

SHERWIN WILLIAMS CO
Form 11-K
June 27, 2018

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 11-K

ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
(Mark One):

☒ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2017

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-04851

A. Full title of the plan and the address of the plan, if different from that of the issuer named below: THE
SHERWIN-WILLIAMS COMPANY EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office: THE
SHERWIN-WILLIAMS COMPANY, 101 W. PROSPECT AVENUE, CLEVELAND, OHIO 44115

PAGE 1 OF 13
EXHIBIT INDEX APPEARS ON PAGE 13

ANNUAL REPORT

THE SHERWIN-WILLIAMS COMPANY
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

December 31, 2017 and 2016

INDEX

The following financial statements and other information of The Sherwin-Williams Company Employee Stock Purchase and Savings Plan (the Plan) are included herewith:

Page

<u>3</u>	Report of Independent Registered Public Accounting Firm
<u>5</u>	Statements of Net Assets Available for Benefits
<u>6</u>	Statement of Changes in Net Assets Available for Benefits
<u>7</u>	Notes to Financial Statements
<u>12</u>	Signature of the V.P. - Employee Benefits
<u>13</u>	Exhibit index

The following supplemental schedule of the Plan included in the Annual Report of the Plan on Form 5500 filed with the Employee Benefits Security Administration for the year ended December 31, 2017 is included herewith:

Page

<u>11</u>	Schedule H, Line 4(i)-Schedule of Assets (Held at End of Year)
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Plan Participants and Administrative Committee of
The Sherwin-Williams Company Employee Stock Purchase and Savings Plan
Cleveland, Ohio

Opinion on the Financial Statements

We have audited the accompanying statements of net assets available for benefits of The Sherwin-Williams Company Employee Stock Purchase and Savings Plan (the "Plan") as of December 31, 2017 and 2016, the related statement of changes in net assets available for benefits for the year ended December 31, 2017, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2017 and 2016, and the changes in net assets available for benefits for the year ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on the Plan's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Plan in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting in accordance with the standards of the PCAOB. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion in accordance with the standards of the PCAOB.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Supplemental Information

The supplemental Schedule H, Line 4(i) - Schedule of Assets (Held at End of year) as of December 31, 2017 has been subjected to audit procedures performed in conjunction with the audit of The Sherwin-Williams Company Employee Stock Purchase and Savings Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information presented in the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we

evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Crowe Horwath LLP

We have served as the Plan's auditor since 2015.

Oak Brook, Illinois
June 25, 2018

STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS

THE SHERWIN-WILLIAMS COMPANY
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

	December 31, 2017	2016
Investments, at fair value:		
The Sherwin-Williams Company common stock	\$4,114,179,836	\$2,878,472,249
Mutual funds	570,100,686	491,395,928
Collective trust funds	1,350,087,146	1,097,940,591
Money market funds	50,505,502	53,100,671
Total	6,084,873,170	4,520,909,439
Receivables:		
Notes receivable from participants	81,204,661	78,564,294
Contributions receivable from participants	2,309,346	2,227,960
Contributions receivable from The Sherwin-Williams Company	1,466,858	1,435,757
Other	325,015	227,733
Total	85,305,880	82,455,744
Net assets available for benefits	\$6,170,179,050	\$4,603,365,183

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

THE SHERWIN-WILLIAMS COMPANY
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

Year Ended
December 31,
2017

Increases in net assets available for benefits:	
Interest and dividend income on diversified investments	\$26,649,909
Interest on Notes receivable from participants	3,624,839
Dividends on The Sherwin-Williams Company common stock	35,305,862
Contributions from participants	146,776,865
Contributions from The Sherwin-Williams Company	90,492,842
Other income	150,622
	303,000,939
Decreases in net assets available for benefits:	
Benefits paid directly to participants	470,483,276
Fees	1,963,087
	472,446,363
Net realized and unrealized appreciation in fair value of:	
The Sherwin-Williams Company common stock	1,469,737,314
Diversified investments	266,521,977
	1,736,259,291
Net increase	1,566,813,867
Net assets available for benefits:	
Beginning of year	4,603,365,183
End of year	\$6,170,179,050

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

THE SHERWIN-WILLIAMS COMPANY
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

December 31, 2017 and 2016

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounts of the Plan are reported on the accrual basis.

The following tables present the Plan's financial assets that are measured at fair value on a recurring basis, categorized using the fair value hierarchy as of December 31, 2017 and 2016:

	Fair Value at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
The Sherwin-Williams Company common stock ⁽¹⁾	\$4,114,179,836	\$4,114,179,836		
Mutual funds ⁽²⁾	570,100,686	570,100,686		
Money market fund ⁽¹⁾	50,505,502	50,505,502		
Total assets in the fair value hierarchy	4,734,786,024	4,734,786,024	—	—
Collective trust funds ⁽³⁾	1,350,087,146			
Investments at fair value	\$6,084,873,170	\$4,734,786,024	\$	—\$

	Fair Value at December 31, 2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
The Sherwin-Williams Company common stock ⁽¹⁾	\$2,878,472,249	\$2,878,472,249		
Mutual funds ⁽²⁾	491,395,928	491,395,928		
Money market fund ⁽¹⁾	53,100,671	53,100,671		
Total assets in the fair value hierarchy	3,422,968,848	3,422,968,848	—	—
Collective trust funds ⁽³⁾	1,097,940,591			
Investments at fair value	\$4,520,909,439	\$3,422,968,848	\$	—\$

⁽¹⁾ The fair value of The Sherwin-Williams Company common stock and Money market fund is based on quoted prices in active markets for identical securities.⁽²⁾ The fair value of mutual funds is based on quoted redemption values on national security exchanges on the last business day of the Plan year and is valued at the net asset value (NAV) of shares held by the Plan at year-end.⁽³⁾ In accordance with the Fair Value Measurement Topic of the Accounting Standards Codification (ASC), investments that were measured at NAV using the practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the statement of Net Assets Available for Benefits. There are no unfunded commitments, significant redemption limitations or restrictions on the ability to sell these funds.

Notes receivable from participants are valued at their unpaid principal balance plus accrued interest.

Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes and supplemental schedule. Actual results could differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

THE SHERWIN-WILLIAMS COMPANY EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

NOTE 2 - DESCRIPTION OF THE PLAN

The Plan is a defined contribution plan subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). Any salaried employee of The Sherwin-Williams Company (the Company) or participating subsidiary and any employee in a group of employees to which coverage has been extended on a non-discriminatory basis by the Board of Directors of the Company is eligible for membership in the Plan provided the employee: (a) is a full-time or part-time employee of the Company or a subsidiary of the Company which has adopted the Plan; (b) is not a member of a collective bargaining unit which was recognized by the Company on the date coverage under the Plan is extended to the employees work group, division or subsidiary, unless and until such eligibility shall be extended to members of such collective bargaining unit by negotiations between an Employer and the bargaining agent, and is not a member of a collective bargaining unit which is first recognized by an Employer after the date coverage under the Plan is extended to the employees work group, division or subsidiary where such collective bargaining unit through its representative has agreed with an Employer that the members of such collective bargaining unit shall no longer be eligible for membership in the Plan; and (c) is employed in the United States or is a United States citizen if not employed therein.

Eligible employees hired by the Company or participating subsidiary have the option of participating in the Plan. The maximum participant contribution is 25% of earnings, subject to limitations imposed by law. The Company makes matching contributions of 100% on the first 6% of eligible employee contributions beginning the quarter following the employees' one-year anniversary with the Company. Prior to January 1, 2017, eligible employees were 100% vested in Company contributions. Effective January 1, 2017, Company matching contributions become 100% vested on the third anniversary of a participant's service date for those participants with a service date of January 1, 2017 or later. There is no partial vesting; a participant that leaves the Company before reaching the third anniversary of their service date forfeits the unvested benefit. Participants may diversify both future and prior Company matching contributions previously allocated to Company stock into diversified investments. In the absence of participant direction, Company matching contributions are directed to Company stock.

Eligible employees hired by the Company are automatically enrolled in the Plan and, in the absence of participant direction, their contributions are directed to an appropriate T. Rowe Price Retirement Trust fund. Employee contributions are established at 3% of pre-tax earnings. Eligible new hires may change the pre-selected enrollment option or choose not to participate in the Plan prior to being automatically enrolled. If new hires choose not to change the automatic enrollment employee contribution level of 3%, the employee contribution level will increase at the beginning of each subsequent plan year by 1%, until either the employee individually changes the employee contribution level or the employee contribution level reaches the maximum automatic employee contribution level. The maximum automatic employee contribution level is 10%.

Notable Plan features include the following: (a) eligible employees can utilize a toll-free phone system or the Internet to obtain account statements and to conduct transactions; (b) withdrawals from the Plan (including loans) are processed any business day subject to certain trading restrictions imposed by each fund manager; (c) eligible employees can change their investment option direction for new contributions any business day; (d) eligible employees are 100% vested in eligible employee contributions; (e) if elected by the eligible employee, account statements are sent on a quarterly basis; and (f) eligible employees are allowed to diversify 100% of amounts invested in Company stock, including Company contributions to the eligible employee's account, to the diversified investments.

NOTES TO FINANCIAL STATEMENTS

THE SHERWIN-WILLIAMS COMPANY EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

The Plan permits eligible employees to borrow from such eligible employee's vested benefit portion of their accounts an amount not to exceed the lesser of \$50,000 reduced by certain outstanding loans to the eligible employee under the Plan or one half of the vested benefit portion of the eligible employee's account under the Plan. Notes receivable from participants are treated as a transfer between the other investment funds and the Notes receivable from participants activity fund. Terms range from one to five years or up to ten years for the purchase of a primary residence. The Notes receivable from participants are secured by the balance in the eligible employee's account and bear interest at the prime interest rate plus one percent. Principal and interest are paid ratably through payroll deductions and credited to the eligible employee's account.

Investments in Company stock and the diversified investments are participant directed. In the absence of participant direction, employee and Company contributions are directed as described above.

Subject to certain Plan limitations, the Plan permits eligible employees to withdraw in cash or shares up to 100% of the market value of all amounts credited to such eligible employee's employee contribution account plus up to 100% of the market value of amounts credited to an eligible employee's Company contribution account. Withdrawals from an eligible employee's Company contribution account for Company contributions made before January 1, 2002 are permitted subject to certain plan rules. Company contributions made after January 1, 2002 are fully vested and can only be withdrawn from eligible employees' accounts in the event of death, disability, retirement, termination of employment or attainment of age 59½.

Subject to certain Plan limitations, the Plan permits eligible employees to make a withdrawal in cash from the vested portion of the eligible contribution account upon attainment of age 59½. Eligible employees under age 59½ may be permitted to make a hardship withdrawal from the eligible employee's salary reduction account for certain financial emergencies, including certain medical expenses, certain tuition and education expenses, payments to prevent foreclosure on a principal residence occupied by an eligible employee, payments to finance the purchase (excluding mortgage payments) of a principal residence, payments related to certain funeral expenses, and payments related to expenses for employees affected by a declared disaster. Distributions are recorded when paid.

Distributions from diversified investments for withdrawals or upon an eligible employee's termination of employment are made in cash at the market value as of the valuation date coinciding with or immediately preceding the distribution. An eligible employee may elect to receive distribution from Company stock for withdrawals or upon an eligible employee's termination of employment in whole shares of stock determined as of the applicable valuation date. Fractional share interest is distributed in cash at the market value as of the stock transfer date. If such election is not made, distributions from Company stock are made in cash.

The Plan invests in various investment securities. Investment securities, including Company common stock, are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statements of net assets available for benefits.

Costs incidental to the purchase and sale of securities, such as brokerage fees, commissions, and stock transfer taxes, are borne by the respective funds. Costs and expenses of administering the Plan are primarily borne by the Company, with the exception of fees relating to participant loan activity and qualified domestic relations orders, which are borne by the eligible employees. Other income consists of unallocated revenue credits from the Fidelity Management Trust Company (the Trustee), which the Plan intends to use to pay for future administrative expenses or allocate pro-rata back to participants.

NOTES TO FINANCIAL STATEMENTS

THE SHERWIN-WILLIAMS COMPANY EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

Further information about the Plan is contained in the Plan's Summary Plan Description (SPD). Copies of this SPD are available from the Administration Committee of the Company.

NOTE 3 - INCOME TAX STATUS

The Plan has received a determination letter from the Internal Revenue Service (IRS) dated June 29, 2017, stating that the Plan is qualified under Section 401(a) of the Internal Revenue Code (the Code) and, therefore, the related trust is exempt from taxation. Once qualified, the Plan is required to operate in conformity with the Code to maintain its qualification. The Plan Administrator believes the Plan is being operated in compliance with the applicable requirements of the Code and, therefore, believes the Plan is qualified and the related trust is tax-exempt. Accounting principles generally accepted in the United States require Plan management to evaluate uncertain tax positions taken by the Plan. The financial statement effects of a tax position are recognized when the position is more likely than not, based on the technical merits, to be sustained upon examination by the IRS. The Plan Administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2017, there are no uncertain positions taken or expected to be taken. The Plan has recognized no interest or penalties related to uncertain tax positions. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan Administrator believes it is no longer subject to income tax examinations for years prior to 2014.

NOTE 4 - PRIORITIES ON TERMINATION OF THE PLAN

The Company reserves the right, by action of its Board of Directors, to amend, modify, suspend, or terminate the Plan. No such action will allow funds held in trust by the Trustee or the income thereon to be used for purposes other than for the exclusive benefit of members or their beneficiaries.

NOTE 5 - TRANSACTIONS WITH PARTIES-IN-INTEREST

As of December 31, 2017 and 2016, the Plan held 10,033,576 and 10,710,973 shares of the Company's common stock, respectively. During the year ended December 31, 2017, the Plan earned dividend income of \$35,305,862.

Certain Plan investments are shares of mutual or collective trust funds managed by the Trustee or an affiliate of the Trustee, and therefore qualify as party-in-interest transactions. Fees paid during the year for services rendered by the Trustee or an affiliate of the Trustee constitute party-in-interest transactions. In addition, the Plan holds notes receivable representing participant loans, which qualify as party-in-interest transactions.

THE SHERWIN-WILLIAMS COMPANY EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN
SCHEDULE H, LINE 4(i)--SCHEDULE OF ASSETS (HELD AT END OF YEAR)
AS OF DECEMBER 31, 2017
EIN: 34-0526850
PLAN NUMBER: 001

(b) Identity of Issue, Borrower, (a) Lessor or Similar Party	(c) Description of Investment Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value	(d) Cost	(e) Current Value
Common Stock			
* The Sherwin-Williams Company	Company Stock Fund (10,033,576 shares)	**	\$4,114,179,836
Mutual Funds			
Vanguard Group, Inc.	Vanguard Institutional Index Fund Institutional Plus Shares	**	117,003,573
Vanguard Group, Inc.	Vanguard FTSE All-World ex-US Index Fund Institutional Plus Shares	**	85,577,209
Vanguard Group, Inc.	Vanguard Total Bond Market Index Fund Institutional Shares	**	65,037,299
Virtus Investment Partners	Virtus Ceredex Large-Cap Value Equity Fund	**	58,937,095
Vanguard Group, Inc.	Vanguard Wellington Fund Admiral Shares	**	55,126,752
Vanguard Group, Inc.	Vanguard Wellesley® Income Fund Admiral™ Shares	**	43,072,920
* Fidelity Investments	Fidelity® Puritan® Fund	**	36,328,514
* Fidelity Investments	Fidelity® Limited Term Government Fund	**	29,754,610
Franklin Templeton Investments	Franklin Mutual Shares Fund	**	29,514,113
PIMCO Investments LLC	PIMCO Low Duration Fund Institutional Class	**	21,155,239
Vanguard Group, Inc.	Vanguard Inflation-Protected Securities Fund Institutional Shares	**	17,210,812
PIMCO Investments LLC	PIMCO All Asset Fund Institutional Class	**	6,632,926
* Fidelity Investments	Fidelity® International Capital Appreciation Fund	**	4,749,624
Collective Trust Funds			
* Fidelity Management Trust Company	Fidelity® Contrafund® Commingled Pool	**	196,631,092
T. Rowe Price Trust Company	T. Rowe Price Retirement 2030 Fund	**	126,376,880
T. Rowe Price Trust Company	T. Rowe Price Retirement 2025 Fund	**	126,126,961
T. Rowe Price Trust Company	T. Rowe Price Retirement 2020 Fund	**	106,045,704
T. Rowe Price Trust Company	T. Rowe Price Retirement 2035 Fund	**	90,976,068
T. Rowe Price Trust Company	T. Rowe Price Retirement 2040 Fund	**	90,618,697
T. Rowe Price Trust Company	T. Rowe Price Retirement 2050 Fund	**	88,817,125
T. Rowe Price Trust Company	T. Rowe Price Retirement 2045 Fund	**	81,161,331
* Fidelity Management Trust Company	Fidelity® Mid-Cap Stock Commingled Pool	**	79,622,121
*	Fidelity® Low-Priced Stock Commingled Pool	**	73,237,617

Fidelity Management Trust Company			
	Wellington Trust Company	WTC-CIF II Small Cap Opportunities Portfolio	** 71,336,379
*	Fidelity Management Trust Company	Managed Income Portfolio II Class 4	** 64,585,465
	T. Rowe Price Trust Company	T. Rowe Price Retirement 2055 Fund	** 60,424,351
	T. Rowe Price Trust Company	T. Rowe Price Retirement 2015 Fund	** 35,259,266
	T. Rowe Price Trust Company	T. Rowe Price Retirement 2060 Fund	** 12,412,019
	TD Ameritrade	Strategic Allocation TOPS™ Aggressive Growth Portfolio	** 9,627,484
	TD Ameritrade	Strategic Allocation TOPS™ Balanced Portfolio	** 5,747,232
	T. Rowe Price Trust Company	T. Rowe Price Retirement 2010 Fund	** 5,632,385
	Invesco Trust Company	Invesco Core Plus Fixed Income Fund	** 5,301,701
	TD Ameritrade	Strategic Allocation TOPS™ Growth Portfolio	** 5,269,374
	T. Rowe Price Trust Company	T. Rowe Price Retirement 2005 Fund	** 4,271,463
	TD Ameritrade	Strategic Allocation TOPS™ Moderate Growth Portfolio	** 3,819,837
	TD Ameritrade	Strategic Allocation TOPS™ Conservative Portfolio	** 3,606,745
	TD Ameritrade	Strategic Allocation TOPS™ Income and Growth Portfolio	** 2,958,095
*	Fidelity Management Trust Company	Managed Income Portfolio II Class 2	** 221,754
*	Fidelity Investments	Fidelity® Money Market Government Portfolio	** 50,505,502
*	Participant Loans	Notes Receivable from Participants, with interest rates ranges of 4.25% to 10.5%	** 81,204,661
			\$6,166,077,831

* Represents a Party-in-Interest.

** Cost information is not required for participant-directed investments.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Plan trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on their behalf by the undersigned hereunto duly authorized.

THE SHERWIN-WILLIAMS COMPANY
EMPLOYEE STOCK PURCHASE AND SAVINGS PLAN

/s/ D.S. Mansfield

D.S. Mansfield, V.P. - Employee Benefits

June 25, 2018

EXHIBIT INDEX

Exhibit Number	Exhibit Description	Sequential Page Number Where Exhibit Can Be Found
23	Consent of Independent Registered Public Accounting Firm	14