

SHERWIN WILLIAMS CO  
Form DEF 14A  
March 06, 2017  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

**Preliminary Proxy Statement**  
**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
**Definitive Proxy Statement**  
**Definitive Additional Materials**  
**Soliciting Material Pursuant to 240.14a-12**

**THE SHERWIN-WILLIAMS COMPANY**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(4) Date Filed:

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*The Sherwin-Williams Company*

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 19, 2017

The Annual Meeting of Shareholders of THE SHERWIN-WILLIAMS COMPANY will be held in the Landmark Conference Center, 927 Midland Building, 101 West Prospect Avenue, Cleveland, Ohio on Wednesday, April 19, 2017 at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To fix the number of directors of Sherwin-Williams at 11 and to elect the 11 director nominees named in the attached Proxy Statement to hold office until the next Annual Meeting of Shareholders and until their successors are elected;
2. To approve, on an advisory basis, the compensation of the named executives;
3. To approve, on an advisory basis, the frequency of the advisory vote on the compensation of the named executives;
4. To approve The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017);
5. To approve The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017);
6. To ratify the appointment of Ernst & Young LLP as Sherwin-Williams independent registered public accounting firm; and
7. To transact such other business as may properly come before the Annual Meeting.

Shareholders of record at the close of business on February 21, 2017, the record date for the Annual Meeting, are the only shareholders entitled to notice of and to vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please promptly vote on the Internet, by telephone or by completing and returning the enclosed proxy card. Voting early will help avoid additional solicitation costs and will not prevent you from voting in person at the Annual Meeting if you wish to do so.

CATHERINE M. KILBANE

*Secretary*

101 West Prospect Avenue

Cleveland, Ohio 44115-1075

March 6, 2017

***ADMISSION TO THE 2017 ANNUAL MEETING.***

You are entitled to attend the Annual Meeting only if you were a Sherwin-Williams shareholder at the close of business on February 21, 2017. We may ask you to present evidence of share ownership and valid photo identification to enter the Annual Meeting. Please refer to the section entitled "How can I attend the Annual Meeting?" for further information.

***IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 19, 2017.***

Sherwin-Williams Proxy Statement and 2016 Annual Report to Shareholders are available free of charge at <http://proxymaterials.sherwin.com>.

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*This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information you should consider. Please carefully read the entire Proxy Statement and our 2016 Annual Report to Shareholders before voting.*

**2017 Annual Meeting of Shareholders**

<b>Date and Time</b>	<b>Place</b>	<b>Record Date</b>
Wednesday, April 19, 2017	Landmark Conference Center	February 21, 2017
9:00 a.m., EDT	927 Midland Building	
	101 West Prospect Avenue	
	Cleveland, Ohio 44115	

**Proposals and Board Recommendations**

<b>Proposal</b>	<b>Board Recommendation</b>
1. Election of directors	<b>FOR each nominee</b>
2. Advisory approval of the compensation of the named executives	<b>FOR</b>
3. Advisory approval of the frequency of the advisory vote on the compensation of the named executives	<b>EVERY YEAR</b>
4. Approval of the 2007 Executive Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017)	<b>FOR</b>
5. Approval of the 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017)	<b>FOR</b>
6. Ratification of Ernst & Young LLP as our independent registered public accounting firm	<b>FOR</b>

**2016 Financial and Operating Highlights**

We delivered record results in 2016. We finished the year with record net sales of \$11.86 billion. Net income increased 7.5% to \$1.13 billion, as we surpassed \$1 billion for the second consecutive year. Diluted net income per share increased 7.5% to \$11.99 also a record high. We generated net operating cash of \$1.31 billion.

<sup>1</sup> Includes costs of \$81.5 million after tax, or \$0.86 per share, related to the acquisition of The Valspar Corporation ( Valspar ), partially offset by a reduction of

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income tax provision of \$44.2 million, or \$0.40 per share, resulting from the adoption of a new accounting standard (ASU No. 2016-09).

<sup>2</sup> Presented under the treasury stock method.

During 2016, we increased our annual dividend 25% to \$3.36 per share, extending our string of dividend increases to 38 consecutive years. We also continued our history of returning significant value to our shareholders, returning \$312.1 million through dividends.

On March 20, 2016, Sherwin-Williams and Valspar announced a definitive agreement under which Sherwin-Williams will acquire Valspar, a deal that will transform Sherwin-Williams into a faster growing, more profitable and more diversified global paint and coatings company.

**Director Nominees**

The following table provides summary information about each of our director nominees. This year's nominees include one new nominee Michael H. Thaman, Chairman, President and Chief Executive Officer of Owens Corning.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships			Other Public
					AC	CMDC	NCGC	Company Boards
A. F. Anton	59	2006	President & CEO, Swagelok Company		C, F			2
D. F. Hodnik	69	2005	Retired, Former President & CEO, Ace Hardware Corporation					0
T. G. Kadien	60	2009	Senior VP, HR, Communications & Government Relations, International Paper Company			C		1
R. J. Kramer	53	2012	Chairman, CEO & President, The Goodyear Tire & Rubber Company		F			1
S. J. Kropf	68	2003	Retired, Former President & COO, Avon Products, Inc.					3
J. G. Morikis	53	2015	Chairman, President & CEO, Sherwin-Williams					1
C. A. Poon	64	2014	Executive in Residence, The Ohio State University		F		C	3
J. M. Stropki	66	2009	Retired, Former Chairman, President & CEO, Lincoln Electric Holdings, Inc.	L				2
M. H. Thaman	53	N/A	Chairman, President & CEO, Owens Corning					1
M. Thornton III	58	2014	Senior VP, US Operations, FedEx Express, FedEx Corporation					0
S. H. Wunning	65	2015	Retired, Former Group President, Caterpillar Inc.					2

AC = Audit Committee

CMDC = Compensation and Management Development Committee

NCGC = Nominating and Corporate Governance Committee

C = Committee Chair

F = Financial Expert

L = Lead Independent Director

**Table of Contents****Information about Our Board and Committees**

	<b>Number of Members</b>	<b>Independence</b>	<b>Number of Meetings During 2016</b>
Board of Directors <sup>(1)</sup>	11	9 of 11	11
Audit Committee	4	100%	5
Compensation and Management Development Committee	5	100%	4
Nominating and Corporate Governance Committee	5	100%	2

<sup>1</sup> Christopher M. Connor, who retired as our Executive Chairman on December 31, 2016, will retire as a director at the end of his current term at the Annual Meeting and is not seeking re-election. If our shareholders elect all of the director nominees at the Annual Meeting, the Board of Directors will be comprised of 11 directors, all of whom are independent other than our CEO. Each of our incumbent directors attended at least 75% of the 2016 meetings of the Board of Directors and each committee on which he or she served.

**Sound Corporate Governance Practices**

Annual election of all directors	Annual board and committee self-assessment evaluations
Majority voting standard and director resignation policy for directors in uncontested elections	Executive sessions of independent directors are held after each regular board meeting
Independent lead director has significant governance responsibilities	Directors have complete access to management
10 of 11 director nominees are independent	Stringent restrictions on pledging and hedging of our stock
Board committees are comprised entirely of independent directors	Significant director and executive stock ownership guidelines
Average tenure of director nominees is 6 years	Board oversight of risk management
Mandatory retirement age of 72 for directors	

**Recent Leadership Changes**

Following a thoughtful, multi-year succession planning process, our Board elected John G. Morikis as President and Chief Executive Officer effective January 1, 2016. Mr. Morikis succeeded Christopher M. Connor, who had served as our CEO since 1999. Mr. Connor remained employed as Executive Chairman until his retirement on December 31, 2016. In connection with Mr. Connor's retirement, the Board elected Mr. Morikis to assume the additional role of Chairman effective January 1, 2017. Mr. Connor will retire from the Board at the end of his current term at this year's Annual Meeting. In addition, our Board elected Allen J. Mistysyn to serve as Senior Vice President - Finance and Chief Financial Officer effective January 1, 2017. Mr. Mistysyn assumed the CFO duties previously held by Sean P. Hennessy, who remains with Sherwin-Williams as Senior Vice President - Corporate Planning, Development and Administration. More information is set forth under the headings Recent Leadership Changes and Leadership Structure and Lead Director in the Corporate Governance section.

**Executive Compensation Program**

**Our Compensation Objectives.** We design and manage our company-wide compensation programs to align with our overall business strategy and to focus our employees on delivering sustained financial and operating results that drive long-term, superior shareholder returns. We believe it is important that our compensation programs:

Are competitive.



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Maintain a performance and achievement-oriented culture.

Align the interests of our executives with those of our shareholders.

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**Recent Changes to Our RSU Program.** Beginning with our 2016 awards, we further strengthened our pay for performance alignment by increasing the percentage of executive compensation tied to objective performance metrics.

We eliminated annual awards of time-based RSUs and added a second performance-based RSU award utilizing RONAE as the performance metric.

Our 2016 performance-based RSU awards consisted of two separate grants of RSUs – one grant with EPS as the performance metric and one grant with RONAE as the performance metric.

60% of the target value of our 2016 long-term equity awards was allocated to performance-based RSUs and the remaining 40% was allocated to stock options.

We removed RONAE as a performance metric for 2016 in our annual executive cash incentive compensation program for our corporate officers. We retained RONAE for The Americas Group as a business unit performance metric for Mr. Davisson. Mr. Davisson is President of The Americas Group.

**Our Compensation Mix.** A significant percentage of the compensation opportunity of our executives is variable, at risk and tied to company or business unit performance, including stock price appreciation. For 2016, 87% of the principal compensation components for our CEO and an average of 76% for our other named executives were tied to performance.

**Responsible Executive Compensation Practices**

Annual advisory vote on executive compensation	No unnecessary or excessive risk-taking in compensation policies and practices
Independent Compensation Committee	No excessive perquisites
Independent compensation consultant	No payment of current dividends on unvested performance-based RSUs
Peer group benchmarking to median pay	Double-trigger vesting of long-term equity incentive awards upon change in control
Emphasis on performance-based pay	No repricing or replacing of underwater stock options without shareholder approval
Responsibly administered incentive compensation programs	No above-market earnings on deferred compensation
Balanced compensation structure	
Multiple performance metrics	
No employment agreements with executives	
Clawback policy	

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**THE SHERWIN-WILLIAMS COMPANY**

**101 West Prospect Avenue**

**Cleveland, Ohio 44115-1075**

**PROXY STATEMENT**

March 6, 2017

**GENERAL INFORMATION**

We are providing the enclosed proxy materials to you in connection with the solicitation by the Board of Directors of proxies to be voted at the Annual Meeting of Shareholders to be held on April 19, 2017. We began mailing these proxy materials to our shareholders on March 6, 2017. The use of the terms we, us and our throughout this Proxy Statement refers to Sherwin-Williams and/or its management.

We are enclosing our Annual Report to Shareholders for the year ended December 31, 2016 with these proxy materials. We may submit additional financial and other reports at the Annual Meeting, but we do not intend to take any action relating to those reports.

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

***What is the purpose of the Annual Meeting?***

At the Annual Meeting, shareholders will act upon the proposals outlined in the Notice of Annual Meeting of Shareholders. The agenda includes the following proposals:

<b>Proposal</b>	<b>Board Recommendation</b>
1. Election of directors	<b>FOR each nominee</b>
2. Advisory approval of the compensation of the named executives	<b>FOR</b>
3. Advisory approval of the frequency of the advisory vote on the compensation of the named executives	<b>EVERY YEAR</b>
4. Approval of the 2007 Executive Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017)	<b>FOR</b>
5. Approval of the 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017)	<b>FOR</b>
6. Ratification of Ernst & Young LLP as our independent registered public accounting firm	<b>FOR</b>

In addition, our management will report on Sherwin-Williams financial and operating performance and respond to questions from shareholders. We are not aware of any other matters that will be brought before the Annual Meeting for action.

***Who is entitled to vote at the Annual Meeting?***

You are entitled to vote at the Annual Meeting only if you were a record holder of our common stock at the close of business on February 21, 2017. At the close of business on the record date, 93,139,441 shares of common stock were outstanding. Each share owned on the record date is entitled to one vote.

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### ***What is the difference between a shareholder of record and a beneficial owner of shares held in street name?***

***Shareholder of Record.*** If your shares are registered directly in your name with our transfer agent, Wells Fargo Shareowner Services, you are considered the shareholder of record with respect to those shares.

***Beneficial Owner of Shares Held in Street Name.*** If your shares are held in an account at a broker, bank or other similar organization, you are the beneficial owner of shares held in street name. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account.

### ***How do I vote?***

Most shareholders have a choice of voting by mail, on the Internet, by telephone or in person at the Annual Meeting. We encourage you to vote by mail, on the Internet or by telephone prior to the Annual Meeting.

***Voting by Mail.*** If you are a shareholder of record, you may vote by signing, dating and returning your proxy card in the enclosed prepaid envelope. The proxy holders will vote your shares in accordance with your directions. If you sign and return your proxy card, but do not properly direct how your shares should be voted on a proposal, the proxy holders will vote your shares *for* the election of each director nominee on Proposal 1, *for* Proposals 2, 4, 5 and 6, and for a frequency of *every year* on Proposal 3. If you sign and return your proxy card, the proxy holders will vote your shares according to their discretion on any other proposals and other matters that may be brought before the Annual Meeting.

If you hold shares in street name, you should complete, sign and date the voting instruction card provided to you by your broker or nominee.

***Voting on the Internet or by Telephone.*** If you are a shareholder of record, detailed instructions for Internet and telephone voting are attached to your proxy card. Your Internet or telephone vote authorizes the proxy holders to vote your shares in the same manner as if you signed and returned your proxy card by mail. If you are a shareholder of record and you vote on the Internet or by telephone, your vote must be received by 11:59 p.m. EDT on April 18, 2017; you should not return your proxy card.

If you hold shares in street name, you may be able to vote on the Internet or by telephone as permitted by your broker or nominee.

***Voting in Person.*** All shareholders may vote in person at the Annual Meeting. Shareholders of record may also be represented by another person present at the Annual Meeting by signing a proxy designating such person to act on your behalf. If you hold shares in street name, you may vote in person at the Annual Meeting only if you have obtained a signed proxy from your broker or nominee giving you the right to vote your shares.

### ***What happens if I hold shares in street name and I do not give voting instructions?***

If you hold shares in street name and do not provide your broker with specific voting instructions, under the rules of the New York Stock Exchange (NYSE), your broker may generally vote on routine matters but cannot vote on non-routine matters. Proposals 1, 2, 3, 4 and 5 are considered non-routine matters. Therefore, if you do not instruct your broker how to vote on Proposals 1, 2, 3, 4 and 5, your broker does not have the authority to vote on those proposals. This is generally referred to as a broker non-vote. Proposal 6 is considered a routine matter and, therefore, your broker may vote your shares on this proposal according to your broker's discretion.

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### ***Who tabulates the votes?***

Representatives of Wells Fargo Shareowner Services will tabulate the votes and act as inspectors of election at the Annual Meeting.

### ***How do I vote if I am a participant in the Dividend Reinvestment Plan or the Employee Stock Purchase and Savings Plan?***

If you are a participant in one of these plans, your proxy card also serves as voting instructions for the number of shares for which you are entitled to direct the vote under each plan. You may vote your shares in the same manner outlined above for shareholders of record. If you are a participant in our Employee Stock Purchase and Savings Plan, your voting instructions must be received by the close of business on April 14, 2017 in order to allow the trustee sufficient time for voting.

If you are a participant in our Employee Stock Purchase and Savings Plan and you do not timely provide your voting instructions, the trustee will vote your shares in the same proportion as the trustee votes those shares for which it receives proper instructions.

### ***What constitutes a quorum for the Annual Meeting?***

A quorum of shareholders is necessary for us to hold a valid Annual Meeting. For a quorum, there must be present, in person or by proxy, or by use of communications equipment, shareholders of record entitled to exercise not less than fifty percent of the voting power of Sherwin-Williams. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

### ***What vote is required to approve each proposal?***

*Election of Directors (Proposal 1).* Proposal 1 to fix the number of directors at 11 requires the affirmative vote of the holders of a majority of the shares present, in person or by proxy, and entitled to vote on this proposal. As provided in our Amended Articles of Incorporation, to be elected as a director, a nominee must receive a majority of the votes cast. A majority of the votes cast means that the number of shares voted for a nominee's election exceeds the number of shares voted against the nominee's election. Abstentions and broker non-votes with respect to the election of one or more directors will not be counted as a vote cast and, therefore, will have no effect on the vote.

Any incumbent nominee who receives a greater number of against votes than for votes shall continue to serve on the Board pursuant to Ohio law, but is required to promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee of the Board. We provide more information about majority voting for directors under the heading Corporate Governance Majority Voting for Directors.

*Advisory Approval of the Compensation of the Named Executives (Proposal 2).* The approval, on an advisory basis, of the compensation of the named executives requires the affirmative vote of a majority of the votes cast. Abstentions and broker non-votes with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote.

*Advisory Approval of the Frequency of the Advisory Vote on the Compensation of the Named Executives (Proposal 3).* The approval, on an advisory basis, of the frequency of holding the advisory vote on the compensation of the named executives requires a plurality of the votes cast. You may vote in favor of holding the advisory vote on the compensation of the named executives every year, every two years or every three years, or you may choose to abstain from voting. Abstentions and broker non-votes with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote.

*Approval of The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017) (Proposal 4).* The approval of the 2007 Executive

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Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017) requires the affirmative vote of a majority of the votes cast. Abstentions and broker non-votes with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote.

*Approval of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) (Proposal 5).* The approval of the 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) requires the affirmative vote of a majority of the votes cast. Pursuant to NYSE rules, abstentions with respect to this proposal will be counted as votes cast and will have the same effect of a vote against this proposal. Broker non-votes with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote.

*Ratification of Independent Registered Public Accounting Firm (Proposal 6).* The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast. Abstentions with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote. Broker non-votes are not expected to exist with respect to this proposal.

*Other Items.* All other proposals and other business as may properly come before the Annual Meeting require the affirmative vote of a majority of the votes cast, except as otherwise required by statute or our Amended Articles of Incorporation or Regulations.

### ***Can I revoke or change my vote after I submit my proxy?***

Yes. You can revoke or change your vote before the proxy holders vote your shares by timely:

giving a revocation to our Corporate Secretary in writing, in a verifiable communication or at the Annual Meeting;

returning a later signed and dated proxy card;

entering a new vote on the Internet or by telephone; or

voting in person at the Annual Meeting.

### ***How can I attend the Annual Meeting?***

You are entitled to attend the Annual Meeting only if you were a shareholder at the close of business on the record date, February 21, 2017. We may ask you to present evidence of share ownership as of the record date, such as an account statement indicating ownership on that date, and valid photo identification, such as a driver's license or passport, to enter the Annual Meeting.

Even if you plan to attend the Annual Meeting in person, we encourage you to vote your shares in advance using one of the methods outlined in this Proxy Statement to ensure that your vote will be represented at the Annual Meeting. If you require directions to the Annual Meeting, please contact Investor Relations at (216) 566-2000.

### ***Where will I be able to find voting results of the Annual Meeting?***

We intend to announce preliminary voting results at the Annual Meeting and publish final voting results in a Current Report on Form 8-K to be filed with the SEC within four business days of the Annual Meeting.

### ***Who pays the costs of this proxy solicitation?***

The enclosed proxy is solicited by the Board, and Sherwin-Williams will pay the entire cost of solicitation. We retained Georgeson LLC to aid in the solicitation of proxies for which it will receive a fee estimated at \$15,500, plus reasonable expenses.



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In addition, we may reimburse banks, brokers and other nominees for costs reasonably incurred by them in forwarding proxy materials to beneficial owners of our common stock. Our officers and other employees may also solicit the return of proxies. Proxies will be solicited by personal contact, mail, telephone and electronic means.

### ***Are the Proxy Statement and the 2016 Annual Report to Shareholders available on the Internet?***

Yes. This Proxy Statement and our 2016 Annual Report to Shareholders are available at <http://proxymaterials.sherwin.com>.

You may help us save money in the future by accessing your proxy materials online, instead of receiving paper copies in the mail. If you would like to access proxy materials on the Internet beginning next year, please follow the instructions located in the Access Proxy Materials Online section on the Investor Relations page of our website at [www.sherwin.com](http://www.sherwin.com).

## **CORPORATE GOVERNANCE**

The Board and management have recognized for many years the need for sound corporate governance practices in fulfilling their respective duties and responsibilities to shareholders. We describe below our key corporate governance policies that enable us to manage our business in accordance with high ethical standards and in the best interests of our shareholders.

### ***Corporate Governance Guidelines.***

The Board has adopted Corporate Governance Guidelines, which provide the framework for the governance of our company. The Board reviews our Corporate Governance Guidelines at least annually. From time to time, the Board may revise our Corporate Governance Guidelines to reflect new regulatory requirements and evolving corporate governance practices.

### ***Recent Leadership Changes.***

***CEO and Chairman Transition.*** Following a thoughtful, multi-year succession planning process, we announced in October 2015 that our Board elected John G. Morikis as President and Chief Executive Officer effective January 1, 2016. Mr. Morikis is the ninth CEO in Sherwin-Williams' 150-year history as we have continued our practice of developing and promoting our leaders within our ranks. Mr. Morikis succeeded Christopher M. Connor, who had served as our CEO since 1999. Mr. Connor remained employed as Executive Chairman. In November 2016, Mr. Connor notified us of his decision to retire from his position as Executive Chairman effective as of the close of business on December 31, 2016. In connection with Mr. Connor's retirement, the Board elected Mr. Morikis to assume the additional role of Chairman effective January 1, 2017. Mr. Connor also notified us of his decision to not stand for re-election as a director and to retire from the Board at the end of his current term at this year's Annual Meeting.

***CFO Transition.*** In addition, we announced in October 2016 that our Board elected Allen J. Mistysyn to serve as Senior Vice President - Finance and Chief Financial Officer effective January 1, 2017. Mr. Mistysyn had served as Sherwin-Williams' Senior Vice President - Corporate Controller since October 2014 and assumed the CFO duties previously held by Sean P. Hennessy. Mr. Hennessy remains with Sherwin-Williams in the role of Senior Vice President - Corporate Planning, Development and Administration.

### ***Leadership Structure and Lead Director.***

***Combined Chairman and Chief Executive Officer Roles.*** Our Corporate Governance Guidelines provide that the same person should hold the positions of Chairman and Chief Executive Officer, except



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in unusual circumstances such as during a period of transition in the office of the chief executive officer. The Board believes this structure provides the optimal leadership model. A combined Chairman and Chief Executive Officer provides clear insight and direction of business strategies and plans to both the Board and management, which facilitates the efficient and effective functioning of the Board and our company. The Board also believes we can most effectively execute our business strategies and plans if our Chairman is also a member of our management team. A single person acting in the capacities of Chairman and Chief Executive Officer provides unified leadership and focus.

The Board reviewed our leadership structure in connection with the election of Mr. Morikis as President and Chief Executive Officer and Mr. Connor as Executive Chairman effective January 1, 2016. Consistent with our Corporate Governance Guidelines, the Board believed it was in the best interests of Sherwin-Williams and our shareholders to split the roles of Chairman and Chief Executive Officer during the transition period to provide for an orderly succession in our leadership. As Executive Chairman, Mr. Connor coordinated organizational oversight, business strategy and governance of Sherwin-Williams. He also supported Mr. Morikis in assuming the day-to-day management of our company.

In connection with Mr. Connor's retirement as Executive Chairman on December 31, 2016, the Board again reviewed our leadership structure and elected Mr. Morikis to the additional role of Chairman. Consistent with our Corporate Governance Guidelines, the Board concluded that it is in the best interests of Sherwin-Williams and our shareholders to recombine the roles of Chairman and Chief Executive Officer. The Board believes that a combined Chairman and Chief Executive Officer has served Sherwin-Williams well over a great many years and is the most efficient and effective leadership model for Sherwin-Williams. Mr. Morikis' long and successful career with Sherwin-Williams makes him well suited for this role.

*Lead Director.* Under our Corporate Governance Guidelines, if the Chairman is not an independent director, the independent directors of the Board annually will elect an independent director to serve as Lead Director. John M. Stropki is currently the Lead Director. The Board believes that a Lead Director improves the Board's overall performance by improving the efficiency of the Board's oversight and governance responsibilities and by enhancing the relationship between the Chief Executive Officer and the independent directors.

The Lead Director has a significant role, with comprehensive governance responsibilities that are clearly set forth in our Corporate Governance Guidelines. These responsibilities are as follows:

Chair meetings of the Board at which the Chairman is not present.

Chair executive sessions of the non-management directors. Meet separately with the Chairman after executive sessions to review the matters discussed during the executive sessions.

Review with the Chairman the schedule for meetings of the non-management directors and set the agenda for such meetings.

Facilitate communications and serve as the principal liaison on board related issues between the Chairman and the non-management directors. Each director, however, is free to communicate directly with the Chairman.

Review with the Chairman the schedule for meetings of the Board to help assure that there is sufficient time allocated for discussion of all agenda items.

Suggest agenda items to the Chairman for meetings of the Board and approve the agenda, as well as the substance and timeliness of information sent to the Board.

Authorize the retention of independent legal advisors, or other independent consultants and advisors, as necessary, who report directly to the Board on board related issues.



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Act as a resource for, and counsel to, the Chairman.

*Other Leadership Components.* Another key component of our leadership structure is our strong governance practices to ensure the Board effectively carries out its responsibility for the oversight of management. All Board committees are entirely made up of independent directors. Non-management directors meet in executive session following every regularly scheduled Board meeting. The Lead Director may schedule additional executive sessions as appropriate. The Board has full access to our management team at all times. In addition, the Board or any committee may retain independent legal, financial, compensation or other consultants and advisors to advise and assist the Board or committee in discharging its responsibilities.

### ***Code of Conduct.***

Our Code of Conduct applies to all directors, officers and employees of Sherwin-Williams and our subsidiaries, wherever located. Our Code contains the general guidelines and principles for conducting Sherwin-Williams business consistent with the highest standards of business ethics. Our Code embodies our seven guiding values, which form the foundation of our company: Integrity, People, Service, Quality, Performance, Innovation and Growth. We encourage our employees to report all violations of company policies and the law, including incidents of harassment or discrimination. We will take appropriate steps to investigate all such reports and will take appropriate action. Under no circumstances will employees be subject to any disciplinary or retaliatory action for reporting, in good faith, a possible violation of our Code or applicable law or for cooperating in any investigation of a possible violation.

Under our Code of Ethics for Senior Financial Management, our Chief Executive Officer, Chief Financial Officer and senior financial management are responsible for creating and maintaining a culture of high ethical standards and commitment to compliance throughout our company to ensure the fair and timely reporting of Sherwin-Williams financial results and condition. Senior financial management includes the controller, the treasurer, the principal financial/accounting personnel in our operating groups and divisions, and all other financial/accounting personnel with staff supervision responsibilities in our corporate departments and operating groups and divisions.

### ***Risk Management.***

Management is responsible for assessing and managing our exposure to various risks while the Board has responsibility for the oversight of risk management. Management has an enterprise risk management process to identify, assess and manage the most significant risks facing us, including financial, strategic, operational, litigation, compliance and reputational risks.

The Audit Committee has oversight responsibility to review management's risk management process, including the policies and guidelines used by management to identify, assess and manage our exposure to risk. The Audit Committee also has oversight responsibility for financial risks. The Board has oversight responsibility for all other risks. Management reviews financial risks with the Audit Committee at least quarterly and reviews its risk management process with the Audit Committee on an ongoing basis. Management reviews various significant risks with the Board throughout the year, as necessary and/or appropriate, and conducts a formal review of its assessment and management of the most significant risks with the Board on an annual basis.

Management's role to identify, assess and manage risk, and the Board's role in risk oversight, have been well defined for many years. The Board's role in risk oversight has had no significant effect on the Board's leadership structure. However, we believe our current leadership structure, with Mr. Morikis serving as Chairman, President and Chief Executive Officer, enhances the Board's effectiveness in risk oversight due to his extensive knowledge of our operations and the paint and coatings industry.

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### ***How You May Communicate with Directors.***

The Board has adopted a process by which shareholders and all other interested parties may communicate with the non-management directors, the Lead Director or the chairperson of any of the committees of the Board. You may send communications by regular mail to the attention of the: Lead Director; Chair, Audit Committee; Chair, Compensation and Management Development Committee; Chair, Nominating and Corporate Governance Committee; or non-management directors as a group to the Non-Management Directors; each, c/o Corporate Secretary, The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115.

Sherwin-Williams management will review all communications received to determine whether the communication requires immediate action. Management will pass on all communications received, or a summary of such communications, to the appropriate director or directors.

### ***Complaint Procedures for Accounting, Auditing and Financial Related Matters.***

The Audit Committee has established procedures for receiving, retaining and treating complaints from any source regarding accounting, internal accounting controls and auditing matters. The Audit Committee has also established procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Interested parties may communicate such complaints by following the procedures described under the heading *How You May Communicate with Directors*. Employees may report such complaints by following the procedures outlined in our Code of Conduct. We do not permit any disciplinary or retaliatory action against any person who, in good faith, submits a complaint or concern under these procedures.

### ***Independence of Directors.***

Under our Director Independence Standards (a copy of which is attached as Appendix A), 9 of our 11 directors and 10 of our 11 director nominees are independent. In addition, all members of the Audit Committee, the Compensation and Management Development Committee, and the Nominating and Corporate Governance Committee are independent.

### ***Majority Voting for Directors.***

As provided in our Amended Articles of Incorporation, for an individual to be elected to the Board of Directors in an uncontested election of directors, the number of votes cast in favor of the individual's election must exceed the number of votes cast against the individual's election.

Any incumbent nominee for director in an uncontested election who receives a greater number of against votes than for votes shall continue to serve on the Board pursuant to Ohio law, but is required to promptly tender his or her resignation to the Board under our Corporate Governance Guidelines. The Nominating and Corporate Governance Committee will promptly consider the tendered resignation and will recommend to the Board whether to accept the tendered resignation or to take some other action, such as rejecting the tendered resignation and addressing the apparent underlying causes of the majority against vote.

In making this recommendation, the Nominating Committee will consider all factors deemed relevant by its members. These factors may include the underlying reasons why shareholders voted against the director (if ascertainable), the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to Sherwin-Williams, whether by accepting the resignation Sherwin-Williams will no longer be in compliance with any applicable law, rule, regulation or governing document, and whether or not accepting the resignation is in the best interest of Sherwin-Williams and our shareholders. In considering the Nominating Committee's recommendation, the Board will consider the factors considered by the Nominating Committee and such additional information and factors that the Board believes to be relevant. We will promptly and publicly disclose the Board's decision and process in a report filed with or furnished to the SEC.

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### ***Executive Sessions of Non-Management Directors.***

The non-management members of the Board meet in executive session following regularly scheduled Board meetings. Additional executive sessions may be scheduled by the Lead Director or the non-management directors. The Lead Director will chair these sessions.

### ***Annual Board Self-Assessments.***

The Board has instituted annual self-assessments of the Board, as well as the Audit Committee, the Compensation and Management Development Committee, and the Nominating and Corporate Governance Committee, to assist in determining whether the Board and its committees are functioning effectively. In early 2017, the Board and each of its committees completed self-evaluations and reviewed and discussed the results. The Nominating Committee oversees this process.

### ***Board Committee Charters.***

The Audit Committee, the Compensation and Management Development Committee, and the Nominating and Corporate Governance Committee have adopted written charters. Each committee reviews and evaluates the adequacy of its charter at least annually.

### ***Stock Ownership Guidelines.***

The Board believes that its directors and executives should have meaningful share ownership in Sherwin-Williams. Accordingly, the Board has established minimum share ownership requirements. More information is set forth under the heading "Stock Ownership Guidelines" in the Compensation Discussion and Analysis.

### ***Clawback and Recapture Policy.***

The Board has adopted a policy regarding the adjustment and recapture of compensation paid or payable to executives and key employees. Under this clawback policy, employees who participate in our 2007 Executive Performance Bonus Plan are required to reimburse Sherwin-Williams for any award paid under this plan in the event:

the award was based upon the achievement of financial results that were subsequently the subject of an accounting restatement due to the material noncompliance with any financial reporting requirement under the federal securities laws; and

the Board determines that the employee engaged in knowing or intentional fraudulent or illegal conduct that caused or partially caused the need for the restatement; and

a lower amount would have been paid to the employee based upon the restated financial results.

The reimbursement will be equal to the difference in the amount of the award prior to the restatement and the amount of the award determined using the restated financial results.

In addition, under our 2006 Equity and Performance Incentive Plan, (a) all outstanding stock awards will be cancelled and (b) the employee will be required to reimburse Sherwin-Williams for any economic gains received by the employee pursuant to a stock award during the one-year period preceding the Board's determination that the employee engaged in the conduct described above.

The Dodd-Frank Act requires the SEC to adopt rules that would require companies to adopt a policy that, in the event the company is required to prepare an accounting restatement due to material noncompliance with any financial reporting requirement, the company will recover incentive compensation received prior to the accounting restatement resulting from erroneous financial data; however, the SEC has not yet finalized these rules. We will review our existing policy and make any necessary amendments once the final rules are adopted.



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*Availability of Corporate Governance Materials.*

You may access all committee charters, our Corporate Governance Guidelines, our Director Independence Standards, our Code of Conduct and other corporate governance materials in the Corporate Governance section on the Investor Relations page of our website at [www.sherwin.com](http://www.sherwin.com).

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**PROPOSAL 1 ELECTION OF DIRECTORS**

At the Annual Meeting, the number of directors is to be fixed at 11, and 11 directors are to be elected to hold office until the next Annual Meeting and until their successors are elected. Each nominee was elected by our shareholders at the 2016 Annual Meeting, except for Mr. Thaman, who was nominated to be elected a director by unanimous action of the Board on February 15, 2017.

Our Board currently has 11 members. All are standing for re-election as nominees, except for Mr. Connor, who is retiring as a director at the Annual Meeting. All of the nominees are independent, except for Mr. Morikis. Mr. Morikis is not considered to be independent because of his position as our Chairman, President and Chief Executive Officer. There are no family relationships among any of the directors and executive officers.

Each nominee has agreed to serve if elected. If any nominee declines or is unable to accept such nomination or is unable to serve, an event which we do not expect, the Board reserves the right in its discretion to substitute another person as a nominee or to reduce the number of nominees. In this event, the proxy holders may vote in their discretion for any substitute nominee proposed by the Board unless you indicate otherwise.

We have presented biographical information regarding each nominee below. The biographical information of each nominee is supplemented with the particular experiences, qualifications, attributes and skills that led the Board to conclude the nominee should serve on the Board. Please also refer to the additional information set forth under the heading Experiences, Qualifications, Attributes and Skills of Director Nominees.

**ARTHUR F. ANTON**

*President and Chief Executive Officer,*

*Swagelok Company*

*Director of Sherwin-Williams since 2006*

*Age: 59*

*Business Experience.* Arthur F. Anton has served as President and Chief Executive Officer of Swagelok Company (manufacturer and provider of fluid system products and services) since January 2004. Mr. Anton served as President and Chief Operating Officer of Swagelok from January 2001 to January 2004, Executive Vice President of Swagelok from July 2000 to January 2001, and Chief Financial Officer of Swagelok from August 1998 to July 2000. Mr. Anton is also a Director of Forest City Realty Trust, Inc., Olympic Steel, Inc. and University Hospitals Health System.

*Key Qualifications, Attributes and Skills.* Mr. Anton brings significant domestic and international manufacturing and distribution experience to the Board. In addition, as a former partner of Ernst & Young LLP and the former Chief Financial Officer of Swagelok, Mr. Anton also has financial expertise and extensive financial experience in a manufacturing setting that provide him with a unique perspective on Sherwin-Williams business and operations.

**DAVID F. HODNIK**

*Retired, Former President and*

*Chief Executive Officer,*

*Ace Hardware Corporation*

*Director of Sherwin-Williams since 2005*

*Age: 69*

*Business Experience.* David F. Hodnik, prior to his retirement in April 2005, served as Chief Executive Officer of Ace Hardware Corporation (cooperative of independent hardware retail stores) since January 1997. Mr. Hodnik also served as President of Ace Hardware from January



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1996 through December 2004. Mr. Hodnik joined Ace Hardware in October 1972 and held various financial, accounting and operating positions at Ace Hardware.

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*Key Qualifications, Attributes and Skills.* Mr. Hodnik has valuable management and leadership skills supporting a large retail operation. Mr. Hodnik brings to the Board more than 30 years of relevant experience at Ace Hardware in various financial, accounting and operating positions, including as Ace Hardware's principal accounting officer, allowing him to add important financial expertise and business insights to the Board.

### **THOMAS G. KADIEN**

*Senior Vice President,*

*Human Resources, Communications & Government Relations,*

*International Paper Company*

*Director of Sherwin-Williams since 2009*

*Age: 60*

*Business Experience.* Thomas G. Kadien has served as Senior Vice President, Human Resources, Communications & Government Relations of International Paper Company (global paper and packaging company) since November 2014 and has served as Senior Vice President of International Paper since May 2004. Mr. Kadien joined International Paper in 1978 and has held various sales, marketing and management positions with International Paper, including Senior Vice President, Consumer Packaging and IP Asia from January 2010 to November 2014, President of xpedx from October 2005 to January 2010, President of IP Europe from April 2003 to October 2005, and Vice President of Commercial Printing and Imaging Papers from August 2000 to April 2003. Mr. Kadien is also a Director of International Paper APPM Limited and Chairman of the Board of Visitors of the University of Memphis.

*Key Qualifications, Attributes and Skills.* Mr. Kadien brings substantial sales, marketing, management and international operations experience from a large multinational company to the Board. His broad range of positions at International Paper during a career exceeding 35 years has allowed him to gain significant and diverse operating experiences in domestic and international markets, which provides the Board with a meaningful global business perspective.

### **RICHARD J. KRAMER**

*Chairman of the Board, Chief Executive*

*Officer and President,*

*The Goodyear Tire & Rubber Company*

*Director of Sherwin-Williams since 2012*

*Age: 53*

*Business Experience.* Richard J. Kramer has served as Chief Executive Officer and President of The Goodyear Tire & Rubber Company (global manufacturer, marketer and distributor of tires) since April 2010 and Chairman of the Board of Goodyear since October 2010. Mr. Kramer joined Goodyear in March 2000 and has held various positions at Goodyear, including Chief Operating Officer from June 2009 to April 2010, President, North American Tire from March 2007 to February 2010, Executive Vice President and Chief Financial Officer from June 2004 to August 2007, Senior Vice President, Strategic Planning and Restructuring from August 2003 to June 2004, Vice President, Finance North American Tire from August 2002 to August 2003, and Vice President of Corporate Finance from March 2000 to August 2002. Prior to joining Goodyear, Mr. Kramer was with PricewaterhouseCoopers LLP for 13 years, including two years as a partner. Mr. Kramer is also a Director of Goodyear and John Carroll University and serves on the Executive Committee of the National Association of Manufacturers.

*Key Qualifications, Attributes and Skills.* Mr. Kramer has significant experience leading and managing a large multinational industrial company. As the former Chief Financial Officer of Goodyear, he brings extensive financial and risk management experience to our Board. Mr. Kramer's diverse range of positions at Goodyear for over 17 years provides him with significant knowledge of global markets, manufacturing, distribution, retail, finance and technology, which enables him to advise our Board on a variety of strategic and business matters.



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**SUSAN J. KROPF**

*Retired, Former President and*

*Chief Operating Officer,*

*Avon Products, Inc.*

*Director of Sherwin-Williams since 2003*

*Age: 68*

*Business Experience.* Susan J. Kropf, prior to her retirement in January 2007, served as President and Chief Operating Officer of Avon Products, Inc. (global manufacturer and marketer of beauty and related products) since January 2001. Mrs. Kropf served as Executive Vice President and Chief Operating Officer, North America and Global Business Operations of Avon from December 1999 to January 2001 and Executive Vice President and President, North America of Avon from March 1997 to December 1999. Mrs. Kropf is also a Director of Avon Products, Inc., Coach, Inc. and The Kroger Co. and serves on the Board of Managers of New Avon LLC. Mrs. Kropf is a former director of MeadWestvaco Corporation.

*Key Qualifications, Attributes and Skills.* Mrs. Kropf has a significant amount of manufacturing and operating experience at a large consumer products company. Mrs. Kropf joined Avon in 1970, holding various positions in manufacturing, marketing and product development, and brings a meaningful global business perspective to the Board. Mrs. Kropf has extensive board experience through her service on the boards of four public companies, including Sherwin-Williams. Mrs. Kropf also has a strong understanding of executive compensation and related areas.

**JOHN G. MORIKIS**

*Chairman, President and Chief Executive Officer,*

*Sherwin-Williams*

*Director of Sherwin-Williams since 2015*

*Age: 53*

*Business Experience.* John G. Morikis has served as President and Chief Executive Officer of Sherwin-Williams since January 2016 and Chairman of Sherwin-Williams since January 2017. Mr. Morikis served as President and Chief Operating Officer of Sherwin-Williams from October 2006 to January 2016 and President, Paint Stores Group of Sherwin-Williams from October 1999 to October 2006. Mr. Morikis joined Sherwin-Williams in 1984 as a management trainee in the Paint Stores Group and has held roles of increasing responsibility throughout his career. Mr. Morikis is also a Director of Fortune Brands Home & Security, Inc. Mr. Morikis serves on the Policy Advisory Board of the Joint Center for Housing Studies of Harvard University and on the Board of Directors of the University Hospitals Ahuja Medical Center.

*Key Qualifications, Attributes and Skills.* Mr. Morikis has been with Sherwin-Williams for over 32 years, including nine years as President and Chief Operating Officer. He currently serves as Sherwin-Williams Chairman, President and Chief Executive Officer. His vast operating and leadership experience with Sherwin-Williams has provided him with significant, in-depth knowledge of the paint and coatings industry, as well as a unique insight into the opportunities and challenges facing Sherwin-Williams. The Board benefits from his broad operating, manufacturing, retail, marketing, strategic planning and international experience.

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### **CHRISTINE A. POON**

*Executive in Residence,*

*The Max M. Fisher College of Business*

*The Ohio State University*

*Director of Sherwin-Williams since 2014*

*Age: 64*

*Business Experience.* Christine A. Poon has served as Executive in Residence at The Max M. Fisher College of Business at The Ohio State University since September 2015. Ms. Poon served as Professor of Management and Human Resources at The Max M. Fisher College of Business from October 2014 to September 2015 and Dean and John W. Berry, Sr. Chair in Business at The Max M. Fisher College of Business from April 2009 to October 2014. Prior to joining Ohio State, Ms. Poon spent eight years at Johnson & Johnson until her retirement in March 2009, most recently as Vice Chairman of the Board of Directors beginning January 2005 and Worldwide Chairman, Pharmaceuticals Group beginning August 2001. Prior to joining Johnson & Johnson, Ms. Poon held various senior leadership positions at Bristol-Myers Squibb Company over a period of 15 years, most recently as President, International Medicines Group, and President, Medical Devices Group. Ms. Poon is also a Director of Prudential Financial, Inc. and Regeneron Pharmaceuticals, Inc. Ms. Poon serves on the Supervisory Board of Koninklijke Philips N.V.

*Key Qualifications, Attributes and Skills.* Ms. Poon has extensive strategic and operational leadership skills due to her over 20 years of experience at Johnson & Johnson and Bristol-Myers Squibb. Ms. Poon brings significant sales and marketing expertise in domestic and international markets to the Board, providing a valuable perspective on Sherwin-Williams' worldwide commercial operations.

### **JOHN M. STROPKI**

*Retired, Former Chairman,*

*President and Chief Executive Officer,*

*Lincoln Electric Holdings, Inc.*

*Director of Sherwin-Williams since 2009*

*Lead Director since 2015*

*Age: 66*

*Business Experience.* John M. Stropki, prior to his retirement in December 2013, served as Executive Chairman of Lincoln Electric Holdings, Inc. (manufacturer and reseller of welding and cutting products) since December 2012. Mr. Stropki served as President and Chief Executive Officer of Lincoln Electric Holdings from June 2004 to December 2012 and Chairman of Lincoln Electric Holdings from October 2004 to December 2012. Mr. Stropki also served as Executive Vice President and Chief Operating Officer of Lincoln Electric Holdings from May 2003 to June 2004 and Executive Vice President of Lincoln Electric Holdings and President, North America of The Lincoln Electric Company from May 1996 to May 2003. Mr. Stropki is also a Director of Hyster-Yale Materials Handling, Inc. and Rexnord Corporation. Mr. Stropki is a former Director of Lincoln Electric Holdings.

*Key Qualifications, Attributes and Skills.* Mr. Stropki has vast management, technical, manufacturing and leadership skills at an industrial company with a long history of financial improvement. His 41 years of experience at Lincoln Electric Holdings provided him with extensive knowledge of employee development and engagement, as well as important perspectives in operating a business in global markets that are relevant to Sherwin-Williams' business.



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### **MICHAEL H. THAMAN**

*Chairman, President and Chief Executive Officer,*

*Owens Corning*

*Age: 53*

*Business Experience.* Michael H. Thaman has served as President and Chief Executive Officer of Owens Corning (developer, manufacturer and marketer of insulation, roofing and fiberglass composites) since December 2007 and Chairman of Owens Corning since April 2002. Mr. Thaman joined Owens Corning in 1992, and before assuming his current role, held a variety of senior leadership positions, including Chief Financial Officer from April 2000 to September 2007, President of Exterior Systems from January 1999 to April 2000 and President of Engineered Pipe Solutions from January 1997 to December 1998. Mr. Thaman is a Director of Owens Corning and Kohler Company. Mr. Thaman is also a member of the Business Roundtable and serves on the Policy Advisory Board of the Joint Center for Housing Studies of Harvard University. Mr. Thaman is a former director of NextEra Energy, Inc.

*Key Qualifications, Attributes and Skills.* Mr. Thaman will bring relevant operational experience leading and managing a global manufacturing company to the Board. The Board will benefit from Mr. Thaman's deep and unique understanding of the residential, construction and industrial markets. Through serving in a variety of leadership roles at Owens Corning during a 25-year career, Mr. Thaman has gained significant knowledge of global markets, operations, finance and business strategy, which will enable him to advise our Board on a variety of matters relevant to Sherwin-Williams' operations and business strategy.

### **MATTHEW THORNTON III**

*Senior Vice President, US Operations,*

*FedEx Express*

*FedEx Corporation*

*Director of Sherwin-Williams since 2014*

*Age: 58*

*Business Experience.* Matthew Thornton III has served as Senior Vice President, US Operations of FedEx Express, a subsidiary of FedEx Corporation (global transportation, business services and logistics company), since September 2006. Mr. Thornton joined FedEx Corporation in November 1978 and has held various management positions of increasing responsibility with the company, including Senior Vice President - Air, Ground & Freight Services from July 2004 to September 2006 and Vice President - Regional Operations (Central Region) from April 1998 to July 2004. Mr. Thornton also serves on the Board of Directors of Safe Kids Worldwide and is a member of The Executive Leadership Council (ELC).

*Key Qualifications, Attributes and Skills.* Mr. Thornton brings extensive management and leadership experience from a large multinational company to the Board. Through his broad range of positions at FedEx Corporation during a career exceeding 38 years, Mr. Thornton has gained significant strategic operations expertise and logistics management experience that allows him to provide the Board with a meaningful perspective on Sherwin-Williams' operations and business matters.

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**STEVEN H. WUNNING**

*Retired, Former Group President,*

*Caterpillar Inc.*

*Director of Sherwin-Williams since 2015*

*Age: 65*

*Business Experience.* Steven H. Wunning, prior to his retirement in February 2015, served as Group President and member of the Executive Office of Caterpillar Inc. (world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives) since January 2004. Mr. Wunning joined Caterpillar in 1973 and held a variety of positions with increasing responsibility with Caterpillar, including Vice President, Logistics Division from January 2000 to January 2004 and Vice President, Logistics & Product Services Division from November 1998 to January 2000. Mr. Wunning is also a Director of Kennametal Inc., Neovia Logistics Holdings Ltd., Summit Materials, Inc. and Black & Veatch Holding Company. Mr. Wunning serves on the Board of Trustees of Missouri University of Science and Technology.

*Key Qualifications, Attributes and Skills.* Through his broad range of assignments and experience gained during 41 years of service at Caterpillar, Mr. Wunning developed an in-depth understanding of manufacturing, quality, product support and logistics at a leading global manufacturing company. Mr. Wunning's extensive management experience provides the Board with a valuable, independent perspective on Sherwin-Williams' global manufacturing and supply chain operations.

***The Board of Directors unanimously recommends that you vote FOR***

***Proposal 1 to fix the number of directors at 11 and to elect each of the nominees listed.***



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**ADDITIONAL INFORMATION ABOUT OUR DIRECTORS**

***Independence of Directors.***

The Board has adopted categorical Director Independence Standards to assist the Board in determining the independence of each director. To be considered independent, the Board must affirmatively determine that the director has no material relationship with Sherwin-Williams. In each case, the Board broadly considers all relevant facts and circumstances, including the director's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and such other criteria as the Board may determine from time to time. Our Director Independence Standards also include additional independence requirements for members of the Audit Committee and the Compensation and Management Development Committee. A complete copy of our Director Independence Standards is attached as Appendix A.

During the Board's annual review of director independence, the Board considers transactions, relationships and arrangements between each director or an immediate family member of the director and Sherwin-Williams. The Board also considers transactions, relationships and arrangements between each director or an immediate family member of the director and our senior management. Under our Director Independence Standards, the following relationships are not considered to be material relationships that would impair a director's independence:

if the director is a current employee, or an immediate family member of the director is a current executive officer, of another company that has made payments to, or received payments from, Sherwin-Williams for property or services in an amount which, in any of the last three fiscal years, is less than \$1 million or two percent, whichever is greater, of such other company's annual gross revenues;

if the director, or an immediate family member of the director, is an executive officer of another company which is indebted to Sherwin-Williams, or to which Sherwin-Williams is indebted, in an amount which is less than five percent of such other company's total assets;

if the director, or an immediate family member of the director, serves as an officer, director or trustee of a not-for-profit organization, and Sherwin-Williams' discretionary charitable contributions (excluding matching contributions) to the organization are less than \$500,000 or five percent, whichever is greater, of that organization's annual gross revenues;

if the director serves as a director or executive officer of another company that also uses Sherwin-Williams' independent auditor;

if the director is a member of, or associated with, the same professional association, or social, educational, civic, charitable, fraternal or religious organization or club as another Sherwin-Williams director or executive officer; or

if the director serves on the board of directors of another company at which another Sherwin-Williams director or executive officer also serves on the board of directors (except for compensation committee interlocks).

Early this year, the Board performed its independence review for 2017. As a result of this review, the Board determined that 9 of our 11 directors and 10 of our 11 director nominees are independent. In addition, all members of the Audit Committee, the Compensation and Management Development Committee, and the Nominating and Corporate Governance Committee are independent. The Board determined that Mrs. Kropf, Ms. Poon and Messrs. Anton, Hodnik, Kadien, Kramer, Smucker, Stropki, Thaman, Thornton and Wunning meet these standards and are independent and, in addition, satisfy the independence requirements of the NYSE. Messrs. Connor and Morikis are not considered to be independent because of their employment with Sherwin-Williams.

**Table of Contents*****Experiences, Qualifications, Attributes and Skills of Director Nominees.***

In considering each director nominee and the composition of the Board as a whole, the Nominating and Corporate Governance Committee utilizes a diverse group of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race, that the Nominating Committee believes enables a director nominee to make significant contributions to the Board, Sherwin-Williams and our shareholders. These experiences, qualifications, attributes and skills, which are more fully described in the following table, are set forth in a director matrix. The Nominating Committee regularly reviews the director matrix as part of its annual Board composition review, which includes a review of potential director candidates. The Nominating Committee may also consider such other experiences, qualifications, attributes and skills, as it deems appropriate, given the then-current needs of the Board and Sherwin-Williams.

	A. F. Anton	D. F. Hodnik	T. G. Kadien	R. J. Kramer	S. J. Kropf	J. G. Morikis	C. A. Poon	J. M. Stropki	M. H. Thaman	M. Thornton III	S. H. Wunning
<b>Management Experience</b>											
Experience as a CEO, COO, President or Senior VP of a company or a significant subsidiary, operating division or business unit.											
<b>Independence</b>											
Satisfy the independence requirements of the NYSE.											
<b>Financial Expertise</b>											
Possess the knowledge and experience to be qualified as an audit committee financial expert.											
<b>Manufacturing; Distribution</b>											
Experience in, or experience in a senior management position responsible for, managing significant manufacturing and distribution operations.											
<b>Technical; Research and Development</b>											
Experience in, or experience in a senior management position responsible for, managing a significant technical or research and development function.											
<b>International Operations</b>											
Experience working in a major organization with global operations with											

a thorough understanding of different cultural, political and regulatory requirements.

**Marketing; Sales**

Experience in, or experience in a senior management position responsible for, managing a marketing and/or sales function.

**Retail Operations**

Experience in, or experience in a senior management position responsible for, managing retail operations.

**Minority; Diversity**

Add perspective through diversity in gender, ethnic background, race, etc.



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The following table sets forth information regarding the compensation of our non-management directors for 2016.

Name	Fees Earned	Stock Awards (\$) <sup>(4,5)</sup>	All Other	Total (\$)
	or Paid in Cash (\$) <sup>(2,3)</sup>		Compensation (\$) <sup>(6)</sup>	
A. F. Anton	131,000	120,004	-0-	251,004
D. F. Hodnik	110,000	120,004	-0-	230,004
T. G. Kadien	124,654	120,004	4,500	249,158
R. J. Kramer	110,000	120,004	-0-	230,004
S. J. Kropf	116,346	120,004	-0-	236,350
C. A. Poon	125,000	120,004	-0-	245,004
R. K. Smucker <sup>(1)</sup>	36,566	120,004	-0-	156,570
J. M. Stropki	135,000	120,004	-0-	255,004
M. Thornton III	110,000	120,004	-0-	230,004
S. H. Wunning	110,000	120,004	-0-	230,004

<sup>1</sup> Mr. Smucker retired as director on April 20, 2016.

<sup>2</sup> These amounts reflect the annual retainer, the annual retainer for the Lead Director and the annual retainers for committee chairs.

<sup>3</sup> Mrs. Kropf, Ms. Poon and Messrs. Kadien, Kramer and Wunning deferred payments of fees under our Director Deferred Fee Plan. Cash amounts deferred during 2016 were as follows: Mr. Kadien (\$124,654), Mr. Kramer (\$110,000), Mrs. Kropf (\$116,346), Ms. Poon (\$31,250) and Mr. Wunning (\$110,000). These amounts were credited to either a common stock account or a shadow stock account under our Director Deferred Fee Plan. The number of shares of common stock (which includes shares acquired through the reinvestment of dividends) held under our Director Deferred Fee Plan at December 31, 2016 was as follows: Mr. Kadien (2,582), Mr. Kramer (1,902), Ms. Poon (321) and Mr. Wunning (635). The number of shares of shadow stock (which includes shares acquired through the reinvestment of dividend equivalents) held under our Director Deferred Fee Plan at December 31, 2016 was as follows: Mr. Kadien (2,566) and Mrs. Kropf (16,438).

<sup>4</sup> These values reflect 466 restricted stock units (RSUs) granted during 2016 to each of our non-management directors under our 2006 Stock Plan for Nonemployee Directors. The value of RSUs is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the Accounting Standards Codification (ASC)), excluding the effect of estimated forfeitures. The grant date fair value of RSUs is based on the fair market value of our common stock (the average of the highest and lowest reported sale prices) on the grant date.

<sup>5</sup> The number of shares of restricted stock held by each of our non-management directors at December 31, 2016 was as follows: 184 for Ms. Poon, 180 for Mr. Thornton and 201 for Mrs. Kropf and Messrs. Anton, Hodnik, Kadien, Kramer, Smucker and Stropki. The number of RSUs held by each of our non-management directors at December 31, 2016 was as follows: 760 for Mr. Wunning and 799 for Mrs. Kropf, Ms. Poon and Messrs. Anton, Hodnik, Kadien, Kramer, Smucker, Stropki and Thornton. Dividends and dividend equivalents are paid on restricted stock and RSUs, respectively, at the same rate as are paid on our common stock.

None of our non-management directors held any stock options at December 31, 2016. Stock options are not a part of our director compensation program.

<sup>6</sup> These amounts reflect charitable matching gifts under our matching gifts and grants for volunteers program. This program is available to all full-time employees and directors and is described on the next page.

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**DIRECTOR COMPENSATION PROGRAM**

The Compensation and Management Development Committee is responsible for reviewing and approving the compensation for our non-management directors. All of our non-management directors are paid under the same compensation program. Officers of Sherwin-Williams who also serve as directors do not receive any additional compensation for services as a director.

***Director Fees.***

During 2016, the cash and equity compensation program for our non-management directors consisted of the following:

an annual cash retainer of \$110,000;

an additional annual cash retainer of \$25,000 for the Lead Director, \$21,000 for the chair of the Audit Committee, \$21,000 for the chair of the Compensation and Management Development Committee, and \$15,000 for the chair of the Nominating and Corporate Governance Committee;

a meeting fee of \$1,750 for each Board or committee meeting attended in excess of twelve meetings during the calendar year. For purposes of calculating the number of meetings, any Board and committee meetings held within 24 hours constitute one meeting; and

an annual grant of RSUs of approximately \$125,000, valued over a prior 30-day period, under our 2006 Stock Plan for Nonemployee Directors. One RSU is equivalent in value to one share of Sherwin-Williams common stock. RSUs generally are paid out in common stock upon vesting. RSUs vest in annual increments of one-third over a period of three years. RSUs will immediately vest in the event of the death or disability of the director or in the event of a change in control of Sherwin-Williams. In the event of the retirement of the director, RSUs will continue to vest in accordance with the original three-year vesting schedule.

During 2016, the Committee engaged its independent compensation consultant, Compensation Advisory Partners LLC, to assess the competitiveness of the director compensation program relative to market practices, including the peer group Sherwin-Williams uses for compensation purposes. Based upon the recommendation of Compensation Advisory Partners, the Committee approved an increase in the annual cash retainer to \$115,000 and in the value of the annual grant of RSUs to approximately \$145,000 effective January 1, 2017.

We reimburse all directors for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board and its committees. We do not provide retirement benefits to our non-management directors.

***Director Stock Ownership Requirement.***

The Board has established a minimum share ownership requirement to ensure that the interests of our directors are aligned with the interests of our shareholders. Each director who has served on the Board for at least five years is required to own shares of common stock equal in value to at least seven times the annual Board cash retainer.

***Other Benefits.***

We also provide liability insurance and business travel accident insurance for all directors, including \$300,000 accidental death and dismemberment coverage and \$300,000 permanent total disability coverage, while the directors are traveling on Sherwin-Williams business.

Directors may also receive the same discounts as our employees on the purchase of products at Sherwin-Williams stores and are eligible to participate in our matching gifts and grants for volunteers program on the same basis as employees.

Directors may defer all or a part of their retainer and meeting fees under our Director Deferred Fee Plan into a common stock account, a shadow stock account or an interest bearing cash account.



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Amounts deferred may be distributed either in annual installments over a period of up to ten years or in a lump sum pursuant to a director's payment election. Amounts credited to a shadow stock account are distributed in cash.

**BOARD MEETINGS AND COMMITTEES**

The Board held eleven meetings during 2016. Each incumbent director attended at least 75% of the meetings of the Board and committees on which he or she served. Under our Corporate Governance Guidelines, each director is expected to attend, absent unusual circumstances, all meetings of shareholders. All directors attended the 2016 Annual Meeting.

The Board has established an Audit Committee, a Compensation and Management Development Committee, and a Nominating and Corporate Governance Committee. Each committee has adopted a written charter. You may find a complete copy of each charter in the Corporate Governance section on the Investor Relations page of our website at [www.sherwin.com](http://www.sherwin.com).

**Committee Membership.**

The following table sets forth the current membership and the chairs of the committees of the Board.

Name	Audit	Compensation and Management Development	Nominating and Corporate Governance
A. F. Anton	<b>Chair</b>		
D. F. Hodnik			
T. G. Kadien		<b>Chair</b>	
R. J. Kramer			
S. J. Kropf			
C. A. Poon			<b>Chair</b>
J. M. Stropki			
M. Thornton III			
S. H. Wunning			

**Audit Committee.**

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities on matters relating to:

the integrity of our financial statements and effectiveness of our internal control over financial reporting;

the independence, qualifications and performance of the independent registered public accounting firm;

the performance of our internal audit function;

our compliance with legal and regulatory requirements; and

engaging in such other matters as may from time to time be specifically delegated to the Audit Committee by the Board.

The Audit Committee met five times during 2016. Each member of the Audit Committee is independent under SEC rules, NYSE listing standards and our Director Independence Standards. The Board has determined that Ms. Poon and Messrs. Anton and Kramer are audit committee financial experts under SEC rules.





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### ***Compensation and Management Development Committee.***

The purpose of the Compensation and Management Development Committee is to assist the Board in fulfilling its oversight responsibilities on matters relating to:

compensation for our directors and management, which includes our executive officers;

overseeing our management succession planning; and

engaging in such other matters as may from time to time be specifically delegated to the Compensation Committee by the Board. As part of its charter, the Compensation Committee reviews and evaluates our programs, priorities and progress for recruiting, staffing, developing and retaining competent managers, including management succession planning for our CEO and other executives.

The Compensation Committee met four times during 2016. Each member of the Compensation Committee meets the independence requirements under SEC rules, NYSE listing standards and our Director Independence Standards.

*Process for Determining Director and Executive Compensation.* The Compensation Committee reports to the Board on all compensation matters regarding our directors, executives and other key employees. The Compensation Committee does not generally delegate any of its authority to other persons, although it has the power to delegate authority to subcommittees. The Compensation Committee relies upon several members of our management and their staff, as well as an outside compensation consultant, for assistance in performing its duties.

The Compensation Committee has engaged Compensation Advisory Partners LLC as its outside compensation consultant reporting directly to the Compensation Committee. The Compensation Committee has evaluated the independence of Compensation Advisory Partners taking into account all factors relevant to its independence from management under SEC rules and NYSE listing standards. Based upon that evaluation, the Compensation Committee determined Compensation Advisory Partners is independent. In addition, the Compensation Committee conducted an assessment to evaluate whether the work performed by Compensation Advisory Partners raises a conflict of interest. Based upon that assessment, the Compensation Committee determined that no conflict of interest exists.

*Role of the Compensation Consultant.* The compensation consultant performs services for the Compensation Committee relating to director and executive compensation, including the following:

attends Compensation Committee meetings to present and offer independent recommendations, insights and perspectives on compensation matters;

assesses the appropriateness of our peer group used for compensation decisions;

assesses how our executive compensation program aligns with pay for performance;

reviews compensation levels for executives and non-management directors relative to our peer group and published survey data and recommends compensation pay levels;

reviews targeted pay levels and the mix of principal compensation components;

prepares CEO pay recommendations;

advises on annual and long-term incentive design and plan structure, performance goals, award opportunities and vesting conditions;

conducts an annual risk assessment of our compensation programs; and

provides information on current executive compensation trends and new developments.

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The Compensation Committee meets multiple times throughout the year with the compensation consultant in executive session without management present.

From time to time, the compensation consultant may provide services to Sherwin-Williams in addition to services related to director and executive compensation. During 2016, the compensation consultant did not provide any of these additional services to Sherwin-Williams.

*Role of Management.* Several members of our management participate in the Compensation Committee's executive compensation process. The Compensation Committee relies upon our Senior Vice President - Human Resources and his staff for input related to director and executive compensation matters. With regard to executive compensation, management plays a more active role in the compensation process and makes recommendations with respect to:

the development of compensation plans and programs and changes to existing plans and programs;

the evaluation of executive performance;

salary increases;

the performance goals (and weightings) for annual cash incentive compensation;

the financial performance goals for equity grants and the results attained; and

the number of stock options and RSUs granted.

Prior to providing recommendations to the Compensation Committee at its meetings, our Senior VP - HR will meet with our CEO to review the recommendations, except for recommendations concerning our CEO's compensation. Our CEO and our Senior VP - HR also meet with the chair of the Compensation Committee and the compensation consultant prior to meetings to review the agenda for the meetings and the compensation recommendations. Our CEO and our Senior VP - HR generally attend all Compensation Committee meetings. Our CEO does not have the ability to call meetings. Our Senior VP - HR serves as secretary for the Compensation Committee at its meetings. Our CEO is excused from that part of the meeting during which the Compensation Committee discusses his annual performance evaluation and compensation.

### ***Nominating and Corporate Governance Committee.***

The purpose of the Nominating and Corporate Governance Committee is to assist the Board in fulfilling its oversight responsibilities on matters relating to:

identifying individuals qualified to become members of the Board;

determining the composition of the Board and its committees;

reviewing and developing our Corporate Governance Guidelines and practices;

guiding the annual evaluation of the performance of the Board; and

engaging in such other matters as may from time to time be specifically delegated to the Nominating Committee by the Board. The Nominating Committee met twice in 2016. Each member of the Nominating Committee is independent under NYSE listing standards and our Director Independence Standards.

*Director Qualifications.* The Nominating Committee seeks a diverse group of candidates who possess the appropriate experiences, qualifications, attributes and skills to make a significant contribution to the Board, Sherwin-Williams and our shareholders. The Nominating Committee seeks input from senior management and other members of the Board to identify and evaluate potential director candidates. Each candidate is evaluated in the context of the Board as a whole, with the

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objective that the Board can best perpetuate our company's success and represent shareholders' interests through the exercise of sound business judgment using the directors' diversity of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race. Each candidate shall have the highest personal and professional character and integrity and shall have demonstrated exceptional ability and judgment in his or her respective endeavors. Candidates must possess sufficient time to effectively carry out their duties and responsibilities.

The Nominating Committee may employ professional search firms (for which it would pay a fee) to assist it in identifying potential members of the Board. Mr. Thaman was recommended as a nominee by our CEO and the Nominating Committee.

*Diversity of Director Nominees.* In considering the composition of the Board as a whole, the Nominating Committee utilizes a diverse group of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race, as described under the heading Experiences, Qualifications, Attributes and Skills of Director Nominees. The Nominating Committee utilizes these factors when identifying, considering and recommending director nominees. On an ongoing basis, the Nominating Committee reviews the experiences, qualifications, attributes and skills of potential director candidates as part of its process of identifying individuals qualified to become Board members and recommending director nominees. The Nominating Committee also regularly reviews the experiences, qualifications, attributes and skills of current directors. The Nominating Committee utilizes these reviews, as well as its committee self-assessment questionnaires, to assess the Nominating Committee's overall effectiveness in recommending a diverse group of director nominees as a whole.

*Consideration of Candidates Recommended by Shareholders.* The Nominating Committee's policy with respect to the consideration of director candidates recommended by shareholders is that the Nominating Committee will consider such candidates on the same basis and in the same manner as it considers all director candidates. Recommendations are required to include the following information:

the name and address of the shareholder;

the number of shares of common stock owned by the shareholder;

a description of all arrangements or understandings between or among any of (a) the shareholder, (b) each candidate and (c) any other person or persons pursuant to which the recommendation is being made;

the candidate's full name, address and telephone numbers;

a statement of the candidate's qualifications and experiences, and any other relevant qualities;

the information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of the candidate as a director;

a statement, signed by both the shareholder and the candidate, (a) that the shareholder and the candidate currently do not have, and in the prior three years have not had, directly or indirectly, any business, professional or other relationship with each other, and that the shareholder and the candidate do not have any agreement, arrangement or understanding with each other with respect to the candidate's proposed service as a director, or (b) if either of the foregoing statements is incorrect in any manner, describing in detail the relationship, agreement, arrangement or understanding;

the candidate's resume, a list of other boards of directors of public companies on which the candidate currently serves or has served in the past five years, educational information and at least three references; and

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a written statement signed by the candidate agreeing that if he or she is nominated by the Board, he or she will (a) be a nominee for election to the Board, (b) provide all information necessary to be included in Sherwin-Williams proxy statement under applicable SEC or NYSE rules and (c) serve as a director if he or she is elected by shareholders.

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You may find a complete description of these requirements under Procedures for Shareholders to Recommend Director Candidates in the Corporate Governance section on the Investor Relations page of our website at [www.sherwin.com](http://www.sherwin.com). Shareholders may submit recommendations, along with proof of shareholder status, in writing to Chair, Nominating and Corporate Governance Committee, c/o Corporate Secretary, The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115.

**AUDIT COMMITTEE REPORT**

Management has the primary responsibility for the integrity of Sherwin-Williams financial information and the financial reporting process, including the system of internal control over financial reporting. Ernst & Young LLP, Sherwin-Williams independent registered public accounting firm, is responsible for conducting independent audits of Sherwin-Williams financial statements and the effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and expressing an opinion on the financial statements and the effectiveness of internal controls over financial reporting based upon those audits. The Audit Committee is responsible for overseeing the conduct of these activities by management and Ernst & Young LLP.

As part of its oversight responsibility, the Audit Committee has reviewed and discussed the audited financial statements, the adequacy of financial controls and the effectiveness of Sherwin-Williams internal control over financial reporting with management and Ernst & Young LLP. The Audit Committee also has discussed with Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted by the PCAOB. The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence. The Audit Committee also has discussed with Ernst & Young LLP that firm's independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Sherwin-Williams Annual Report on Form 10-K for the year ended December 31, 2016 for filing with the Securities and Exchange Commission.

AUDIT COMMITTEE

A. F. Anton, Chair

R. J. Kramer

C. A. Poon

M. Thornton III



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**COMPENSATION COMMITTEE REPORT**

The Compensation and Management Development Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Sherwin-Williams Annual Report on Form 10-K for the year ended December 31, 2016 and this Proxy Statement.

**COMPENSATION AND MANAGEMENT**

**DEVELOPMENT COMMITTEE**

T. G. Kadien, Chair

D. F. Hodnik

S. J. Kropf

J. M. Stropki

S. H. Wunning

**COMPENSATION RISK ASSESSMENT**

The Compensation and Management Development Committee annually assesses the risks related to our compensation policies and practices. In July 2016, the Compensation Committee engaged Compensation Advisory Partners to conduct a comprehensive risk assessment of our incentive compensation programs, plans and policies. Compensation Advisory Partners presented the risk assessment to the Compensation Committee.

Based upon the assessment, the Compensation Committee and Compensation Advisory Partners concluded that our compensation policies and practices do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on Sherwin-Williams. The following factors help mitigate against employees taking excessive or unnecessary risks.

We utilize a balanced approach to compensation, which combines fixed and variable, short-term and long-term, and cash and equity.

We have diversified incentive compensation metrics with performance goals focused on growth, profitability and managing capital at different levels within our company.

We design our incentive compensation plans without steep payout cliffs that might encourage short-term business decisions that are inconsistent with our long-term business strategy.

Performance incentives are not completely based on arithmetic formulas, but incorporate the exercise of negative discretion and judgment, and we cap maximum amounts.

We grant equity awards annually, with appropriate vesting periods, that encourage consistent behavior and reward long-term, sustained performance.

Our equity plans include a double-trigger acceleration provision with respect to vesting in connection with a change in control.

We have significant stock ownership guidelines.

We regularly benchmark our current compensation practices, policies and pay levels against peer companies and have a pay philosophy that targets median market compensation.

We have stringent restrictions on the hedging and pledging of our securities by executives and other employees.

The Compensation Committee reviews tally sheets for our named executives that provide a holistic view of each executive's compensation.

We have a clawback policy allowing us to clawback incentive compensation earned by executives and key employees.

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**COMPENSATION DISCUSSION AND ANALYSIS (CD&A)**

*Named Executive Officers.* This Compensation Discussion and Analysis describes our executive compensation program and how it applies to our five named executives listed below.

*John G. Morikis.* Mr. Morikis has served as President and Chief Executive Officer since January 2016 and Chairman since January 2017. Mr. Morikis began his career with Sherwin-Williams in December 1984.

*Christopher M. Connor.* Mr. Connor, formerly our Executive Chairman, retired from Sherwin-Williams effective December 31, 2016 following a 34-year career.

*Sean P. Hennessy.* Mr. Hennessy has served as our Senior Vice President – Corporate Planning, Development and Administration since January 2017, prior to which he served as Senior Vice President – Finance and Chief Financial Officer. He began his career with Sherwin-Williams in September 1984.

*Robert J. Davisson.* Mr. Davisson is President, The Americas Group. He joined Sherwin-Williams in April 1986.

*Catherine M. Kilbane.* Ms. Kilbane is Senior Vice President, General Counsel and Secretary. She began her employment with Sherwin-Williams in January 2013.

More information about our recent senior management transitions is set forth under the heading *Recent Leadership Changes* in the Corporate Governance section.

Except as otherwise specifically described in this CD&A, all references to the compensation of Messrs. Morikis, Connor and Hennessy reflect their roles during 2016.

**Executive Summary**

We manage our business with the long-term fundamental objective of creating and maximizing value for our shareholders. Our pay for performance philosophy supports this objective by rewarding performance. Our compensation programs are designed to drive sustainable results and deliver long-term, superior shareholder returns. A significant percentage of our executive compensation program is tightly linked to company performance, business unit performance (where applicable) and stock price appreciation.

Our compensation programs are integral to our long-standing success as they assist us in attracting, retaining and motivating talented and high-performing people throughout our organization who drive consistent financial and operating results. Our long track record of sustained success is exemplified by the following:

Our average annual shareholder return, including dividends, over the past 10 years is 17.4%, compared to the average annual return for the S&P 500 of 7.0%.

We continued our dividend payment record. 2016 was our 38th consecutive year of increased dividends.

*2016 Financial and Operating Highlights.* We delivered record results in 2016. We finished the year with record net sales of \$11.86 billion. Diluted net income per share increased 7.5% to \$11.99, a record high. Net income increased 7.5% to \$1.13 billion, as we surpassed \$1 billion for the second consecutive year. We generated net operating cash of \$1.31 billion.

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We have consistently returned significant value to our shareholders. During 2016, we returned \$312.1 million to our shareholders through dividends. Over the past three years, we have returned approximately \$3.3 billion in cash to shareholders through dividends and repurchases of our stock.

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The following graph shows our company's performance for key financial measures over the past three-year period. Please also see our consolidated financial statements and notes on pages 40 through 75 of our 2016 Annual Report to Shareholders.

- <sup>1</sup> Includes costs of \$81.5 million after tax, or \$0.86 per share, related to the acquisition of Valspar, partially offset by a reduction of income tax provision of \$44.2 million, or \$0.40 per share, resulting from the adoption of a new accounting standard (ASU No. 2016-09).
- <sup>2</sup> Presented under the treasury stock method.

On March 20, 2016, Sherwin-Williams and Valspar announced a definitive agreement under which Sherwin-Williams will acquire Valspar, a deal that will transform Sherwin-Williams into a faster growing, more profitable and more diversified global paint and coatings company.

*Recent Key Compensation Decisions.* Highlights of the Compensation Committee's recent key executive compensation decisions include the following:

In setting 2016 compensation levels for Messrs. Morikis and Connor for their new roles, the Compensation Committee engaged the services of its independent compensation consultant, Compensation Advisory Partners LLC. Effective January 1, 2016, Mr. Morikis' annual base salary was increased to \$1,100,000 in connection with his promotion to President and Chief Executive Officer. Mr. Morikis' target and maximum award levels under our annual cash incentive compensation program were increased from 80% and 160% to 135% and 270%, respectively, of his annual salary. Mr. Connor's annual base salary and annual cash incentive compensation opportunity did not change as a result of his new position as Executive Chairman. Messrs. Connor and Morikis also received their annual grants of stock options and performance-based RSUs under our long-term equity incentive compensation program commensurate with their new positions.

Our named executives earned an average of 156.3% of their 2016 target annual cash incentive compensation as we delivered above-target performance results on most of the performance metrics.

The maximum number of shares of performance-based restricted stock for the 2014–2016 performance period vested based upon above-target company performance for cumulative earnings per share (EPS) over the three-year performance period.

Beginning in 2016, we redesigned our long-term equity incentive compensation program to further strengthen our pay for performance alignment by increasing the percentage of executive compensation tied to objective performance metrics. We eliminated annual awards of time-based

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RSUs and added a second performance-based RSU award utilizing return on net assets employed (RONAE) as the performance metric. Thus, our 2016 RSU awards consisted of two grants of performance-based RSUs – one grant with EPS as the performance metric and one grant with RONAE as the performance metric. 60% of the target value of our long-term equity awards was allocated to performance-based RSUs. The target mix of our long-term equity incentive compensation awards in 2016 was as follows:

Type of Equity Award	2016
Stock Options	40%
Performance-Based RSUs – EPS Metric	40%
Performance-Based RSUs – RONAE Metric	20%

In connection with adding RONAE as a performance metric in our RSU program, we removed RONAE as a performance metric for 2016 in our annual executive cash incentive compensation program for our corporate officers. We retained RONAE for The Americas Group as a business unit performance metric for Mr. Davisson.

The Compensation Committee assessed the independence of its independent compensation consultant, Compensation Advisory Partners, under SEC rules and NYSE listing standards. The Compensation Committee determined that Compensation Advisory Partners is independent and its work raises no conflicts of interest. Compensation Advisory Partners did not provide any services to Sherwin-Williams other than those matters for which the Compensation Committee is responsible.

*Relationship Between Pay and Performance.* Our executive compensation program combines different elements of compensation. As a result, the total amount of executive compensation paid is not directly tied to any one measure or component of compensation. We believe this approach assists us in viewing performance holistically and helps mitigate the risk of over-emphasizing any one metric. That said, a significant portion of our executive compensation program is tied to the value of our stock, which is critical to ensuring that we deliver value to shareholders. Our executives only realize the full value of their compensation if our shareholders also realize value.

Each year, the Compensation Committee assesses our CEO's compensation in light of Sherwin-Williams' performance. In October 2016, the Compensation Committee analyzed the relationship between the realizable pay of Mr. Connor, as CEO, and total shareholder return (TSR) over the five-year period ended December 31, 2015, comparing Sherwin-Williams to the peer group we use when making executive compensation decisions. 2015 is the most recent year that compensation information is available for our peer group, and Mr. Connor served as our CEO during 2015. TSR includes the reinvestment of dividends and is calculated on a compounded annual growth rate basis. Our peer group is listed on page 39.

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The following chart, prepared by the compensation consultant, shows the degree of alignment between the total realizable pay of Mr. Connor as CEO and Sherwin-Williams' TSR relative to our peer group over the five-year period. Sherwin-Williams' cumulative TSR over the five-year period was 230%, which was higher than all companies in our peer group. Peer group companies are indicated by the diamonds in the chart. Companies that fall within the shaded diagonal alignment zone are generally viewed as having pay and performance alignment. As illustrated below, Mr. Connor's realizable pay was well aligned with Sherwin-Williams' performance.

**2015 PAY FOR PERFORMANCE ALIGNMENT**

**CEO REALIZABLE PAY AND TSR**

Realizable pay includes: (a) base salary during the five-year period; (b) actual cash incentive compensation earned during the five-year period; (c) the value of time-based restricted stock and RSUs granted during the five-year period based on the 2015 year-end closing stock price; (d) the vesting date value of long-term performance equity awards that were earned in 2013, 2014 and 2015; (e) the value of target long-term performance equity awards granted in 2014 and 2015 based on the 2015 year-end closing stock price; and (f) the in-the-money value of stock options granted during the five-year period based on the 2015 year-end stock closing price. Valuing equity awards in this manner is different from valuing equity awards at their aggregate grant date fair value, which is the method used in the Summary Compensation Table and the 2016 Grants of Plan-Based Awards Table.

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*Overview of Executive Compensation Practices.* Our compensation programs, practices and policies are reviewed and evaluated on an ongoing basis. We modify our compensation programs to address evolving best practices and changing regulatory requirements. We list below some of the more significant best practices we have adopted and the practices we have avoided, which we believe promote responsible pay and governance principles and alignment with shareholder interests.

<b>What We Do</b>	<b>What We Don't Do</b>
<p><b><u>Performance-Based Pay.</u></b> We emphasize pay for performance. For 2016, an average of 78% of the principal compensation components for our named executives (87% for our CEO) were tied to performance.</p>	<p><b><u>No Employment Agreements.</u></b> We do not have employment agreements with our executives. Our executives are employed at will.</p>
<p><b><u>Independent Compensation Committee.</u></b> Each member of the Compensation Committee meets the independence requirements under SEC rules and NYSE listing standards.</p>	<p><b><u>No Current Dividends for Unvested Performance-Based Awards.</u></b> Dividends and dividend equivalents on performance-based equity awards are deferred and paid only on earned shares.</p>
<p><b><u>Independent Compensation Consultant.</u></b></p> <p>The Compensation Committee uses an independent compensation consultant, who provided no other services to our company during 2016.</p>	<p><b><u>No Repricing or Replacing of Underwater Stock Options.</u></b> We do not permit the repricing or replacing of underwater stock options without shareholder approval.</p>
<p><b><u>Balanced Compensation Structure.</u></b></p> <p>We utilize a balanced approach to compensation, which combines fixed and variable, short-term and long-term, and cash and equity.</p>	<p><b><u>No Hedging.</u></b> Directors, executives and other employees are prohibited from engaging in hedging transactions with respect to our securities.</p>
<p><b><u>Target Median.</u></b> We have a pay philosophy that targets median market compensation. We assess our current compensation practices, policies and pay levels against peer companies.</p>	<p><b><u>No Pledging.</u></b> Directors and executives may not hold our securities in margin accounts or otherwise pledge our securities as collateral for a loan.</p>
<p><b><u>Responsibly Administered Incentive Compensation Programs.</u></b> We have diversified incentive compensation goals without steep payout cliffs. Vesting periods for annual equity awards encourage consistent behavior and reward long-term, sustained performance.</p>	<p><b><u>No Speculative Trading.</u></b> Directors and executives may not engage in short sales of our securities and transactions in put options, call options or other derivative securities of our stock.</p>
<p><b><u>Clawback Policy.</u></b> Our clawback policy allows us to clawback incentive compensation earned by our executives and key employees.</p>	<p><b><u>No Excessive Perquisites.</u></b> Consistent with our culture, we provide only limited perquisites to our executives.</p>
<p><b><u>Double-Trigger Change in Control.</u></b></p> <p>Our stock plan contains a double-trigger acceleration provision for the vesting of equity awards upon a change in control.</p>	<p><b><u>No Excessive Risk-Taking.</u></b> We conducted a risk assessment and concluded that our compensation policies do not encourage excessive or unnecessary risk-taking.</p>
<p><b><u>Significant Stock Ownership.</u></b> Our directors and executives have significant stock ownership and stock ownership requirements.</p>	<p><b><u>No Above-Market Earnings on Deferred Compensation.</u></b> We do not pay guaranteed, above-market or preferential interest or earnings on deferred compensation.</p>



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*Impact of Last Year's Say-On-Pay Vote.* At last year's Annual Meeting, our shareholders approved the compensation of our named executives with a substantial majority of shareholders (97.2% of votes cast) voting in favor. We consider this vote to be a strong endorsement of our executive compensation program, practices and policies. Based upon the strong shareholder support, the Compensation Committee does not believe our executive compensation program requires material changes. However, the Compensation Committee has made and will continue to make changes designed to further enhance the objectives of our program.

The Compensation Committee highly values the input of our shareholders. The Compensation Committee will continue to consider the views of our shareholders in connection with our executive compensation program, including the results of the 2017 say-on-pay vote. We will make improvements based upon evolving best practices, market compensation information and changing regulatory requirements. We encourage you to support this year's say-on-pay proposal.

*Frequency of Say-On-Pay Votes.* The Dodd-Frank Act requires that companies hold a say-on-pay frequency vote at least once every six years. We last held a say-on-pay frequency vote at our 2011 Annual Meeting of Shareholders, and our shareholders overwhelmingly voted in favor of holding annual votes. Accordingly, at this year's Annual Meeting, you may again vote on whether you would prefer that we hold our say-on-pay vote every one, two or three years, or you may abstain from voting. Please see the section entitled *Proposal 3 Advisory Approval of the Frequency of the Advisory Vote on the Compensation of the Named Executives*.

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**Overview of Our Executive Compensation Program**

***The Compensation Committee.***

The Compensation and Management Development Committee, which is comprised entirely of independent directors, oversees our executive compensation program. The Compensation Committee reports to the Board on all compensation matters for approximately 22 of our executives and key employees, including our named executives. The Compensation Committee has engaged Compensation Advisory Partners LLC as its independent compensation consultant in order to fulfill its responsibilities. We include additional information about the Compensation Committee, including the role of the compensation consultant and management in the compensation setting process, under the heading Board Meetings and Committees Compensation and Management Development Committee.

***Compensation Objectives.***

We design and manage our company-wide compensation programs to align with our overall business strategy and to focus our employees on delivering sustained financial and operating results and creating value for our shareholders on a consistent long-term basis. We believe it is important that our compensation programs:

*Are competitive.* Our programs are designed to attract, retain and motivate talented and high-performing people at all levels of our company around the world. We structure our compensation programs to be competitive with the programs of companies of comparable size and business.

*Maintain a performance and achievement-oriented culture.* A significant percentage of our employees are on incentive plans tied to clear, pre-established performance goals that support our business strategies. We utilize both annual and long-term incentives to appropriately balance consistent annual results with improved performance over the longer term. We select performance goals that are sufficiently demanding, support our financial and operating objectives and help drive our business. We reward employees for achieving and exceeding performance goals, without creating a sense of entitlement and without encouraging unnecessary or excessive risk-taking.

*Align the interests of our executives with those of our shareholders.* It is important that a portion of our executives incentive compensation is directly tied to the price of our stock to align the financial interests of our executives with the interests of our shareholders and to keep our executives focused on sustained financial performance. In addition, we have implemented significant stock ownership requirements for our executives.

We believe our compensation programs achieve these goals.

**Table of Contents*****Components of Compensation.***

The components of our executive compensation program, the primary purpose of each component and the form of compensation for each component are described in the following table.

<b>Component</b>	<b>Primary Purpose</b>	<b>Form of Compensation</b>
Base Salary	Provides base compensation for the day-to-day performance of job responsibilities.	Cash
Annual Cash Incentive Compensation	Rewards performance during the year based on the achievement of pre-established annual performance goals.	Cash
Long-Term Equity Incentive Compensation	Encourages improvement in the long-term performance of our company and aligns the financial interests of our executives with the interests of our shareholders.	Stock options, which vest in equal installments on the first, second and third anniversary dates of a ten-year term.  Performance-based RSUs, which vest at the end of a three-year period based upon the achievement of pre-established financial performance goals.
Other Employee and Executive Benefits	Provides a broad-based executive compensation program for employee retention, retirement and health.	Retirement and savings programs, health and welfare programs, and employee benefit plans, programs and arrangements generally available to all employees; executive life insurance and executive long-term disability plans.

***Allocation of Compensation Components.***

We compensate our executives by using a balanced approach, which combines elements that vary by (a) the type of compensation (fixed and performance-based), (b) the length of the performance period (annual and long-term) and (c) the form of compensation (cash and equity). We believe this mix helps to support our business strategies and emphasizes pay for performance. We determine this mix by reviewing market compensation information. We do not have a specific policy for the allocation of compensation between fixed and performance-based, annual and long-term, and cash and equity.

We manage our business with the long-term goal of creating and maximizing shareholder value. Accordingly, a significant percentage of the compensation opportunity of each executive is variable, at risk and tied to company or business unit performance, including stock price appreciation. The following chart illustrates the allocation of the key compensation components for our named executives for 2016. The percentages reflect the amounts of 2016 salary and targeted annual cash incentive compensation and the aggregate grant date fair values of stock options and RSUs granted in 2016.

**Table of Contents****MIX OF KEY PAY COMPONENTS*****Peer Group.***

The Compensation Committee utilizes a peer group of companies to assess whether our executive compensation program is competitive in the market. The compensation consultant annually identifies the compensation paid to executives holding equivalent positions or having similar responsibilities at a group of chemical, industrial, manufacturing and retail companies with comparable sales that are considered to be our peers. The compensation consultant also compiles compensation data derived from broad-based surveys of industrial companies of similar size to us. These surveys are sponsored by nationally recognized compensation consulting firms. We, along with many of our peer group companies, participate in these surveys.

We monitor compensation paid at these peer group companies because their size and business make them most comparable to us. We also believe these companies likely compete with us for executive talent. The compensation consultant annually reviews current and potential peer companies, and recommends changes, principally based upon revenue size, market capitalization, industry, business description/mix and brand recognition. The Compensation Committee periodically evaluates and, if necessary, adjusts the composition of our peer group to ensure it remains the most relevant group of companies to use for compensation purposes. During 2016, the Compensation Committee reviewed the appropriateness of our peer group, and based upon the recommendation of the compensation consultant, did not make any changes at this time.

Our peer group consists of the 22 companies listed below. 2015 annual revenues for the companies in the peer group ranged from approximately \$4.4 billion to \$20.9 billion, with Sherwin-Williams ranking approximately in the 58th percentile in annual revenues.

Air Products and Chemicals, Inc.	Ecolab Inc.	The Mosaic Company
Akzo Nobel N.V.	Huntsman Corporation	Newell Brands Inc.
Ashland Global Holdings Inc.	Illinois Tool Works Inc.	Praxair, Inc.
Ball Corporation	Kimberly-Clark Corporation	PPG Industries, Inc.
Celanese Corporation	Masco Corporation	Stanley Black & Decker, Inc.
Colgate-Palmolive Company	Mohawk Industries, Inc.	The Valspar Corporation
Crown Holdings, Inc.	Monsanto Company	Whirlpool Corporation
Eastman Chemical Company		

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### *Use of Market Compensation.*

The compensation consultant calculates an average of (a) the compensation available at companies in our peer group (using the most recent proxy data) and (b) the average compensation derived from the broad-based surveys. We refer to this average as market compensation, which provides a framework to evaluate the competitiveness of our executive compensation program and assists in determining the mix of compensation components and target compensation levels. We generally benchmark the target compensation we pay our executives within a general range (plus or minus approximately 15%) of the median market compensation of comparable positions, although we do not have a formal policy of setting target compensation levels at a specific percentile of the median market. We benchmark against market compensation because it allows us to attract and retain executives and helps us to manage the overall cost of our compensation program. We consider this information only as a reference point or as a framework, not as a determining factor or part of any arithmetic formula, in setting compensation. The policies we use to make compensation decisions and the decisions we make are materially similar for all executives. These policies and decisions result in higher compensation levels for our CEO, primarily based upon the higher market compensation for CEOs.

The compensation consultant annually provides the Compensation Committee with a comprehensive analysis of market compensation, which includes base salary, annual cash incentive compensation, long-term equity incentive compensation, total annual cash compensation and total direct compensation. We define total direct compensation as the sum of base salary, annual cash incentive compensation and long-term equity incentive compensation. We review total direct compensation to help us determine whether the key compensation components we pay our executives are competitive in the aggregate.

The Compensation Committee generally compares each executive's base salary, annual cash incentive compensation, long-term equity incentive compensation, total annual cash compensation and total direct compensation to the median market compensation. Individual components may be greater or lesser than median market because we focus on the overall competitiveness of our entire compensation program. Judgment and discretion may be used to adjust a component of compensation above or below the median market for reasons such as an executive's performance, responsibilities, experience and tenure, our company-wide performance and internal pay equity.

In connection with setting the 2016 compensation of Mr. Connor for his Executive Chairman position, the Compensation Committee did not rely on market data as a benchmark as there were few relevant data points. Instead, the Compensation Committee used its discretion to set his compensation level commensurate with his new role, responsibilities and experience, as well as his compensation in relation to Mr. Morikis compensation for his new position as President and CEO.

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The following table sets forth the projected total direct compensation for each named executive (except for Mr. Connor, who retired from Sherwin-Williams effective December 31, 2016) as a percentage of the median market total direct compensation. For purposes of this table, projected total direct compensation includes 2017 base salary, 2017 targeted annual cash incentive compensation, stock options granted in 2016 and the targeted value of RSUs granted in early 2017.

Name	Projected Targeted Total Direct Compensation as a Percentage of Market Compensation
J. G. Morikis	91%
C. M. Connor	N/A
S. P. Hennessy	104%
R. J. Davisson	99%
C. M. Kilbane	94%

The actual amounts we pay our executives may vary from the targeted amounts based upon the achievement of company and business unit performance goals. The Compensation Committee did not increase or decrease the amount of any compensation component based upon the amount of any other compensation component or its review of projected targeted total direct compensation.

**Key Components of Our Executive Compensation Program*****Base Salary.***

**Salary Ranges.** Salary is the only key compensation component that is guaranteed. Each executive position at our company is assigned a salary grade. Salary grades are designed to be competitive and to recognize different levels of responsibility within our company. Each salary grade corresponds to a salary range with a minimum and maximum. We review the salary ranges against market base salaries based upon the position and level of responsibility. The midpoint of the range generally approximates the median market salary paid for an equivalent or similar position. The Compensation Committee reviews and approves the base salary of each executive annually and at other times in connection with a promotion or other change in responsibility. Annual base salary increases generally are effective in February.

Annual salary increases are based, in part, on the overall annual salary budget guidelines for our company. We adopt annual salary guidelines for all of our employees as part of our annual budgeting process, which includes a range of merit salary increases. The maximum amount of the range is equal to the amount necessary to increase the salary of an employee (whose salary is below median market for his or her position, but who receives the highest performance rating) toward the median market salary for his or her position. For each of 2016 and 2017, we adopted an overall 2.5% merit budget for annual salary increases with possible merit increases ranging from 0% to 5%.

**Annual Performance Appraisals.** All salaried employees, including our executives, undergo an annual performance appraisal. The executive's performance for the prior year is evaluated by his or her direct supervisor. Our CEO reviews each executive performance appraisal. For the evaluation of our CEO, each director provides ratings and comments for the following categories: performance results, business strategy, developing a management team and leadership. The results are reviewed by the Compensation Committee and by the non-management directors in executive session.

As part of this annual performance appraisal, each executive is assigned a performance rating that corresponds to a merit increase. The performance rating is based upon the executive's performance results (accomplishment of incentive performance goals, financial accomplishments and other contributions) and leadership (including work ethic and strategic contributions). These factors are not

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quantified or weighted. Instead, discretion and subjective judgment are used in assessing those factors in a qualitative manner. In any one year, any one factor or group of factors may play a larger role in determining the performance rating compared to any previous year.

*2016 and 2017 Base Salaries.* The Compensation Committee approved salary increases for 2016 and 2017 for our named executives, other than Mr. Connor. Effective January 1, 2016, Mr. Morikis' annual base salary was increased to \$1,100,000 in connection with his promotion to President and Chief Executive Officer. Mr. Connor's annual base salary did not change as a result of his new position as Executive Chairman. Mr. Morikis' base salary increases move his base salary toward the median market for his position.

Name	2015 Base Salary (\$)	% Increase for 2016	2016 Base Salary (\$)	% Increase for 2017	2017 Base Salary (\$)
J. G. Morikis	881,322	24.8%	1,100,000	4.5%	1,150,000
C. M. Connor	1,221,987	0%	1,221,987	N/A	N/A
S. P. Hennessy	664,709	3%	684,658	3%	705,198
R. J. Davisson	596,778	3%	614,692	3%	633,152
C. M. Kilbane	531,746	3%	547,716	2.5%	561,418

***Annual Cash Incentive Compensation.***

Annual cash incentive compensation may be earned by our executives under our shareholder-approved 2007 Executive Performance Bonus Plan. Annual incentive compensation is intended to motivate our executives to achieve annual performance goals that strengthen our company over the long term. Our Performance Plan is designed so that our executives may earn higher annual cash incentive compensation for exceeding target performance goals and lower annual cash incentive compensation when target performance goals are not met.

*Target and Maximum Annual Incentive Levels.* The Compensation Committee annually reviews target and maximum annual cash incentive compensation levels for our executives as a percentage of base salary. Target incentive awards are determined by using the median market annual cash incentive compensation, which generally equals the amount an executive could receive if he or she achieves a 100% average of his or her performance goals. The maximum incentive awards are determined by using the maximum annual cash incentive compensation available at our peer group companies and according to the broad-based surveys.

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The following table sets forth the 2016 minimum, target and maximum annual cash incentive compensation levels, as a percentage of base salary, for each named executive. For 2016, the Compensation Committee increased the target and maximum annual cash incentive opportunity for Mr. Morikis from 80% and 160% to 135% and 270%, respectively, of his annual salary, to reflect his promotion to President and Chief Executive Officer. Mr. Connor's annual cash incentive compensation opportunity did not change as a result of his new position as Executive Chairman. The Compensation Committee also increased the 2016 target and maximum annual cash incentive opportunity for Mr. Davisson from 70% and 140% to 80% and 160%, respectively, to more closely align with market levels.

Name	Incentive Amount as a Percentage of Salary		
	Minimum	Target	Maximum
J. G. Morikis	0%	135%	270%
C. M. Connor	0%	135%	270%
S. P. Hennessy	0%	80%	160%
R. J. Davisson	0%	80%	160%
C. M. Kilbane	0%	70%	140%

*Objective Annual Performance Goals.* The Compensation Committee approves objective, clearly defined annual performance goals for our named executives. Our CEO also approves the goals for our other named executives. During 2016, four of our named executives had identical corporate financial performance goals: EPS, net sales and free cash flow. Mr. Davisson's performance goals reflected objectives important to The Americas Group (TAG), for which he is responsible.

In connection with adding RONAE as a performance metric in our RSU program in 2016, we removed RONAE as a performance metric for 2016 in our annual executive cash incentive compensation program for our corporate officers. We retained RONAE for The Americas Group as a business unit performance metric for Mr. Davisson.

We use multiple performance goals to encourage executives to have a well-rounded approach to managing the business and not concentrate on achieving just one goal to the detriment of others. We use EPS as a performance metric for both our annual cash incentive program and a portion of our performance-based RSU program. EPS is widely communicated, easily understood and a key measure used in evaluating the success of our company's performance and in determining the market value of our stock. The Compensation Committee and management believe it is important to utilize EPS for both our annual cash incentive compensation and long-term equity compensation programs because over the long term, we believe EPS growth will drive value for our shareholders. In addition, by using EPS, management is held accountable for driving top-line growth and managing our operating cost structure. Each year, the Compensation Committee and management evaluate the incentive structure, including the metrics used in each of the incentives. Based on the most recent review, we believe EPS provides effective line of sight to drive individual performance. In addition, by delivering the entire long-term incentive in equity, executives are encouraged to drive long-term value for shareholders, and the performance metrics used in the annual incentive program provide reinforcement of the activities that will drive value.

For 2016, the Compensation Committee reviewed our annual operating budget and approved target financial performance goals set at levels that were of the same magnitude as set forth in our 2016 annual operating budget. We set maximum levels so that performance would have to exceed target levels by a significant degree, requiring performance well above expectations.

The Compensation Committee reviews and approves each named executive's achievement of performance goals for the prior year. In determining the level of achievement of performance goals, the



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Compensation Committee has discretion to include or exclude the impact of certain matters, including non-recurring items or changes in accounting standards, principles and statements. The following table shows, for each named executive, the 2016 performance goals, minimums, targets, maximums and actual results (taking into account the adjustments mentioned below).

Name	Performance Goals	2016 Annual Cash Incentive Performance Goals			
		Minimum	Target	Maximum	Actual Results
J. G. Morikis	EPS <sup>(1)</sup>	\$9.84	\$12.30	\$12.86	\$12.45
C. M. Connor	Net Sales <sup>(2)</sup>	\$9.30 billion	\$11.63 billion	\$11.78 billion	\$11.73 billion
S. P. Hennessy	Free Cash Flow <sup>(3)</sup>	\$518.93 million	\$648.66 million	\$675.26 million	\$757.46 million
C. M. Kilbane					
R. J. Davisson	TAG Sales <sup>(2)</sup>	\$6.55 billion	\$8.18 billion	\$8.36 billion	\$8.25 billion
	TAG Profit Before Taxes	\$1.07 billion	\$1.33 billion	\$1.36 billion	\$1.42 billion
	TAG RONAE <sup>(4)</sup>	61.13%	76.41%	77.03%	79.63%
	TAG Percentage Increase for Gallons over Prior Year	(15.33%)	5.83%	8.75%	5.84%

<sup>1</sup> We calculate EPS as net income per common share - diluted in accordance with generally accepted accounting principles (GAAP), and for the purpose of determining achievement, excluded the effect of (a) the impact of costs of \$0.86 per share related to the acquisition of Valspar and (b) the early adoption of a new accounting standard (ASU 2016-09) related to accounting for excess tax benefits for share-based payments (which would have increased EPS by \$0.40 per share).

<sup>2</sup> We calculate net sales and TAG sales in accordance with GAAP, and for the purpose of determining achievement, excluded the impact of a change in revenue classification beginning in the third quarter related to grossing up third-party service revenue and related costs (which would have increased net sales by 1.1% and TAG sales by 1.7%).

<sup>3</sup> We explain how we calculate free cash flow on pages 30-31 of our 2016 Annual Report.

<sup>4</sup> We calculate RONAE by dividing reported net income (excluding any items relating to unusual events or which result in a distortion of comparative results) by the twelve-month average net assets employed, which is the sum of net accounts receivable, total inventory, net fixed assets, total intangible assets and goodwill, less accounts payable.

We intend annual cash incentive amounts to be fully deductible for federal income tax purposes under Section 162(m) of the Internal Revenue Code (the Code). To achieve this, we establish an annual maximum payout amount against which payouts for achievements may be made to 162(m) participants. The maximum payout for 162(m) participants is based upon one or more of the performance measurements defined in our Executive Performance Bonus Plan. For 2016, the Compensation Committee approved 0.5% of earnings before interest, taxes, depreciation and amortization (EBITDA) as the amount of the maximum payout for 162(m) participants. We explain how we calculate EBITDA on pages 33-34 of our 2016 Annual Report. We selected EBITDA as the method for determining the amount of the maximum payout because we consider EBITDA a useful measure of our operating profitability. For 2016, this resulted in a maximum payout of \$9.74 million for the 162(m) participants. After the Compensation Committee determines the amount of the maximum payout, the Compensation Committee may exercise discretion to reduce, but not to increase, the amount of each individual award based on an overall assessment of the performance goals shown in the table above.

*Calculation of 2016 Annual Cash Incentive Amounts Earned.* In February 2017, the Compensation Committee approved the annual incentive compensation amounts earned by our named executives during 2016 based upon the level of achievement of the performance goals. Each performance goal has corresponding pre-established achievement levels ranging from a minimum of 0 to a maximum of 125, with 100 equal to target achievement. Based upon 2016 business results, the Compensation Committee reviewed and approved the achievement level of each performance goal. The achievement level for each goal was multiplied by the goal's weight to determine a weighted

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achievement for the goal. For each named executive, the weighted achievement levels for all goals were added together to determine a total weighted achievement level. Total weighted achievement levels range from a minimum of 0 to a maximum of 125, with a target of 100. Total weighted achievement levels correspond to a pre-established range of final payouts as a percentage of salary for each named executive. The range of final payouts as a percentage of salary between 0 75, 75 100, and 100 125 are determined on a straight-line basis.

The calculations used to determine the actual incentive amounts earned by each named executive during 2016 are shown in the table below and are illustrated by the following formula.

$$\text{Weighting} \times \text{Achievement Level} = \text{Weighted Achievement Level}$$

$$\text{Incentive Amount as a \% of Salary} \times \text{Salary} = \text{Incentive Amount Earned}$$

		<b>J. G. Morikis</b>	<b>C. M. Connor</b>	<b>S. P. Hennessy</b>	<b>C. M. Kilbane</b>	<b>R. J. Davisson</b>	
Weighting	EPS	50%	50%	50%	50%	TAG Sales	20%
	Net Sales	25%	25%	25%	25%	TAG PBT	35%
	Free Cash Flow	25%	25%	25%	25%	TAG RONAE	20%
Achievement						TAG Gallons	25%
	EPS	106.70	106.70	106.70	106.70	TAG Sales	108.98
	Level						
Level	Net Sales	116.47	116.47	116.47	116.47	TAG PBT	125.00
	Free Cash Flow	125.00	125.00	125.00	125.00	TAG RONAE	125.00
						TAG Gallons	100.01
Weighted Achievement Level	EPS	53.35	53.35	53.35	53.35	TAG Sales	21.80
	Net Sales	29.12	29.12	29.12	29.12	TAG PBT	43.75
	Free Cash Flow	31.25	31.25	31.25	31.25	TAG RONAE	25.00
Total						TAG Gallons	25.00
		113.72	113.72	113.72	113.72	Total	115.55
Incentive Amount as a % of Salary	Minimum	0%	0%	0%	0%	Minimum	0%
	Target	135%	135%	80%	70%	Target	80%
	Maximum	270%	270%	160%	140%	Maximum	160%
	Actual Result	209.07%	209.07%	123.89%	108.41%	Actual Result	129.76%
Salary		\$1,095,795	\$1,221,987	\$681,589	\$545,259		\$611,936
Incentive Amount Earned		\$2,291,000	\$2,555,000	\$844,000	\$591,000		\$794,000

**Long-Term Equity Incentive Compensation.**

The largest percentage of total compensation is allocated to long-term equity incentive compensation. We grant long-term equity incentive compensation annually under our shareholder-approved 2006 Equity and Performance Incentive Plan. Our long-term equity incentive compensation is designed to focus our executives on company performance over a multi-year period to encourage long-term decision-making and to reward executives the way our shareholders are rewarded through growth in the value of our stock. We believe that long-term equity awards also serve as a retention tool for our executives. The value delivered on these long-term incentives ultimately depends upon company performance and our stock price.

Our long-term equity compensation program for our executives consists of stock options and performance-based RSUs. Our stock option program is the primary means by which we grant long-term equity compensation to a broad group of employees to focus their efforts on our long-term performance and stock price improvement. Our RSU program is designed for a more select group of key employees and rewards such employees based upon the achievement of financial performance goals and stock price appreciation.

Beginning in 2016, we redesigned the program to further strengthen our pay for performance alignment by increasing the percentage of compensation tied to objective performance metrics. We



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eliminated annual awards of time-based RSUs and added an additional grant of performance-based RSUs with RONAE as the performance metric. We made this change to drive long-term company financial and stock price performance, align with our overall business strategy and serve as a strong motivational tool for executives to drive performance. 60% of the target value of our long-term equity awards is allocated to performance-based RSUs, incentivizing efforts that drive results over the long term. For 2016, our performance-based RSU awards consisted of two grants of RSUs – one grant with EPS as the performance metric and one grant with RONAE as the performance metric. We believe that EPS and RONAE are key metrics used to measure achievement of our long-term goals and drive value for our shareholders.

*Double-Trigger Acceleration Provision.* Grants of stock options and RSUs include a double-trigger acceleration provision with respect to the vesting of the awards in connection with a change in control. Upon a change in control, awards that are assumed by the surviving entity will continue to vest and become exercisable in accordance with their original terms unless, within three years after the change in control, the participant's employment is terminated other than for cause or the participant terminates his or her employment for good reason.

*Deferred Dividends.* We do not pay current dividends or dividend equivalents on unvested shares of performance-based restricted stock and RSUs. The payment of dividends and dividend equivalents on unvested shares of performance-based restricted stock and RSUs is deferred and paid only if and to the extent shares of the restricted stock or RSUs vest based on the achievement of the performance goals.

*Grant Practices – Emphasis on Performance-Based Awards.* When making equity grants, we begin by determining the median market value of long-term equity incentive compensation. We then allocate the target mix among types of equity grants. The target mix of our annual long-term equity incentives is set forth in the table below. We believe this mix of equity awards provides an appropriate balance among aligning executive interests with those of our shareholders, encouraging executive retention and rewarding executives for sustained performance results.

Type of Equity Award	Allocation
Stock Options	40%
Performance-Based RSUs – EPS Metric	40%
Performance-Based RSUs – RONAE Metric	20%

Our long-term incentive opportunities are intended to be competitive with market long-term incentive opportunities. Therefore, we do not consider the amount of outstanding stock options, shares of restricted stock or RSUs currently held by an executive when making equity awards.

We grant stock options and RSUs on an annual basis at regularly scheduled Compensation Committee meetings. We schedule the dates of these meetings approximately three years in advance. We grant RSUs at each February Compensation Committee meeting. This meeting typically occurs in the middle of February, a few weeks or so after we release our annual earnings results. We grant stock options at each October Compensation Committee meeting. These grants are typically made on the same day the Audit Committee approves our earnings release for the third quarter and shortly before we release our third quarter earnings results. We may also grant RSUs and stock options at other Compensation Committee meetings in connection with an employee's initial hire, promotion and other events. The dates of these grants may occur shortly before we release our quarterly earnings results. We do not take into account our earnings results when determining the number of stock options or RSUs to be granted or the date of grant.

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*2016 Awards.* The following table shows the number of stock options and RSUs granted to each named executive during 2016.

Name	Number of Stock Options Granted in 2016	Number of Performance-Based RSUs Granted in 2016	
		EPS Metric	RONAE Metric
J. G. Morikis	52,900	8,800	4,400
C. M. Connor	24,700	4,700	2,350
S. P. Hennessy	14,100	2,700	1,350
R. J. Davisson	11,200	2,100	1,050
C. M. Kilbane	7,700	1,500	750

*Stock Options.* The number of stock options granted to an executive is based upon the executive's position and level of responsibility. We determine the specific number of stock options to be granted by calculating the Black-Scholes value of the stock options over the 30-day period ending on the last day of the quarter before the award date. Black-Scholes is a generally accepted model used in estimating the value of stock options. In accordance with the terms of our stock plan, the option exercise price is equal to the average of the highest and lowest sale prices of our stock on the grant date. Accordingly, the exercise price may be higher or lower than the closing price of our stock on that day. The Compensation Committee believes that the average of the high and low prices is a better representation of the fair market value of our stock and is less volatile than the closing price given potential intra-day price volatility. We do not reprice stock options—our stock plans do not permit the repricing or replacing of underwater stock options with cash or equity without shareholder approval and do not contain reload features.

*Restricted Stock Units.* Our 2016 grant of RSUs consisted of performance-based RSUs, vesting at the end of a three-year period. The number of RSUs granted is determined by using the value of our stock over the 30-day period ending on the last day of the quarter before the award date. One RSU is equivalent in value to one share of our common stock. RSUs generally are paid out in common stock upon vesting. The number of shares granted is approximately equal to the target value. Executives have an opportunity to earn two times the target value for maximum performance. We correspondingly set maximum goals higher, making achievement of the goals more difficult to attain to provide a greater incentive for above-target performance.

The threshold, target and maximum achievement levels for the 2016 grants of performance-based RSUs are illustrated in the following table for the 2016–2018 performance period. Performance between the achievement levels is measured on a straight-line basis to reward improvements at various achievement levels, while not encouraging executives to take unnecessary risks to hit achievement levels with larger payouts.

	Cumulative EPS	Average Annual RONAE	% of Target Vesting
Maximum	\$44.57	29.5%	200%
Target	\$40.63	26.5%	100%
Threshold	\$36.94	23.5%	25%

*2016 and 2017 Vesting of Performance-Based Restricted Stock.* In February 2016 and February 2017, the Compensation Committee determined the vesting of shares of performance-based restricted stock for the 2013–2015 and 2014–2016 performance periods, respectively, based upon the

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achievement of the cumulative EPS performance goal over each of those periods. As reflected in the table below, 100% of the maximum number of shares vested for each performance period.

Performance		Cumulative	Cumulative	Actual	% of Restricted
Period		EPS Goal at	EPS Goal at	EPS	Stock
		Target	Maximum	Results	Vesting
2013	2015 <sup>1</sup>	\$24.08	\$26.39	\$27.41	100%
2014	2016	\$27.71	\$30.38	\$31.93	100%

<sup>1</sup> The Compensation Committee approved an adjustment to EPS to eliminate the impact of charges relating to 2013 Brazil tax assessments totaling \$21.9 million, net of tax, or \$.21 per share.

**Other Arrangements, Policies and Practices*****No Employment Agreements.***

We do not have employment agreements with any of our executives. Our executives are employed at will.

***Limited Perquisites.***

Consistent with our culture, the perquisites provided to our named executives are limited. Additional information, including the incremental cost of these benefits in 2016, is set forth in a footnote to the All Other Compensation column of the Summary Compensation Table.

***Internal Pay Equity.***

Our compensation program is designed so that compensation opportunities are similar for executives with comparable responsibilities, experience and tenure. Our executive compensation program uses the same compensation components for our executives, but results in different pay levels due to an executive's market compensation, position and performance. To maintain internal equity in connection with grants of stock options and RSUs, the Compensation Committee generally grants the same number of stock options and RSUs to employees who are in similar pay grades.

***Tally Sheets.***

When approving changes in compensation for our named executives, we prepare a tally sheet for each named executive. Tally sheets set forth the dollar amounts of all components of each named executive's current compensation, including base salary, annual cash incentive compensation, long-term incentive compensation, retirement and savings plans, health and welfare programs and other executive benefits. Tally sheets also quantify the potential payments to our named executives in the event of retirement and termination following a change in control.

Tally sheets allow the Compensation Committee and management to assess how a change in the amount of each compensation component affects each named executive's total compensation and to provide overall perspective on each named executive's total compensation. Based upon its most recent review, the Compensation Committee determined that total compensation, in the aggregate, for each of our named executives is consistent with the Compensation Committee's expectations. The Compensation Committee did not increase or decrease the amount of compensation of our named executives solely based upon the review of tally sheets.

***Stock Ownership Guidelines.***

We have established minimum stock ownership requirements for our directors and executives to encourage meaningful stock ownership in Sherwin-Williams. We require each director who has served on the Board for at least five years to own shares of our stock equal in value to a minimum of seven times the annual Board cash retainer. We require each executive who has served in such capacity for at



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least five years to own shares of stock equal in value to a multiple of his or her base salary. Minimum ownership requirements are six times for our CEO and three times for our other executives. For purposes of meeting this requirement, each equivalent share of stock held under our benefit plans, each share of time-based restricted stock and each time-based RSU is considered a share of stock. Stock options, shares of performance-based restricted stock and performance-based RSUs are not considered toward meeting the requirement.

The Compensation Committee reviews share holdings on an annual basis to determine whether our directors and executives are meeting these requirements. At December 31, 2016, our CEO held shares equal in value to 23 times and our other named executives held shares equal in value to an average of 35 times their respective base salaries. All directors and named executives have either met the guidelines or are pursuing plans to meet the guidelines within the prescribed time frames.

### ***Anti-Hedging and Anti-Pledging Policy.***

Directors, executives and other employees may not engage in hedging transactions related to our securities through various financial instruments, such as prepaid variable forwards, equity swaps, collars and exchange funds, may not engage in short sales, and may not purchase or sell put options, call options or other such derivative securities. In addition, directors and executives may not hold our securities in margin accounts or otherwise pledge our securities as collateral for a loan.

### ***Retirement Plans and Other Benefits.***

We provide our executives with various tax-qualified and nonqualified retirement and savings plans, health and welfare programs and other executive benefits. We annually review these programs in connection with our review of the overall compensation packages of our named executives and tally sheets. Additional information about our retirement and savings plans is set forth in the executive compensation tables and the accompanying narrative discussion.

Other executive benefits include executive life insurance and executive long-term disability plans. The life insurance and long-term disability plans are designed to provide our named executives with life and disability benefits greater than the life and disability benefits available under the broad-based life insurance and long-term disability plans that we offer to other employees due to benefit limitations within the broad-based programs. The life insurance plan was frozen to new participants beginning in January 2008. The 2016 amounts for these plans are set forth in a footnote to the All Other Compensation column of the Summary Compensation Table.

### ***Clawback and Recapture Policy.***

We have a policy allowing Sherwin-Williams to recapture or clawback incentive compensation paid or payable to executives and key employees in the event of a financial restatement. Information about our policy is included under the heading Corporate Governance Clawback and Recapture Policy.

### ***Change in Control Agreements.***

To ensure continuity and the continued dedication of our executives during any period of uncertainty caused by the possible threat of a takeover, we entered into severance pay agreements with our executives, including each of our named executives. Given the heightened focus on change in control agreements, the Compensation Committee engaged its compensation consultant in 2015 to compare our severance pay agreements to prevailing market practices. Based upon such review, the Compensation Committee believes that the material terms of the severance agreements are generally in line with market practices.

Potential cash severance payments are based upon a multiplier of base salary and annual cash incentive pay. These severance pay agreements have not been a significant factor in setting



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compensation levels and have not affected the Compensation Committee's decisions with respect to compensation components. Additional information regarding the severance agreements, including the estimated amounts payable to each named executive, is set forth under the heading Potential Payments upon Termination or Change in Control.

### ***Policy Concerning Future Severance Agreements.***

We have a policy that provides we will not enter into any future severance agreements (including material amendments of existing agreements) with a senior executive providing for cash severance payments exceeding 2.99 times base salary and bonus without shareholder approval or ratification. For purposes of this calculation, cash severance payments do not include the acceleration of equity-based awards, vacation pay, retirement benefits, health continuation coverage and outplacement services. In addition, the policy provides that future severance agreements will not include any tax gross-up payments.

### ***Tax and Accounting Considerations.***

From time to time, we review the accounting and tax laws, rules and regulations that may affect our compensation programs. However, tax and accounting considerations have not significantly impacted the compensation programs we offer our executives.

Section 162(m) of the Code generally disallows a federal income tax deduction to publicly-traded companies for compensation in excess of \$1 million per year paid to a company's chief executive officer and three other most highly compensated executive officers, other than the company's chief financial officer, who are employed as of the end of the year. The \$1 million deduction limit generally does not apply to compensation that satisfies the requirements for qualified performance-based compensation under Section 162(m).

While we may decide from time to time that it is in the best interests of Sherwin-Williams and our shareholders to pay executive compensation that may be able to qualify as performance-based compensation for purposes of Section 162(m), we also may decide from time to time to grant compensation that will not qualify as performance-based compensation for purposes of Section 162(m). The Compensation Committee believes that the Section 162(m)-related tax deduction is only one of several relevant considerations in setting compensation. The Compensation Committee also believes that the Section 162(m) tax deduction limitation should not be permitted to compromise its ability to design and maintain executive compensation arrangements that, among other things, are intended to attract, retain and motivate talented, high-performing people. As a result, the Compensation Committee retains the flexibility to provide compensation it determines to be in the best interests of Sherwin-Williams and its shareholders even if that compensation is ultimately not deductible for tax purposes. Moreover, even if we intend to grant compensation that qualifies as performance-based compensation for purposes of Section 162(m), we cannot guarantee that such compensation will so qualify or will ultimately be deductible by us.

**Table of Contents****SUMMARY COMPENSATION TABLE**

The following table sets forth information regarding the compensation of our President and Chief Executive Officer, our Senior Vice President Finance and Chief Financial Officer and our other three highest paid executive officers.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation (\$) <sup>(3)</sup>	Total (\$)
J. G. Morikis President and Chief Executive Officer*	2016	1,095,795	-0-	3,399,264	2,569,993	2,291,000	-0-	291,756	9,647,808
	2015	877,054	-0-	1,715,340	2,234,465	913,000	-0-	270,540	6,010,399
	2014	849,444	-0-	1,321,592	731,639	1,029,000	-0-	272,213	4,203,888
C. M. Connor Executive Chairman*	2016	1,221,987	-0-	1,815,516	1,199,978	2,555,000	-0-	494,715	7,287,196
	2015	1,221,987	-0-	5,574,855	2,982,657	2,146,000	-0-	562,473	12,487,972
	2014	1,221,987	-0-	4,252,077	2,361,782	2,468,000	-0-	592,888	10,896,734
S. P. Hennessy Senior Vice President Finance and Chief Financial Officer*	2016	681,589	-0-	1,042,956	685,008	844,000	-0-	233,329	3,486,882
	2015	661,490	-0-	1,286,505	677,417	688,000	-0-	251,188	3,564,600
	2014	640,666	-0-	919,368	539,102	776,000	-0-	230,326	3,105,462
R. J. Davisson President, The Americas Group and Secretary	2016	611,936	-0-	811,188	544,120	794,000	-0-	159,740	2,920,984
	2015	586,214	-0-	900,554	510,590	506,000	-0-	156,109	2,659,467
	2014	524,612	-0-	632,066	376,516	557,000	-0-	139,432	2,229,626
C. M. Kilbane Senior Vice President, General Counsel and Secretary	2016	545,259	-0-	579,420	374,082	591,000	-0-	104,328	2,194,089
	2015	529,171	-0-	686,136	369,041	482,000	-0-	102,008	2,168,356
	2014	512,699	-0-	430,954	295,223	497,000	-0-	80,458	1,816,334

\* The titles for Messrs. Connor, Morikis and Hennessy reflect their positions during 2016. Effective December 31, 2016, Mr. Connor retired from Sherwin-Williams. Effective January 1, 2017, Mr. Morikis assumed the additional role of Chairman, and Mr. Hennessy became Senior Vice President Corporate Planning, Development and Administration.

<sup>1</sup> These values reflect shares of restricted stock and restricted stock units (RSUs) granted to our named executives. The value is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the ASC), excluding the effect of estimated forfeitures. This valuation method values the award assuming target level of performance based on the fair market value of our common stock (the average of the highest and lowest reported sale prices) on the grant date.

The following table sets forth the aggregate grant date fair value for the shares of restricted stock and RSUs reflected in this column assuming the highest level of performance conditions will be achieved.

	2016	2015	2014
J. G. Morikis	\$ 6,798,528	\$ 2,858,900	\$ 2,202,653
C. M. Connor	3,631,032	9,291,425	7,086,795
S. P. Hennessy	2,085,912	2,144,175	1,532,280
R. J. Davisson	1,622,376	1,500,923	1,053,443
C. M. Kilbane	1,158,840	1,143,560	718,256

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<sup>2</sup> These values reflect stock options granted to our named executives. The value of stock options is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the ASC), excluding the effect of estimated forfeitures. The values were calculated using a Black-Scholes option pricing model with the following weighted-average assumptions.

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Risk-free interest rate	1.24%		