MASCO CORP /DE/
Form DEF 14A
March 24, 2016
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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

(Amendment No.)

Filed by the Registrant x

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))

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240. 14a-12

MASCO CORPORATION

(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):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

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Masco Corporation

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Masco Corporation

21001 Van Born Road

Taylor, Michigan 48180

313-274-7400

www.masco.com

March 24, 2016

Dear Stockholder:

You are cordially invited to attend Masco Corporation s Annual Meeting of Stockholders on Monday, May 9, 2016 at our corporate office in Taylor, Michigan. The following pages contain information regarding the meeting schedule and the matters proposed for your consideration and vote. Following our formal meeting, we expect to provide a review of our operations and respond to your questions.

Our Annual Meeting agenda again includes an advisory say-on-pay vote to approve the compensation paid to our named executive officers. We believe that our continued efforts to enhance our pay-for-performance practices resulted in over 98% of the votes cast last year in favor of the compensation paid to our named executive officers. In 2015, we also continued our robust stockholder engagement program by reaching out to our largest stockholders in the spring and in the fall to discuss a broad range of executive compensation and governance topics.

Effective as of the date of our Annual Meeting of Stockholders, Dennis W. Archer, who has served Masco as a director since 2004, will be retiring from our Board. Mr. Archer has served on our Corporate Governance and Nominating Committee and our Audit Committee since 2005. We wish to thank Mr. Archer for his twelve years of service and express our sincerest appreciation and gratitude for his dedication and leadership during his tenure.

We urge you to carefully consider the information in the proxy statement regarding the proposals to be presented at our Annual Meeting. Your vote on the proposals presented in the accompanying notice and proxy statement is important, regardless of whether or not you are able to attend the Annual Meeting. Voting instructions can be found on the enclosed proxy card. Please submit your vote today by internet, telephone or mail.

On behalf of our entire Board of Directors, we thank you for your continued support of Masco Corporation, and we look forward to seeing you on May 9.

Sincerely,

J. Michael Losh

Chairman of the Board

Keith J. Allman

President and Chief Executive Officer

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MASCO CORPORATION

Notice of Annual Meeting of Stockholders

Date:	**May 9, 2016**
Time:	**10:00 A.M. Eastern time**
Place:	**Masco Corporation** **21001 Van Born Road** **Taylor, Michigan 48180**

The purposes of the Annual Meeting are:

1. To elect three Class I Directors;
2. To consider and act upon a proposal to approve the compensation paid to our named executive officers;
3. To ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for 2016; and
4. To transact such other business as may properly come before the meeting.

The Company recommends that you vote as follows:

- FOR each Class I Director nominee;
- FOR the approval of the compensation paid to our named executive officers; and
- FOR the selection of PricewaterhouseCoopers LLP as our independent auditors for 2016.

Stockholders of record at the close of business on March 11, 2016 are entitled to vote at the Annual Meeting or any adjournment or postponement of the meeting. Whether or not you plan to attend the Annual Meeting, you can ensure that your shares are represented at the meeting by promptly voting by internet or by telephone, or by completing, signing, dating and returning your proxy card in the enclosed postage prepaid envelope. Instructions for each of these methods and the control number that you will need are provided on the proxy card. You may withdraw your proxy before it is exercised by following the directions in the proxy statement. Alternatively, you may vote in person at the meeting.

By Order of the Board of Directors,

Kenneth G. Cole

Vice President, General Counsel and Secretary

March 24, 2016

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 9, 2016: THIS PROXY STATEMENT AND THE MASCO CORPORATION 2015 ANNUAL REPORT TO STOCKHOLDERS ARE AVAILABLE AT:

http://www.ezodproxy.com/masco/2016

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2016 Proxy Statement Summary

This summary highlights information to assist you in reviewing the proposals you will be voting on at our 2016 Annual Meeting. This summary does not contain all of the information you should consider; you should read the entire proxy statement carefully before voting. The proposals for our Annual Meeting are the election of our Class I Directors, the approval of the compensation paid to our named executive officers, and the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditors.

CORPORATE GOVERNANCE AND OUR BOARD OF DIRECTORS

Our Board of Directors is committed to maintaining our high standards of ethical business conduct and corporate governance principles and practices. Our corporate governance practices include:

ü **Robust Stockholder Engagement** We reach out to our largest stockholders each spring and fall to discuss a broad range of executive compensation and governance topics.

ü **Board Refreshment** Five new independent directors have joined our Board since 2012, and in 2015 our Board appointed a new Chairman of the Board and new Chairs of our Board Committees.

ü **Separation of our CEO and Chairman of the Board** The positions of our CEO and Chairman of the Board are separated; our Chairman of the Board is an independent director.

ü **Board Self-Evaluation** Annually, our directors review the effectiveness of our Board through a self-evaluation process.

ü **Majority Voting for our Directors** In uncontested elections, our director nominees must receive more than 50% of the votes cast to be elected to our Board.

ü **Director Independence** Nine of our eleven directors are independent, and all of the members of our Audit, Organization and Compensation, and Corporate Governance and Nominating Committees are independent.

DIRECTOR NOMINEES

The Class I Director Nominees for our Board of Directors are:

Donald R. Parfet	**Lisa A. Payne**	**Reginald M. Turner**

Director Since: 2012	Director Since: 2006	Director Since: 2015
Position: Managing Director, Apjohn, LLC and General Partner, Apjohn Ventures Fund, Limited Partnership	Position: Vice President, Taubman Centers, Inc. (through March 2016)	Position: Attorney and Member Clark Hill PLC
Independent: Yes	Independent: Yes	Independent: Yes
Committees: Organization and Compensation (Chair)	Committees: Audit (Chair)	Committees: Audit
Audit	Organization and Compensation	Corporate Governance and Nominating

If elected, each would serve for a three-year term concluding at our 2019 Annual Meeting.

2015 FINANCIAL PERFORMANCE

We delivered strong financial results in 2015. Our reported sales for the full year increased 2% to $7.1 billion, and increased 6% excluding the impact of foreign currency translation. We delivered operating margin expansion and strong cash flow generation, and we returned our cabinet business to profitability. Additionally, we successfully spun off 100% of our installation and other services businesses into an independent, publicly-traded company, TopBuild Corp., through a tax-free distribution to our stockholders on June 30, 2015. This transformed Masco into a home improvement and building products company where our distinct advantages brand and innovation are key success factors.

In addition to delivering sales and profit growth, we returned capital to our stockholders by repurchasing over 17 million shares of stock and increasing our dividends by six percent in 2015. Finally, we continued the execution of our strategy to position us for future growth by focusing on leveraging opportunities across our businesses, driving the full potential of our core businesses and actively managing our portfolio.

EXECUTIVE COMPENSATION

Based on our strong financial performance in 2015, we exceeded the target goals for our annual and long-term performance-based compensation programs.

2015 Annual Performance Program

Under our annual performance program we grant restricted stock and pay cash bonuses to our executive officers if we meet our performance goals for operating profit and working capital as a percent of sales. The following tables reflect our 2015 target goals, our performance relative to our target goals and the compensation we paid to our named executive officers under our 2015 annual performance program:

2015 Annual Performance Program			
Performance Metric	Target	Performance (as adjusted)	Weighted Performance Percentage
Operating Profit (in millions)	$845	$926	144%
Working Capital as a Percent of Sales	12.9%	12.8%	

Executive Officer	Cash Bonus ($)	Restricted Stock Award ($)	Total 2015 Annual Performance Compensation ($)
Keith J. Allman	2,376,000	2,376,001	4,752,001
John G. Sznewajs	695,500	695,403	1,390,903
Richard A. O Reagan	500,500	500,506	1,001,006

Amit Bhargava	252,000	252,039	504,039
Christopher K. Kastner	252,000	252,039	504,039

2016 Proxy Statement Summary

2013-2015 Long Term Performance Program

Under our Long Term Cash Incentive Program (LTCIP), our executive officers earn a cash award if we meet a return on invested capital performance goal for a three-year period. The following tables reflect our target goal for the 2013-2015 LTCIP performance period, our performance relative to our target goal and the compensation we paid to our named executive officers who participated in the 2013-2015 LTCIP:

2013-2015 LTCIP			
Performance Metric	Target	Performance (as adjusted)	Performance Percentage(1)
Return on Invested Capital	8.50%	10.49%	214%

(1) Although we achieved a performance percentage of 214%, our payout percentage under the LTCIP is capped at 200%.

Executive Officer	Cash Award ($)(1)
Keith J. Allman	675,000
John G. Sznewajs	795,000
Richard A. O Reagan	
Amit Bhargava	
Christopher K. Kastner	

(1) Messrs. O Reagan, Bhargava and Kastner were not executive officers in 2013 and therefore did not participate in our 2013-2015 LTCIP.

Stockholder Outreach

In 2015, we continued our robust stockholder engagement program through which we encourage certain of our stockholders to engage in dialogue with us twice per year. During the year, we reached out to stockholders holding almost 55% of our outstanding shares. We received positive feedback from the stockholders with whom we spoke regarding the structure of our compensation programs and practices, which was reflective of the strong support we have received for our say-on-pay proposal over the past four years. We provide reports on the feedback we receive to our Organization and Compensation Committee and Corporate Governance and Nominating Committee.

Our Compensation Practices

During 2015, our Organization and Compensation Committee (the Compensation Committee) continued to review our compensation programs and practices to ensure our interests and the objectives for our compensation programs are aligned. At our 2015 Annual Meeting, over 98% of the votes cast on our say-on-pay proposal approved the compensation we paid to our executive officers. Although the say-on-pay vote is advisory and non-binding, our Compensation Committee believes this approval percentage indicates strong support for our continued efforts to enhance our pay-for-performance practices, and our Compensation Committee concluded that our stockholders endorse our current executive compensation programs and practices.

Our compensation practices include:

- ü **Long-Term Incentives** Our compensation programs are weighted toward long-term incentives. We give approximately equal weight to performance-based restricted stock, stock options and our three-year LTCIP.
- ü **Five-Year Vesting** Our performance-based restricted stock and stock option awards vest over five years, which is longer than typical market practice.
- ü **Long-Term Performance Program** A significant portion of our executive officers compensation opportunity is based on the achievement of a long-term performance goal.
- ü **Clawback Policy** If we restate our financial statements, other than as a result of changes to accounting rules or regulations, our clawback policy allows us to recover incentive compensation paid to our executives in the three-year period prior to the restatement, regardless of whether misconduct caused the restatement.
- ü **Stock Ownership Requirements** We have minimum stock ownership requirements for our executive officers, including requiring our CEO to own stock valued at six times his base salary.
- ü **Double-Trigger** We have double-trigger vesting of equity on a change in control.
- ü **Tally Sheets and Risk Analysis** Our Compensation Committee uses tally sheets and analyzes risk in setting executive compensation.
- ü **Competitive Analysis** On an annual basis, our Compensation Committee reviews a market analysis of executive compensation paid by our peer companies and published survey data for comparably-sized companies.
- ü **Limited Perquisites** We provide limited perquisites to our executive officers.

Our compensation practices do not include:

û **Excise Tax Gross-Up** We have eliminated the excise tax gross-up feature on all of the equity grants made since 2012.

û **Hedging or Pledging** Our policy prohibits executives and directors from hedging our stock and from making future pledges of our stock.

û **Contractual Termination Arrangements** We have no change in control agreements, contractual severance agreements or employment agreements providing for severance payments with our executive officers.

û **Option Repricing** Our equity plan prohibits the repricing of options without stockholder approval.

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MASCO 2016

Corporate Governance

This section of our proxy statement provides information on the qualifications and experience of our director nominees and incumbent directors, the structure of our Board and our Board committees, and other important corporate governance matters.

DIRECTOR AND DIRECTOR NOMINEES

Our Board of Directors is divided into three classes. Following the election of the Class I directors nominated at this Annual Meeting, the terms of office of our Class I, Class II and Class III directors will expire at the Annual Meeting of Stockholders in 2019, 2017 and 2018, respectively, or when their respective successors are elected and qualified.

In addition to meeting the criteria that are described below under Board of Directors Board Composition and Membership, each of our director nominees and each continuing director brings a strong and unique background and set of skills to our Board. As a result, our Board as a whole possesses competence and experience in a wide variety of areas, including executive management, finance and accounting, executive compensation, risk management, manufacturing, global operations, corporate governance and board oversight, marketing and brand management, portfolio strategy, business development, governmental relations, law and compliance and real estate development. Biographical information for each of our director nominees and each continuing director is set forth below, including the specific business experience, qualifications, attributes and skills that led our Board to conclude that each should serve as a director.

DIRECTOR NOMINEES FOR CLASS I

(Term Expiring at the Annual Meeting in 2019)

Donald R. Parfet

Age: 63 | Director since 2012

RELEVANT SKILLS AND EXPERIENCE

As an executive with responsibilities for numerous global businesses, Mr. Parfet brings extensive financial and operating experience to our Board, including financial and corporate staff management responsibilities and senior operational responsibilities for multiple global business units. His experience in business development and venture capital firms provides our Board with a valued perspective on growth and strategy. He is also experienced in leading strategic planning, risk assessment, human resource planning and financial planning and control. His global operating experience, strong financial background and proven leadership capabilities are especially important to our Board s consideration of product and geographic expansion and business development opportunities.

BUSINESS EXPERIENCE

Director of Kelly Services, Inc., Rockwell Automation, Inc. and Pronai Theraputics, Inc.

Director and trustee of a number of charitable and civic organizations

Senior Vice President, Pharmacia Corporation, a pharmaceutical company, from which he retired in 2000

Served as a senior corporate officer of Pharmacia & Upjohn and The Upjohn

Company, predecessors of Pharmacia Corporation

Lisa A. Payne

Age: 57 | Director since 2006

RELEVANT SKILLS AND EXPERIENCE

Ms. Payne possesses extensive financial, accounting and corporate finance expertise gained through her experience as Chief Financial Officer of Taubman Centers and as an investment banker. Her financial focus and proficiency helped guide Taubman Centers through the economic recession and increased shareholder value. She brings to our Board an understanding of growth strategy. In addition, Ms. Payne s extensive experience in real estate investment, development and acquisition gives her an informed and thorough understanding of macroeconomic factors that may impact our business.

BUSINESS EXPERIENCE

Director of J.C. Penney Company, Inc., Rockwell Automation, Inc. and Taubman Centers, Inc. (through March 2016)

Taubman Centers, Inc.:

Chief Financial Officer (2005-2015)

Executive Vice President and Chief Financial and Administrative Officer (1997-2005)

Investment banker, Goldman, Sachs & Co. (1987-1997)

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Reginald M. Turner

Age: 56 | Director since 2015

RELEVANT SKILLS AND EXPERIENCE

As an accomplished litigator and legal advisor with expertise in labor and employment law and government relations, Mr. Turner brings to our Board powerful insight in these areas. His background, coupled with his service as a director of a financial institution and a member of its enterprise risk committee, make him a valuable asset to our Board in the areas of risk management and finance. Mr. Turner has numerous and varied experiences in business, civic and charitable leadership roles, and his skills and insight benefit our Board as it considers issues of risk management, corporate governance and legal risk.

BUSINESS EXPERIENCE

Director of Comerica Incorporated since 2005, where he currently chairs that board s Enterprise Risk Committee and serves on its Audit Committee and Qualified Legal Compliance Committee

Past President of the National Bar Association and past President of the State Bar of Michigan

Active in public service and with civic and charitable organizations, serving in leadership positions with the Detroit Public Safety Foundation, the Detroit Institute of Arts, and the Community Foundation for Southeast Michigan

Past chair of the United Way for Southeastern Michigan; Mr. Turner continues to serve on its executive committee

CLASS II DIRECTORS

(Term Expiring at the Annual Meeting in 2017)

Keith J. Allman

Age: 53 | Director since 2014

RELEVANT SKILLS AND EXPERIENCE

Mr. Allman brings to our Board strong business leadership skills, hands-on operational experience with our businesses and valuable insight into our culture. He played an integral role in developing our strategies to strengthen our brands and improve our execution, which has helped to provide the foundation for the current direction of our Company. His key leadership positions within our Company have given him deep knowledge of all aspects of our business, and he also possesses a significant understanding of, and experience with, complex operations as well as company-specific customer expertise.

BUSINESS EXPERIENCE

Masco Corporation:	Director of Oshkosh Corporation
Group President (2011-2014)	
President, Delta Faucet (2007-2011)	

Executive Vice President, Builder Cabinet Group (2004-2007)

Served in various management positions of increasing responsibility at Merillat Industries (1998-2003)

J. Michael Losh

Age: 69 | Director since 2003

RELEVANT SKILLS AND EXPERIENCE

Mr. Losh has strong leadership skills gained through significant executive leadership positions and through his service on boards of other publicly held companies in various industries. His current activities provide him with valuable exposure to developments in board oversight responsibilities, corporate governance, risk management, accounting and financial reporting, which enhances his service to us as Chairman of our Board. In addition, Mr. Losh has experience with and understands complex international financial transactions. He possesses substantial finance and accounting expertise gained through his experience as CFO of large organizations and through his service on other boards and audit committees.

BUSINESS EXPERIENCE

Director of Prologis, Aon plc, and H.B. Fuller Company

During the past five years, Mr. Losh served as a director of CareFusion Corporation and TRW Automotive Holdings Corp.

Interim Chief Financial Officer of Cardinal Health, Inc. (2004-2005)

Served for 36 years in various capacities at General Motors Corporation until his retirement in 2000

Christopher A. O Herlihy

Age: 52 | Director since 2013

RELEVANT SKILLS AND EXPERIENCE

Mr. O Herlihy joined Illinois Tool Works Inc. in 1989 and has been promoted to various positions with increased responsibilities. In his various roles, he has acquired extensive knowledge and experience in all aspects of business, including business strategy, operations, acquisitions, emerging markets, financial performance and structure, legal matters, and human resources/talent management. His current responsibilities include developing and executing the overall corporate growth strategy. He brings to our Board strategic insight and understanding of complex business and manufacturing operations, as well as a valuable perspective of international business operations, gained through his experience with a multi-billion dollar diversified global organization.

BUSINESS EXPERIENCE

Illinois Tool Works Inc.:

Executive Vice President, with worldwide responsibility for Illinois Tool Works Food Equipment Group (2010-2015)

Group President Food Equipment Group Worldwide (2010)

Group President   Food Equipment Group International (2009-2010)

For approximately 26 years, served in various positions of increasing responsibility, including as Group President of the Polymers and Fluids Group

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CLASS III DIRECTORS

(Term Expiring at the Annual Meeting in 2018)

Mark R. Alexander

Age: 51 | Director since 2014

RELEVANT SKILLS AND EXPERIENCE

As President of Campbell Soup Company s largest division, Mr. Alexander brings to our Board strong leadership skills and experience in developing and executing business growth strategies. His current business responsibilities include investing in brand-building, innovation and expanded distribution, which correspond to areas of focus at our business operations. His extensive international experience with consumer branded products and his background in marketing and customer relations also provide our Board with expertise and insight as we leverage our consumer brands in the global market.

BUSINESS EXPERIENCE

Campbell Soup Company:

President of Campbell North America (2012-2015), Campbell International (2010-2012) and Asia Pacific (2006-2009)

Chairman of the Board of Governors of GS1 U.S., a not-for-profit industry organization

Chief Customer Officer and President North America Baking & Snacking (2009-2010)

Served in various marketing, sales and management roles in the United States, Canada and abroad since 1989

Richard A. Manoogian

Age: 79 | Director since 1964

RELEVANT SKILLS AND EXPERIENCE

Mr. Manoogian was instrumental in the dramatic growth of Masco to one of the largest manufacturers in North America of brand-name products for home improvement and new home construction. His experience in navigating our Company through various phases of its transformation and diversification provides our Board with unique and extensive knowledge of our Company s history and strategies. As a long-term leader at Masco, Mr. Manoogian possesses firsthand knowledge of our operations as well as a deep understanding of the home improvement and new home construction industries.

BUSINESS EXPERIENCE

Our Chairman of the Board (1985-2012)

Masco Corporation:

Executive Chairman (2007-2009)

Chief Executive Officer (1985-2007)

Elected as President in 1968, and as Vice President in 1964

John C. Plant

Age: 62 | Director since 2012

RELEVANT SKILLS AND EXPERIENCE

Based on his leadership positions with multi-billion dollar diversified global companies, Mr. Plant brings to our Board strategic insight and understanding of complex operations as well as a valuable perspective of international business. He understands how to manage a company through economic cycles and major transactions. He also has a strong background in finance and extensive knowledge and experience in all aspects of business, including operations, business development matters, financial performance and structure, legal matters and human resources.

BUSINESS EXPERIENCE

Director of Alcoa, Inc., Jabil Circuit, Inc. and Gates Corporation, a privately held corporation

TRW Automotive Holdings Corp.:

Chairman of the Board (2011-2015)

President and Chief Executive Officer and Director (2003-2015)

Co-member of the Chief Executive Office of TRW Inc. and the President and Chief Executive Officer of the automotive business of TRW Inc. (2001-2003)

Vice Chairman of the Kennedy Center Corporate Fund Board

Director of the Automotive Safety Council

Mary Ann Van Lokeren

Age: 68 | Director since 1997

RELEVANT SKILLS AND EXPERIENCE

Ms. Van Lokeren s nearly 20 years of experience as the Chairman and CEO of a large and successful distribution company gives her valuable insight into many facets of company leadership and management including personnel, marketing, customer relationships and overall business strategy. She also brings to our Board an understanding of product distribution and logistics. Her current and past service as a director of other public companies and non-profit organizations gives her a broad perspective on issues of corporate governance, executive compensation, board oversight and risk management.

BUSINESS EXPERIENCE

Chairman and Chief Executive Officer of Krey Distributing Company (1987-2006), and served as its Secretary upon joining Krey in 1978

Director of The Laclede Group, Inc.

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BOARD OF DIRECTORS

Our Board of Directors is committed to maintaining our high standards of ethical business conduct and corporate governance principles and practices.

| Leadership Structure of our Board of Directors |

Mr. J. Michael Losh was appointed as Chairman of our Board on May 4, 2015. At that time, Mr. Losh also became the Chair of our Corporate Governance and Nominating Committee. Mr. Losh has served on our Board since 2003, including as the Chair of our Audit Committee from 2008-2015.

As an independent Chairman of our Board, Mr. Losh has a strong working relationship with the other directors. He presides at Board meetings and at executive sessions of the independent directors; consults with management regarding information sent to our Board; approves our Board s meeting agendas and assures that there is sufficient time for discussion of all agenda items; has the authority to call meetings of the independent directors; and oversees our Board and Committee self-evaluation process.

Our Board believes that its leadership structure is in the best interests of the Company and our stockholders at this time; however, our Board has no policy with respect to the separation of the roles of CEO and Chairman and believes that this matter should be discussed and determined by the Board from time to time, based on all of the then-current facts and circumstances. If the roles of Chairman and CEO are combined in the future, the role of Lead Director could become part of our Board leadership structure.

If you are interested in contacting the Chairman of our Board, you may send your communication in care of our Secretary to the address specified in Communications with Our Board of Directors below.

| Independence of our Directors |

Our Corporate Governance Guidelines require that a majority of our directors qualify as independent under the requirements of applicable law and the New York Stock Exchange s listing standards. For a director to be considered independent, our Board must determine that the director does not have any direct or indirect material relationship with us. Our Board has adopted standards to assist it in making a determination of independence for directors. These standards are posted on our website at www.masco.com.

Our Board has determined that nine of our eleven current directors, including all of our non-employee directors other than Mr. Manoogian, are independent. As an employee, Mr. Allman, our President and Chief Executive Officer (CEO), is not an independent director. Our independent directors are Messrs. Alexander, Archer, Losh, O Herlihy, Parfet, Plant and Turner, Ms. Payne and Ms. Van Lokeren. In making its independence determinations, our Board reviewed all transactions, relationships and arrangements for the last three fiscal years involving each non-employee director and the Company. In evaluating Mr. O Herlihy s independence, our Board considered our purchases of goods from Illinois Tool Works Inc. and its subsidiaries. The aggregate amount of these purchases was approximately $1.2

million in 2015. Illinois Tool Works has reported revenue of $13.4 billion in 2015. Our Board does not believe that Mr. O Herlihy has a material interest in these transactions.

Our Board also determined that we did not make any discretionary charitable contributions exceeding the greater of $1 million or 2% of the revenues of any charitable organization in which any of our directors was actively involved in the day-to-day operations.

| Board of Directors and Independent Committees of our Board |

During 2015, our Board of Directors held seven meetings. Each director attended at least 75% of our Board meetings and applicable committee meetings that were held while such person served as a director. It is our policy to encourage directors to attend our Annual Meeting of Stockholders, and all of our directors attended our 2015 Annual Meeting.

The standing committees of our Board of Directors are the Audit Committee, the Organization and Compensation Committee (the Compensation Committee) and the Corporate Governance and

Nominating Committee (the Governance Committee). Each member of each of these committees qualifies as independent. These committees function pursuant to written charters adopted by the Board. The committee charters, as well as our Corporate Governance Guidelines and our Code of Business Ethics, are posted on our website at www.masco.com and are available to you in print from our website or upon request. Amendments to or waivers of our Code of Business Ethics for directors and executive officers, if any, will be posted on our website.

Our non-employee directors frequently meet in executive session without management, and the independent directors meet separately at least once per year. The Chairman of our Board presides over these executive sessions.

| Board Refreshment |

Our Governance Committee periodically assesses the composition of our Board, including whether any vacancies are expected on our Board due to retirement or otherwise. In connection with this review, five new independent directors have joined our Board since December 2012, bringing fresh and diverse perspectives. These directors have particular strength in the areas of executive management, financial expertise, global operations, business strategy, brand management, risk management, labor and employment law and government relations. We believe the addition of these new directors, combined with our directors who have experience with us, provides a strong balance of deep, historical understanding of our Company and new perspectives, resulting in strong guidance and oversight to our executive management team.

In May 2015, our Board appointed Mr. Losh as our new independent Board Chairman, following the retirement of our Board s Chairman, Mr. Verne Istock. Mr. Losh has been a member of our Board since 2003, and served as our Audit Committee Chair from 2008 to 2015, stepping down from that position when he was appointed as Chair of our Governance Committee. Our Audit Committee is now led by Ms. Payne, who has been a member of our Board and Audit Committee since 2006. In addition, our Board appointed Mr. Parfet as our new Compensation Committee Chair. Mr. Parfet has been a member of our Board since 2012 and a member of the Compensation Committee since 2013.

| Board Composition and Membership |

Our Governance Committee believes that directors should possess exemplary personal and professional reputations, reflecting high ethical standards and values. The expertise and experience of directors should provide a source of advice and guidance to our management. A director s judgment should demonstrate an inquisitive and independent perspective with acute intelligence and practical wisdom. Directors should be free of any significant business relationships which would result in a potential conflict in judgment between our interests and the interests of those with whom we do business. Each director should be committed to serving on our Board for an extended period of time and to devoting sufficient time to carry out the director s duties and responsibilities in an effective manner for the benefit of our stockholders. Our Governance Committee also considers additional criteria adopted by our Board for director nominees and the independence, financial literacy and financial expertise standards required by applicable law and by the New York Stock Exchange.

Neither our Board nor our Governance Committee has adopted a formal Board diversity policy. However, as part of its assessment of Board composition and evaluation of potential director candidates, our Governance Committee considers whether our directors hold diverse viewpoints, professional experiences, education and other skills and attributes that are necessary to enhance Board effectiveness. In addition, our Governance Committee believes that it is desirable for Board members to possess diverse characteristics of race, national and regional origin, ethnicity, gender and age, and considers such factors in its evaluation of candidates for Board membership.

The Governance Committee uses a number of sources to identify and evaluate director nominees. It is the Governance Committee s policy to consider director candidates recommended by stockholders. All Board candidates, including those recommended by stockholders, are evaluated against the criteria described above. Stockholders wishing to have the Governance Committee consider a candidate should submit the candidate s name and pertinent background information to our Secretary at the address stated below in Communications with our Board of Directors. Stockholders who wish to nominate director candidates for election to our Board should follow the procedures set forth in our Certificate of Incorporation and Bylaws. For a summary of these procedures, see 2017 Annual Meeting of Stockholders below.

| Risk Oversight |

Management continually monitors four general categories of risk related to our business: financial reporting risk, strategic risk, operational risk, and legal, regulatory, ethical and compliance risk. Our entire Board discharges its oversight of risk through an annual review and discussion of a comprehensive analysis prepared by management on material risks facing us; updates regarding these risks are presented at each subsequent Board meeting. Our President and Chief Executive Officer, as the head of our management team and a member of our Board, assists our Board in its risk oversight function and leads those discussions.

The Compensation Committee and Audit Committee are responsible for risk oversight as described below under Committees of our Board of Directors.

| Communications with our Board of Directors |

If you are interested in contacting the Chairman of our Board, an individual director, our Board of Directors as a group, our independent directors as a group, or a specific Board committee, you may send a communication, specifying the individual or group you wish to contact, in care of:

Kenneth G. Cole, Secretary

Masco Corporation

21001 Van Born Road

Taylor, Michigan 48180

COMMITTEES OF OUR BOARD OF DIRECTORS

Audit Committee

7 meetings in 2015

Our Audit Committee assists our Board in its oversight of the integrity of our financial statements, the effectiveness of our internal controls over financial reporting, the qualifications, independence and performance of our independent auditors, the performance of our internal audit function, and our compliance with legal and regulatory requirements, including our employees compliance with our Code of Business Ethics.

At each of its meetings, our Audit Committee oversees risks related to financial reporting through review and discussion of management s reports and analyses of financial reporting risk and risk management practices. Periodically, our Audit Committee reviews and discusses certain additional financial and non-financial risks that we believe are most germane to our business activities.

Our Board has determined that each member of our Audit Committee is independent and financially literate. Five members of our Audit Committee, Messrs. Alexander, O Herlihy, Parfet and Plant and Ms. Payne, qualify as audit committee financial experts as defined in Item 407(d)(5)(ii) of Regulation S-K.

Organization and Compensation Committee

8 meetings in 2015

Our Compensation Committee determines executive compensation, evaluates the performance of our senior executives, determines and administers restricted stock awards and options granted under our stock incentive plan, administers our Long Term Cash Incentive Program, and reviews our management succession plan, including periodically reviewing our CEO s evaluation and recommendation of potential successors. Information about our Compensation Committee s process for consideration and determination of executive compensation, and a description of the role of the compensation consultant engaged by the Compensation Committee, are presented in the Compensation Discussion and Analysis below.

In addition, our Compensation Committee considers risks arising from our compensation policies and practices, and has determined that such risks are not reasonably likely to have a material adverse effect on us. Our executive officers and other members of management report to the Compensation Committee on executive compensation programs at our business units to assess whether these programs or practices expose us to excessive risk.

Corporate Governance and Nominating Committee

4 meetings in 2015

Our Governance Committee advises our Board on the governance structure and conduct of our Board and has responsibility for developing and recommending to our Board appropriate corporate governance guidelines and policies. In addition, our Governance Committee identifies and recommends qualified individuals for nomination and re-nomination to our Board and recommends directors for appointment and re-appointment to Board committees.

COMPENSATION OF DIRECTORS

Our non-employee directors receive the following compensation for service on our Board:

Compensation Element	Amount
Annual Cash Retainer	$120,000
Annual Equity Retainer (1)	Restricted stock with a value of $120,000 that vests in three equal installments over three years
Annual Chairman of the Board Cash Retainer	$200,000
Annual Committee Chair Cash Retainer (2)	$22,000 for the Audit Committee $18,000 for the Compensation Committee $12,000 for the Governance Committee
Meeting Fee (3)	None
Stock Ownership Guideline	Directors must retain at least 50% of the shares of restricted stock they receive from the Company until their service as a director concludes

(1) The restricted stock is granted under our Non-Employee Directors Equity Program.

(2) The Corporate Governance and Nominating Committee Chair retainer is not paid if the director who chairs that committee also serves as the Chairman of our Board.

(3) Our Board may approve the payment of meeting fees to directors serving on three or more standing committees or serving as members of a special committee constituted by our Board. No such fees were paid in 2015.

Our non-employee directors may participate in our matching gifts program until December 31 of the year in which their service as a director ends. Under this program, we will match up to $5,000 of a director s contributions to eligible 501(c)(3) tax-exempt organizations each year. Directors are also eligible to participate in our employee purchase program, which enables them to obtain rebates on our products that they purchase for their personal use. Both of these programs are available to all of our employees. In addition, if space is available, a director s spouse is permitted to accompany a director who travels on Company aircraft to attend Board or committee meetings.

The following table reflects 2015 compensation paid to our directors, other than Mr. Allman, who is also a Company employee and receives no additional compensation for his services as a director.

2015 Director Compensation				
Name	**Cash Fees Earned ($)**	**Restricted Stock Awards ($)(1)(3)**	**All Other Compensation ($)(2)**	**Total ($)(3)**
Mark R. Alexander	118,333	119,924		238,257
Dennis W. Archer	118,333	119,924	5,000	243,257
Verne G. Istock (4)	107,454			107,454
J. Michael Losh	259,222	119,924	5,000	384,146
Richard A. Manoogian	118,333	119,924	5,000	243,257
Christopher A. O Herlihy	118,333	119,924		238,257
Donald R. Parfet	130,333	119,924	5,000	255,257
Lisa A. Payne	133,000	119,924	5,000	257,924
John C. Plant	118,333	119,924		238,257
Reginald M. Turner	99,167	139,090		238,257
Mary Ann Van Lokeren	124,515	119,924	5,000	249,439

(1) In May 2015, we granted 4,992 shares of restricted stock to each non-employee director, except for Mr. Istock, whose service as a director ended on May 4, 2015, and Mr. Turner, who received an award of 5,789 shares as prorated equity compensation for his service as a director beginning in March 2015. This column reflects the aggregate grant date fair value of the shares, calculated in accordance with accounting guidance. Directors only realize the value of restricted stock awards over time because the vesting of awards occurs pro rata over three years, and one-half of these shares must be retained until completion of their service on our Board.

(2) Amounts in this column include our contributions in 2015 to eligible tax-exempt organizations under our matching gifts program, as described above, for which directors receive no direct financial benefit. The matching contributions were attributable to director charitable contributions made in 2015, 2014 or in both years.

(3) The following table sets forth the aggregate number of shares of unvested restricted stock, and the aggregate number of stock options outstanding, held on December 31, 2015 by each director who was serving on that date. Our Board ceased granting stock options to non-employee directors in 2010; however, a portion of the stock options granted before

then remains outstanding. The stock options outstanding for Mr. Manoogian were granted while he was a Company employee.

Director	Unvested Restricted Stock	Stock Options Outstanding
Mark R. Alexander	8,501	
Dennis W. Archer	15,431	36,468
J. Michael Losh	15,431	36,468
Richard A. Manoogian	15,431	2,158,481
Christopher A. O Herlihy	10,992	
Donald R. Parfet	11,887	
Lisa A. Payne	15,431	63,819
John C. Plant	13,916	
Reginald M. Turner	5,789	
Mary Ann Van Lokeren	15,431	29,174

(4) Mr. Istock retired from the Board in May 2015.

STOCKHOLDER ENGAGEMENT

In determining our executive compensation and corporate governance practices, we believe it is important to consider feedback from our stockholders. We have a robust stockholder outreach program through which we encourage certain of our stockholders to engage in dialogue with us twice per year. During the year, we reached out to stockholders holding almost 55% of our outstanding shares. We provide reports on the feedback we receive to our Compensation Committee and Governance Committee.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board of Directors has adopted a Related Person Transaction Policy that requires our Board or a committee of independent directors to approve or ratify any transaction involving us in which any director, director nominee, executive officer, 5% beneficial owner or any of their immediate family members has a direct or indirect material interest. This policy covers financial transactions, or any series of similar transactions, including indebtedness and guarantees of indebtedness, as well as transactions involving employment, but excludes transactions determined by our Board not to involve a material interest of the related person, such as ordinary course of business transactions of $120,000 or less and transactions in which the related person s interest is derived solely from service as a director of another entity or ownership of less than 10% of another entity s stock. The policy requires directors, director nominees and executive officers to provide prompt written notice to our Secretary of any related transaction so it can be reviewed by the Governance Committee. If the Governance Committee determines that the related person has a direct or indirect material interest in the transaction, it will consider all relevant information to assess whether the transaction is in, or not inconsistent with, our best interests and the best interests of our stockholders. The Governance Committee annually reviews previously-approved ongoing related transactions to determine whether the transactions should continue.

These procedures have been followed in connection with the review of the transactions described below. There have been no transactions since January 1, 2015 required to be described in this proxy statement that were not subject to review, approval or ratification in accordance with this policy.

In accordance with the terms of our 2009 agreement with Mr. Manoogian, who transitioned to Chairman Emeritus in 2012, we provide him with office space, an administrative assistant and reasonable equipment and supplies for his personal use, which together have an aggregate annual value of approximately $270,000. We charge Mr. Manoogian the full cost for additional office space and related equipment and supplies used by his personal and charitable foundation staff and for a driver and the incremental cost for his use of our aircraft (with prior approval from our CEO), all of which aggregated approximately $263,000 for 2015.

We entered into an agreement dated June 11, 2015 with Gerald Volas, who was our Group President, North American Diversified Businesses, in connection with his becoming the President and Chief Executive Officer of TopBuild Corp. as of June 30, 2015. The agreement provides for certain severance benefits if Mr. Volas is terminated by TopBuild without cause or if he resigns with good reason on or before August 3, 2019 and was assigned to TopBuild as of June 30, 2015.

Proposal 1: Election of Class I Directors

The term of office of our Class I Directors, who are Dennis W. Archer, Donald R. Parfet, Lisa A. Payne and Reginald M. Turner, expires at this meeting. Mr. Archer, who has served on our Board of Directors since 2004, will be retiring from our Board effective as of the date of our Annual Meeting of Stockholders, at which time the number of directors on our Board will be reduced to ten.

Our Board proposes the re-election of Messrs. Parfet and Turner and Ms. Payne, to serve as Class I Directors. The term of the Class I Directors elected at this Annual Meeting will expire at the Annual Meeting of Stockholders in 2019, or when their respective successors are elected and qualified.

Our Board expects that the persons named as proxy holders on the proxy card will vote the shares represented by each proxy for the election of each director nominee unless a contrary direction is given. If, prior to the meeting, a nominee is unable or unwilling to serve as a director, which our Board does not expect, the proxy holders may vote for such alternate nominee, if any, as may be recommended by our Board, or our Board may reduce its size.

Information regarding each of our director nominees is set forth above in Director Nominees for Class I.

Our Board of Directors recommends a vote FOR the election to Our Board of Directors of each of the following Class I Director nominees:

Name	Age	Director Since	Occupation
Donald R. Parfet	63	2012	Managing Director, Apjohn Group, LLC and General Partner, Apjohn Ventures Fund
Lisa A. Payne	57	2006	Vice Chairman of Taubman Centers, Inc. (through March 2016)
Reginald M. Turner	56	2015	Attorney and Member, Clark Hill PLC

Compensation Discussion and Analysis

EXECUTIVE SUMMARY

Our executive compensation programs are designed to promote the long-term interests of our stockholders by attracting and retaining talented executives and motivating them to achieve our business objectives and to create stockholder value. We believe that our performance, the achievement of strategic business goals and the creation of long-term stockholder value should impact a significant portion of our executive officers compensation. Our Organization and Compensation Committee (the Compensation Committee) oversees our compensation programs and the compensation paid to our named executive officers (who are listed in our 2015 Summary Compensation Table and to whom we refer in this Compensation Discussion and Analysis as executive officers).

How did our 2015 financial performance impact our executive officers compensation?

We delivered strong financial results in 2015. Our sales for the full year increased 2% to $7.1 billion (6% excluding the impact of foreign currency translation), and we returned our cabinet business to profitability. Additionally, we successfully spun off 100% of our installation and other services businesses into an independent, publicly-traded company, TopBuild Corp., through a tax-free distribution to our shareholders on June 30, 2015. Based on our strong financial performance in 2015, we exceeded the target goals for our performance-based compensation programs, which include:

- An annual performance program under which we grant restricted stock and pay cash bonuses to our executive officers if we meet annual performance goals; and

- A long term cash incentive program (LTCIP) under which we make cash awards to our executive officers if we meet return on invested capital performance goals over a three-year period.

The following tables reflect our target goals for our 2015 annual performance program and our 2013-2015 LTCIP and our performance relative to those goals:

2015 ANNUAL PERFORMANCE PROGRAM			
Performance Metric	Target	Performance (as adjusted)	Weighted Performance Percentage
Operating Profit (in millions)	$845	$926	144%
Working Capital as a Percent of Sales	12.9%	12.8%	

2013-2015 LTCIP			
Performance Metric	Target	Performance (as adjusted)	Performa[nce] Percentag[e]
Return on Invested Capital	8.50%	10.49%	214%

(1) Although we achieved a performance percentage of 214%, our payout percentage under the LTCIP is capped 200%.

Based on this performance, we paid the following compensation to our current executive officers under our 2015 annual performance program and 2013-2015 LTCIP:

Executive Officer	2015 Annual Performance Program Cash Bonus ($)	Restricted Stock Awards ($)	2013-2015 LTCIP Cash Award [1]	Total ($)
Keith J. Allman	2,376,000	2,376,001	675,000	5,427,001
John G. Sznewajs	695,500	695,403	795,000	2,185,903
Richard A. O Reagan	500,500	500,506		1,001,006
Amit Bhargava	252,000	252,039		504,039
Christopher K. Kastner	252,000	252,039		504,039

(1) Messrs. O Reagan, Bhargava and Kastner were not executive officers in 2013 and therefore did not participate in our 2013-2015 LTCIP.

What other performance compensation did Masco pay in 2015?

We grant stock options annually to our executive officers to align their long-term interests with those of our stockholders by reinforcing the goal of long-term share price appreciation. In 2015, our Compensation Committee awarded the following stock options to our executive officers:

Executive Officer	Stock Options Awarded (#)	Option Exercise Price ($ per share)	Value of Stock Options Awarded ($) (1)
Keith J. Allman	188,040	22.92	1,595,550
John G. Sznewajs	62,680	22.92	531,850
Richard A. O Reagan	38,747	22.92	328,780
Amit Bhargava (2)	48,434	22.92	410,975
Christopher K. Kastner (3)	50,713	22.92	430,315

(1) Aggregate grant date fair value of stock options, calculated in accordance with accounting guidance.

(2) Mr. Bhargava s employment with us commenced in January 2015, and he received an initial stock option grant in 2015 of 28,491 shares in addition to an annual grant.

(3) Mr. Kastner s employment with us commenced in December 2014, and he received an initial stock option grant in 2015 of 30,770 shares in addition to an annual grant.

These stock options will provide value to our executive officers only if the price of our common stock increases above the option exercise price of $22.92.

How much of our executive officers target compensation is performance-based?

Our target compensation mix for our CEO and our other executive officers reflects our emphasis on long-term, performance-based compensation that incentivizes our executive officers to make strategic decisions that will strengthen our business and create long-term value for our stockholders. In 2015, over 80% of our CEO s target compensation and over 70% of our other executive officers target compensation was performance-based, as shown in the graphs below.

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What are our compensation program highlights?

Our compensation practices include:

ü **Long-Term Incentives** Our compensation programs are weighted toward long-term incentives. We give approximately equal weight to performance-based restricted stock, stock options and our three-year LTCIP.

ü **Five-Year Vesting** Our performance-based restricted stock and stock option awards vest over five years, which is longer than typical market practice.

ü **Long-Term Performance Program** A significant portion of our executive officers compensation opportunity is based on the achievement of a long-term performance goal.

ü **Clawback Policy** If we restate our financial statements, other than as a result of changes to accounting rules or regulations, our clawback policy allows us to recover incentive compensation paid to our executives in the three-year period prior to the restatement, regardless of whether misconduct caused the restatement.

ü **Stock Ownership Requirements** We have minimum stock ownership requirements for our executive officers, including requiring our CEO to own stock valued at six times his base salary.

ü **Double-Trigger** We have double-trigger vesting of equity on a change in control.

ü **Tally Sheets and Risk Analysis** Our Compensation Committee uses tally sheets and analyzes risk in setting executive compensation.

ü **Competitive Analysis** On an annual basis, our Compensation Committee reviews a market analysis of executive compensation paid by our peer companies and published survey data for comparably-sized companies.

ü **Limited Perquisites** We provide limited perquisites to our executive officers.

Our compensation practices do not include:

û **Excise Tax Gross-Up** We have eliminated the excise tax gross-up feature on all of the equity grants made since 2012.

û **Hedging or Pledging** Our policy prohibits executives and directors from hedging our stock and from making future pledges of our stock.

û **Contractual Termination Arrangements** We have no change in control agreements, contractual severance agreements or employment agreements providing for severance payments with our executive officers.

û **Option Repricing** Our equity plan prohibits the repricing of options without stockholder approval.

How did we consider our 2015 say-on-pay vote and engage with our stockholders?

At our 2015 Annual Meeting, over 98% of the votes cast on our say-on-pay proposal approved the compensation we paid to our executive officers. Although the say-on-pay vote is advisory and non-binding, our Compensation Committee believes this approval percentage indicates strong support for our continued efforts to enhance our pay-for-performance practices, and our Compensation Committee concluded that our stockholders endorse our current executive compensation programs and policies.

In 2015, we continued our robust stockholder engagement program through which we encourage certain of our stockholders to engage in dialogue with us twice per year. During the year, we reached out to stockholders holding almost 55% of our outstanding shares. We received positive feedback from the stockholders with whom we spoke regarding the structure of our compensation programs and practices, which was reflective of the strong support we received for our say-on-pay proposal over the past four years. We provide reports on the feedback we receive to our Compensation Committee and Governance Committee.

COMPENSATION DECISIONS IN 2015

How did Masco perform in 2015, and how did that performance impact the executive officers compensation?

We delivered strong financial results in 2015. Our reported sales for the full year increased 2% to $7.1 billion, and increased 6% excluding the impact of foreign currency translation. We delivered operating margin expansion and strong cash flow generation and we returned our cabinet business to profitability. Additionally, we successfully spun off 100% of our installation and other services businesses into an independent, publicly-traded company, TopBuild Corp., through a tax-free distribution to our stockholders on June 30, 2015. This transformed Masco into a home improvement and building products company where our distinct advantages brand and innovation are key success factors.

In addition to delivering sales and profit growth, we returned capital to our stockholders by repurchasing over 17 million shares of stock and increasing our dividends by six percent in 2015. Finally, we continued the execution of our strategy to position us for future growth by focusing on leveraging opportunities across our businesses, driving the full potential of our core businesses and actively managing our portfolio.

Our annual performance program for 2015 was based on operating profit and working capital as a percent of sales goals. We exceeded the target goals for this program and achieved a performance percentage of 144%. As a result, consistent with our commitment to pay-for-performance, our executive officers earned restricted stock awards and cash bonuses based on this achievement (see What annual performance compensation did Masco pay in 2015? below).

Our LTCIP for the three-year period from 2013 to 2015 was based on a return on invested capital (ROIC) goal, and we significantly improved our ROIC over the three-year period. Our adjusted ROIC in 2013, 2014 and 2015 was 9.24%, 10.60% and 11.62%, respectively, for an average adjusted ROIC of 10.49%. This level of performance resulted in the maximum payout to our executives under our 2013-2015 LTCIP (see What long-term performance compensation did Masco pay in 2015? below).

What annual performance compensation did Masco pay in 2015?

We provide annual performance-based restricted stock and cash bonus opportunities to our executive officers to emphasize our annual performance, provide incentive to achieve our critical business objectives, and align our executive officers interests with those of our stockholders.

Our Compensation Committee establishes the restricted stock and cash bonus opportunities available to each executive officer as a percent of the officer s annual base salary. An executive officer can earn up to the maximum opportunity as both a restricted stock award and a cash bonus payment. Our current executive officers had the following opportunities in 2015 under our annual performance program:

	Opportunities for Cash Bonus & Stock Awards, Each as a % of Annual Base Salary

Executive Officer	Minimum	Target	Maximum
Keith J. Allman	0%	150%	300%
John G. Sznewajs	0%	75%	150%
Richard A. O Reagan	0%	75%	150%
Amit Bhargava	0%	50%	100%
Christopher K. Kastner	0%	50%	100%

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Our Compensation Committee established the following operating profit and working capital as a percent of sales target goals for our 2015 annual performance program:

Our Compensation Committee selected operating profit and working capital as a percent of sales metrics for our annual 2015 performance program because it believed that improvement in these metrics would continue to drive stockholder value. These metrics are easily derived from our audited financial statements, which our Compensation Committee believes provides transparency both for our stockholders (as requested from stockholders when we sought feedback) and our executive officers. Our Compensation Committee gave a 75% weighting to the operating profit metric and a 25% weighting to the working capital as a percent of sales metric.

In setting our performance targets, our Compensation Committee reviews our operating forecast for the year, taking into account general economic and industry conditions. In establishing the 2015 performance targets, it was expected that housing starts and consumer spending for home improvement projects would increase in 2015 and that there would be improved performance from all of our businesses. Our Compensation Committee also expected that we would continue to incur incremental expenses related to growth investments and launch of new programs with our retail customers. Our Compensation Committee adjusted the targets to reflect the change in our business as a result of our spin off of TopBuild.

Based on our strong financial performance in 2015, we achieved 154% of our operating profit target and 110% of our working capital as a percent of sales target. After weighting the operating profit metric at 75% and the working capital as a percent of sales metric at 25%, our actual performance percentage for the 2015 annual performance program was 144% of target:

	Potential Payout Versus Performance			Actual Performance					
Performance Metric	Adjusted Threshold (40% Payout)	Adjusted Target (100% Payout)	Adjusted Maximum (200% Payout)	Performance as Adjusted	Percentage Attained Relative to Target		Weighting		Performance Percentage
Operating Profit (in millions)	$ 695	$ 845	$ 995	$ 926	154%	×	75%	=	116%
Working Capital as a Percent of Sales	13.5%	12.9%	11.9%	12.8%	110%	×	25%	=	28%
									144%

To determine achievement of our operating profit performance target, we adjusted our 2015 reported operating profit from continuing operations of $914 million to exclude the effects of rationalization charges ($18 million) and other unusual non-recurring net gains ($6 million). The net adjustment increased operating profit for purposes of the annual performance program to $926 million.

To determine achievement of our working capital as a percent of sales performance target, we define working capital as a percent of sales as the quarter-end averages of our reported accounts receivable and inventories, less accounts payable, divided by our reported sales for the year. For 2015, our working capital as a percent of sales was 12.8%.

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We calculated the actual cash bonuses to be paid and restricted stock award values to be granted to our executive officers under the 2015 annual performance program by multiplying the target opportunities for each executive officer by the 144% performance percentage and multiplying that result by each executive officer s base salary, as follows:

Executive Officer	Target Opportunity		Performance Percentage		Base Salary		Amount of Cash Bonus ($)	Value of Restricted Stock Award ($) [1]	Total 2015 Annual Performance Compensation ($)
Keith J. Allman	150%	×	144%	×	1,100,000	=	2,376,000	2,376,001	4,752,001
John G. Sznewajs	75%	×	144%	×	644,000	=	695,500	695,403	1,390,903
Richard A. O Reagan	75%	×	144%	×	463,500	=	500,500	500,506	1,001,006
Amit Bhargava	50%	×	144%	×	350,000	=	252,000	252,039	504,039
Christopher K. Kastner	50%	×	144%	×	350,000	=	252,000	252,039	504,039

(1) The number of shares of restricted stock granted is determined by dividing the value of the restricted stock award by the closing price of our common stock on the grant date and rounding to the nearest ten shares. The amount reflected in this column is the value of the shares of restricted stock received.

What long-term performance compensation did Masco pay in 2015?

We have a LTCIP that provides a meaningful incentive for our executive officers to achieve long-term growth and profitability. A performance award in cash is earned under the LTCIP if we achieve ROIC goals over a three-year period.

Our Compensation Committee establishes the LTCIP opportunity available to each executive officer as a percent of the officer s annual base salary at the beginning of each LTCIP three-year performance period. Messrs. O Reagan, Bhargava and Kastner were not executive officers in 2013, and therefore did not participate in the 2013-2015 LTCIP.

Messrs. Allman and Sznewajs had the following LTCIP opportunities under the 2013-2015 LTCIP:

	Opportunity under the 2013-2015 LTCIP		
Executive Officer	Minimum	Target	Maximum