

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

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Check the appropriate box:

Preliminary Proxy Statement

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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](http://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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MASCO 2016 **PROXY STATEMENT SUMMARY**

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

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

**Table of Contents****PROXY STATEMENT SUMMARY MASCO 2016****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. Szniewajs   | 695,500         | 695,403                     | 1,390,903                                       |
| Richard A. O Reagan | 500,500         | 500,506                     | 1,001,006                                       |

|                               |         |         |         |
|-------------------------------|---------|---------|---------|
| <b>Amit Bhargava</b>          | 252,000 | 252,039 | 504,039 |
| <b>Christopher K. Kastner</b> | 252,000 | 252,039 | 504,039 |

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## 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 <sup>(1)</sup> |
| <b>Return on Invested Capital</b> | 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 (\$) <sup>(1)</sup> |
|-------------------------------|--------------------------------|
| <b>Keith J. Allman</b>        | 675,000                        |
| <b>John G. Sznwajs</b>        | 795,000                        |
| <b>Richard A. O Reagan</b>    |                                |
| <b>Amit Bhargava</b>          |                                |
| <b>Christopher K. Kastner</b> |                                |

(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.

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**PROXY STATEMENT SUMMARY** MASCO 2016

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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**PART I CORPORATE GOVERNANCE 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.

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MASCO 2016 **PART I CORPORATE GOVERNANCE**

**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 Therapeutics, Inc.

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

Director and trustee of a number of charitable and civic organizations

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)

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

Taubman Centers, Inc.:

Chief Financial Officer (2005-2015)

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



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**PART I CORPORATE GOVERNANCE MASCO 2016**

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

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

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





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MASCO 2016 **PART I CORPORATE GOVERNANCE**

**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

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

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

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



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**PART I CORPORATE GOVERNANCE MASCO 2016**

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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MASCO 2016 **PART I CORPORATE GOVERNANCE**

**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:

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

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

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

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**PART I CORPORATE GOVERNANCE MASCO 2016**

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

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)

TRW Automotive Holdings Corp.:

Vice Chairman of the Kennedy Center Corporate Fund Board

Chairman of the Board (2011-2015)

Director of the Automotive Safety Council

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

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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### MASCO 2016 **PART I CORPORATE GOVERNANCE**

#### **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](http://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

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**PART I CORPORATE GOVERNANCE MASCO 2016**

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](http://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

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MASCO 2016 **PART I CORPORATE GOVERNANCE**

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



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**PART I CORPORATE GOVERNANCE** MASCO 2016

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.

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MASCO 2016 **PART I CORPORATE GOVERNANCE**

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.

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

| Compensation Element                       | Amount   |
|--|--|
| Annual Cash Retainer                       | \$120,000  |
| Annual Equity Retainer<br>(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<br><br>\$18,000 for the Compensation Committee<br><br>\$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.

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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<br>Earned (\$) | Restricted<br>Stock              | All Other                           | Total (\$) <sup>(3)</sup> |
|                                       |                          | Awards<br>(\$) <sup>(1)(3)</sup> | Compensation<br>(\$) <sup>(2)</sup> |                           |
| <b>Mark R. Alexander</b>              | 118,333                  | 119,924                          |                                     | 238,257                   |
| <b>Dennis W. Archer</b>               | 118,333                  | 119,924                          | 5,000                               | 243,257                   |
| <b>Verne G. Istock</b> <sup>(4)</sup> | 107,454                  |                                  |                                     | 107,454                   |
| <b>J. Michael Losh</b>                | 259,222                  | 119,924                          | 5,000                               | 384,146                   |
| <b>Richard A. Manoogian</b>           | 118,333                  | 119,924                          | 5,000                               | 243,257                   |
| <b>Christopher A. O Herlihy</b>       | 118,333                  | 119,924                          |                                     | 238,257                   |
| <b>Donald R. Parfet</b>               | 130,333                  | 119,924                          | 5,000                               | 255,257                   |
| <b>Lisa A. Payne</b>                  | 133,000                  | 119,924                          | 5,000                               | 257,924                   |
| <b>John C. Plant</b>                  | 118,333                  | 119,924                          |                                     | 238,257                   |
| <b>Reginald M. Turner</b>             | 99,167                   | 139,090                          |                                     | 238,257                   |
| <b>Mary Ann Van Lokeren</b>           | 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.

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

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

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**PART I CORPORATE GOVERNANCE MASCO 2016**

**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.

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## 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   |
|---------------------------|-----|----------------|--|
| <b>Donald R. Parfet</b>   | 63  | 2012           | Managing Director, Apjohn Group, LLC and General Partner, Apjohn Ventures Fund |
| <b>Lisa A. Payne</b>      | 57  | 2006           | Vice Chairman of Taubman Centers, Inc. (through March 2016)                    |
| <b>Reginald M. Turner</b> | 56  | 2015           | Attorney and Member, Clark Hill PLC  |



**Table of Contents****PART II COMPENSATION DISCUSSION AND ANALYSIS MASCO 2016**

## 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                     |                                 |
| Working Capital as a Percent of Sales | 12.9%  | 12.8%                     | 144%                            |

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

<sup>(1)</sup> Although we achieved a performance percentage of 214%, our payout percentage under the LTCIP is capped at 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 <sup>(1)</sup> | 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.

**Table of Contents**MASCO 2016 **PART II COMPENSATION DISCUSSION AND ANALYSIS***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                            | Option Exercise Price     |                |  |
|--|---------------------------|----------------|--|
|  | Stock Options Awarded (#) | (\$ per share) | Value of Stock Options Awarded (\$) <sup>(1)</sup> |
| <b>Keith J. Allman</b>                       | 188,040                   | 22.92          | 1,595,550  |
| <b>John G. Sznewajs</b>                      | 62,680                    | 22.92          | 531,850  |
| <b>Richard A. O Reagan</b>                   | 38,747                    | 22.92          | 328,780  |
| <b>Amit Bhargava</b> <sup>(2)</sup>          | 48,434                    | 22.92          | 410,975  |
| <b>Christopher K. Kastner</b> <sup>(3)</sup> | 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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**PART II COMPENSATION DISCUSSION AND ANALYSIS MASCO 2016**

*What are our compensation program highlights?*

Our compensation practices include:

- ii **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.
  
- ii **Five-Year Vesting** Our performance-based restricted stock and stock option awards vest over five years, which is longer than typical market practice.
  
- ii **Long-Term Performance Program** A significant portion of our executive officers' compensation opportunity is based on the achievement of a long-term performance goal.
  
- ii **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.
  
- ii **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.
  
- ii **Double-Trigger** We have double-trigger vesting of equity on a change in control.
  
- ii **Tally Sheets and Risk Analysis** Our Compensation Committee uses tally sheets and analyzes risk in setting executive compensation.
  
- ii **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.

û **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.

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## 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 |
|-------------------------------|---------|--------|---------|
| <b>Keith J. Allman</b>        | 0%      | 150%   | 300%    |
| <b>John G. Sznewajs</b>       | 0%      | 75%    | 150%    |
| <b>Richard A. O Reagan</b>    | 0%      | 75%    | 150%    |
| <b>Amit Bhargava</b>          | 0%      | 50%    | 100%    |
| <b>Christopher K. Kastner</b> | 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:

| Performance Metric                           | Potential Payout Versus Performance |               |               | Actual Performance |        |           |             |
|--|-------------------------------------|---------------|---------------|--------------------|--------|-----------|-------------|
|  | Adjusted                            | Adjusted      | Adjusted      | Percentage         |        |           | Performance |
|  | Threshold                           | Target        | Maximum       | Adjusted           | Target | Weighting |             |
|  | (40% Payout)                        | (100% Payout) | (100% Payout) | Performance as to  | to     | to        | Percentage  |
| <b>Operating Profit (in millions)</b>        | \$ 695                              | \$ 845        | \$ 995        | \$ 926             | 154%   | × 75%     | = 116%      |
| <b>Working Capital as a Percent of Sales</b> | 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 (\$) <sup>(1)</sup> | Total 2015 Annual Performance Compensation (\$) |
|-------------------------------|--------------------|---|------------------------|---|-------------|---|---------------------------|---|---|
| <b>Keith J. Allman</b>        | 150%               | × | 144%                   | × | 1,100,000   | = | 2,376,000                 | 2,376,001   | 4,752,001                                       |
| <b>John G. Sznewajs</b>       | 75%                | × | 144%                   | × | 644,000     | = | 695,500                   | 695,403   | 1,390,903                                       |
| <b>Richard A. O Reagan</b>    | 75%                | × | 144%                   | × | 463,500     | = | 500,500                   | 500,506   | 1,001,006                                       |
| <b>Amit Bhargava</b>          | 50%                | × | 144%                   | × | 350,000     | = | 252,000                   | 252,039   | 504,039   |
| <b>Christopher K. Kastner</b> | 50%                | × | 144%                   | × | 350,000     | = | 252,000                   | 252,039   | 504,039   |

<sup>(1)</sup>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:

| Executive Officer                     | Opportunity under the 2013-2015 LTCIP |        |         |
|---------------------------------------|---------------------------------------|--------|---------|
|                                       | Minimum                               | Target | Maximum |
| <b>Keith J. Allman <sup>(1)</sup></b> | 0%                                    | 75%    | 150%    |
| <b>John G. Sznewajs</b>               | 0%                                    | 75%    | 150%    |

<sup>(1)</sup>

Mr. Allman was serving as our Group President in 2013 when the LTCIP opportunities were established.

Our Compensation Committee established the following ROIC goals and corresponding payout percentages for the 2013-2015, 2014-2016 and 2015-2017 LTCIP performance periods. These performance goals are consistent with our long-range business plan and require a high level of performance to achieve:

|  | Three-Year Average ROIC |               |               |
|--|-------------------------|---------------|---------------|
|  | Threshold               | Target        | Maximum       |
|  | (40% Payout)            | (100% Payout) | (200% Payout) |
| <b>2013-2015 Performance Period</b>  | 7.50%                   | 8.50%         | 10.25%        |
| <b>2014-2016 Performance Period<br/>(adjusted after TopBuild spin off)</b> | 7.50%                   | 10.50%        | 15.50%        |
| <b>2015-2017 Performance Period<br/>(adjusted after TopBuild spin off)</b> | 9.00%                   | 12.00%        | 17.00%        |

Our Compensation Committee chose the ROIC performance metric because ROIC reinforces our executive officers focus on capital efficiency and consistent return on capital. Additionally, our stockholders have told us that ROIC is a measure of importance to them in their assessment of our long-term stockholder value. Our Compensation Committee establishes performance goals at the beginning of each three-year period. After the spin off of TopBuild, our Compensation Committee determined it was appropriate to adjust the ROIC targets for the 2014-2016 and 2015-2017 performance periods to reflect the change in our business as a result of the spin off.

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From 2013 to 2015, we substantially improved our ROIC through our cost reductions, restructuring activities, product innovations, new product introductions and market share gains. As a result, we achieved adjusted ROIC of 11.62% in 2015. Under the LTCIP, we use the average annual ROIC performance over a three-year period to determine the award amount. Our average adjusted ROIC was 10.49% for the 2013-2015 performance period, resulting in a performance percentage of 214%, which exceeded the maximum 200% ceiling for payment under the LTCIP.

| Performance Metric | Potential Payout Versus Performance |                         |                          | Actual Performance |  |
|--------------------|-------------------------------------|-------------------------|--------------------------|--------------------|--|
|                    | Threshold<br>(40% Payout)           | Target<br>(100% Payout) | Maximum<br>(200% Payout) | (as<br>adjusted)   | Percentage<br>Attained Relative<br>to Target |
| ROIC               | 7.50%                               | 8.50%                   | 10.25%                   | 10.49%             | 214%   |

Under the LTCIP, we define ROIC as after-tax operating income from continuing operations adjusted to exclude the effect of special charges and certain other non-recurring income and expenses, divided by adjusted invested capital. Adjusted invested capital includes shareholders' equity, which we adjust to add back the cumulative after-tax impact of goodwill and intangible asset impairment charges and to exclude the impact of certain non-operating income and expenses and the effects of special charges, plus short-term and long-term debt minus cash. Our Compensation Committee believes that these adjustments are important to reflect our actual investment at the time we invested in our current businesses. Following is our ROIC in 2013, 2014 and 2015, taking these adjustments into account:

|                                       | ROIC        |                         |
|---------------------------------------|-------------|-------------------------|
|                                       | As Reported | As Adjusted Under LTCIP |
| <b>2013</b>                           | 16.28%      | 9.24%                   |
| <b>2014</b>                           | 18.76%      | 10.60%                  |
| <b>2015</b>                           | 26.08%      | 11.62%                  |
| <b>2013 - 2015 Three-Year Average</b> |             | 10.49%                  |

The following table reflects the cash awards paid to Messrs. Allman and Szniewajs under the 2013-2015 LTCIP. We calculated the award amount by multiplying the target opportunity for each executive officer by 200%, the maximum payout percentage, and multiplying the result by each executive officer's base salary in 2013 at the start of the three-year performance period. We used a payout percentage of 200% instead of the performance percentage of 214%, because payout under the LTCIP is capped at 200% of the target opportunity.

| Executive Officer        | Target Opportunity |   | Payout Percentage |   | Base Salary in 2013 | = | 2013 2015 LTCIP Cash Award (\$) |
|--------------------------|--------------------|---|-------------------|---|---------------------|---|---------------------------------|
| <b>Keith J. Allman</b>   | 75%                | × | 200%              | × | 450,000             | = | 675,000                         |
| <b>John G. Szniewajs</b> | 75%                | × | 200%              | × | 530,000             | = | 795,000                         |



**Table of Contents****MASCO 2016 PART II COMPENSATION DISCUSSION AND ANALYSIS***What stock options did Masco grant in 2015?*

We grant stock options annually to our executive officers. The value of the stock option grants approximates the target opportunity for each executive officer with respect to our annual performance program. Our Compensation Committee believes that stock options are an important component of our executive compensation program because they align our executive officers' 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 (\$) | Value of Stock Options Awarded (\$) <sup>(1)</sup> |
|--|---------------------------|----------------------------|--|
| <b>Keith J. Allman</b>                       | 188,040                   | 22.92                      | 1,595,550  |
| <b>John G. Szniewajs</b>                     | 62,680                    | 22.92                      | 531,850  |
| <b>Richard A. O Reagan</b>                   | 38,747                    | 22.92                      | 328,780  |
| <b>Amit Bhargava</b> <sup>(2)</sup>          | 48,434                    | 22.92                      | 410,975  |
| <b>Christopher K. Kastner</b> <sup>(3)</sup> | 50,713                    | 22.92                      | 430,315  |

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

*What were the other components of Masco's executive compensation program in 2015?***| Base Salary |**

We pay our executive officers a base salary to provide each of them with a minimum, base level of cash compensation. During 2015, our Compensation Committee engaged its independent compensation consultant, Semler Brossy Consulting Group, LLC ( Semler Brossy ), to perform a comprehensive analysis of CEO pay levels within our peer group, as well as for similarly situated companies outside of that group. Based on this analysis and our Board's assessment of Mr. Allman's performance, our Compensation Committee determined that Mr. Allman's salary of \$900,000, which was established when he was promoted to CEO in 2014, should be increased approximately 22% to \$1,100,000. Mr. Allman's current salary now approximates the median of the market compensation for his position as CEO.

Our Compensation Committee also approved a 3% merit increase in salary in 2015 for Mr. Szniewajs, our Vice President, Treasurer and Chief Financial Officer, adjusting his salary from \$625,000 to \$644,000, and for Mr. O Reagan, our Group President, Global Plumbing, adjusting his salary from \$450,000 to \$463,500. In determining

the appropriate compensation adjustments for executives, our Compensation Committee reviewed market survey data in published executive compensation surveys for companies with annual revenues similar to ours and received input from Semler Brossy.

#### | Perquisites and Other Compensation |

Our executive officers receive a limited number of perquisites. We maintain Company aircraft for business purposes, and our Compensation Committee has evaluated our policies and valuation practices for personal use of these aircraft. Our Board has requested that our CEO use our aircraft for both business and personal travel, with personal travel subject to prior approval by the Chairman of our Board. Notwithstanding this requirement, personal use of our aircraft is considered a perquisite for SEC reporting purposes. We may occasionally permit other executive officers to use our aircraft, if available, for personal travel.

Our executive officers are eligible to participate in an estate and financial planning program to assist them in achieving the benefit of our compensation programs. This program provides up to \$10,000 per year for financial planning and tax preparation.



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Our executive officers may receive relocation benefits, which include reimbursement for certain moving and temporary living expenses and cash for incidental costs related to relocation.

**| Retirement Programs |**

We maintain defined contribution retirement plans for all of our employees. These plans are tax qualified 401(k) savings plans, which in some cases include a matching component and/or a profit sharing component. Our executive officers are eligible to participate in a tax-qualified 401(k) savings plan (the 401(k) Savings Plan ) that includes a matching component and a profit sharing component, as well as a benefits restoration plan (the BRP ). The BRP enables all of our highly-compensated employees to obtain the full financial benefit of the 401(k) Savings Plan, notwithstanding various limitations imposed on the plans under the Internal Revenue Code (the Code ).

Our executive officers are also entitled to receive benefits under our frozen defined benefit plans, which are the Masco Corporation Pension Plan and the portion of the BRP applicable to the Masco Corporation Pension Plan. Mr. Szniewajs may also receive benefits under a Supplemental Executive Retirement Plan ( SERP ). No other current executive officer has SERP benefits. In 2010, we froze accruals in all of these plans, as well as in all of our other defined benefit plans offered to our U.S. employees. Consequently, the pension benefits ultimately payable to all executive officers are essentially fixed, although Mr. Szniewajs 's vesting in the frozen accrued SERP benefit has continued. Mr. Szniewajs will not be fully vested in his frozen SERP benefit unless he continues to be employed with us until he is age 55, or we have a change in control. See Payments Upon a Change in Control below.

**MASCO 'S EXECUTIVE COMPENSATION PROGRAM HIGHLIGHTS**

Our executive compensation programs incorporate the practices described below.

**| We Provide Long-Term Equity Incentives |**

We believe that having a significant ownership interest in our stock is critical to aligning the interests of our executive officers with the long-term interests of our stockholders. Accordingly, restricted stock awards and stock options are an important component of our executive officers ' compensation. Our equity awards are priced based on the closing price on the date of grant, unless the grant date occurs within seven days prior to the release of our financial results. In that event, the grant is effective at the end of the second trading day after the release of the results and priced based on the closing price of our common stock on that date. Our equity awards vest in 20% installments over five years. Five-year vesting defers the executives ' realization of the full benefit of equity-based compensation for a substantial period of time and is longer than typical market practice. The value our executive officers ultimately realize from equity awards depends on the long-term performance of our common stock. Further, equity awards do not vest immediately upon retirement. Instead, following retirement, equity awards generally continue to vest in accordance with the remaining vesting period. Our executive officers understand that our performance will continue to impact them financially even after they retire, thereby reinforcing their focus on the long-term enhancement of stockholder value.

**| We Have a Long-Term Performance Program |**

Through our stockholder engagement we have learned that our stockholders strongly support a performance compensation program that measures performance over several years. Based on this feedback, we implemented our LTCIP, which measures ROIC over a three-year period. As a result, a significant portion of our executive officers

compensation opportunity is based on the achievement of a long-term performance goal.

#### | We Can Clawback Incentive Compensation |

If we restate our financial statements, other than as a result of changes to accounting rules or regulations, our Compensation Committee may recover from our executives incentive compensation that was paid or granted in the three-year period prior to the restatement, regardless of whether misconduct caused the restatement.

#### | We Require Minimum Levels of Stock Ownership by Our Executives |

We require minimum stock ownership for our executive officers to further reinforce the alignment of their long-term financial interests with the interests of our stockholders. This requirement ensures that our executive

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officers maintain a substantial investment in our common stock and that a meaningful amount of each executive officer's personal net worth is invested in our Company. Our executive officers are required to achieve the stock ownership necessary to meet the stock ownership requirements within three years of becoming subject to them.

Our Compensation Committee reviews our executive officers' ownership of our common stock annually to ensure compliance with our stock ownership guidelines. Our executive officers' direct stock holdings and unvested restricted stock awards are counted toward satisfaction of the guidelines. As of December 31, 2015, when the closing price of our common stock was \$28.30, each of our executive officers met his stock ownership requirement, except for Mr. Allman. Under our stock ownership guidelines, Mr. Allman must meet this requirement by February 2017, three years from the date he became our CEO.

| Name                          | Minimum Stock Ownership Requirements |  | Actual Ownership  |           |
|-------------------------------|--------------------------------------|--|---|-----------|
|                               | Multiple of<br>Base Salary           | Multiple Expressed in<br>Multiple of<br>Dollars as of<br>12/31/2015 (\$) | Value of Shares<br>Held by Executive<br>as of<br>12/31/2015 |           |
|                               |                                      |  | Multiple of<br>Base Salary                                  | (\$)      |
| <b>Keith J. Allman</b>        | 6                                    | 6,600,000  | 5.5   | 6,013,976 |
| <b>John G. Sznewajs</b>       | 3                                    | 1,932,000  | 8.8   | 5,665,717 |
| <b>Richard A. O Reagan</b>    | 2                                    | 927,000  | 4.5   | 2,071,956 |
| <b>Amit Bhargava</b>          | 2                                    | 700,000  | 2.3   | 806,295   |
| <b>Christopher K. Kastner</b> | 2                                    | 700,000  | 2.5   | 885,281   |

**| We Adopted Double-Trigger Change of Control Provisions for Our Equity Awards |**

The terms of our equity awards granted after 2012 provide that the awards will vest only if there is both a change in control of our Company and the recipient of the award is terminated from employment at the time of the change in control or within two years after the change in control, or terminates employment for good reason (for example, if his or her job duties have been significantly diminished) (double-trigger vesting), or if the recipient's awards are not replaced with comparable awards by the acquiring company.

**| Our Compensation Committee Conducts an Annual Compensation Risk Evaluation |**

Our Compensation Committee annually conducts a risk assessment of our executive compensation programs and has concluded that our programs do not encourage excessive risk taking. While the total compensation program is designed to balance short- and long-term rewards, the largest portion of the compensation opportunity for our executive officers is through equity- and cash-based long-term incentives. Executive officers are also required to own a substantial amount of our stock to further encourage a long-term perspective. The annual cash bonus and stock award programs have established maximum payout opportunities in line with competitive practice.

**| Our Policies Encourage Executive Retention and Protect Us |**

We believe several features of our equity plans improve our retention of our executive officers and also reduce the potential that executive officers might engage in post-termination conduct that would be harmful to us. Our executive

officers generally forfeit unvested awards of restricted stock and stock options when their employment terminates prior to retirement. Executive officers may exercise vested options for a limited period of time following termination. The terms of our awards prohibit our executive officers from competing with us for one year after termination. If an executive officer violates this restriction, we can recover the gain the executive officer realized from awards that vested within two years prior to termination.

#### | We Prohibit Excise Tax Gross-Up Payments |

Our Board has adopted a policy prohibiting excise tax gross-up payments, except for such payments committed to in equity awards and frozen SERP agreements entered into prior to 2012. Specifically, equity awards made in 2012 and thereafter will no longer be included for purposes of determining future excise tax gross-up payments. With the exception of tax equalization gross-up payments made to employees in connection with reimbursement of relocation or foreign expatriate expenses incurred at our request, we do not provide other tax gross-up payments.

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**PART II COMPENSATION DISCUSSION AND ANALYSIS MASCO 2016**

**| We Prohibit Hedging and Pledging |**

Our anti-hedging and anti-pledging policy prohibits our executive officers and our directors from engaging in any hedging transactions (including transactions involving options, puts, calls, prepaid variable forward contracts, equity swaps, collars and exchange funds or other derivatives) that are designed to hedge or speculate on any change in the market value of our equity or debt securities. Additionally, our executive officers and directors are prohibited from making any future purchases of our securities on margin or from pledging our securities as collateral for a loan, unless the arrangement is preapproved by our Governance Committee for any executive or by our Board for any director.

**| We Do Not Have Contractual Termination Arrangements |**

Our executive officers do not have employment contracts and are at-will employees who may be terminated at our discretion. We believe this preserves greater flexibility in our employment arrangements with our executive officers. Our executive officers also do not have change in control or severance contracts, although we have, from time to time, entered into severance arrangements with departing executive officers. For further discussion regarding change in control, see [Payments Upon Change In Control](#) below.

**OUR ANNUAL REVIEW PROCESS**

*What process is used by management and our Compensation Committee to make compensation decisions?*

We review and make decisions regarding the amount of eligible annual performance-based restricted stock awards, cash bonus payments and stock option grants in the first quarter of the year. We believe that determining these elements of compensation together at the beginning of the year gives us a better foundation for establishing our performance criteria and opportunity levels for the current year. This practice also better enables our Compensation Committee to determine our executive officers' appropriate compensation mix and to align compensation with ongoing talent review and development in conjunction with our annual management talent review.

Our annual management talent review and development process is used by our Compensation Committee and our CEO in making compensation decisions and for succession planning purposes. As part of this process, our CEO provides our Compensation Committee with an assessment of each executive who reports to him. The assessment includes an evaluation of each executive's performance, development, progress and plans and potential for advancement, and considers market demand for the executive's skill set. Our Compensation Committee also receives information, analyses and recommendations from our Vice President, Chief Human Resource Officer. While our Compensation Committee gives significant weight to the evaluations by our CEO, the final determination of compensation to be paid to the executive officers, including our CEO, rests solely with our Compensation Committee.

*What compensation data are considered by our Compensation Committee in establishing annual compensation?*

In establishing compensation, our Compensation Committee reviews a tally sheet that summarizes the various components of total compensation for our executive officers and other members of management. The tally sheet includes base salary, annual performance-based restricted stock and cash bonus, LTCIP awards, stock options, dividends on unvested shares of restricted stock, and our costs for the foregoing and for perquisites and other benefits, including the annual costs under retirement plans. The tally sheet allows our Compensation Committee to compare an executive officer's compensation with the compensation of our other executive officers as part of its consideration of

internal and external pay equity. Amounts actually realized by an executive officer from prior equity grants are not necessarily a factor in establishing current compensation, although the current value of outstanding equity awards may be considered by our Compensation Committee when assessing pay equity.

Our Compensation Committee also reviews compensation for each of our executive officers with compensation information disclosed in the proxy statements of our peer group and with AonHewitt's and Towers Watson's published compensation surveys for companies with annual revenues between \$5 and \$10 billion. When we achieve targeted levels of performance, our executive compensation program seeks to provide total target compensation (base salary, target annual bonus and the target value of long-term incentives) at approximately the median compensation level provided to executives in comparable positions at these companies. While our Compensation Committee generally targets total compensation for each executive officer at the median, it

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considers other factors, such as the length of time the officer has served in the current position, the officer's roles and responsibilities and performance. Our Compensation Committee also reviews actual compensation paid as reported in published surveys and by our peer group to help inform individual pay decisions. We believe understanding the market data allows us to attract and retain the talent we need while enabling us to manage our compensation expense.

The following table shows how our current executive officers' target compensation and actual compensation in 2015 compared to market data published in 2015. Actual compensation is defined as the sum of base salary, actual cash bonuses paid under our annual program and under our LTCIP, and the grant date fair value of restricted stock awards and stock options.

| Executive Officer   | Comparison to Market Compensation                            |  |
|---|--|--|
|   | 2015 Target Compensation                                     | 2015 Actual Compensation                                     |
| <b>Keith J. Allman</b>  | Between the 25 <sup>th</sup> and 50 <sup>th</sup> percentile | Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile |
| President and Chief Executive Officer<br><b>John G. Szniewajs</b>                   | Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile | Approximately 75 <sup>th</sup> percentile                    |
| Vice President, Treasurer and Chief Financial Officer<br><b>Richard A. O Reagan</b> | Between the 25 <sup>th</sup> and 50 <sup>th</sup> percentile | Between the 25 <sup>th</sup> and 50 <sup>th</sup> percentile |
| Group President, Global Plumbing<br><b>Amit Bhargava</b>                            | Between the 25 <sup>th</sup> and 50 <sup>th</sup> percentile | Between the 25 <sup>th</sup> and 50 <sup>th</sup> percentile |
| Vice President, Strategy and Corporate Development<br><b>Christopher Kastner</b>    | Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile | Between the 50 <sup>th</sup> and 75 <sup>th</sup> percentile |

## Vice President, Masco Operating System

Finally, our Compensation Committee reviews the overall pay-for-performance alignment of our CEO's compensation compared to our peer group over one-year and three-year periods. During 2015, our Compensation Committee reviewed data showing that our total shareholder return was at the 62<sup>nd</sup> percentile of our peers for the three-year period ended December 31, 2014. While our CEO's target compensation approximated the median of our peer group during this three-year period, our CEO's realizable compensation was at the 30<sup>th</sup> percentile of our peer group. We define realizable compensation as the sum of salary, actual cash bonus, the target value of long-term cash incentives, and the value of restricted stock awards and stock options based on our stock price. The Compensation Committee believes there is good alignment between compensation paid to our CEO and our performance.

*What companies are in our peer group?*

Given the many and diverse businesses in which we operate, composition of an appropriate peer group is challenging, as historically there have been few companies providing a similar mix of products and services as we offer. Our Compensation Committee periodically considers the composition of our peer group and requested that Semler Brossy

review our peer group following our spin off of TopBuild. After considering the compensation consultant's analysis, our Compensation Committee revised our peer group in 2015 by removing six companies (DanaHER, ITT Corp., D.R. Horton, Lennar, NVR, and PulteGroup) and adding five companies (Jarden, Parker-Hannifin, PPG Industries, RPM International, and Valspar). Our Compensation Committee believes that the new peer group reflects the companies with whom we compete for executive talent and that have a range of annual revenues and business and operational characteristics similar to ours.

Our new peer group is comprised of the following companies:

|                                      |                              |
|--------------------------------------|------------------------------|
| Dover Corporation                    | PPG Industries, Inc.         |
| Fortune Brands Home & Security, Inc. | RPM International Inc.       |
| Illinois Tool Works Inc.             | SPX Corporation              |
| Ingersoll-Rand plc                   | Stanley Black & Decker, Inc. |
| Jarden Corporation                   | Textron Inc.                 |
| Mohawk Industries, Inc.              | The Sherwin-Williams Company |
| Newell Rubbermaid Inc.               | The Valspar Corporation      |
| Owens Corning                        | Tyco International plc       |
| Parker-Hannifin Corporation          | Whirlpool Corporation        |



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**PART II COMPENSATION DISCUSSION AND ANALYSIS MASCO 2016**

*Can our Compensation Committee use its discretion when awarding compensation?*

Our approach to executive compensation emphasizes corporate rather than individual performance, echoing our operating strategy that encourages collaboration and cooperation among our businesses and corporate functions. We believe that the effectiveness of our executive compensation programs requires not only objective, formula-based arrangements, but also the exercise of discretion and sound business judgment by our Compensation Committee. Accordingly, our Compensation Committee retains discretion to adjust the mix of cash and equity compensation, adjust the mix of restricted stock and stock options awarded, and offer different forms of equity-based compensation. With this discretion, our Compensation Committee is best able to reward the individual contributions of each executive officer and to respond to an executive's expanding responsibilities, market practices and our changing business needs.

In addition to granting performance-based restricted stock based on prior year performance, our Compensation Committee also has the discretion to award shares of time-based restricted stock to our executive officers, other than our CEO, if it determines that an executive officer has made outstanding individual contributions during the prior year. The total value of these awards cannot exceed 20% of the combined annual base salaries of the executive officers (excluding the salary of our CEO). No individual awards were recommended for 2015.

*Has our Compensation Committee engaged a compensation consultant?*

Our Compensation Committee has engaged Semler Brossy as its compensation consultant. Semler Brossy was chosen by our Compensation Committee based on its deep experience in the area of executive compensation and its creative and proactive approach in analyzing executive compensation practices and programs. During 2015, Semler Brossy attended Compensation Committee meetings, met with our Compensation Committee in executive sessions without our executive officers or other members of management, met individually with our Compensation Committee members and our Compensation Committee Chair, and advised our Compensation Committee on its overall implementation of our compensation objectives, on the Company's peer group, on director compensation practices and on the compensation for our executive officers. After considering the factors promulgated by the SEC for assessing the independence of its advisers, our Compensation Committee has determined that the work of Semler Brossy has not raised any conflict of interest.

**TAX TREATMENT**

Section 162(m) of the Code limits deductibility of annual compensation in excess of \$1 million paid to our executive officers, unless this compensation qualifies as performance-based. Our stockholder-approved plans permit our Compensation Committee to grant cash and equity awards intended to qualify under Section 162(m) so that they may be deductible. Our Compensation Committee, however, believes it is in our interest to retain flexibility in our compensation programs. Consequently, in some circumstances, we have paid and intend to continue to pay compensation that may not qualify as deductible under Section 162(m).

**CONCLUSION**

We recognize the importance of attracting and retaining executive officers who can effectively lead our business, and in motivating them to maximize our corporate performance and create long-term value for our stockholders. We believe in rewarding our executive officers to a significant degree based on our performance. We continue to

thoughtfully and thoroughly analyze our compensation practices and programs and to regularly reach out to a significant number of our stockholders to understand their perspectives regarding our compensation programs. We believe our compensation practices and programs strongly align our executive officers' interests with the long-term interests of stockholders, reward our executive officers based on our performance and incentivize them to focus on our critical business objectives.

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Compensation Committee Report

The Organization and Compensation Committee, which is responsible for overseeing the Company's executive compensation programs, has reviewed and discussed the Compensation Discussion and Analysis with management. Based on our review and discussion, the Organization and Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Masco's proxy statement.

Donald R. Parfet, Chairperson

J. Michael Losh

Christopher A. O Herlihy

Lisa A. Payne

Mary Ann Van Lokeren

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**PART II COMPENSATION DISCUSSION AND ANALYSIS MASCO 2016**

**Proposal 2: Advisory Vote to Approve the Compensation of Our Named Executive Officers**

We are seeking your advisory vote approving the compensation paid to our named executive officers (whom we refer to as executive officers in this Proposal 2). We believe the structure of our executive compensation programs promotes the long-term interests of our stockholders by attracting and retaining talented executives and motivating them to achieve our critical business objectives and to create long-term value for our stockholders.

At our 2015 Annual Meeting, we submitted a non-binding advisory proposal to our stockholders to approve the compensation paid to our executive officers (a say-on-pay proposal). Over 98% of the votes cast on our say-on-pay proposal approved the compensation paid to our executive officers. We believe that this strong approval resulted from our continued focus on pay-for-performance.

Our compensation programs reward our executive officers to a significant degree based on our performance. Accordingly, our executive officers' potential performance-based compensation represents a significant percentage of total annual target compensation. In 2015, the percentage of total target compensation (base salary, target annual bonus and the target value of long-term incentives) that was performance-based was over 80% for our CEO and over 70% for our other executive officers. We delivered strong financial results in 2015, and in doing so, 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 LTCIP, under which we make cash awards to our executives if we meet ROIC performance goals over a three-year period.

Our 2015 annual performance program 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. For the three-year period 2013-2015, our ROIC significantly improved, and as a result, our executive officers who participated in the 2013-2015 LTCIP received the maximum award opportunity.

In addition to our emphasis on pay-for-performance, we believe that having a significant ownership interest in our stock is critical to aligning the interests of our executive officers with the long-term interests of our stockholders. Accordingly, equity grants in the form of restricted stock awards and stock options are an important component of compensation for our executive officers.

**For the reasons discussed above, our Board recommends a vote FOR the following resolution providing an advisory approval of the compensation paid to our named executive officers:**

RESOLVED, that the compensation paid to the Company's named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and the related materials disclosed in this proxy statement, is hereby approved.

Although the vote on this proposal is advisory and non-binding, our Compensation Committee and our Board will review and consider the result of the vote when making future determinations regarding our executive compensation programs. The affirmative vote of a majority of the votes cast by shares entitled to vote thereon is required for the approval of the foregoing resolution. Abstentions and broker non-votes are not counted as votes cast, and therefore do not affect the approval of the resolution.

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## Compensation of Executive Officers

## SUMMARY COMPENSATION TABLE

The following table reports compensation earned during the years indicated by Mr. Allman, our principal executive officer, Mr. Szniewajs, our principal financial officer, and Messrs. O Reagan, Bhargava and Kastner, our three other most highly compensated executive officers in 2015. SEC rules require us to include Mr. Volas, who served as our Group President, North American Diversified Businesses through June 2015 and who would have been included in the group of highly compensated executive officers if he remained an executive officer through December 31, 2015. We refer to the individuals listed in the table collectively as our named executive officers.

## 2015 Summary Compensation Table

| Name and<br>Principal Position   | Year <sup>(1)</sup> | Salary<br>(\$) <sup>(2)</sup> | Awards<br>(\$) <sup>(3)</sup> | Option<br>Awards<br>(\$) <sup>(4)</sup> | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>(\$) <sup>(2)(5)</sup> | Change in<br>Pension<br>Value<br>and Non-<br>Qualified<br>Deferred<br>Compensation | All<br>Other<br>Compensation<br>(\$) <sup>(7)</sup> | Total (\$) |
|--|---------------------|-------------------------------|-------------------------------|---|---|--|---|------------|
|  |                     |                               |                               |   |   | (\$) <sup>(6)</sup>  | (\$) <sup>(7)</sup>                                 |            |
| <b>Keith J. Allman</b><br>President and Chief<br>Executive Officer                           | 2015                | 998,461                       | 2,376,001                     | 1,595,550                               | 3,051,000   |  | 321,407   | 8,342,419  |
|  | 2014                | 842,788                       | 1,080,062                     | 1,286,550                               | 1,755,000   | 103,628  | 178,638   | 5,246,666  |
| <b>John G. Szniewajs</b><br>Vice President, Treasurer<br>and Chief Financial Officer         | 2015                | 634,354                       | 695,403                       | 531,850                                 | 1,490,500   |  | 100,767   | 3,452,874  |
|  | 2014                | 618,269                       | 375,083                       | 524,150                                 | 1,170,000   | 932,222  | 95,414  | 3,715,138  |
|  | 2013                | 552,500                       | 707,260                       | 603,925                                 | 707,300   |  | 110,414   | 2,681,399  |
| <b>Richard A. O Reagan</b><br>Group President, Global<br>Plumbing                            | 2015                | 456,646                       | 500,506                       | 328,780                                 | 500,500   |  | 83,587  | 1,870,019  |
|  | 2014                | 405,492                       | 270,081                       |   | 270,000   | 9,598  | 186,278   | 1,141,449  |
| <b>Amit Bhargava</b> <sup>(8)</sup><br>Vice President, Strategy and<br>Corporate Development | 2015                | 339,231                       | 905,039                       | 410,975                                 | 252,000   |  | 211,348   | 2,118,593  |
| <b>Christopher K. Kastner</b> <sup>(9)</sup>   | 2015                | 350,000                       | 957,279                       | 430,315                                 | 252,000   |  | 260,613   | 2,250,207  |

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|  |      |         |         |         |           |           |        |           |
|--|------|---------|---------|---------|-----------|-----------|--------|-----------|
| <b>Gerald Volas<sup>(10)</sup></b>                               | 2015 | 261,462 |         | 350,538 | 593,800   |           | 13,325 | 1,219,125 |
| Former Group President, North<br>American Diversified Businesses | 2014 | 507,442 | 309,000 | 345,463 | 1,021,500 | 1,347,615 | 65,765 | 3,596,785 |

- (1) Information is included only for those years in which individuals have served as named executive officers.
- (2) These columns include amounts voluntarily deferred by each named executive officer as salary reductions under our 401(k) Savings Plan.
- (3) Based on SEC rules, this column reports the estimated fair value of the restricted stock award opportunity for the applicable performance year even though the restricted stock award is not granted until the following year. Although the SEC rules require such value to be based on the probable outcome of the performance or service award at the grant date, this column reflects the actual awards for the 2015, 2014 and 2013 performance year, as applicable, since the grant date for the award occurred when the award was actually determined in early 2016, 2015 and 2014, respectively. The threshold, target and maximum dollar values applicable to 2015 performance are shown in the 2015 Grants of Plan Based Awards Table below. The named executive officers do not realize the value of restricted stock awards until those awards vest over the five-year vesting period following the grant date. In prior years, we reported in this column the grant date fair value of restricted stock awards granted during the year indicated. The amounts in this column for Messrs. Bhargava and Kastner include an initial stock award granted in connection with the commencement of their employment with us, and reflect the aggregate grant date fair value of the initial stock award, calculated in accordance with accounting guidance.
- (4) Amounts in this column reflect the aggregate grant date fair value of stock options, calculated in accordance with accounting guidance. In determining the fair market value of stock options, we used the same assumptions as set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. See Compensation Discussion and Analysis Compensation Decisions in 2015 What stock options did Masco grant in 2015? The named executive officers have no assurance that these amounts will be realized. Actual gains, if any, on stock option exercises will depend on overall market conditions, the future performance of our common stock and the timing of exercise of the option.

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- (5) This column shows (i) the annual performance-based bonuses that were earned for the year indicated, and (ii) the performance-based payments under our LTCIP that were earned for the three-year period ending in the year indicated, except that there was no LTCIP for the three-year period ending in 2013. The payments were based on the attainment of performance targets, as described above in Compensation Discussion and Analysis. Mr. O Reagan, who was promoted to Group President in May 2014, was not a participant in the LTCIP for the three-year period 2013-2015. Messrs. Bhargava and Kastner, who were hired in 2015 and 2014, respectively, were not participants in the LTCIP for the three-year period 2013-2015. Mr. Volas LTCIP payment was prorated for the portion of the years he served us as an executive officer. The amounts reported in this column for 2015 were as follows:

|                               | Annual<br>Performance-Based<br>Cash<br>Bonus (\$) | LTCIP<br>for<br>Three-Year Period<br>(2013-2015)<br>(\$) | Total (\$) |
|-------------------------------|---|--|------------|
| <b>Keith J. Allman</b>        | 2,376,000   | 675,000  | 3,051,000  |
| <b>John G. Sznawajs</b>       | 695,500   | 795,000  | 1,490,500  |
| <b>Richard A. O Reagan</b>    | 500,500   |  | 500,500    |
| <b>Amit Bhargava</b>          | 252,000   |  | 252,000    |
| <b>Christopher K. Kastner</b> | 252,000   |  | 252,000    |
| <b>Gerald Volas</b>           |   | 593,800  | 593,800    |

- (6) This column shows changes in the sum of year-end pension values, which reflect actuarial factors and variations in interest rates used to calculate present values. Increases in pension values do not represent increased benefit accruals since benefits in our domestic defined benefit plans were frozen effective January 1, 2010. These values were obtained by comparing the present value of accumulated benefits for December 31 of the year indicated (shown for 2015 in the 2015 Pension Plan Table below) to the comparable amount for the prior year. We calculated the pension values for each of 2013, 2014 and 2015 using the same assumptions as set forth in the notes to our financial statements included in our Annual Report on Form 10-K for the corresponding fiscal years ended December 31. The named executive officers did not have any above-market earnings under any of the plans in which they participate. This table shows no increases for 2013 or 2015, since all values decreased due to the effect of rising interest rate assumptions used in the calculations.
- (7) For 2015, this column includes (i) our total contributions and allocations for the accounts of the named executive officers under the 401(k) Savings Plan and the portions of the Benefit Restoration Plan applicable to those plans (\$188,434 for Mr. Allman; \$100,767 for Mr. Sznawajs; \$77,585 for Mr. O Reagan; \$18,000 for Mr. Bhargava; \$57,934 for Mr. Kastner; and \$10,600 for Mr. Volas); (ii) tax equalization gross-up payments in connection with the reimbursement of relocation expenses incurred at our request (\$33,714 for Mr. Bhargava and \$33,697 for Mr. Kastner); and (iii) perquisites. Perquisite that



exceeded the greater of \$25,000 or 10% of the total perquisite amount for any individual were personal use of Company aircraft and additional personal travel expenses (\$96,049 for Mr. Allman) and relocation benefits (\$26,924 for Mr. Allman, \$159,634 for Mr. Bhargava and \$168,982 for Mr. Kastner). The incremental cost for the Company aircraft includes the cost for fuel, landing and parking fees, variable maintenance, variable pilot expenses for travel and any special catering costs. We also include these same costs for associated repositioning of the aircraft. The amount in this column for Mr. O Reagan also includes personal use of Company aircraft. For 2015, perquisites also included financial planning (for Messrs. Allman and Volas) and relocation benefits and a non-cash fringe benefit for Mr. O Reagan.

- (8) Mr. Bhargava's employment with us commenced in January 2015. In accordance with his employment offer letter, in February 2015, Mr. Bhargava received an initial stock award in the amount 28,491 restricted shares and an initial stock option grant in the amount of 28,491 shares in addition to annual grants.
- (9) Mr. Kastner's employment with us commenced in December 2014. In accordance with his employment offer letter, in February 2015, Mr. Kastner received an initial stock award in the amount of 30,770 restricted shares and an initial stock option grant in the amount of 30,770 shares in addition to annual grants.
- (10) Mr. Volas' service to us as an executive officer ended with the spin off of TopBuild in June 2015, at which time he became TopBuild's President and Chief Executive Officer.

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## GRANTS OF PLAN-BASED AWARDS

The following table provides information about (i) the potential payouts that were available in 2015 to our named executive officers under our annual performance-based cash bonus opportunity, (ii) the potential payouts under our LTCIP, (iii) the potential payouts under our annual performance-based stock award opportunity, (iv) the actual grants of restricted stock we made in 2015 to Messrs. Bhargava and Kastner in connection with the commencement of their employment with us, and (v) the actual grants of stock options we made in 2015 to our named executive officers under our 2014 Long Term Stock Incentive Plan. Our Compensation Discussion and Analysis above describes our annual performance-based cash bonus and stock award opportunities, performance targets, grants of stock options and the LTCIP. Stock options granted in 2015 vest in equal annual installments of 20% over a period of five years and remain exercisable until ten years from the date of grant. All share amounts and the exercise price of option awards reflect the adjustments made as a result of the spin off of TopBuild.

| Executive Officer | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |             |              | Estimated Future Payouts Under Equity Incentive Plan Awards |             |              | All Other Stock Awards: Number of Shares of Stock <sup>(5)</sup> | All Other Option Awards: Exercise or Base Price of Option <sup>(6)</sup> | Grant Date | Fair Value of Stock and Option Awards <sup>(7)</sup> |
|-------------------|---|-------------|--------------|---|-------------|--------------|--|--|------------|--|
|                   | Threshold (\$)  | Target (\$) | Maximum (\$) | Threshold (\$)  | Target (\$) | Maximum (\$) |  |  |            |  |
| (1)               | 660,000   | 1,650,000   | 3,300,000    |   |             |              |  |  |            |  |
| (2)               | 660,000   | 1,650,000   | 3,300,000    |   |             |              |  |  |            |  |
| (3)               |   |             |              | 660,000   | 1,650,000   | 3,300,000    |  |  |            |  |
| 2015              |   |             |              |   |             |              |  | 188,040  | 22.92      | 1,595,550  |
| (1)               | 193,200   | 483,000     | 966,000      |   |             |              |  |  |            |  |
| (2)               | 187,500   | 468,750     | 937,500      |   |             |              |  |  |            |  |
| (3)               |   |             |              | 193,200   | 483,000     | 966,000      |  |  |            |  |
| 2015              |   |             |              |   |             |              |  | 62,680   | 22.92      | 531,850  |
| (1)               | 139,050   | 347,625     | 695,250      |   |             |              |  |  |            |  |
| (2)               | 135,000   | 337,500     | 675,000      |   |             |              |  |  |            |  |
| (3)               |   |             |              | 139,050   | 347,625     | 695,250      |  |  |            |  |
| 2015              |   |             |              |   |             |              |  | 38,747   | 22.92      | 328,780  |
| (1)               | 70,000  | 175,000     | 350,000      |   |             |              |  |  |            |  |
| (2)               | 70,000  | 175,000     | 350,000      |   |             |              |  |  |            |  |
| (3)               |   |             |              | 70,000  | 175,000     | 350,000      |  |  |            |  |

|          |        |         |         |        |         |         |        |        |       |         |
|----------|--------|---------|---------|--------|---------|---------|--------|--------|-------|---------|
| 2015     |        |         |         |        |         |         | 28,491 |        |       | 653,000 |
| 2015 (4) |        |         |         |        |         |         |        | 28,491 | 22.92 | 241,750 |
| 2015     |        |         |         |        |         |         |        | 19,943 | 22.92 | 169,225 |
| (1)      | 70,000 | 175,000 | 350,000 |        |         |         |        |        |       |         |
| (2)      | 70,000 | 175,000 | 350,000 |        |         |         |        |        |       |         |
| (3)      |        |         |         | 70,000 | 175,000 | 350,000 |        |        |       |         |
| 2015     |        |         |         |        |         |         | 30,770 |        |       | 705,240 |
| 2015 (4) |        |         |         |        |         |         |        | 30,770 | 22.92 | 261,090 |
| 2015     |        |         |         |        |         |         |        | 19,943 | 22.92 | 169,225 |
| (2)      | 25,750 | 64,375  | 128,750 |        |         |         |        |        |       |         |

- (1) The amounts reflect the threshold, target, and maximum opportunities under the 2015 annual performance-based cash bonus program described in our Compensation Discussion and Analysis. The amounts paid under this program are set forth in the 2015 Summary Compensation Table above.
- (2) The amounts reflect the threshold, target, and maximum opportunities under the LTCIP relating to the Company's performance for the 2015-2017 performance period. The actual amount paid under the LTCIP will depend on return on invested capital performance over the three-year period and the LTCIP's terms and conditions.
- (3) The amounts reflect the threshold, target and maximum opportunities under the 2015 annual performance-based restricted stock program described in our Compensation Discussion and Analysis. The resulting restricted stock awards were made in February 2016 and are set forth in the 2015 Summary Compensation Table above.
- (4) The amounts shown reflect the number of stock options granted to each of Messrs. Bhargava and Kastner in connection with the commencement of their employment with us.
- (5) The amounts shown reflect the number of shares of restricted stock granted to each of Messrs. Bhargava and Kastner in connection with the commencement of their employment with us. These shares vest ratably in five equal installments over five years beginning on February 11, 2016.
- (6) The amounts shown reflect the number of stock options granted in 2015.
- (7) The grant date fair value shown in the column is determined in accordance with accounting guidance. Regardless of the value placed on a stock option on the grant date, the actual value of the option will depend on the market value of our common stock at a future date when the option is exercised.
- (8) Mr. Volas' service to us as an executive officer ended with the spin off of TopBuild in June 2015, at which time he became TopBuild's President and Chief Executive Officer. Mr. Volas' award for the 2015-2017 LTCIP performance period will be based on his six months of service to us in 2015.

**Table of Contents****PART III COMPENSATION OF EXECUTIVE OFFICERS MASCO 2016****OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

We make equity grants pursuant to our 2014 Long Term Stock Incentive Plan; outstanding grants made prior to May 2014 were made pursuant to our 2005 Long Term Stock Incentive Plan. We refer to these plans in this proxy statement collectively as our Long Term Stock Incentive Plan. The following table shows, for each named executive officer as of December 31, 2015, (i) each vested and unvested stock option outstanding, (ii) the aggregate number of unvested shares of restricted stock, and (iii) the market value of unvested shares of restricted stock based on the closing price of our common stock on December 31, 2015, which was \$28.30 per share. Unvested restricted shares are held in the named executive officer's name, and the named executive officer has the right to vote the shares and receive dividends on the restricted shares, but the named executive officer may not sell the shares until they vest. The value each named executive officer will realize when the restricted shares vest will depend on the value of our common stock on the vesting date. The number of securities underlying the options and the exercise prices reflect the adjustments made as a result of the spin off of TopBuild.

## 2015 Outstanding Equity Awards at Fiscal Year-End

| Name                     | Original Grant Date | Option Awards <sup>(1)</sup>        |                                       |                            | Option Expiration Date | Restricted Stock Awards <sup>(2)</sup>                      |  |
|--------------------------|---------------------|-------------------------------------|---------------------------------------|----------------------------|------------------------|---|--|
|                          |                     | Unexercised Options (#) Exercisable | Unexercised Options (#) Unexercisable | Option Exercise Price (\$) |                        | Number of Shares or Units of Stock That Have Not Vested (#) | Market Value of Shares or Units of Stock That Have Not Vested (\$) |
| <b>Keith J. Allman</b>   |                     |                                     |                                       |                            |                        | 142,696   | 4,038,297  |
|                          | 12/5/2011           | 9,117                               | 9,117                                 | 8.26                       | 12/05/2021             |   |  |
|                          | 2/15/2012           |                                     | 33,049                                | 10.24                      | 02/15/2022             |   |  |
|                          | 2/13/2013           |                                     | 49,574                                | 17.87                      | 02/13/2023             |   |  |
|                          | 2/12/2014           |                                     | 123,081                               | 19.66                      | 02/12/2024             |   |  |
|                          | 2/11/2015           |                                     | 188,040                               | 22.92                      | 02/11/2025             |   |  |
| <b>John G. Szniewajs</b> |                     |                                     |                                       |                            |                        | 104,351   | 2,953,133  |
|                          | 5/24/2007           | 45,585                              |                                       | 26.68                      | 05/24/2017             |   |  |
|                          | 6/2/2007            | 79,774                              |                                       | 26.46                      | 06/02/2017             |   |  |
|                          | 5/12/2008           | 165,248                             |                                       | 16.30                      | 05/12/2018             |   |  |

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|                               |           |         |        |       |            |        |           |
|-------------------------------|-----------|---------|--------|-------|------------|--------|-----------|
|                               | 2/9/2009  | 96,869  |        | 7.05  | 02/09/2019 |        |           |
|                               | 2/12/2010 | 165,248 |        | 12.12 | 02/12/2020 |        |           |
|                               | 2/16/2011 | 52,421  | 33,052 | 11.25 | 02/16/2021 |        |           |
|                               | 2/15/2012 | 49,572  | 33,052 | 10.24 | 02/15/2022 |        |           |
|                               | 2/13/2013 | 33,048  | 49,576 | 17.87 | 02/13/2023 |        |           |
|                               | 2/12/2014 | 12,536  | 50,144 | 19.66 | 02/12/2024 |        |           |
|                               | 2/11/2015 |         | 62,680 | 22.92 | 02/11/2025 |        |           |
| <b>Richard A. O Reagan</b>    |           |         |        |       |            | 64,001 | 1,811,228 |
|                               | 2/9/2009  | 3,418   |        | 7.05  | 02/09/2019 |        |           |
|                               | 2/11/2015 |         | 38,747 | 22.92 | 02/11/2025 |        |           |
| <b>Amit Bhargava</b>          |           |         |        |       |            | 28,491 | 806,295   |
|                               | 2/11/2015 |         | 28,491 | 22.92 | 02/11/2025 |        |           |
|                               | 2/11/2015 |         | 19,943 | 22.92 | 02/11/2025 |        |           |
| <b>Christopher K. Kastner</b> |           |         |        |       |            | 31,282 | 885,281   |
|                               | 2/11/2015 |         | 30,770 | 22.92 | 02/11/2025 |        |           |
|                               | 2/11/2015 |         | 19,943 | 22.92 | 02/11/2025 |        |           |
| <b>Gerald Volas</b>           |           |         |        |       |            |        |           |

- (1) Stock option awards vest in equal annual installments of 20% commencing in the year following the year of grant.
- (2) Restricted stock awards granted in 2010 and after vest in equal annual installments of 20%. Restricted stock awards granted prior to 2010 vest in equal annual installments of 10%; however, the number of shares that vest annually is adjusted when the participant turns age 66 so that awards are fully vested by the end of the year in which the participant turns 70.

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## OPTION EXERCISES AND STOCK VESTED

The following table shows the number of shares acquired, and the value realized, by each of our named executive officers during 2015, in connection with the exercise of stock options and the vesting of restricted stock previously awarded to each named executive officer.

| 2015 Option Exercises and Stock Vested |   |                                 |  |                                |
|--|---|---------------------------------|--|--------------------------------|
| Name                                   | Number of Shares Acquired on Exercise (#) | Value Realized on Exercise (\$) | Number of Shares Acquired on Vesting (#) | Value Realized on Vesting (\$) |
| <b>Keith J. Allman</b>                 | 45,309                                    | 2,268,785                       | 37,738                                   | 921,804                        |
| <b>John G. Szniewajs</b>               | 25,701                                    | 1,245,016                       | 37,207                                   | 906,457                        |
| <b>Richard A. O Reagan</b>             | 2,738                                     | 116,962                         | 18,578                                   | 453,923                        |
| <b>Amit Bhargava</b>                   |   |                                 |  |                                |
| <b>Christopher K. Kastner</b>          |   |                                 |  |                                |
| <b>Gerald Volas</b>                    | 113,082                                   | 5,712,758                       | 31,917                                   | 780,371                        |
| RETIREMENT PLANS                       |   |                                 |  |                                |

This section describes the retirement plans available to our named executive officers.

*Defined Contribution Plans*

Our defined contribution plans are the tax-qualified 401(k) Savings Plan and the non-qualified Benefits Restoration Plan ( BRP ) applicable to the 401(k) Savings Plan. All of our named executive officers participate in both of our defined contribution plans.

**| 401(k) Savings Plan |**

Our 401(k) Savings Plan is available to eligible employees, and provides two employer contribution components, if applicable. The first employer contribution component is a matching contribution under which we match a percentage of an employee's compensation deferred into the 401(k) Savings Plan. The second component is a discretionary profit sharing contribution that is guided by the operating profit performance target goal used to determine annual performance-based restricted stock awards and cash bonuses (see Compensation Discussion and Analysis What annual performance compensation did Masco pay in 2015? ). Our Compensation Committee has established our maximum contribution percentage at 10% of each participant's annual earnings (base salary and cash bonus).

**| Defined Contribution Portion of the BRP |**

The defined contribution portion of our BRP is available to our highly compensated employees and is not funded. Under the BRP, we make account allocations reflecting our 401(k) Savings Plan employer match (in 2015, for

contributions up to \$18,000), profit sharing contribution amounts that exceed the Code's limitations, and pro-forma earnings (or losses) on participants' accounts. Following a participant's termination of employment, the BRP account is paid by us in a lump sum.

**Table of Contents****PART III COMPENSATION OF EXECUTIVE OFFICERS MASCO 2016**

The columns in the following table show, for each named executive officer, (A) the amount of our 2015 plan year allocation to the BRP account; (B) the amount of pro-forma earnings (or losses) posted to the account in 2015; (C) the aggregate amount of all withdrawals, distributions or segregations from the account during 2015; and (D) the account's ending balance at December 31, 2015.

| 2015 Non-Qualified Deferred Compensation                               |                     |           |                    |                          |
|--|---------------------|-----------|--------------------|--------------------------|
| <i>(Defined Contribution Portion of the Benefits Restoration Plan)</i> |                     |           |                    |                          |
|  | A                   | B         | C                  | D                        |
|  | Masco               | Aggregate | Aggregate          | Aggregate Balan          |
| Name   | Allocations         | Earnings  | Withdrawals/       | at December              |
|  | (\$) <sup>(1)</sup> | (\$)      | Distributions (\$) | 31,                      |
|  |                     |           |                    | 2015 (\$) <sup>(2)</sup> |
| <b>Keith J. Allman</b>   | 156,104             | (3,418)   |                    | 307,290                  |
| <b>John G. Sznewajs</b>  | 68,437              | (4,693)   |                    | 367,013                  |
| <b>Richard A. O Reagan</b>   | 45,255              | (1,996)   |                    | 132,966                  |
| <b>Amit Bhargava</b>   | 7,400               |           |                    |                          |
| <b>Christopher K. Kastner</b>  | 25,604              |           |                    |                          |
| <b>Gerald Volas</b>  |                     | (2,412)   | 4,068              | 275,723                  |

(1) Amounts in this column are included in All Other Compensation in the 2015 Summary Compensation Table.

(2) The following amounts included in this column were previously reported as compensation in our Summary Compensation Table for 2013 and 2014: \$253,423 in 2014 for Mr. Allman; \$318,786 in 2014 and \$217,218 in 2013 for Mr. Sznewajs; \$101,840 in 2014 for Mr. O Reagan; and \$238,018 in 2014 for Mr. Volas.

We offer no other plans of deferred compensation that would permit the election of deferrals of cash compensation by our named executive officers.

*Defined Benefit Pension Plans*

Our defined benefit pension plans are the tax-qualified Masco Corporation Pension Plan (the Pension Plan), the non-qualified BRP applicable to the Pension Plan and the non-qualified Supplemental Executive Retirement Plan (SERP). Our defined benefit pension plans were frozen for future benefit accruals effective January 1, 2010. Consequently, the defined benefit pension benefits accrued for each of our named executive officers are essentially fixed.

**| The Pension Plan and BRP |**

The Pension Plan and BRP provide that at age 65, a participant receives an annual payment for the remainder of his or her life, with five years' payments guaranteed. Employees became 100% vested in their pension benefit after completing five years of employment with us. The benefits paid are reduced for early retirement. The maximum



credited service under the Pension Plan and the defined benefit portion of the BRP was 30 years. A participant who has ten or more years of service with us is eligible to receive a disability benefit equal to the participant's accrued benefit. Messrs. Allman, Sznewajs, O'Reagan and Volas are participants in our Pension Plan, and each is 100% vested in their Pension Plan benefits. Messrs. Allman, Sznewajs and Volas are participants in our BRP applicable to the Pension Plan.

#### | SERP |

Messrs. Sznewajs and Volas are participants in the SERP, which provides that at age 65, participants receive an annual payment for life of an amount up to 60% of the average of their highest three years' cash compensation (base salary plus annual cash bonus, up to 60% of that year's maximum bonus opportunity) earned on or before January 1, 2010. SERP payments are reduced by certain benefits paid by our other retirement plans or by retirement benefits payable by other employers. The maximum benefit under the SERP accrues after 15 years. When the SERP was frozen on January 1, 2010, Mr. Volas was fully accrued and fully vested in his benefits, and Mr. Sznewajs's accrual of 52% was frozen, and he is now 50% vested. Mr. Sznewajs will not be fully vested in his frozen SERP benefit unless he continues to be employed with us until he is age 55, or we have a change in control or alternate change in control.

The SERP provides a disability benefit for participants who have been employed by us at least two years and who become disabled while employed by us. The disability benefit is paid until the earlier of death, recovery from disability or age 65; is offset by payments from long-term disability insurance we have paid for; and is

**Table of Contents**MASCO 2016 **PART III COMPENSATION OF EXECUTIVE OFFICERS**

equal to 60% of the participant's annual salary and bonus (up to 60% of the maximum bonus opportunity) as of January 1, 2010. At age 65, payments revert to a calculation based on the highest three-year average compensation as of January 1, 2010. Under the SERP, participants and their spouses may also receive medical benefits.

The present value of SERP payments to be made to our participating named executive officers is set forth in the 2015 Pension Plan Table. A surviving spouse will receive reduced benefits.

**| Pension Plan Table |**

The 2015 Pension Plan Table below sets forth the estimated present values on December 31, 2015 of accumulated benefits for each of our named executive officers under the Pension Plan, the defined benefit portion of the BRP and the SERP, as applicable. The amounts payable under the SERP have been reduced by amounts payable under the Pension Plan and the defined benefit portion of the BRP. The amounts for the SERP have also been reduced by the January 1, 2010 benefits payable under the profit sharing component of the 401(k) Savings Plan and the defined contribution portion of the BRP, and by the estimated amounts payable by prior employers.

| 2015 Pension Plan Table    |                         |     |  | Present Value of                            |
|----------------------------|-------------------------|-----|--|---|
| Name                       | Plan Name               |     | Number of Years<br>Credited Service (#) <sup>(1)</sup> | Accumulated<br>Benefits (\$) <sup>(2)</sup> |
| <b>Keith J. Allman</b>     | Pension Plan            |     | 12   | 264,270                                     |
|                            | Defined Benefit Portion | BRP | 12   | 85,702                                      |
| <b>John G. Sznewajs</b>    | Pension Plan            |     | 13   | 253,243                                     |
|                            | Defined Benefit Portion | BRP | 13   | 227,722                                     |
|                            | SERP                    |     | 13   | 2,412,381                                   |
| <b>Richard A. O Reagan</b> | Pension Plan            |     | 1  | 29,332                                      |
| <b>Gerald Volas</b>        | Pension Plan            |     | 26   | 820,828                                     |
|                            | Defined Benefit Portion | BRP | 26   | 757,167                                     |
|                            | SERP                    |     | 15   | 3,528,746                                   |

(1) Reflects credited service through January 1, 2010, the date on which accruals under our defined benefit pension plans were frozen, for years of employment with us, our subsidiaries or certain of our prior affiliates and their subsidiaries. Credited service under the SERP includes service through January 1, 2010 only with us and businesses in which we had a 50% or greater interest. We have not granted additional accruals to any of the named executive officers in any of these retirement plans, and none of these plans provides for personal contributions or additional income deferral elections.

- (2) Amounts in this column were calculated as of December 31, 2015 using the normal form of benefit payable under each plan using (a) base pay only for the Pension Plan and BRP, (b) base pay plus cash bonus for the SERP, and (c) the same discount rates and mortality assumptions as described in the notes to financial statements in our Annual Report on Form 10-K for the fiscal year ended December 31, 2015. Although SEC disclosure rules require a present value calculation, none of these plans (other than the SERP and the BRP, in the event of a change in control or alternate change in control) provides benefits in a lump sum.

#### **PAYMENTS UPON CHANGE IN CONTROL**

We do not have employment agreements or change in control agreements with any of our named executive officers. If we experienced a change in control, our named executive officers would receive lump-sum payments of benefits under the BRP and SERP that otherwise would be paid over time. Additionally, these two plans and our Long Term Stock Incentive Plan provide that participants could receive accelerated vesting and reimbursement (limited, for equity grants, to those made prior to 2012) in the case of imposition of excise tax upon a change in control. Upon a change in control, Mr. Szniewaj's frozen SERP accrual of 52% would not change, but his vesting in this benefit would advance from 50% to 100%. None of our plans provides for additional accrual of benefits in the case of a change in control.

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The following table sets forth the values of all payments (other than from our tax-qualified retirement plans) assuming a change in control (and a termination of employment under certain conditions) had occurred on December 31, 2015.

| Payments Upon a Change in Control |              |                               |                                 |                                     |                                      |            |            |
|-----------------------------------|--------------|-------------------------------|---------------------------------|-------------------------------------|--------------------------------------|------------|------------|
| Name                              | Cash<br>(\$) | Equity<br>(\$) <sup>(1)</sup> | SERP and BRP                    |                                     | Excise<br>Tax                        |            | Total (\$) |
|                                   |              |                               | Payments<br>(\$) <sup>(2)</sup> | Perquisite<br>Reimbursement<br>(\$) | Reimbursement<br>(\$) <sup>(3)</sup> | Other (\$) |            |
| <b>Keith J. Allman</b>            |              | 7,409,999                     | 548,337                         |                                     |                                      |            | 7,958,336  |
| <b>John G. Szniewajs</b>          |              | 5,401,129                     | 3,024,201                       |                                     |                                      |            | 8,425,330  |
| <b>Richard A. O Reagan</b>        |              | 2,019,687                     | 178,221                         |                                     |                                      |            | 2,197,908  |
| <b>Amit Bhargava</b>              |              | 1,066,870                     | 7,400                           |                                     |                                      |            | 1,074,270  |
| <b>Christopher K. Kastner</b>     |              | 1,158,117                     | 25,604                          |                                     |                                      |            | 1,183,721  |
| <b>Gerald Volas</b>               |              |                               | 4,241,859                       |                                     |                                      |            | 4,241,859  |

(1) A change in control would trigger vesting (assuming a termination of employment under certain conditions had occurred with respect to awards granted beginning in 2013) of unvested restricted stock and stock option awards, the total value of which is shown in this column. This column is comprised of the incremental values for vestings of restricted stock (as shown in the last column of the 2015 Outstanding Equity Awards at Fiscal Year-End table above), plus the incremental values for vesting of stock options (based on our closing stock price of \$28.30 on December 31, 2015): \$3,371,702 for Mr. Allman; \$2,447,996 for Mr. Szniewajs; \$208,459 for Mr. O Reagan; \$260,575 for Mr. Bhargava; and \$272,836 for Mr. Kastner.

(2) Amounts calculated for both the SERP and the BRP utilize the discount rates and mortality assumptions equal to the Pension Benefit Guarantee Corporation discount rates for lump sums in plan terminations, as in effect four months prior to the change in control, and the UP-1984 mortality table (both of which differ from the rates and assumptions used to calculate the lump sums set forth in the Pension Plan Table). Amounts in this column also include amounts shown in columns A and D in the 2015 Non-Qualified Deferred Compensation table above.

(3) Excise tax reimbursements apply only to agreements and equity grants entered into prior to 2012. At December 31, 2015, no individual's payments would have exceeded applicable limits in the Code for parachute payments; therefore, no amounts are shown in this column.

**PAYMENT UPON RETIREMENT, TERMINATION, DISABILITY OR DEATH***Retirement*

Upon retirement at or after age 65, our named executive officers would be fully vested in the accumulated pension benefits set forth in the table below. The benefits would be paid on a monthly basis and, other than the BRP defined

contribution component, not as lump sum payments. Our restricted stock and stock option awards do not vest upon retirement; following retirement, equity awards generally continue to vest in accordance with the remaining vesting period.

| Payment Upon Retirement       |                           |                         |                              |                   |            |
|-------------------------------|---------------------------|-------------------------|------------------------------|-------------------|------------|
| Name                          | Pension Plan Benefit (\$) | BRP Benefit (\$)        |                              | SERP Benefit (\$) | Total (\$) |
|                               |                           | Defined Benefit Portion | Defined Contribution Portion |                   |            |
| <b>Keith J. Allman</b>        | 264,270                   | 85,702                  | 463,394                      |                   | 813,366    |
| <b>John G. Sznewajs</b>       | 253,243                   | 227,722                 | 435,450                      | 2,412,381         | 3,328,796  |
| <b>Richard A. O Reagan</b>    | 29,332                    |                         | 178,221                      |                   | 207,553    |
| <b>Amit Bhargava</b>          |                           |                         | 7,400                        |                   | 7,400      |
| <b>Christopher K. Kastner</b> |                           |                         | 25,604                       |                   | 25,604     |
| <b>Gerald Volas</b>           | 820,828                   | 757,167                 | 275,723                      | 3,528,746         | 5,382,464  |

**Table of Contents**MASCO 2016 **PART III COMPENSATION OF EXECUTIVE OFFICERS***Termination*

If voluntary or involuntary termination of employment had occurred on December 31, 2015, our named executive officers would be fully vested in the accumulated pension benefits set forth in the table below. Absent an agreement for post-termination extended vesting, termination of employment would result in forfeiture to us of all unvested restricted stock awards and unvested stock options. Vested stock options would remain exercisable for 30 days, in the case of voluntary termination, or three months, in the case of involuntary termination, but not beyond the originally-specified exercise period.

| Payment Upon Termination      |                           |                         |                      |                                  |            |
|-------------------------------|---------------------------|-------------------------|----------------------|----------------------------------|------------|
| Name                          | Pension Plan Benefit (\$) | BRP Benefit (\$)        |                      | SERP Benefit (\$) <sup>(1)</sup> | Total (\$) |
|                               |                           | Defined Benefit Portion | Defined Contribution |                                  |            |
| <b>Keith J. Allman</b>        | 264,270                   | 85,702                  | 463,394              |                                  | 813,366    |
| <b>John G. Szniewajs</b>      | 253,243                   | 227,722                 | 435,450              | 1,206,191                        | 2,122,606  |
| <b>Richard A. O Reagan</b>    | 29,332                    |                         | 178,221              |                                  | 207,553    |
| <b>Amit Bhargava</b>          |                           |                         | 7,400                |                                  | 7,400      |
| <b>Christopher K. Kastner</b> |                           |                         | 25,604               |                                  | 25,604     |
| <b>Gerald Volas</b>           | 820,828                   | 757,167                 | 275,723              | 3,528,746                        | 5,382,464  |

(1)Mr. Szniewajs would have been 50% vested in his SERP benefit if his employment had terminated on December 31, 2015.

*Disability*

If disability had terminated the employment of any of our named executive officers on December 31, 2015, the named executive officer would receive the benefits as set forth in the table below. Any disability benefit received would terminate upon the earliest of death, recovery from disability or age 65, at which time the applicable retirement, termination or death benefits would become effective. In addition, all restrictions on restricted shares would lapse and all unvested stock options would become exercisable for the period of time allowed under the original awards.

| Payment Upon Disability    |  |                         |                      |                   |                            |                    |
|----------------------------|--|-------------------------|----------------------|-------------------|----------------------------|--------------------|
| Name                       | Long-Term Disability Plan Benefit (\$) | BRP Benefit (\$)        |                      | SERP Benefit (\$) | Equity (\$) <sup>(1)</sup> | Total Benefit (\$) |
|                            |  | Defined Benefit Portion | Defined Contribution |                   |                            |                    |
| <b>Keith J. Allman</b>     | 144,000                                | 144,414                 | 463,394              |                   | 7,409,999                  | 8,161,807          |
| <b>John G. Szniewajs</b>   | 144,000                                | 496,549                 | 435,450              | 6,202,630         | 5,401,129                  | 12,679,758         |
| <b>Richard A. O Reagan</b> | 144,000                                |                         | 178,221              |                   | 2,019,687                  | 2,341,908          |
| <b>Amit Bhargava</b>       | 144,000                                |                         | 7,400                |                   | 1,066,870                  | 1,218,270          |

|                                   |         |         |           |           |
|-----------------------------------|---------|---------|-----------|-----------|
| <b>Christopher K. Kastner</b>     | 144,000 | 25,604  | 1,158,117 | 1,327,721 |
| <b>Gerald Volas<sup>(2)</sup></b> |         | 275,723 |           | 275,723   |

(1) Disability would trigger vesting of unvested restricted stock and stock option awards, the total value of which is shown in this column. This column is comprised of the incremental values for vestings of restricted stock (as shown in the last column of the 2015 Outstanding Equity Awards at Fiscal Year-End table above), plus the incremental values for vesting of stock options (based on our closing stock price of \$28.30 on December 31, 2015): \$3,371,702 for Mr. Allman; \$2,447,996 for Mr. Sznnewajs; \$208,459 for Mr. O Reagan; \$260,575 for Mr. Bhargava; and \$272,836 for Mr. Kastner.

(2) Mr. Volas' employment with us ended in June 2015, and he therefore would not have been eligible for a disability benefit on December 31, 2015.

**Table of Contents****PART III COMPENSATION OF EXECUTIVE OFFICERS MASCO 2016***Death*

If death had terminated the employment of any of our named executive officers on December 31, 2015, the surviving spouse of the named executive officer would receive the benefits as set forth in the table below. If the named executive officer does not have a surviving spouse, a designated beneficiary (if applicable) would receive the benefits below, with the exception of the SERP and Pension Plan benefits and the benefits under the defined benefit portion of the BRP. In addition, all restrictions on restricted shares would lapse and all unvested stock options would become exercisable for up to a year, but not beyond the period of time allowed under the original awards.

| Payment Upon Death            |                           |                         |                              |                   |                            |                    |
|-------------------------------|---------------------------|-------------------------|------------------------------|-------------------|----------------------------|--------------------|
| Name                          | Pension Plan Benefit (\$) | BRP Benefit (\$)        |                              | SERP Benefit (\$) | Equity (\$) <sup>(1)</sup> | Total Benefit (\$) |
|                               |                           | Defined Benefit Portion | Defined Contribution Portion |                   |                            |                    |
| <b>Keith J. Allman</b>        | 122,901                   | 39,073                  | 463,394                      |                   | 7,409,999                  | 8,035,367          |
| <b>John G. Szniewajs</b>      | 111,877                   | 98,467                  | 435,450                      | 5,224,586         | 5,401,129                  | 11,271,509         |
| <b>Richard A. O Reagan</b>    | 14,025                    |                         | 178,221                      |                   | 2,019,687                  | 2,211,933          |
| <b>Amit Bhargava</b>          |                           |                         | 7,400                        |                   | 1,066,870                  | 1,074,270          |
| <b>Christopher K. Kastner</b> |                           |                         | 25,604                       |                   | 1,158,117                  | 1,183,721          |
| <b>Gerald Volas</b>           |                           |                         | 275,723                      |                   |                            | 275,723            |

(1) Death would trigger vesting of unvested restricted stock and stock option awards, the total value of which is shown in this column. This column is comprised of the incremental values for vestings of restricted stock (as shown in the last column of the 2015 Outstanding Equity Awards at Fiscal Year-End table above), plus the incremental values for vesting of stock options (based on our closing stock price of \$28.30 on December 31, 2015): \$3,371,702 for Mr. Allman; \$2,447,996 for Mr. Szniewajs; \$208,459 for Mr. O Reagan; \$260,575 for Mr. Bhargava; and \$272,836 for Mr. Kastner.

*Other Arrangements*

As noted above in our Compensation Discussion and Analysis, it is our general policy not to enter into contractual termination arrangements. On an individually-negotiated basis we may enter into severance arrangements or arrangements for a named executive officer's services following termination of employment. Such arrangements may include continued vesting of restricted stock or options that would otherwise be forfeited, as well as provisions restricting competitive activities following termination.



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MASCO 2016 **PART IV AUDIT MATTERS**

**Audit Committee Report**

The Audit Committee assists the Board of Directors in fulfilling the Board's responsibility for oversight of the integrity of our financial statements, the effectiveness of our internal controls over financial reporting, the qualifications, independence, performance and compensation of our independent registered public accounting firm ( independent auditors ), the performance of our internal audit function, our compliance with legal and regulatory requirements, and compliance by our employees and officers with our Code of Business Ethics. Management is responsible for the accuracy of our financial statements and our reporting process, including our system of internal controls over financial reporting. In discharging its oversight responsibilities, the Audit Committee reviewed and discussed with management our audited financial statements as of and for the year ended December 31, 2015 and our processes to ensure the accuracy of our financial statements.

The Audit Committee obtained from our independent auditors, PricewaterhouseCoopers LLP ( PwC ), the written disclosures and letter required by the Public Company Accounting Oversight Board regarding PwC's communications with the Audit Committee concerning independence. The Audit Committee discussed with PwC any relationships that may impact PwC's objectivity and independence and satisfied itself as to PwC's independence. The Audit Committee confirmed that PwC's provision of non-audit services to us did not impair their independence. The Audit Committee discussed with PwC the matters required to be discussed by Statement on Auditing Standards No. 1301 as adopted by the Public Company Accounting Oversight Board, regarding communication with the Audit Committee. The Audit Committee also met with PwC independent of management.

Based on the reviews and discussions with management and the independent auditors described above, the Audit Committee recommended to the Board of Directors that our financial statements as of and for the year ended December 31, 2015 be included in our Annual Report on Form 10-K for the year ended December 31, 2015 for filing with the SEC. The Audit Committee also reappointed PwC as our independent registered public accounting firm, which stockholders are being asked to ratify.

*Audit Committee*

Lisa A. Payne, Chairperson

Mark R. Alexander

Dennis W. Archer

Christopher A. O Herlihy

Donald R. Parfet

John C. Plant

Reginald M. Turner



**Table of Contents****PART IV AUDIT MATTERS MASCO 2016**

PricewaterhouseCoopers LLP Fees

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

Aggregate fees for professional services rendered to us by our independent registered public accounting firm, PricewaterhouseCoopers LLP ( PwC ), for the years ended December 31, 2015 and 2014 were (in millions):

|                           | 2015    | 2014    |
|---------------------------|---------|---------|
| <b>Audit Fees</b>         | \$ 9.2  | \$ 9.3  |
| <b>Audit-Related Fees</b> | 1.9     | 1.8     |
| <b>Tax Fees</b>           | 1.0     | 1.4     |
| <b>All Other Fees</b>     | 0.1     | 0.2     |
| <b>Total</b>              | \$ 12.2 | \$ 12.7 |

The *Audit Fees* for the years ended December 31, 2015 and 2014 were for professional services rendered for audits and quarterly reviews of our consolidated financial statements, audits of our internal controls over financial reporting, statutory audits, issuance of comfort letters, consents and assistance with review of documents filed with the SEC.

The *Audit-Related Fees* for the years ended December 31, 2015 and 2014 were for services rendered for due diligence related to acquisitions and dispositions and audits not required by law, and for services rendered in connection with the spin off of TopBuild Corp.

The *Tax Fees* for the years ended December 31, 2015 and 2014 were for professional services related to tax return preparation, tax planning, and tax advice related to reorganizations, divestitures and transfer pricing programs.

*All Other Fees* for services rendered the years ended December 31, 2015 and 2014 were for services related to dispositions and miscellaneous services rendered.

**Audit Committee Pre-approval Policies and Procedures**

Our Audit Committee has established a policy requiring its annual review and pre-approval of all audit services and permitted non-audit services to be performed by PwC. Our Audit Committee will, as necessary, consider and, if appropriate, approve the provision of additional audit and non-audit services by PwC that are not encompassed by our Audit Committee's annual pre-approval. Our Audit Committee has delegated to our Audit Committee Chairperson the approval authority, on a case-by-case basis, for services outside or in excess of our Audit Committee's aggregate pre-approved levels, provided that the Chair shall report any such decisions to our Audit Committee at its next regular meeting. All of the services referred to in the table above for 2015 were pre-approved by our Audit Committee and none of the services approved by our Audit Committee during 2015 were under the de minimis exception to pre-approval contained in the applicable rules of the SEC.

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MASCO 2016 **PART IV AUDIT MATTERS**

**Proposal 3: Ratification of Selection of Independent Auditors**

Our Audit Committee is responsible for the appointment, compensation, retention and oversight of the independent external audit firm retained to audit our financial statements. As part of its oversight, our Audit Committee and its Chairperson review and evaluate our lead audit engagement partner, and participate in the selection of the new lead audit engagement partner in conjunction with the mandated rotation of that partner.

Our Audit Committee has selected the independent registered public accounting firm of PricewaterhouseCoopers LLP ( PwC ) to audit our financial statements for the year 2016. We have retained PwC (or its predecessor) as our independent auditor for over 50 years, and our Audit Committee believes that the continued retention of PwC to serve as our independent auditor is in the best interests of our Company and our stockholders.

Representatives of PwC will be present at our Annual Meeting and will have the opportunity to make a statement and respond to appropriate questions. If the selection of PwC is not ratified, our Audit Committee will consider selecting another independent registered public accounting firm as our independent auditors.

The affirmative vote of a majority of the votes cast by shares entitled to vote is required for the ratification of the selection of independent auditors. Abstentions and broker non-votes are not counted as votes cast, and therefore do not affect the ratification of the selection of independent auditors.

**The Board recommends a vote FOR the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditors for the year 2016.**

**Table of Contents****PART V EXECUTIVE OFFICERS AND BENEFICIAL OWNERSHIP MASCO 2016****EXECUTIVE OFFICERS**

Our Board of Directors elects our executive officers annually. Our current executive officers are listed below.

| <b>Name</b>                | <b>Position</b>                                       | <b>Age</b> | <b>Executive Officer Since</b> |
|----------------------------|---|------------|--------------------------------|
| <b>Keith J. Allman</b>     | President and Chief Executive Officer                 | 53         | 2014                           |
| <b>Amit Bhargava</b>       | Vice President, Strategy and Corporate Development    | 52         | 2015                           |
| <b>Kenneth G. Cole</b>     | Vice President, General Counsel and Secretary         | 50         | 2013                           |
| <b>Christopher Kastner</b> | Vice President, Masco Operating System                | 44         | 2014                           |
| <b>John P. Lindow</b>      | Vice President, Controller                            | 52         | 2011                           |
| <b>Richard A. O Reagan</b> | Group President, Global Plumbing                      | 52         | 2014                           |
| <b>Renee Straber</b>       | Vice President, Chief Human Resource Officer          | 45         | 2014                           |
| <b>John G. Sznewajs</b>    | Vice President, Treasurer and Chief Financial Officer | 48         | 2005                           |

Mr. Allman's experience is described above in Class II Directors (Term Expiring at the Annual Meeting in 2017).

Mr. Bhargava joined us in January 2015 as Vice President, Strategy and Corporate Development. He served as Vice President, Enterprise Strategy & Development for UTC Aerospace Systems from 2013 through 2014. He previously served as Corporate Director, Corporate Strategy and Development for United Technologies Corporation (2012–2013) and as the Vice-President Business Development & Strategy for UTC Fire & Security (2011).

Mr. Cole was elected as our Vice President, General Counsel and Secretary in July 2013. Mr. Cole joined us in 2004 and has held positions of increasing responsibility in our legal department, serving most recently as Senior Assistant General Counsel and Director of Commercial Legal Affairs.

Mr. Kastner became our Vice President, Masco Operating System in December 2014. He joined Danaher Corporation in 1995, where he worked for various business units, most recently as President (General Manager) of Anderson Instruments Co. (2013–2014) and as Vice President Global Operations Gilbarco Veeder-Root (2008–2014). Mr. Kastner also served as Gilbarco Veeder-Root's Vice President Commercial (2012–2013) and Vice President Global Dispensing (2011–2012).

Mr. Lindow was elected as our Vice President, Controller in May 2011. He was a Masco Group Controller from 2000 to 2007, and then served as Vice President Administration Plumbing Products Platform until 2009, when he became our Vice President, Controller, Corporate Accounting.

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Mr. O Reagan was promoted to Group President, Global Plumbing in May 2014. He joined Masco in 2008 as Vice President of Sales for Delta Faucet Company and in 2011 became the President of Delta Faucet Company.

Ms. Straber was elected Vice President, Chief Human Resource Officer in October 2014, after serving as our Group Director Human Resources since 2012. She joined Masco in 1995 as a Human Resource Representative for Delta Faucet Company and was promoted to Vice President, Human Resources for Delta Faucet Company in 2007.

Mr. Sznewajs was elected as our Vice President, Treasurer and Chief Financial Officer in 2007. He has served as our Vice President and Treasurer since 2005 and was previously our Vice President Business Development (2003 2005).

**Table of Contents****MASCO 2016 PART V EXECUTIVE OFFICERS AND BENEFICIAL OWNERSHIP****SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL OWNERS**

The following table shows the beneficial ownership of our common stock as of December 31, 2015 by (i) each of our directors and director nominees, (ii) each named executive officer included in the 2015 Summary Compensation Table, (iii) all of our directors and current executive officers as a group (18 individuals), and (iv) all persons whom we know to be beneficial owners of five percent or more of our common stock. Except as indicated below, each person exercises sole voting and investment power with respect to the shares listed.

| Name  | Shares of            | Percentage of |
|---|----------------------|---------------|
|   | Common Stock         | Voting Power  |
|   | Beneficially         | Beneficially  |
|   | Owned <sup>(1)</sup> | Owned         |
| <b>Mark R. Alexander</b>  | 8,501                | *             |
| <b>Keith J. Allman</b>  | 323,051              | *             |
| <b>Dennis W. Archer</b>   | 83,227               | *             |
| <b>Amit Bhargava</b>  | 38,177               | *             |
| <b>Christopher Kastner</b>  | 41,424               | *             |
| <b>J. Michael Losh</b>  | 89,607               | *             |
| <b>Richard A. Manoogian <sup>(2)</sup></b>                              | 3,373,092            | 1.0%          |
| <b>Christopher A. O Herlihy</b>   | 16,626               | *             |
| <b>Richard A. O Reagan</b>  | 84,381               | *             |
| <b>Donald R. Parfet</b>   | 24,349               | *             |
| <b>Lisa A. Payne <sup>(3)</sup></b>                                     | 112,823              | *             |
| <b>John C. Plant</b>  | 22,434               | *             |
| <b>John G. Sznawajs</b>   | 991,675              | *             |
| <b>Reginald M. Turner</b>   | 5,789                | *             |
| <b>Mary Ann Van Lokeren <sup>(4)</sup></b>                              | 96,613               | *             |
| <b>All directors and current executive officers of Masco as a group</b> | 5,735,667            | 1.7%          |
| <b>Gerald Volas <sup>(5)</sup></b>                                      | 67,322               | *             |
| <b>BlackRock Inc. <sup>(6)</sup></b>                                    |                      |               |
| <b>40 East 52<sup>nd</sup> Street, New York, New York 10022</b>         | 25,230,161           | 7.5%          |
| <b>The Vanguard Group <sup>(7)</sup></b>                                |                      |               |
| <b>100 Vanguard Blvd., Malvern, PA 19355</b>                            | 29,719,468           | 8.8%          |

\* Less than one percent

(1) Includes shares of unvested restricted stock and shares that may be acquired on or before February 29, 2016 upon exercise of stock options, as set forth in the table below. Holders have sole voting, but no investment power, over unvested restricted shares and have neither voting nor investment power over unexercised stock option shares.



**Table of Contents****PART V EXECUTIVE OFFICERS AND BENEFICIAL OWNERSHIP MASCO 2016**

| Name  | Shares that may be<br>acquired on or before<br>February 29, 2016 upon<br>exercise of stock options |                  |
|---|--|------------------|
|   | Unvested Restricted<br>Stock Awards  |                  |
| Mark R. Alexander   | 8,501  |                  |
| Keith J. Allman   | 142,696  | 110,543          |
| Dennis W. Archer  | 15,431   | 36,468           |
| Amit Bhargava   | 28,491   | 9,686            |
| Christopher Kastner   | 31,282   | 10,142           |
| J. Michael Losh   | 15,431   | 36,468           |
| Richard A. Manoogian  | 15,431   | 2,158,481        |
| Christopher A. O Herlihy  | 10,992   |                  |
| Richard A. O Reagan   | 64,001   | 11,167           |
| Donald R. Parfet  | 11,887   |                  |
| Lisa A. Payne   | 15,431   | 63,819           |
| John C. Plant   | 13,916   |                  |
| John G. Szniewajs   | 104,351  | 791,473          |
| Reginald M. Turner  | 5,789  |                  |
| Mary Ann Van Lokeren  | 15,431   | 29,174           |
| <b>All directors and current executive officers of Masco<br/>as a group</b> | <b>608,554</b>   | <b>3,502,915</b> |
| Gerald Volas  |  |                  |

(2) Shares owned by Mr. Manoogian and by all of our directors and current executive officers as a group include, in each case, an aggregate of 400,000 shares owned by charitable foundations for which Mr. Manoogian serves as a director or officer. The directors and officers of the foundations share voting and investment power with respect to shares owned by the foundations, but Mr. Manoogian disclaims beneficial ownership of such shares. Excluding unvested restricted stock shares and shares that he has a right to acquire, substantially all of the shares beneficially owned by Mr. Manoogian (other than unvested restricted stock and shares he has a right to acquire) have been pledged.

(3) Shares owned by Ms. Payne include 875 shares held in a revocable living trust.

(4) Shares owned by Ms. Van Lokeren include 45,810 shares held in a revocable living trust and 700 shares held in an IRA.

- (5) Mr. Volas ceased serving as an executive officer in June 2015. Shares owned by Mr. Volas include 49,679 shares held in a revocable living trust and 7,600 shares held in a retirement plan.
- (6) Based on a Schedule 13G filed with the SEC on January 26, 2016, on December 31, 2015, BlackRock Inc. (through certain of its subsidiaries) beneficially owned 25,230,161 shares of our common stock, with sole voting power over 21,025,914 shares and sole dispositive power over all of the shares.
- (7) Based on a Schedule 13G filed with the SEC on February 10, 2016, on December 31, 2015, The Vanguard Group and certain of its subsidiaries beneficially owned 29,719,468 shares of our common stock, with sole voting power over 624,671 shares, shared voting power over 34,000 shares, sole dispositive power over 29,044,988 and shared dispositive power over 674,488 of the shares.

#### **SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who own more than ten percent of our common stock, to file reports of their ownership of our common stock and changes in their ownership with the SEC and the New York Stock Exchange, and to furnish us with copies of these reports. Based solely on our review of copies of the reports that we received, or written representations from our executive officers and directors that they were not required to file Form 5 ownership reports, we believe that each person who was a director, officer or beneficial owner of more than ten percent of our common stock at any time during 2015 timely met all applicable filing requirements during the year.

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MASCO 2016 **PART VI GENERAL INFORMATION**

2016 Annual Meeting of Stockholders

**QUESTIONS AND ANSWERS**

The Board of Directors of Masco Corporation is soliciting the enclosed proxy for use at the Annual Meeting of Stockholders of Masco Corporation to be held at our corporate office at 21001 Van Born Road, Taylor, Michigan 48180, on Monday, May 9, 2016 at 10:00 A.M. Eastern time, and at any adjournment or postponement of the Annual Meeting. This proxy statement and the enclosed proxy card are being mailed or otherwise made available to stockholders on or about March 24, 2016. We are concurrently mailing to stockholders a copy of our 2015 Annual Report to Stockholders, which includes our Form 10-K for the year ended December 31, 2015.

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

Our Board established the close of business on March 11, 2016 as the record date to determine the stockholders entitled to receive a notice of, and to vote at, our Annual Meeting or an adjournment or postponement of the meeting. On the record date, there were 332,884,371 shares of our common stock, \$1 par value, outstanding and entitled to vote. Each share of our common stock represents one vote that may be voted on each matter that may come before the Annual Meeting.

All shares of our common stock represented by properly executed and unrevoked proxies will be voted by the persons named as proxy holders in accordance with the instructions given. If no instructions are indicated on a proxy, properly executed proxies will be voted 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.

*What is the difference between holding shares as a record holder and as a beneficial owner?*

If your shares are registered in your name with our registrar and transfer agent, Computershare, you are the record holder of those shares. If you are a record holder, we have provided these proxy materials directly to you.

If your shares are held in a stock brokerage account, or with a bank or other holder of record, you are considered the beneficial owner of those shares held in street name. If your shares are held in street name, these proxy materials have been forwarded to you by your bank or broker. As the beneficial owner, you have the right to instruct that organization on how to vote your shares.

*What is a broker non-vote?*

If your shares are held in street name through a bank, broker or other nominee, you must provide voting instructions to that organization. If you do not provide voting instructions, the organization may vote in its discretion on routine proposals, but not on non-routine proposals, which is called a broker non-vote. Except for Proposal 3, Ratification of Selection of Independent Auditors, all of the proposals on our agenda are non-routine.

*How are abstentions and broker non-votes treated?*

Abstentions and broker non-votes are not treated as votes cast with respect to Proposals 1, 2 and 3, so they will not have an effect on those proposals.

*What constitutes a quorum?*

To conduct business at our Annual Meeting, we must have a quorum of stockholders present. A quorum is present when a majority of the outstanding shares of stock entitled to vote, as of the record date, are represented in person or by proxy. Broker non-votes and abstentions will be counted toward the establishment of the quorum.

**Table of Contents****PART VI GENERAL INFORMATION MASCO 2016***How can I submit my vote?*

There are four methods you can use to vote: by internet, by telephone, by mail or in person. Submitting your proxy by internet, telephone or mail will not affect your right to attend the Annual Meeting and change your vote. Unless you are voting in person, your vote must be received by 11:59 p.m. Eastern time on May 8, 2016.

| <b>Method</b>               | <b>Record Holder</b>   | <b>Beneficial Owner</b>  |
|-----------------------------|--|--|
| <b>Internet</b>             | Have your proxy card available and log on to <a href="http://www.proxyvote.com">www.proxyvote.com</a> .                            | If your bank or broker makes this method available, the instructions will be included with the proxy materials.  |
| <b>Telephone</b>            | Have your proxy card available and call (800) 690-6903 from a touchtone telephone anywhere (toll free only in the United States).  | If your bank or broker makes this method available, the instructions will be included with the proxy materials.  |
| <b>Mail Your Proxy Card</b> | Mark, date, sign and promptly mail the enclosed proxy card in the postage-paid envelope provided for mailing in the United States. | Mark, date, sign and promptly mail the voting instruction form provided by your bank or broker in the postage-paid envelope provided for mailing in the United States. |
| <b>In Person</b>            | You may vote by ballot in person at the Annual Meeting.  | Obtain proof of stock ownership as of the record date and a valid legal proxy from the organization that holds your shares and attend the Annual Meeting.              |

*How many votes are needed for each proposal to pass?*

All of the matters to be considered at our Annual Meeting require the approval of a majority of the votes that are actually cast.

Our Bylaws provide that, in uncontested elections, directors are elected if the majority of votes cast FOR each nominee exceed the votes cast AGAINST such nominee. Proxies cannot be voted for a greater number of persons than the number of nominees named. Each director nominee will provide to us an irrevocable resignation if the majority of the votes cast are against him or her. The resignation will be effective within 90 days after the election results are certified, if the Board (excluding nominees who did not receive a majority of votes for their election) accepts the resignation, which it will do in the absence of a compelling reason otherwise.

If you are the stockholder of record, and you sign and return a proxy card without giving specific voting instructions, then the proxy holders will vote your shares in the manner recommended by our Board on all matters presented in this proxy statement, and as the proxy holders may determine in their discretion with respect to any other matters properly presented for a vote at the meeting.

*Is my proxy revocable?*

You may revoke your proxy before it is exercised by voting in person at the Annual Meeting, by timely delivering a subsequent proxy or by notifying us in writing of such revocation to the attention of Kenneth G. Cole, Secretary, at 21001 Van Born Road, Taylor, Michigan 48180 before your proxy is voted. Unless you revoke your proxy in person

at the meeting, your revocation must be received by 11:59 P.M. Eastern time on May 8, 2016.

*Who is paying for the expenses involved in preparing and mailing this proxy statement?*

We are paying the expenses involved in preparing, assembling and mailing these proxy materials and all costs of soliciting proxies. Our executive officers and other employees may solicit proxies, without additional compensation, personally and by telephone and other means of communication. In addition, we have retained Morrow & Co., LLC, 470 West Avenue, Stamford, Connecticut 06902, to assist in the solicitation of proxies for a fee of \$12,000, plus expenses. If you have questions about voting your shares, you may call Morrow & Co., LLC, at (800) 607-0088 (for individual stockholders) or (203) 658-9400 (for banks and brokerage firms). We will reimburse brokers and other persons holding our common stock in their names or in the names of their nominees for their reasonable expenses in forwarding proxy materials to beneficial owners.

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MASCO 2016 **PART VI GENERAL INFORMATION**

*What happens if additional matters are presented at the Annual Meeting?*

Other than the items of business described in this proxy statement, we are not aware of any other business to be acted upon at the Annual Meeting. If you grant a proxy, the persons named as proxy holders, Messrs. Allman and Cole, will have the discretion to vote your shares on any additional matters properly presented for a vote at the Annual Meeting. If for any reason any of our director nominees is not available as a candidate, Messrs. Allman and Cole may vote your shares for another candidate (or candidates) who may be nominated by the Board, or the Board may reduce its size.

*What is householding and how does it affect me?*

The proxy rules of the Securities and Exchange Commission (the SEC) permit companies and intermediaries, such as brokers and banks, to satisfy proxy statement delivery requirements for two or more stockholders sharing an address by delivering one proxy statement to those stockholders. This procedure, known as householding, reduces the amount of duplicate information that stockholders receive and lowers our printing and mailing costs.

We have been notified that certain intermediaries will use householding for our proxy materials and our 2015 Annual Report. Therefore, only one proxy statement and 2015 Annual Report may have been delivered to your address if multiple stockholders share that address. Stockholders who wish to opt out of this procedure and receive separate copies of the proxy statement and annual report in the future, or stockholders who are receiving multiple copies and would like to receive only one copy, should contact their bank, broker or other nominee or us at the address and telephone number below.

We will promptly send a separate copy of the proxy statement for the Annual Meeting or 2015 Annual Report if you send your request to [webmaster@mascohq.com](mailto:webmaster@mascohq.com), call our Investor Relations Department at (313) 274-7400, or if you write to Investor Relations, Masco Corporation, 21001 Van Born Road, Taylor, Michigan 48180.

*Our Website*

We maintain a website at [www.masco.com](http://www.masco.com). The information on our website is not a part of this proxy statement, and it is not incorporated into any other filings we make with the SEC.

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**PART VI GENERAL INFORMATION MASCO 2016**

**2017 Annual Meeting of Stockholders**

If you wish to submit a proposal to be considered at the 2017 Annual Meeting, you must comply with the following procedures. Any communication to be made to our Secretary as described below should be sent to:

Kenneth G. Cole, Secretary

Masco Corporation

21001 Van Born Road

Taylor, Michigan 48180

**PROXY STATEMENT PROPOSAL**

If you intend to present proposals to be included in our proxy statement for our 2017 Annual Meeting, you must give written notice of your intent to our Secretary on or before November 24, 2016 (120 calendar days prior to the anniversary of our mailing this proxy statement). The proposals must comply with SEC regulations under Rule 14a-8 for including stockholder proposals in a company's materials.

**MATTER FOR ANNUAL MEETING AGENDA**

If you intend to bring a matter before next year's meeting, other than by submitting a proposal to be included in our proxy statement, we must receive notice in accordance with our Bylaws, which state that our Secretary must receive your notice no earlier than January 9, 2017 and no later than February 8, 2017. For each matter you intend to bring before the meeting, your notice must include a brief description of the business to be brought before the meeting; the text of the proposal or business (including the text of any resolutions proposed for consideration and, if such business includes a proposal to amend the Bylaws, the language of the proposed amendment); the reasons for conducting the business at the meeting and any material interest you may have in such business; your name and address as it appears in our records; the number of shares of our common stock you own; a representation that you are a holder of record of shares of our stock entitled to vote at such meeting and you intend to appear in person or by proxy at the meeting to propose such business; and a representation as to whether you are part of a group that intends to deliver a proxy statement or form of proxy to holders of at least the percentage of our outstanding common stock required to approve or adopt such proposal, or if you intend to otherwise solicit proxies from stockholders in support of your proposal.

**DIRECTOR CANDIDATE NOMINATION**

If you wish to nominate director candidates for election to the Board at the 2017 Annual Meeting, you must submit the following information required by our Certificate of Incorporation to our Secretary no later than February 7, 2017: your name and address and the name and address of the person(s) to be nominated; a representation that you are a holder of record of shares of our common stock entitled to vote at such meeting and you intend to appear in person or by proxy at the meeting to nominate the person(s) specified in the notice; a description of all arrangements or understandings between you and each nominee and any other person(s) (naming such person(s)) pursuant to which the nomination(s) is or are to be made by you; other information regarding each nominee you are proposing, as would have been required to be included in a proxy statement filed pursuant to the SEC's proxy rules if the nominee had been



nominated by the Board of Directors; and the written consent of each nominee to serve as our director if elected. In addition, our Bylaws require that the notice of intent to make a nomination shall be accompanied by a statement whether each nominee, if elected, intends to tender, promptly following such election, an irrevocable resignation effective upon such person's failure to receive the required vote for re-election at the next meeting at which such person would face re-election and upon the Board of Directors' acceptance of such resignation. Our Bylaws also state that a stockholder seeking to make a nomination before an annual meeting shall promptly provide to us any other information we reasonably request.

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MASCO 2016 **PART VI GENERAL INFORMATION**

**Other Matters**

The Board of Directors knows of no other matters to be voted upon at the Annual Meeting. If any other matters properly come before the Annual Meeting, the proxy holders named in the enclosed proxy will have discretionary authority to vote the shares represented by the proxy in their discretion with respect to such matters.

By Order of the Board of Directors,

Kenneth G. Cole

Vice President, General Counsel and Secretary

Taylor, Michigan

March 24, 2016

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**MASCO CORPORATION**

**21001 VAN BORN ROAD**

**TAYLOR, MI 48180**

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com) or scan the QR Barcode above**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time on Sunday, May 8, 2016. Have your proxy card in hand when you access the web site and follow the instructions to obtain your records and to create an electronic voting instruction form.

**ELECTRONIC DELIVERY OF FUTURE PROXY MATERIALS**

If you would like to reduce the costs we incur in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access proxy materials electronically in future years.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time on Sunday, May 8, 2016. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E02547-P76281

KEEP THIS PORTION FOR YOUR RECORDS

DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED  
AND DATED.**

**MASCO CORPORATION**

**The Board of Directors recommends you vote  
FOR the following:**

| 1. Election of Directors | <b>For</b> | <b>Against</b> | <b>Abstain</b> |
|--------------------------|------------|----------------|----------------|
| 1a. Donald R. Parfet     | ..         | ..             | ..             |
| 1b. Lisa A. Payne        | ..         | ..             | ..             |
| 1c. Reginald M. Tuner    | ..         | ..             | ..             |

**The Board of Directors recommends you vote FOR the Company s proposals 2 and 3:**

|  |    |    |    |
|--|----|----|----|
| 2. To approve, by non-binding advisory vote, the compensation paid to the Company s named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and the related materials disclosed in the Proxy Statement. | .. | .. | .. |
|--|----|----|----|

Please sign exactly as your name(s) appear(s) hereon. When signing as attorney, executor, administrator, or other fiduciary, please give full title as such. Joint owners should each sign personally. All holders must sign. If a corporation or partnership, please sign in full corporate or partnership name by authorized officer.

**For Against Abstain**

|  |    |    |    |
|--|----|----|----|
| 3. To ratify the selection of PricewaterhouseCoopers LLP as independent auditors for the Company for 2016. | .. | .. | .. |
|--|----|----|----|

**NOTE:** In their discretion, the proxy holders are authorized to vote upon such other matters that may come before the meeting or any adjournment or postponement thereof.

Signature [PLEASE SIGN WITHIN BOX]

Date

Signature (Joint Owners)

Date

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**Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting:**

The Notice and Proxy Statement and Annual Report are available at [www.proxyvote.com](http://www.proxyvote.com).

E02548-P76281

**MASCO CORPORATION**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE  
ANNUAL MEETING OF STOCKHOLDERS**

**MAY 9, 2016**

The undersigned stockholder(s) hereby appoint(s) Keith J. Allman and Kenneth G. Cole, or either of them, as proxy holders, each with the power to appoint his substitute, and hereby authorize(s) them to represent and to vote, as designated on the reverse side of this proxy, all of the shares of Common Stock of MASCO CORPORATION that the stockholder(s) is/are entitled to vote at the Annual Meeting of Stockholders to be held at 10:00 A.M. Eastern Time on Monday, May 9, 2016, at the offices of the Company at 21001 Van Born Road, Taylor, Michigan 48180, and any adjournment or postponement thereof, and to vote in his discretion on any other matters that may come before the meeting or any adjournment or postponement thereof.

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED BY THE STOCKHOLDER(S). IF NO SUCH DIRECTIONS ARE MADE, THIS PROXY WILL BE VOTED FOR THE ELECTION OF THE NOMINEES LISTED IN PROPOSAL 1 AND FOR PROPOSALS 2 AND 3.**

**This proxy is revocable and the undersigned may revoke it at any time prior to the Annual Meeting by giving written notice of such revocation to the Secretary of the Company or by filing with the Secretary of the Company a later-dated proxy. Should the undersigned be present and want to vote in person at the Annual Meeting, or at any postponement or adjournment thereof, the undersigned may revoke this proxy by giving written notice of such revocation to the Secretary of the Company on a form provided at the meeting. The undersigned hereby acknowledge(s) receipt of a Notice of Annual Meeting of Stockholders of the Company called for May 9, 2016, the Proxy Statement for the Annual Meeting and the Annual Report to Shareholders, prior to the signing of this proxy.**

**PLEASE MARK, SIGN, DATE AND RETURN THIS PROXY CARD PROMPTLY USING THE ENCLOSED REPLY ENVELOPE.**

**Continued and to be signed on reverse side**