Employment by Company, Without Cause, by NEO for Good Reason or Due to Disability ($)
Cash Severance (Base Salary) (1)	Michael Nefkens	1,800,000	—	—	—	1,800,000
	Robert Ryder[5]	—	—	—	—	—
	Robert Aarnes	675,000	—	—	—	900,000
	Stephen Kelly	645,000	—	—	—	860,000
	Niccolo de Masi	1,012,500				1,350,000
	Joseph Ragan[6]	825,000	—	—	—	—
Annual Incentive– Compensation (2)– Year of Termination	Michael Nefkens	—	—	—	—	2,520,000
	Robert Ryder	—	—	—	—	—
	Robert Aarnes	—	—	—	—	900,000
	Stephen Kelly	—	—	—	—	688,000
	Niccolo de Masi	—	—	—	—	1,687,500
	Joseph Ragan[6]	218,614	—	—	—	—
Outstanding Equity Awards (3)	Michael Nefkens	—	3,244,173	3,244,173	—	3,244,173
	Robert Ryder	—	—	—	—	—
	Robert Aarnes	—	1,204,978	1,204,978	—	1,204,978
	Stephen Kelly	—	1,497,048	1,497,048	—	1,497,048
	Niccolo de Masi	—	994,473	994,473		994,473
	Joseph Ragan[6]	140,333	—	—	—	—
Benefits (4)	Michael Nefkens	14,676	—	—	—	14,676
	Robert Ryder	—	—	—	—	—
	Robert Aarnes	9,748	—	—	—	12,997
	Stephen Kelly	8,114	—	—	—	10,819
	Niccolo de Masi	8,492	—	—	—	11,323
	Joseph Ragan[6]	9,480	—	—	—	—
All Other–Payments/ Benefits	Michael Nefkens	—	—	—	—	—
	Robert Ryder	—	—	—	—	—
	Robert Aarnes	—	—	—	—	—
	Stephen Kelly	—	—	—	—	—
	Niccolo de Masi	—	—	—	—	—
	Joseph Ragan	—	—	—	—	—
Total	Michael Nefkens	1,814,676	3,244,173	3,244,173	—	7,578,849
	Robert Ryder	—	—	—	—	—
	Robert Aarnes	684,748	1,204,978	1,204,978	—	3,017,975
	Stephen Kelly	653,114	1,497,048	1,497,048	—	3,055,867
	Niccolo de Masi	1,020,992	994,473	994,473	—	4,043,296
	Joseph Ragan[6]	1,193,426	—	—	—	—

The amounts reflected in the first column related to involuntary termination unrelated to a CIC, as well as the final two columns specific to circumstances following a CIC are based on the provisions of the Severance Plan, and the provisions of the 2018 Stock Incentive Plan.

(1) Severance amounts in the event of involuntary termination not related to CIC represent a cash payment equal to 24 months of annual base salary for Mr. Nefkens and 18 months of annual base salary for the other NEOs. Severance amounts related to an involuntary termination or termination for good reason related to a CIC represent a cash payment equal to 24 months of annual base salary as well as two times the NEO's target annual incentive compensation.

(2) In addition to the amounts reflected in the final column, if an NEO is terminated without cause in situations following a CIC, the executive will also be entitled to a pro-rated Annual Incentive Award for the period of employment during the year of termination.

(3) Amounts represent the intrinsic value of RSUs, and PSUs as of December 31, 2019 for which the vesting would be accelerated. RSUs will be vested in full upon a termination due to death, disability or an involuntary termination or termination for good reason within 24 months of a CIC. With respect to the February 11, 2019 RSU grants only, a pro rata portion of the award would accelerate upon an involuntary termination not related to a CIC. With respect to the PSUs, upon termination due to death, disability or involuntary termination not related to a CIC, a pro rata portion of the PSUs are eligible to vest at actual performance levels at the end of the performance period. In the case of an involuntary termination or termination for good reason within 24 months of a CIC, a pro rata portion of the PSUs will vest at target or at the level of substantially achieved performance, as determined by the Committee prior to the CIC. The value included for RSUs and PSUs is the product of the number of units for which vesting would be accelerated and $11.93, the closing price of Resideo common stock on December 31, 2019. None of the February 11, 2019 stock option grants are included in the table because they were not "in the money" as of December 31, 2019.

(4) The amounts reflected represent the Company's cost for continuation of benefits, such as medical, dental, vision and life insurance, for the Salary Continuation Period as defined under the Severance Plan.

(5) Mr. Ryder is not eligible to participate in the Severance Plan and has not received any equity awards. His compensation is governed solely by the engagement letter between the Company and Horsepower dated October 22, 2019.

(6) Mr. Ragan's employment terminated effective November 6, 2019. The amounts reported for Mr. Ragan reflect amounts he is entitled to receive under the terms of his separation agreement.

Mr. de Masi resigned from our board of directors effective January 6, 2020 and ceased serving as our President, Products & Solutions as of the same date. He continued serving as our Chief Innovation Officer, which was not an executive officer position, until his employment terminated on March 13, 2020. In connection with the termination of Mr. de Masi's employment, he is eligible for severance under the Severance Plan, with eligibility for 18 months of salary continuation payments ($1,012,500). Mr. de Masi also will be eligible for a pro rata payout of his fiscal 2020 target annual incentive award based on the period during which he was employed, which amount, including one-half of the amount tied to the individual performance component (for a payout of $151,457) and continued vesting of his November 18, 2018 RSU award. All of the severance benefits are subject to the conditions in the Severance Plan, and the additional benefits are also subject to Mr. de Masi's compliance with other covenants governing his continued employment and compliance with his other agreements with Resideo, which include one-year non-competition and two-year non-solicitation restrictions.

CEO Pay Ratio

As required by Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act, and Item 402(u) of Regulation S-K, we are providing the following information about the relationship of the annual total compensation of the individual identified as our median paid employee and the annual total compensation of Mr. Michael Nefkens, our President and Chief Executive Officer (the CEO):

For 2019, our last completed fiscal year:

- the annual total compensation of our median employee was $25,569; and
- the annual total compensation of our CEO as reported in the Summary Compensation Table of this proxy statement was $6,353,165.

Based on this information, for 2019, the ratio of the annual total compensation of Mr. Nefkens, our CEO, to the annual total compensation of the median employee was estimated to be 248 to 1. This pay ratio is a reasonable estimate calculated in a manner consistent with SEC rules based on our payroll and employment records and the methodology described below.

To identify our median employee for 2019, we considered our global population as of October 1, 2019 (the "Measurement Date"). As of the Measurement Date, our total global employee population (excluding our CEO) consisted of approximately 13,121 individuals.

Total U.S. Employees	2,906	
Total Non-U.S. Employees	10,215	(no exemptions utilized)
Total Global Workforce	13,121	

To identify the “median employee” from our total global employee population (excluding our CEO), we aggregated annual total base salary and actual incentive awards paid during 2019, including bonuses and commissions. We also annualized the compensation of all newly hired permanent employees who were employed on the measurement date, for the 12-month period ending December 31, 2019, as permitted under SEC rules. All non-US pay components were converted to US dollars using the same currency exchange rates in effect in our financial records at October 1, 2019.

Once we identified the median employee, we determined the median employee’s total compensation by applying the same rules required to report NEO compensation on the Summary Compensation Table.

The SEC rules for identifying the median compensated employee and calculating the pay ratio based on that employee’s annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their compensation practices. As such, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies may have different employment and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios.

Proposal 3: Ratification of the Appointment of Independent Registered Public Accounting Firm

Under its written charter, the Audit Committee of the Board has sole authority and is directly responsible for the appointment, compensation, retention, oversight, evaluation and termination of the independent registered public accounting firm retained to audit the Company's financial statements.

The Audit Committee evaluated the qualifications, performance and independence of the Company's independent auditors and based on its evaluation, has appointed Deloitte & Touche LLP ("Deloitte") as the Company's independent registered public accounting firm for 2020. Deloitte served as the independent auditor of Resideo during 2019. The Audit Committee and the Board believe that the retention of Deloitte to serve as the Company's independent registered public accounting firm is in the best interests of the Company and its shareholders.

The Audit Committee is responsible for the approval of the engagement fees and terms associated with the retention of Deloitte. In addition to assuring the regular rotation of the lead audit partner as required by law, the Audit Committee will be involved in the selection and evaluation of the lead audit partner and considers whether, in order to assure continuing auditor independence, there should be a regular rotation of the independent registered public accounting firm.

Although the By-Laws do not require that we seek shareholder ratification of the appointment of Deloitte as our independent registered public accounting firm, we are doing so as a matter of good corporate governance. If the shareholders do not ratify the appointment, the Audit Committee will reconsider whether or not to retain Deloitte.

Representatives of Deloitte are expected to be present at the annual meeting, will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions by shareholders.

The Board of Directors unanimously recommends a vote "FOR" Proposal 3, to ratify the appointment of Deloitte & Touche LLP as the Company' s independent registered public accounting firm for 2020.

Report of the Audit Committee

The Audit Committee consists of the three directors named below. Each member of the Audit Committee is an independent director as defined by applicable SEC and NYSE listing standards. In addition, the Board has determined that Mr. Lazar and Mr. Deninger are "audit committee financial experts" as defined by applicable SEC rules and satisfy the "accounting or related financial management expertise" criteria established by the NYSE.

In accordance with its written charter, the Audit Committee of the Board is responsible for assisting the Board to fulfill its oversight of:

- the integrity of the Company's financial statements and internal controls;
- the Company's compliance with legal and regulatory requirements;
- the independent auditors' qualifications and independence; and
- the performance of the Company's internal audit function and independent auditors.

It is the responsibility of Resideo's management to prepare the Company's financial statements and to develop and maintain adequate systems of internal accounting and financial controls. The Company's internal auditors are responsible for conducting internal audits intended to evaluate the adequacy and effectiveness of the Company's financial and operating internal control systems.

Deloitte, the Company's independent registered public accounting firm for 2020 (the "independent auditor"), is responsible for performing an independent audit of the Company's consolidated financial statements and issuing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States of America ("GAAP"). The independent auditor also review the Company's interim financial statements in accordance with applicable auditing standards.

In evaluating the independence of Deloitte, the Audit Committee has (i) received the written disclosures and the letter from Deloitte required by applicable requirements of the Public Company Accounting Oversight Board ("PCAOB") regarding the audit firm's communications with the Audit Committee concerning independence, (ii) discussed with Deloitte the firm's independence from the Company and management and (iii) considered whether Deloitte's provision of non-audit services to the Company is compatible with the auditors' independence. In addition, the Audit Committee assures that the lead audit partner is rotated at least every five years in accordance with SEC and PCAOB requirements, and considered whether there should be a regular rotation of the audit firm itself in order to assure the continuing independence of the outside auditors. The Audit Committee has concluded that Deloitte is independent from the Company and its management.

The Audit Committee has reviewed with the independent auditor and the Company's internal auditors the overall scope and specific plans for their respective audits, and the Audit Committee is monitoring the progress of both in assessing the Company's preparedness for future compliance with Section 404 of the Sarbanes-Oxley Act.

At every regular meeting, the Audit Committee meets separately, and without management present, with the independent auditor and the Company's Vice President, Internal Audit to review the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's accounting and financial reporting. The Audit Committee also meets separately at its regular meetings with the Chief Financial Officer, the Controller, the General Counsel and the Chief Ethics and Compliance Officer.

The Audit Committee has met and discussed with management and the independent auditor the fair and complete presentation of the Company's financial statements. The Audit Committee has also discussed and reviewed with the independent auditor all matters required to be discussed by applicable requirements of the Public Company Accounting Oversight Board and the SEC. The Audit Committee has discussed significant accounting policies applied in the financial statements, as well as alternative treatments. Management has represented that the consolidated financial statements have been prepared in accordance with GAAP, and the Audit Committee has reviewed and discussed the audited consolidated financial statements with both management and the independent auditor.

Relying on the foregoing reviews and discussions, the Audit Committee recommended to the Board, and the Board approved, inclusion of the audited consolidated financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2019, for filing with the SEC. In addition, the Audit Committee has approved, subject to shareholder ratification, the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm for 2020.

The Audit Committee
Jack Lazar (Chair)
Paul Deninger
Sharon Wienbar

Audit Committee Pre-Approval Policy

The Audit Committee has adopted policies and procedures for pre-approval of audit, audit-related, tax and other services, and for pre-approval of related fee estimates or fee arrangements. These procedures require that the terms and fees for the annual audit service engagement be approved by the Audit Committee. The Audit Committee is required to pre-approve the audit and non-audit services performed by the independent auditor in order to assure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the independent auditor has received general pre-approval under this policy, it will require specific pre-approval by the Audit Committee before the service is provided. In the event the invoice in respect of any covered service that is the subject of general pre-approval is materially in excess of the estimated amount or range, the Audit Committee must approve such excess amount prior to payment of the invoice. Predictable and recurring covered services and their related fee estimates or fee arrangements may be considered for general pre-approval by the full Audit Committee on an annual basis at or about the start of each fiscal year. Specific pre-approval of such services that have not received general pre-approval may be given or effective up to one year prior to commencement of the services. Under the policy, the Audit Committee has delegated to the Chair the authority to pre-approve audit-related and non-audit services and associated fees, that are not otherwise prohibited by law, to be performed by the Company's independent registered public accounting firm in an amount of up to $100,000 for any one service; the Chair is required to report any pre-approval decisions to the Audit Committee at its next scheduled meeting. All services set forth in the following table below were approved by the Audit Committee before being rendered.

Audit and Non-Audit Fees

The following table shows fees for professional services rendered by Deloitte for the fiscal years ended December 31, 2019 and 2018.

	2019 ($)	2018 ($)	Description of Services
Audit Fees	5,327,000	4,998,000	Fees pertaining to the audit of the Company's annual consolidated financial statements, audits of statutory financial statements of our subsidiaries and fees pertaining to the review of SEC filings.
Audit-Related Fees	0	0	
Tax Fees	0	0	
All Other Fees	0	0	
Total	**5,327,000**	**4,998,000**	

Proposal 4: Approval of the Resideo Employee Stock Purchase Plan

We are asking our shareholders to approve the Resideo Employee Stock Purchase Plan (the “Plan”), which is intended to be a qualified employee stock purchase plan under Section 423 of the Internal Revenue Code (the “Code”). The Plan was approved by our Board on September 4, 2019 and, if approved by shareholders at the annual meeting, will become effective upon such shareholder approval.

The purpose of the Plan is to provide our employees with a convenient means of purchasing shares of our common stock at a discount to market prices through the use of payroll deductions. The full text of the Plan is contained in Appendix A to this proxy statement, and the material features of the Plan are summarized below.

Administration

The Compensation Committee of our Board (the “Committee”) is authorized to administer the Plan. The Committee has full authority to adopt rules and procedures to administer the Plan, interpret the provisions of the Plan, determine the terms and conditions of offerings under the Plan, designate which of our subsidiaries may participate in the Plan, and adopt rules, procedures and sub-plans to permit employees of foreign subsidiaries to participate in the Plan on a basis intended to achieve tax, securities law or other compliance objectives in locations outside of the United States. All costs and expenses incurred for Plan administration are paid by us.

Securities Subject to the Plan

Up to 3,000,000 shares of our common stock may be purchased by participants under the Plan. Any shares issued under the Plan will reduce, on a one-for-one basis, the number of shares available for subsequent issuance under the Plan. In the event of any change to our outstanding common stock, such as a recapitalization, stock dividend, stock split or similar event, appropriate adjustments will be made to the number and class of shares available under the Plan, the limit on the number of shares that a participant may purchase during any purchase period, and the number, class and purchase price of shares subject to purchase under any pending offering.

Eligibility and Participation

With one exception, any individual employed by our company or any participating subsidiary corporation is eligible to participate in the Plan. However, no employee who owns stock possessing 5% or more of the total combined voting power or value of all classes of our stock or the stock of any of our subsidiaries may participate in the Plan. The Committee may, consistent with the requirements of Section 423, impose additional eligibility requirements for individual offerings under the Plan. As of April 15, 2020, we estimate that approximately 3,000 employees, including six of our seven executive officers, were eligible to participate in the Plan.

Eligible employees may enroll in the Plan during an enrollment period prior to the purchase period determined by the Committee and will begin participating at the start of the purchase period.

Purchase Periods and Purchase Dates

Shares of common stock will be offered under the Plan through a series of offerings, each of which consists of a single purchase period of six months, or such other duration (up to 27 months) as the Committee may prescribe. If our shareholders approve this proposal, we expect that our shares will be offered under the Plan through a series of successive six-month purchase periods that are expected to commence on August 15, 2020 and on February 15 and August 15 of each calendar year thereafter. Purchases under the Plan are expected to occur on August 14 and February 14, or the last trading day of each purchase period.

Purchase Price

Unless a different purchase price is established by the Committee, the purchase price of each share of our common stock sold pursuant to the Plan will be the lesser of (i) 90% of the fair market value of a share of our common stock on the offering date of the applicable purchase period, or (ii) 90% of the fair market value of a share of our common stock on the purchase date of the applicable purchase period. In no event will the purchase price be less than the lesser of (i) 85% of the fair market value of a share of our common stock on the offering date of the applicable purchase period, or (ii) 85% of the fair market value of a share of our common stock on the applicable purchase date.

The fair market value of a share of our common stock on any relevant date under the Plan will be deemed to be equal to the closing sale price per share on the New York Stock Exchange on the last preceding day on which any sale shall have been made. The closing sale price of our common stock on the New York Stock Exchange on April 15, 2020 was $5.04 per share.

Payroll Deductions and Stock Purchases

Each participant may elect to have a percentage of eligible compensation between 1% and 10% withheld as a payroll deduction per pay period. The accumulated deductions will automatically be applied on each purchase date (the last trading day of a purchase period) to the purchase of shares of our common stock at the purchase price in effect for that purchase date. In connection with specific offerings under the Plan, the Committee may permit participants to make additional contributions other than by payroll deductions during the applicable purchase period. For purposes of the Plan, eligible compensation generally includes cash compensation including wages, salary, commissions and overtime earnings, and excludes bonuses, company 401(k) contributions, amounts deferred to a non-qualified deferred compensation plan, expense reimbursements and allowances, and income with respect to equity-based awards.

Special Limitations

The Plan imposes certain limitations upon a participant’s right to purchase our common stock under the Plan, including the following:

- A participant may not be granted rights to purchase more than $25,000 worth of our common stock (valued at the time each purchase right is granted) for each calendar year in which such purchase rights are outstanding.
- No participant may purchase more than 5,000 shares of our common stock (or such other number of shares as the Committee may designate for a specific offering) on any one purchase date.

Changing Contribution Amounts; Withdrawal from Plan

A participant may, by written notice during an enrollment period, increase the amount of his or her payroll deduction contributions effective as of the first day of the next purchase period. A participant may also suspend the amount of his or her payroll deduction contributions during a purchase period by submitting written notice that complies with the rules set by the Committee. A participant may withdraw from the Plan at any time by complying with the rules set by the Committee, and his or her accumulated (but not yet invested) contributions to the Plan will be refunded.

Termination of Employment

A participant’s purchase right will immediately terminate upon his or her termination of employment for any reason. Any payroll deductions that the participant may have made for the purchase period in which such termination of employment occurs will be refunded and will not be applied to the purchase of common stock.

Shareholder Rights

No participant will have any shareholder rights with respect to the shares covered by his or her purchase rights under the Plan until the shares are actually purchased on the participant's behalf through the Plan and issued and delivered.

Transferability of Purchase Rights

No purchase rights under the Plan will be assignable or transferable by the participant, except by will or the laws of inheritance following a participant's death.

Withdrawal of Shares

A participant may direct the agent selected by Resideo to sell any or all of the participant's shares of our common stock credited to the participant's share subaccount and distribute the net proceeds of such sale to the participant. Except for such sales, a participant may not withdraw shares or otherwise transfer shares from the participant's share subaccount.

Corporate Transactions

If Resideo is acquired by merger, consolidation or other reorganization, or sells all or substantially all its assets, each right to acquire shares on any purchase date scheduled to occur after the date of the consummation of the transaction shall be continued or assumed or an equivalent right shall be substituted by the surviving or successor corporation or its parent or subsidiary. If those rights are not continued, assumed or substituted, then our Board may terminate the Plan or shorten the purchase period then in progress by setting a new purchase date to occur prior to the transaction.

Share Proration

Should the total number of shares of common stock to be purchased pursuant to outstanding purchase rights on any particular purchase date exceed the number of shares remaining available for issuance under the Plan at that time, the Committee shall make to each participant a pro rata allocation in a uniform and nondiscriminatory manner of the available shares, and the payroll deductions of each participant not used to purchase shares will be refunded.

Amendment and Termination

The Plan may be terminated at any time by our Board, and will terminate upon the date on which all shares remaining available for issuance under the Plan are sold pursuant to exercised purchase rights.

The Committee may at any time amend or suspend the Plan. However, the Committee may not, without shareholder approval, amend the Plan to (i) increase the number of shares issuable under the Plan or (ii) effect any other change in the Plan that would require shareholder approval under applicable law, New York Stock Exchange rules or to maintain compliance with Code Section 423.

U.S. Federal Income Tax Consequences

The following is a summary of the principal United States federal income tax consequences to the Company and to participants subject to U.S. taxation with respect to participation in the Plan. This summary assumes the Plan qualifies as an "employee stock purchase plan" within the meaning of Code Section 423, is not intended to be exhaustive and does not discuss the income tax laws of any city, state or foreign jurisdiction in which a participant may reside.

Under a qualified Code Section 423 arrangement, no taxable income will be recognized by a participant, and no deductions will be allowed to the company, upon either the grant or the exercise of purchase rights under the

Plan. Taxable income will not be recognized until either there is a sale or other disposition of the shares acquired under the Plan or in the event the participant should die while still owning the purchased shares.

If a participant sells or otherwise disposes of the purchased shares within two years after the first day of the purchase period in which such shares were acquired, or within one year after the actual purchase date of those shares, then the participant will recognize ordinary income in the year of sale or disposition equal to the amount by which the closing market price of the shares on the purchase date exceeded the purchase price paid for those shares, and the company will be entitled to an income tax deduction, for the taxable year in which such disposition occurs, equal in amount to such excess. The participant also will recognize a capital gain to the extent the amount realized upon the sale of the shares exceeds the sum of the aggregate purchase price for those shares and the ordinary income recognized in connection with their acquisition.

If a participant sells or otherwise disposes of the purchased shares more than two years after the first day of the purchase period in which the shares were acquired and more than one year after the actual purchase date of those shares, the participant will recognize ordinary income in the year of sale or disposition equal to the lower of (i) the amount by which the selling price of the shares on the sale or disposition date exceeded the purchase price paid for those shares or (ii) 10% of the closing market price of the shares on the first day of the purchase period in which the shares were acquired (or such purchase price discount provided by the Committee for the purchase period, not to exceed 15%). Any additional gain upon the disposition will be taxed as a long-term capital gain. Resideo will not be entitled to an income tax deduction with respect to such disposition.

If a participant still owns the purchased shares at the time of death, his or her estate will recognize ordinary income in the year of death equal to the lower of (i) the amount by which the closing market price of the shares on the date of death exceeds the purchase price or (ii) 10% of the closing market price of the shares on the first day of the purchase period in which those shares were acquired (or such purchase price discount provided by the Committee for the purchase period, not to exceed 15%).

Plan Benefits

The benefits to be received by our officers and employees under the Plan are not determinable because the amounts of future purchases by participants are based on elective participant contributions.

The Board of Directors unanimously recommends a vote "FOR" Proposal 4 to approve the Employee Stock Purchase Plan.

Questions and Answers About the Annual Meeting and Voting

1. **Who is entitled to vote and how many votes do I have?**

   If you were a holder of record of Resideo common stock at the close of business on the record date, April 15, 2020, you are eligible to vote at the annual meeting. For each matter presented for vote, you have one vote for each share you own.

2. **What is the difference between holding shares as a shareholder of record, a registered shareholder and a beneficial owner of shares?**

   Shareholder of Record or Registered Shareholder. If your shares of common stock are registered directly in your name with our transfer agent, EQ Shareowner Services, you are considered a "shareholder of record" or a "registered shareholder" of those shares.

   Beneficial Owner of Shares. If your shares are held in an account at a bank, brokerage firm or other similar organization, then you are a beneficial owner of shares held in "street name." In that case, you will have received these proxy materials from the bank, brokerage firm or other similar organization holding your account and, as a beneficial owner, you have the right to direct your bank, brokerage firm or similar organization as to how to vote the shares held in your account.

3. **How do I vote if I am a shareholder of record?**

   By Internet. You may vote your shares by internet at www.proxyvote.com.

   By Telephone. All shareholders of record can vote by touchtone telephone within the U.S., U.S. territories and Canada by calling 1-800-690-6903. The telephone voting procedures are designed to authenticate shareholders' identities, to allow shareholders to vote their shares and to confirm that their instructions have been recorded properly.

   By Written Proxy. All shareholders of record can also vote by written proxy card. If you are a shareholder of record and receive a Notice of Internet Availability of Proxy Materials ("Notice") received or requested from us, you may request a written proxy card by following the instructions included in the Notice. If you sign and return your proxy card but do not mark any selections giving specific voting instructions, your shares represented by that proxy will be voted as recommended by the Board.

   Via the Virtual Meeting Website. You may vote your shares live at the virtual annual meeting. Even if you plan to attend and participate in our virtual annual meeting via www.virtualshareholdermeeting.com/REZI2020, we encourage you to vote by internet at www.proxyvote.com or by calling 1-800-690-6903, or by returning a proxy card. This will ensure that your vote will be counted if you are unable to, or later decide not to, participate in the virtual annual meeting. Whether you are a shareholder of record or hold your shares in street name, you may vote online at the virtual annual meeting. You will need to enter the 16-digit control number provided in your proxy materials to vote your shares at the virtual annual meeting. See Question 5 for further details on accessing and voting at the virtual annual meeting.

   Unless you vote live at the virtual annual meeting, we must receive your vote by 11:59 p.m., Eastern Daylight Time, on June 7, 2020, the day before the virtual annual meeting, for your vote by proxy to be counted.

   Whether or not you plan to attend the virtual annual meeting, we encourage you to vote by proxy as soon as possible. Your shares will be voted in accordance with your instructions.

4. **How do I vote if I am a beneficial owner of shares?**

   As a beneficial owner, you have the right to direct your broker, bank or other similar organization on how to vote via the internet or by telephone if the broker, bank or other similar organization offers these options or by signing and returning a voting instruction form. Your broker, bank or other similar organization will send you instructions for voting your shares.

Your broker is not permitted to vote on your behalf on “non-routine” matters unless you provide specific instructions by completing and returning the voting instruction form from your broker, bank or other similar organization or by following the instructions provided to you for voting your shares via telephone or the internet. A “broker non-vote” occurs when a broker submits a proxy for the meeting with respect to a “routine” matter but does not have the authority to vote on non-routine matters because the beneficial owner did not provide voting instructions on those matters. Under NYSE rules, the proposal to ratify the appointment of independent auditors (Proposal 3) is considered a routine item. This means that brokerage firms may vote in their discretion on behalf of clients (beneficial owners) who have not furnished voting instructions at least 15 days before the date of the annual meeting. In contrast, all of the other proposals set forth in this Proxy Statement are “non-routine” items. Brokerage firms that have not received voting instructions from their clients on these matters may not vote on these proposals.

5. How do I attend the virtual annual meeting?

The annual meeting will be completely virtual and shareholders will be able to access the meeting live by visiting www.virtualshareholdermeeting.com/REZI2020. We are utilizing the virtual meeting format to enhance shareholder access and encourage participation and communication with our management.

We believe a virtual-only meeting provides expanded access, improved communication and cost savings for our shareholders. A virtual meeting will enable increased attendance because shareholders around the world will be able to attend and listen to the annual meeting live, submit questions and vote their shares electronically, at no cost.

Participating in the Virtual Annual Meeting.

- Instructions on how to attend the virtual annual meeting are posted at www.virtualshareholdermeeting.com/REZI2020.
- Shareholders will need to use the 16-digit control number provided in their proxy materials to attend the virtual annual meeting and listen live at www.virtualshareholdermeeting.com/REZI2020.
- Shareholders of record and beneficial owners as of the record date may vote their shares electronically live during the virtual annual meeting.
- Shareholders with questions regarding how to attend and participate in the virtual meeting may call 800-586-1548 (US) or 303-562-9288 (International) on the date of the annual meeting.
- Shareholders encountering any difficulties accessing the virtual meeting during the check-in or meeting time can call 800-586-1548 (US) or 303-562-9288 (International).

Additional Information about the Virtual Annual Meeting.

- Shareholders may submit questions during the live meeting at www.virtualshareholdermeeting.com/REZI2020 or in advance of the meeting at www.proxyvote.com.
- Management will answer questions on any matters on the agenda before voting is closed.
- During the live Q&A session of the meeting, management will answer questions as they come in and address those asked in advance, as time permits.
- In order to allow us to answer questions from as many shareholders as possible, we limit each shareholder to one question.
- If there are matters of individual concern to a shareholder and not of general concern to all shareholders, or if a question posed was not otherwise answered, shareholders can contact Investor Relations after the meeting at InvestorRelations@resideo.com.
- The Q&A session will be posted to our Investor Relations website investor.resideo.com as soon as practicable following the conclusion of the virtual annual meeting.

- Although the live virtual meeting is available only to shareholders at the time of the meeting, a replay of the meeting will be made publicly available on our Investor Relations website investor.resideo.com after the meeting concludes.

6. What constitutes a "quorum" for the meeting?

A quorum is a majority of the outstanding shares that are entitled to vote as of the record date present at the meeting or represented by proxy. A quorum is necessary to conduct business at the annual meeting. Your shares will be counted as present at the annual meeting if you have properly voted by proxy. Abstentions and broker non-votes count as present at the meeting for purposes of determining a quorum. If you vote to abstain on one or more proposals, your shares will be counted as present for purposes of determining the presence of a quorum.

7. What is the voting requirement to approve each of the proposals, and how are votes counted?

At the close of business on April 15, 2020, the record date for the meeting, Resideo had 123,140,863 outstanding shares of common stock. Each share of common stock outstanding on the record date is entitled to one vote for each director nominee and one vote for each of the other proposals to be voted on.

Resideo is incorporated in the State of Delaware. As a result, the Delaware General Corporation Law (the "DGCL") and the NYSE listing standards govern the voting standards applicable to actions taken by our shareholders. Under our By-Laws, when a quorum is present, in all matters other than the election of directors and frequency of future advisory votes approving the compensation of our NEOs, the affirmative vote of a majority of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the Company's shareholders. Under the DGCL and our By-Laws, shares that abstain constitute shares that are present and entitled to vote. Shares abstaining have the practical effect of being voted "against" the matter, other than in the election of directors.

With respect to the election of directors, Proposal 1, in order to be elected, each nominee must receive the affirmative vote of a majority of the votes cast at the meeting in respect of his or her election. Broker non-votes and abstentions will have no impact, as they are not counted as votes cast for this purpose.

A description of the voting requirements and related effect of abstentions and broker non-votes on each item for shareholder proposal is as follows:

	VOTING OPTIONS	BOARD RECOMMENDATION	VOTE REQUIRED TO ADOPT THE PROPOSAL	EFFECT OF ABSTENTIONS AND BROKER NON-VOTES
Proposal 1—Election of Class II Directors	For, Against or Abstain on each nominee	FOR each nominee	Majority of votes cast for such nominee	None.
Proposal 2—Advisory Vote to Approve Executive Compensation	For, Against or Abstain	FOR	Majority of shares represented at the annual meeting and entitled to vote	Abstentions are treated as votes against. Broker non-votes have no effect.
Proposal 3—Ratification of Appointment of Independent Registered Public Accounting Firm	For, Against or Abstain	FOR	Majority of shares represented at the annual meeting and entitled to vote	Abstentions are treated as votes against. Brokers have discretion to vote on this item.
Proposal 4—Approval of Resideo Employee Stock Purchase Plan	For, Against or Abstain	FOR	Majority of shares represented at the annual meeting and entitled to vote	Abstentions are treated as votes against. Broker non-votes have no effect.

8. Can I change my vote?

There are several ways in which you may revoke your proxy or change your voting instructions before the time of voting at the meeting (please note that, in order to be counted, the revocation or change must be received by 11:59 p.m. EDT on June 7, 2020):

- Vote again by telephone or at www.proxyvote.com;
- Transmit a revised proxy card or voting instruction form that is dated later than the prior one;
- Shareholders of record and beneficial owners may vote electronically at the virtual annual meeting; or
- Shareholders of record may notify Resideo's Corporate Secretary in writing that a prior proxy is revoked.

The latest-dated, timely, properly completed proxy that you submit, whether by mail, telephone or the internet, will count as your vote. If a vote has been recorded for your shares and you subsequently submit a proxy card that is not properly signed and dated, then the previously recorded vote will stand.

9. Is my vote confidential?

Yes. Proxy cards, ballots and voting tabulations that identify shareholders are kept confidential except:

- As necessary to meet applicable legal requirements and to assert or defend claims for or against the Company;

- In the case of a contested proxy solicitation;
- If a shareholder makes a written comment on the proxy card or otherwise communicates his or her vote to management; or
- To allow the independent judge of election to certify the results of the vote.

Broadridge, the independent proxy tabulator used by Resideo, counts the votes and acts as the inspector of elections for the meeting.

10. How will the voting results be disclosed?

We will announce preliminary voting results at the virtual annual meeting and publish them on our website www.resideo.com. Voting results will also be disclosed on a Form 8-K filed with the SEC within four business days after the annual meeting, which will be available on our website.

11. What does it mean if I receive more than one Notice?

If you are a shareholder of record, you will receive one Notice (or if you are an employee with a Resideo email address, an email proxy form) for all shares of common stock held in or credited to your accounts as of the record date, if the account names are exactly the same. If your shares are registered differently and are in more than one account, you will receive more than one Notice or email proxy form, and in that case, you can and are urged to vote all of your shares, which will require you to vote more than once.

12. What is "householding"?

Shareholders of record who have the same last name and address and who request paper copies of the proxy materials will receive only one copy unless one or more of them notifies us that they wish to receive individual copies. This method of delivery, known as "householding," will help ensure that shareholder households do not receive multiple copies of the same document, helping to reduce our printing and postage costs, as well as saving natural resources.

We will deliver promptly upon written or oral request a separate copy of the 2019 Annual Report and Proxy Statement or Notice of Internet Availability of Proxy Materials, as applicable, to a security holder at a shared address to which a single copy of the document was delivered. Please go to www.proxyvote.com to request a copy.

Shareholders of record may request to begin or to discontinue householding in the future by contacting Broadridge, either by calling (866) 540-7095, or by writing to Broadridge, Householding Department, 51 Mercedes Way, Edgewood, New York 11717. Shareholders owning their shares through a bank, brokerage firm or other similar organization may request to begin or to discontinue householding by contacting their bank, brokerage firm or other similar organization.

13. Who pays for the solicitation of proxies?

Resideo is making this solicitation and will pay the cost of soliciting proxies. Proxies will be solicited on behalf of the Board of Directors by mail, telephone other electronic means. We have retained Innisfree M&A Inc., 501 Madison Avenue, New York, NY 10022, to assist with the solicitation for an estimated fee of $10,000, plus expenses. We will reimburse brokerage firms and other custodians, nominees and fiduciaries for their reasonable out-of-pocket expenses for sending proxy materials to shareholders and obtaining their votes. Our employees may also solicit proxies for no additional compensation.

14. How do I comment on Company business?

You will have the opportunity to comment when you vote using the internet or you may write any comments on the proxy card if you vote by mailing a proxy card. You may also send your comments to us at Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Investor Relations. Although it is not possible to respond to each shareholder, your comments are appreciated and help us to understand your concerns.

15. **When are the 2021 shareholder proposals due?**

To be considered for inclusion in the Company's 2021 Proxy Statement, shareholder proposals submitted in accordance with SEC Rule 14a-8 must be received in writing at our principal executive offices no later than December 25, 2020. Address all shareholder proposals to Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary. For any proposal that is not submitted for inclusion in next year's Proxy Statement, but is instead sought to be presented directly at the 2021 annual meeting, notice of intention to present the proposal, including all information required to be provided by the shareholder in accordance with the Company's By-Laws, must be received in writing at our principal executive offices by March 10, 2021, and no earlier than February 8, 2021. Address all notices of intention to present proposals at the 2021 annual meeting to Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary. For information on nominating directors for the 2021 annual meeting, please see the information above under "Advance Notice Director Nominations" and "Proxy Access Director Nominations" on page 23.

16. **How may I obtain a copy of Resideo's 2019 Annual Report on Form 10-K and proxy materials?**

If you would like to receive paper or e-mail copies of our 2019 Annual Report and the Proxy Statement, free of charge, you may request them by internet at www.proxyvote.com, by telephone at 1-800-579-1639 or by e-mail at sendmaterial@proxyvote.com. You will need your 16-digit control number provided in your proxy materials to request paper copies. Requests for materials relating to the 2020 annual meeting may be made by calling 1-800-579-1639, and must be made by May 25, 2020 to facilitate timely delivery. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and any amendments to those reports, are available free of charge on our Investor Relations website at investor.resideo.com.

17. **How do I contact the Company or the Board of Directors?**

Our Investor Relations department is the primary point of contact for shareholder interaction with Resideo. Shareholders can contact our Investor Relations department by email at InvestorRelations@resideo.com, by phone at 512-726-3500, or by writing to Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Investor Relations.

Shareholders, as well as other interested parties, may communicate directly with the Lead Independent Director, the non-employee directors as a group, or individual directors by writing to Resideo Technologies, Inc., 901 E. 6th Street, Austin, TX 78702, Attention: Corporate Secretary. Our Corporate Secretary reviews and promptly forwards communications to the directors as appropriate. Communication involving substantive accounting or auditing matters are forwarded to the Chair of the Audit Committee. Certain items that are unrelated to the duties and responsibilities of the Board will not be forwarded such as junk mail and mass mailings; product complaints and product inquiries; new product or technology suggestions; job inquiries and resumes; advertisements or solicitations; surveys; spam and overly hostile, threatening, potentially illegal or similarly unsuitable communications.

18. **Can other business in addition to the items listed on the agenda be transacted at the meeting?**

The Company knows of no other business to be presented for consideration at the meeting. If other matters are properly presented at the meeting, the persons designated as authorized proxies on your proxy card may vote on such matters at their discretion.

By Order of the Board of Directors,

Jeannine Lane
Executive Vice President, General Counsel, Corporate Secretary and Chief Compliance Officer
April 24, 2020

RESIDEO EMPLOYEE STOCK PURCHASE PLAN

1. ***Purpose of the Plan.*** The purpose of this Resideo Employee Stock Purchase Plan (the "Plan") is to provide the employees of Resideo Technologies, Inc. ("Resideo") and its participating subsidiaries with a convenient means of purchasing shares of Resideo common stock from time to time at a discount to market prices through the use of payroll deductions. Resideo intends that the Plan shall qualify as an "employee stock purchase plan" under Code § 423. Accordingly, the Plan will be construed so as to extend and limit Plan participation in any Offering subject to Code § 423 in a uniform and nondiscriminatory basis consistent with the requirements of Code § 423.

2. ***Definitions***. The terms defined in this section are used (and capitalized) elsewhere in this Plan.

2.1. "*Affiliate*" means each domestic or foreign entity that is a "parent corporation" or "subsidiary corporation" of Resideo, as defined in Code §§ 424(e) and 424(f) or any successor provisions.

2.2. "*Board*" means the Board of Directors of Resideo.

2.3. "*Code*" means the Internal Revenue Code of 1986, as amended and in effect from time to time. For purposes of the Plan, references to sections of the Code shall be deemed to include any applicable regulations thereunder and any successor or similar statutory provisions.

2.4. "*Committee*" means the Compensation Committee of the Board (or such successor committee responsible for executive compensation matters).

2.5. "*Common Stock*" means the common stock, par value $0.001 per share, of Resideo.

2.6. "*Corporate Transaction*" means (i) a merger, consolidation or other reorganization of Resideo with or into another corporation, or (ii) the sale of all or substantially all of the assets of Resideo.

2.7. "*Designated Affiliate*" means any Affiliate which has been expressly designated by the Committee as a corporation whose Eligible Employees may participate in the Plan.

2.8. "*Eligible Compensation*" shall be defined from time to time by the Committee in its sole discretion with respect to any Offering and Purchase Period. Except as otherwise defined by the Committee from time to time in its sole discretion, (i) Eligible Compensation means the cash compensation (including wages, salary, commissions, and overtime earnings) paid by Resideo or any Designated Affiliate to a Participant in accordance with the Participant's terms of employment, (ii) Eligible Compensation includes contributions made by the Participant by payroll deduction to any qualified cash or deferred arrangement that forms part of a plan maintained by Resideo or an Affiliate (while it is an Affiliate), or to a cafeteria plan maintained by Resideo or an Affiliate (while it is an Affiliate), or under any qualified transportation fringe benefit plan, and (iii) Eligible Compensation shall not include any bonuses, employer contributions to a 401(k) or other retirement plan, amounts deferred to a non-qualified deferred compensation plan, any expense reimbursements or allowances, vacation pay in lieu of time off, coverage provided or amounts paid under any welfare benefit plan (unless provided above), amounts paid by an insurance company, amounts paid in a form other than cash and other fringe benefits, or any income (whether paid in Shares or cash) realized by the Participant as a result of participation in any equity-based compensation plan of Resideo or an Affiliate.

2.9. "*Eligible Employee*" means any employee of Resideo or a Designated Affiliate, except for any employee who, immediately after a right to purchase is granted under the Plan, would be deemed, for purposes of Code § 423(b)(3), to own stock possessing 5% or more of the total combined voting power or value of all classes of stock of Resideo or any Affiliate. Notwithstanding the foregoing, with respect to any Offering, the Committee may provide for the exclusion of certain employees within the limitations described in Treasury Regulations §1.423-2(e)(1), (2) and (3).

2.10. "*Enrollment Period*" means the period of time prior to a Purchase Period during which Eligible Employees may elect to participate in the Plan as determined by the Committee for an Offering.

2.11. "*Fair Market Value*" of a Share of Common Stock as of any date means the closing sale price for a Share on the principal securities market on which the Shares trade on the last preceding day on which any sale shall have been made.

2.12. "*Offering*" means the right provided to Participants to purchase Shares under the Plan with respect to a Purchase Period.

2.13. "*Offering Date*" means the first Trading Day of a Purchase Period.

2.14. "*Participant*" means an Eligible Employee who has elected to participate in the Plan in the manner set forth in Section 4 and whose participation has not ended pursuant to Section 8.1 or Section 9.

2.15. "*Plan*" means this Resideo Employee Stock Purchase Plan, as it may be amended from time to time.

2.16. "*Purchase Date*" means the last Trading Day of a Purchase Period.

2.17. "*Purchase Period*" means a period of time during which offers to purchase Common Stock are outstanding under the Plan. The Committee shall determine the length of each Purchase Period, which need not be uniform; provided that no Purchase Period shall exceed twenty-seven (27) months in length. A Purchase Period shall commence on such date as may be established by the Committee. Unless the Committee determines otherwise, the Purchase Period will be a period of six months beginning either (i) on February 15 of each calendar year and ending on the next August 14, or (ii) on August 15 in each calendar year and ending on the next February 14.

2.18. "*Recordkeeping Account*" means the account maintained in the books and records of Resideo (or its agent) recording the amount contributed to the Plan by each Participant through payroll deductions.

2.19. "*Resideo*" means Resideo Technologies, Inc., a Delaware corporation, or any successor corporation.

2.20. "*Shares*" means shares of Common Stock.

2.21. "*Trading Day*" means a day on which the national stock exchanges in the United States are open for trading.

3. ***Shares Available***. Subject to adjustment as provided in Section 14.1, the maximum number of Shares that may be sold by Resideo to Eligible Employees under the Plan shall be 3,000,000 Shares. If the purchases by all Participants in an Offering would otherwise cause the aggregate number of Shares to be sold under the Plan to exceed the number specified in this Section 3, Resideo shall make to each Participant in that Offering a pro rata allocation in a uniform and nondiscriminatory manner of the remaining number of Shares which may be sold under the Plan.

4. ***Eligibility and Participation***. To be eligible to participate in the Plan for a given Purchase Period, an employee must be an Eligible Employee on the first day of such Purchase Period. An Eligible Employee may elect to participate in the Plan by filing an election form with Resideo (or its agent) before the Offering Date for a Purchase Period that authorizes regular payroll deductions from Eligible Compensation beginning with the first payday in such Purchase Period and continuing until the Plan is terminated or the Eligible Employee withdraws from the Plan, modifies his or her authorization, or ceases to be an Eligible Employee, as hereinafter provided.

5. ***Amount of Common Stock Each Eligible Employee May Purchase***.

5.1. *Purchase Amounts and Limitations*. Subject to the provisions of this Plan, each Participant shall be offered the right to purchase on the Purchase Date the maximum number of whole Shares that can be purchased with the balance in the Participant's Recordkeeping Account at the per Share price specified in Section 5.2. Notwithstanding the foregoing, no Participant shall be entitled to:

(a) the right to purchase Shares under this Plan and all other employee stock purchase plans (within the meaning of Code § 423(b)), if any, of Resideo and its Affiliates that accrues at a rate which in the aggregate exceeds $25,000 of Fair Market Value (determined on the Offering Date of a Purchase Period when the right is granted) for each calendar year in which such right is outstanding at any time; or

(b) purchase Shares in excess of 5,000 Shares per Offering (or such other maximum Share limit as established by the Committee in its sole discretion), with such limit subject to adjustment from time to time as provided in Section 14.1.

5.2. *Purchase Price*. Unless a different purchase price is established by the Committee for an Offering prior to the commencement of the applicable Purchase Period, the purchase price of each Share sold pursuant to this Plan will be the lesser of (i) 90% of the Fair Market Value of such Share on the Offering Date of the applicable Purchase Period, or (ii) 90% of the Fair Market Value of such Share on the Purchase Date. In no event shall the purchase price be less than the lesser of (i) 85% of the Fair Market Value of such Share on the Offering Date of the applicable Purchase Period, or (ii) 85% of the Fair Market Value of such Share on the Purchase Date.

6. ***Method of Participation****.*

6.1. *Notice and Date of Grant*. Resideo shall give notice to each Eligible Employee of the opportunity to purchase Shares pursuant to this Plan and the terms and conditions of such Offering. Resideo contemplates that for tax purposes the Offering Date for a Purchase Period will be considered the date of the grant of the right to purchase such Shares.

6.2. *Contribution Elections*. Each Eligible Employee who desires to participate in the Plan for a Purchase Period shall signify his or her election to do so by completing an election with Resideo (or its agent) in a manner approved by the Committee. An Eligible Employee may elect to have any whole percent of Eligible Compensation (that is, 1%, 2%, 3%, etc.) withheld as a payroll deduction, but not exceeding 10% per pay period (or such other maximum percentage as the Committee may establish from time to time prior to the commencement of an Offering). An election to participate in the Plan and to authorize payroll deductions as described herein must be made prior to the Offering Date of a Purchase Period in accordance with the rules set by the Committee for the Purchase Period, and shall be effective beginning with the first payday in the Purchase Period immediately following the filing of such election. Any election submitted shall remain in effect until the Plan is terminated or such Participant withdraws from the Plan, modifies his or her authorization, or ceases to be an Eligible Employee, as hereinafter provided.

6.3 *Additional Contributions*. If specifically provided by the Committee in connection with an Offering (including for purposes of complying with applicable local law), in addition to or instead of making contributions by payroll deductions, a Participant may make additional contributions to his or her Recordkeeping Account through the payment by cash or check prior to a Purchase Date. A Participant may make such additional contributions into his or her Recordkeeping Account only if the Participant has not already had the maximum permitted amount withheld during the Offering through payroll deductions, subject to the limitations set forth in Section 5.1.

6.4. *Offering Terms and Conditions*. Each Offering shall consist of a single Purchase Period and shall be in such form and shall contain such terms and conditions as the Committee shall deem appropriate, consistent with the terms of the Plan. The Committee may provide for separate Offerings for different Designated Affiliates, and the terms and conditions of the separate Offerings, including the applicable Purchase Period, need not be consistent. Any Offering shall comply with the requirement of Code § 423 that all Participants shall have the same rights and privileges for such Offering. The terms and conditions of any Offering shall be incorporated by reference into the Plan and treated as part of the Plan.

7. ***Recordkeeping Accounts****.*

7.1. *Crediting Payroll Deduction Contributions*. Resideo (or its agent) shall maintain a Recordkeeping Account for each Participant. Payroll deductions pursuant to Section 6 will be credited to such Recordkeeping Accounts on or within a reasonable amount of time following each payday.

7.2. *No Interest Payable*. No interest will be credited to a Participant's Recordkeeping Account (unless required under local law).

7.3. *No Segregation of Accounts*. The Recordkeeping Account is established solely for accounting purposes, and all amounts credited to the Recordkeeping Account will remain part of the general assets of Resideo and need not be segregated from other corporate funds (unless required under local law).

7.4. *Additional Contributions*. A Participant may not make any separate cash payment into a Recordkeeping Account, except as may be permitted in accordance with Section 6.3, and any such additional contributions will be credited to the Recordkeeping Accounts within a reasonable amount of time following receipt by Resideo.

8. ***Right to Adjust Participation; Withdrawals from Recordkeeping Account***.

8.1. *Withdrawal from Plan*. A Participant may at any time withdraw from the Plan by complying with the rules set by the Committee. If a Participant withdraws from the Plan, Resideo will pay to the Participant in cash the entire balance in such Participant's Recordkeeping Account and no further deductions will be made from the Participant's Eligible Compensation during such Purchase Period. A Participant who withdraws from the Plan will not be eligible to reenter the Plan until the next succeeding Purchase Period, and any such reentry shall be through the enrollment process described in Section 6.2.

8.2. *Adjusting Level of Participation*. A Participant may adjust his or her rate of payroll deduction contributions to the Plan as follows:

(a) A Participant may, by written notice during an Enrollment Period, direct Resideo to increase or decrease his or her rate of payroll deduction contributions, with such change to be effective as of the first day of the next Purchase Period.

(b) A Participant may, by written notice that complies with the rules set by the Committee, direct Resideo to decrease his or her rate of payroll deduction contributions during a Purchase Period to 0%, which shall be considered a suspension of contributions and shall become effective as soon as reasonably practicable. Any Participant who has decreased his or her rate of payroll deductions to 0% and does not increase such rate of payroll deductions from 0% to at least 1% in accordance with Section 8.2(a) during the next Enrollment Period will be withdrawn from the Plan effective as of the first day of that next Purchase Period.

8.3. *Submission of Notices*. Notification of a Participant's election to withdraw from the Plan as provided in Section 8.1 or to change his or her rate of payroll deductions as provided in Section 8.2 shall be made by completing an updated election or notice with Resideo (or its agent) in a manner approved by the Committee. The Committee may promulgate rules regarding the time and manner for submitting any such updated election or notice, which may include a requirement that the election or notice be on file for a reasonable period before it will be effective.

8.4. *Adjustments by Resideo*. To the extent necessary to comply with Code § 423(b)(8) or Section 5.1, a Participant's payroll deduction contributions to the Plan may be decreased by Resideo to 0% at any time during a Purchase Period.

9. ***Termination of Employment***.

9.1. *Refund of Recordkeeping Account.* If the employment of a Participant is terminated for any reason, including death, disability, or retirement, the entire balance in the Participant's Recordkeeping Account will be refunded in cash to the Participant within 30 days after the date of termination of employment. For purposes of the Plan, a Participant will not be deemed to have terminated employment while the Participant is on sick leave, military leave or other leave of absence approved by the Company. Where the period of leave exceeds 90 days and the Participant's right to reemployment is not guaranteed either by statute or by contract, the employment relationship shall be deemed to have terminated on the ninety-first day of such leave. Unless determined otherwise by the Committee in a manner that is permitted by, and in compliance with Code § 423, a Participant whose employment transfers between entities through a termination with an immediate rehire (with no break in service) by Resideo or a Designated Affiliate shall not be treated as a termination under the Plan.

9.2. *Designation of Beneficiary.* If permitted by the Committee, a Participant may file a beneficiary designation for who is to receive the Participant's Recordkeeping Account or Share subaccount, if any, following the death of a Participant. If no beneficiary is named, the beneficiary shall be the Participant's spouse, or if none, the Participant's estate. All beneficiary designations will be in such form and manner as the Committee may designate from time to time.

10. ***Purchase of Shares***.

10.1. *Number of Shares Purchased*. As of each Purchase Date, the balance in each Participant's Recordkeeping Account will be used to purchase the maximum number of whole Shares (subject to the limitations of Section 5.1) at the purchase price determined in accordance with Section 5.2, unless the Participant has filed an appropriate form with Resideo in advance of that date to withdraw from the Plan in accordance with Section 8.1. Any amount remaining in a Participant's Recordkeeping Account that represents the purchase price for any fractional share will be carried over in the Participant's Recordkeeping Account to the next Purchase Period. Any amount remaining in a Participant's Recordkeeping Account that represents the purchase price for any whole Shares that could not be purchased by reason of the limitations of Section 5.1 or under the circumstances described in Section 3 will be refunded to the Participant.

10.2. *Conversion of Foreign Currency*. In circumstances where payroll deductions have been taken from a Participant's Eligible Compensation in a currency other than United States dollars, Shares shall be purchased by converting the balance in the Participant's Recordkeeping Account to United States dollars at the exchange rate in effect for payroll purposes for the month in which the Purchase Date occurs as determined by Resideo's finance department or at such other exchange rate determined by the Committee or its delegate for this purpose, and such dollar amount shall be used to purchase Shares as of the Purchase Date.

10.3. *Crediting of Shares*. Promptly after the end of each Purchase Period, the number of Shares purchased by all Participants as of the applicable Purchase Date shall be issued and delivered to an agent selected by Resideo. Delivery of the shares to the agent shall be effected by an appropriate book-entry in the stock register maintained by Resideo's transfer agent or delivery of a certificate. The agent will hold the Shares for the benefit of all Participants who have purchased Shares and will maintain a Share subaccount for each Participant reflecting the number of Shares credited to each Participant. Each Participant will be entitled to direct the voting by the agent of all Shares credited to such Participant's Share subaccount, and the agent may reinvest any dividends paid on Shares credited to a Participant's Share subaccount in additional Shares in accordance with such rules as the Committee may prescribe. Each Participant may also direct the agent to sell any or all of the Shares credited to the Participant's Share subaccount and distribute the net proceeds of such sale to the Participant.

10.4 *Withdrawal of Shares From Share Subaccount*. Except for sales through the agent as provided in Section 10.3, a Participant may not withdraw Shares or otherwise transfer Shares from the Participant's Share subaccount.

11. ***Rights as a Shareholder***. A Participant shall not be entitled to any of the rights or privileges of a shareholder of Resideo with respect to Shares offered for purchase under the Plan, including the right to vote or direct the voting or to receive any dividends that may be declared by Resideo, until (i) the Participant actually has paid the purchase price for such Shares and (ii) such Shares have been issued and delivered, as provided in Section 10.3.

12. ***Rights Not Transferable***. A Participant's rights under this Plan are exercisable only by the Participant during his or her lifetime, and may not be sold, pledged, assigned, transferred or disposed of in any manner other than by will or the laws of descent and distribution. Any attempt to sell, pledge, assign, transfer or dispose of the same shall be void and without effect. The amounts credited to a Recordkeeping Account may not be sold, pledged, assigned, transferred or disposed of in any way, and any attempted sale, pledge, assignment, transfer or other disposition of such amounts will be void and without effect.

13. ***Administration of the Plan***.

13.1. *Authority of the Committee*. This Plan shall be administered by the Committee. Subject to the express provisions of the Plan and applicable law, and in addition to other express powers and authorizations conferred on the Committee by the Plan, the Committee shall have full power and authority to:

(a) Determine when each Purchase Period under this Plan shall occur, and the terms and conditions of each related Offering (which need not be identical);

(b) Designate from time to time which Affiliates of Resideo shall be eligible to participate in the Plan;

(c) Construe and interpret the Plan and establish, amend and revoke rules, regulations and procedures for the administration of the Plan. The Committee may, in the exercise of this power, correct any defect, omission or inconsistency in the Plan, in such manner and to the extent it may deem necessary, desirable or appropriate to make the Plan fully effective;

(d) Exercise such powers and perform such acts as the Committee may deem necessary, desirable or appropriate to promote the best interests of Resideo and its Designated Affiliates and to carry out the intent that the Offerings made under the Plan are treated as qualifying under Code § 423(b);

(e) As more fully described in Section 18, to adopt such rules, procedures and sub-plans as may be necessary, desirable or appropriate to permit participation in the Plan by employees who are foreign nationals or employed outside the United States by a non-U.S. Designated Affiliate, and to achieve tax, securities law and other compliance objectives in particular locations outside the United States; and

(f) Adopt and amend, as the Committee deems appropriate, a Plan rule specifying that Shares purchased by a Participant during a Purchase Period may not be sold by the Participant for a specified period of time after the Purchase Date on which the Shares were purchased by the Participant, and establish such procedures as the Committee may deem necessary to implement such rule.

13.2. *Interpretations and Decisions by the Committee*. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations, and other decisions under or with respect to the Plan shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive, and binding upon all persons, including Resideo, any Affiliate, any Participant and any Eligible Employee.

13.3. *Delegation by the Committee*. Subject to the terms of the Plan and applicable law, the Committee may delegate ministerial duties associated with the administration of the Plan to such of Resideo's officers, employees or agents as the Committee may determine.

13.4. *Indemnification*. No member of the Board or Committee shall be liable for any action taken or determination made in good faith with respect to the Plan. In addition to such other rights of indemnification as they may have as members of the Board or officers or employees of Resideo or a Designated Affiliate, members of the Board and Committee and any officers or employees of the Resideo or Designated Affiliate to whom authority to act for the Committee is delegated shall be indemnified by Resideo from and against any and all liabilities, costs and expenses incurred by such persons as a result of any act or omission to act in connection with the performance of such person's duties, responsibilities and obligations under the Plan if such person has acted in good faith and in a manner that he or she reasonably believes to be in, or not opposed to, the best interests of Resideo.

14. ***Changes in Capitalization and Corporate Transactions***.

14.1. *Adjustments*. In the event of any change in the Common Stock of Resideo by reason of a stock dividend, stock split, reverse stock split, corporate separation, recapitalization, merger, consolidation, combination, exchange of shares and the like, the Committee shall make such equitable adjustments as it deems appropriate in the aggregate number and class of Shares or other securities available under this Plan, the Share limitation referred to in Section 5.1(b) of the Plan, and the number, class and purchase price of Shares or other securities subject to purchase under any pending Offering.

14.2. *Corporate Transactions*. In the event of a Corporate Transaction, each right to acquire Shares on any Purchase Date that is scheduled to occur after the date of the consummation of the Corporate Transaction may be continued or assumed or an equivalent right may be substituted by the surviving or successor corporation or a parent or subsidiary of such corporation. If such surviving or successor corporation or parent or subsidiary thereof refuses to continue, assume or substitute for such outstanding rights, then the Board may, in its discretion, either terminate the Plan or shorten the Purchase Period then in progress by setting a new Purchase Date for a specified date before the date of the consummation of the Corporate Transaction. Each Participant shall be notified in writing, prior to any new Purchase Date, that the Purchase Date for the existing Offering has been changed to the new Purchase Date and that the Participant's right to acquire Shares will be exercised automatically on the new Purchase Date unless prior to such date the Participant's employment has been terminated or the Participant has withdrawn from the Plan. In the event of a dissolution or liquidation of Resideo, any Offering and Purchase Period then in progress will terminate immediately prior to the consummation of such action, unless otherwise provided by the Board.

15. ***Amendment or Suspension of Plan***. The Committee, in its sole discretion, may at any time suspend this Plan or amend it in any respect, but no such amendment may, without shareholder approval, increase the number of shares reserved under this Plan, or effect any other change in the Plan that would require shareholder approval under applicable law or regulations or the rules of any securities exchange on which the Shares may then be listed, or to maintain compliance with Code § 423. No such amendment or suspension shall adversely affect the rights of Participants pursuant to Shares previously acquired under the Plan. During any suspension of the Plan, no new Offering or Purchase Period shall begin and no Eligible Employee shall be offered any new right to purchase Shares under the Plan or any opportunity to elect to participate in the Plan, and any existing payroll deduction authorizations shall be suspended, but any such right to purchase Shares previously granted for a Purchase Period that began prior to the Plan suspension shall remain subject to the other provisions of this Plan and the discretion of the Board and the Committee with respect thereto.

16. ***Effective Date and Term of Plan***. The Plan will become effective on the date it is approved by the shareholders of Resideo, which approval must be within 12 months of the date the Plan is adopted by the Board. The Plan and all rights of Participants hereunder shall terminate (i) at any time, at the discretion of the Committee, or (ii) upon the completion of any Offering under which the limitation on the total number of Shares to be issued during the entire term of the Plan, as determined in accordance with Section 3, has been reached. Except as otherwise determined by the Board, upon termination of this Plan, Resideo shall pay to each Participant cash in an amount equal to the entire remaining balance in such Participant's Recordkeeping Account.

17. ***Governmental Regulations and Listing***. All rights granted or to be granted to Eligible Employees under this Plan are expressly subject to all applicable laws and regulations and to the approval of all governmental authorities required in connection with the authorization, issuance, sale or transfer of the Shares reserved for this Plan, including, without limitation, there being a current registration statement of Resideo under the Securities Act of 1933, as amended, covering the Shares purchasable on the Purchase Date applicable to such Shares. If applicable, all such rights hereunder are also similarly subject to effectiveness of an appropriate listing application to a national securities exchange covering the Shares issuable under the Plan upon official notice of issuance.

18. ***Rules for Foreign Jurisdictions***. The Committee may adopt rules, procedures or subplans relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures. Without limiting the generality of the foregoing, the Committee is specifically authorized to adopt rules and procedures regarding handling of payroll deductions, payment of interest, conversion of local currency, payroll tax, the definition of Eligible Compensation, withholding procedures and handling of stock certificates that vary with local requirements.

19. ***Miscellaneous***.

19.1. *Effect on Employment Status*. This Plan shall not be deemed to constitute a contract of employment between Resideo or any Designated Affiliate and any Participant, nor shall it interfere with the right of Resideo (or any Affiliate) to terminate the employment of any Participant and treat him or her without regard to the effect that such treatment might have upon him or her under this Plan.

19.2. *Governing Law*. This Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Delaware.

19.3. *Electronic Documentation and Signatures*. Any reference in the Plan to election or enrollment forms, notices, authorizations or any other document to be provided in writing shall include the provision of any such form, notice, authorization or document by electronic means, including through Resideo's intranet or with Resideo's agent, and any reference in the Plan to the signing of any document shall include the authentication of any such document provided in electronic form, in each case in accordance with procedures established by the Committee.

19.4. *Book-Entry and Electronic Transfer of Shares.* Any reference in this Plan to the issuance or transfer of a stock certificate evidencing Shares shall be deemed to include, in the Committee's discretion, the issuance or transfer of such Shares in book-entry or electronic form. Uncertificated Shares shall be deemed delivered for all purposes of this Plan when Resideo or its agent shall have provided to the recipient of the Shares a notice of issuance or transfer by electronic mail (with proof of receipt) or by United States mail, and have recorded the issuance or transfer in its records.

19.5. *Registration of Share Accounts and Certificates.* Any Share account contemplated by Section 10.3 and certificate to be issued to a Participant shall be registered in the name of the Participant, or jointly in the name of the Participant and another person, as the Participant may direct on an appropriate form filed with Resideo or the agent.

19.6. *Code § 409A*. The Plan is exempt from the application of Code § 409A and any ambiguities herein will be interpreted to so be exempt from Code § 409A. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Committee determines that an option granted under the Plan may be subject to Code § 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code § 409A, the Committee may amend the terms of the Plan and/or of an outstanding Offering under the Plan, or take such other action as the Committee determines is necessary or appropriate, in each case, without the Participant's consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code § 409A, but only to the extent any such amendments or actions by the Committee would not violate Code § 409A. Notwithstanding the foregoing, Resideo and the Committee shall have no liability to a Participant or any other party if the option to purchase Shares under the Plan that is intended to be exempt from or compliant with Code § 409A is not exempt or compliant or for any action taken by the Committee with respect thereto. Resideo makes no representations that the option to purchase Shares under the Plan is compliant with Code § 409A.

19.7. *Severability*. If any provision of the Plan is or becomes or is deemed to be invalid, illegal, or unenforceable for any reason in any jurisdiction or as to any Participant, such invalidity, illegality or unenforceability shall not affect the remaining parts of the Plan and the Plan shall be construed and enforced as to such jurisdiction or Participant as if the invalid, illegal or unenforceable provision had not been included.