



MASCO

2016
Corporate
Sustainability
Report



FEATURED PRODUCTS
On the cover: DELTA® Faucet
This page: BEHR® Paint

2016 MASCO SUSTAINABILITY REPORT

TABLE OF CONTENTS

MASCO

Executive Message	7
Corporate	8
Ethics and Integrity	8
Diversity and inclusion	8
Code of business ethics	8
Governance	9
Structure	9
Precautionary principle	10
Endorsements	10
Profile	10
Organization	10
Brands, products and markets	10
Significant changes	11
Scale	12
Operations	12
Workforce	12
Collective bargaining	12
Supply chain	12
Memberships	13
Economic	15
Economic performance	15
Core financials	15
Revenue from sustainable products	15
Revenue from products meeting VOC emissions and content standards	15
Innovation	15
Vitality	15
Intellectual property	16

Environment.....	18
Energy	18
Energy consumption.....	18
Air	19
CO2 intensity	19
Water	19
Water use.....	19
Water use in stressed locations.....	20
Water risk management	20
Wood.....	20
Wood fiber purchased	20
Wood from certified forestlands	20
Waste	21
Waste intensity	21
Product lifecycle management	21
Social	23
Community	23
Volunteerism	23
Philanthropy	23
Health and safety	25
Incident rate	25
Lost day frequency rate.....	25
Labor policy.....	25
Chemical responsibility	26
Managing product risk.....	26
Managing emerging concerns.....	26
Human capital	27
Employee engagement.....	27
Employee retention.....	27
Reporting	29
Materiality.....	29
Entities	29
Defining report content	29

Material aspects and boundaries	31
Significant changes	31
Stakeholder engagement	31
Groups.....	31
Selection	32
Approach	32
Concerns.....	33
Report profile	33
Reporting period	33
External assurance.....	33
Date of previous report	33
Reporting cycle.....	33
Report contact	33
GRI and SASB index	33



FEATURED PRODUCT
LIBERTY® Hardware

EXECUTIVE MESSAGE



TO OUR STAKEHOLDERS

In 2015, we refreshed our sustainability program by conducting a materiality assessment, updating our vision and roadmap for sustainability, and establishing a cross-representative Sustainability Steering Committee (SSC) comprised of members of our HQ office and at least one representative from each of our business units to govern and steward the program. Our goal: How can a focus on sustainability help us make a bigger positive impact in our communities and our businesses?

With a defined vision and mission, we broadened and deepened our sustainability program in 2016 to define actionable next steps. This included benchmarking and tracking other companies and their protocols. We also expanded our organizational involvement through education and increased focus on disclosures.

Our education initiatives centered around sharing the relationship between doing good and being financially well. We conducted a series of workshops to educate not only the SSC and SSC Working Group members, but also other leaders in our organization, including the investor relations and executive teams, on how a company of our size can impact the economic, environmental and social ecosystems in which we operate as a result of a focus on sustainability. A key result of this collaboration was the creation of a model to assess each business unit's level of maturity in managing sustainability. Work is now underway to connect this model with our Masco Operating System, our methodology to drive growth and productivity.

Our CDP disclosures exemplify how we broadened our sustainability efforts in 2016. We submitted a CDP disclosure on forestry management, water and climate change management, rounding our 2016 disclosures across three key tenets of the CDP protocol.

I am proud of the external recognition we have received for our achievements to date in this area, including the WaterSense® Sustained Excellence Award Delta Faucet received from the US Environmental Protection Agency for the second consecutive year.

I am equally proud of our focus as we continue to tap our full potential for sustainability. Thank you to all who have worked hard to support this endeavor. I am confident sustainability will remain a focal point as we continue to drive shareholder and stakeholder value.



Keith Allman

President and Chief Executive Officer

CORPORATE



ETHICS AND INTEGRITY

Maintaining the highest standard of ethics in the conduct of our business is our corporate policy and has always been an integral part of Masco Corporation's culture. Our reputation for ethical business practices is one of our most valued assets.

DIVERSITY AND INCLUSION

A diverse workforce reflects our consumers and customers and includes a broad range of backgrounds, thoughts, talents and passions. Embracing an environment of inclusion—one of involvement, respect, support and connection—will help ensure we leverage our best ideas.

Masco is an equal opportunity employer and makes employment decisions only on the basis of merit. We prohibit discrimination in employment opportunities on any unlawful basis.

WE HAVE A CODE OF BUSINESS ETHICS

Masco's Legal and Ethical Compliance Program consists of a number of elements designed to help our employees, officers and directors understand, implement and consistently reinforce our commitment to ethical business practices. Our program includes the Masco Code of Business Ethics (the "Code of Ethics"), the Masco Ethics Hotline and ethics training. The Code of Ethics requires that all Masco employees, officers and directors respect and comply with our corporate policies and applicable laws, rules and regulations. We have policies that address anti-bribery/anti-corruption, antitrust, conflicts of interest, environmental, health and safety, financial reporting, insider trading, data privacy and other business ethics risks. We communicate our program through multiple channels, including through our annual legal and ethical compliance certification program, which requires that our employees annually read our Code of Ethics and commit to comply with standards contained in our Code of Ethics and our policies, and through ethics training. Our Code of Ethics, policies and training materials are translated into multiple languages. Our employees are encouraged to report violations of the law or our policies using our private Ethics Hotline. Our Ethics Hotline is accessible to our employees 24 hours a day, seven days a week, is administered by an independent third party and enables employees to remain anonymous if they choose. We will not retaliate against reports made in good faith. Our Code of Ethics is available on our website at www.masco.com/about/corporate-governance/.



GOVERNANCE

STRUCTURE

The standing committees of our Board are the Audit Committee, the Organization and Compensation Committee and the Corporate Governance and Nominating Committee, and each functions pursuant to a written charter adopted by the Board. The membership of these three committees qualifies under the independence and experience requirements applicable to the Company, including requirements of the New York Stock Exchange. Subject to any changes that our Board may make from time to time:

Our Audit Committee responsibilities include assisting the 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.

Additionally, our Audit Committee reviews and discusses with management certain financial and non-financial risks that we believe are most germane to our business activities.

Our Organization and Compensation Committee is responsible for:

- determining the compensation paid to our executive officers;
- evaluating the performance of our senior executives;
- determining and administering restricted stock awards and options granted under our stock incentive plan;
- administering our annual and long-term performance compensation programs; and
- reviewing our management succession plan, including periodically reviewing our CEO's evaluation and recommendation of potential successors.

In addition, our Organization and Compensation Committee evaluates 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 Organization and Compensation Committee on executive compensation programs at our business units to assess whether these programs or practices expose us to excessive risk.

Our Governance Committee is responsible for:

- advising our Board on the governance structure and conduct of our Board;
- developing and recommending to our Board appropriate corporate governance guidelines and policies;
- Board succession planning, including reviewing our Board's structure and composition and the tenure of our directors;
- identifying and recommending qualified individuals for nomination and re-nomination to our Board;
- recommending directors for appointment and re-appointment to Board committees; and
- reviewing and recommending to the Board our director compensation.

For additional details regarding Masco's governance structure, go to www.masco.com/about/corporate-governance/.

PRECAUTIONARY PRINCIPLE

Masco has a formal and ongoing Enterprise Risk Management (ERM) process to anticipate and manage corporate risk and, where possible, to convert potential risks into business opportunities. This is supported by risk mitigation activities with ownership and action plans, allowing us to better manage potential risks. The Audit Committee is responsible for reviewing policies related to risk, but it is the responsibility of the Chief Executive Officer and senior management to determine the appropriate level of risk.

ENDORSEMENTS

Masco participates in and, in some cases, has assisted in the development of several major external charters and initiatives, including:

- WaterSense®, ENERGY STAR®, and other voluntary EPA initiatives;
- ISO 14001;
- OHSAS 18001;
- Carbon Disclosure Project (CDP);
- Global Reporting Initiative (GRI);
- Sustainability Accounting Standards Board (SASB);
- United Nations Sustainable Development Goals (UNSDG); and
- Standards for sustainable forestry practices, such as the Forest Stewardship Council (FSC) and Sustainable Forestry Initiative (SFI).



PROFILE

ORGANIZATION

Headquartered in Taylor, Michigan in 2016*, Masco Corporation is a publicly traded company incorporated in the state of Delaware. Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol MAS.

**In 2017, Masco's headquarters relocated to Livonia, MI*

BRANDS, PRODUCTS AND MARKETS

We are a global leader in the design, manufacture, and distribution of branded home improvement and building products. These products are sold for home improvement and new home construction through home center retailers, mass merchandisers, hardware stores, homebuilders, distributors and other outlets for consumers and contractors as well as direct to the consumer.

Our portfolio of industry-leading brands includes BEHR® paint; DELTA® and HANSGROHE® faucets, bath and shower fixtures; KRAFTMAID® and MERILLAT® cabinets; MILGARD® windows and doors; and HOT SPRING® spas. We leverage our powerful brands across product categories, sales channels and geographies to create value for our customers and shareholders.



PLUMBING PRODUCTS: We are a leader in manufactured plumbing products, with access to broad distribution channels worldwide. Through our premier brands, we offer an array of products including faucets, plumbing fittings and valves, showerheads and handheld showers, tubs, bathing units and shower enclosures, toilets, spas and exercise pools and systems. (2016 net sales: \$3.5 billion, 48 percent of Masco's total net sales)



DECORATIVE ARCHITECTURAL PRODUCTS: We are one of the largest suppliers of architectural paint and exterior wood care products to the United States and Canadian do-it-yourself channel. This segment also includes shower accessories and decorative hardware for cabinets, doors, windows and other applications. (2016 net sales: \$2.1 billion, 28 percent of Masco's total net sales)



CABINETRY PRODUCTS: We are one of the largest manufacturers of kitchen and bath cabinetry in the U.S. This segment includes assembled cabinetry for the kitchen, bath, storage, home office and home entertainment applications. (2016 net sales: \$1.0 billion, 13 percent of Masco's total net sales)



WINDOWS AND OTHER SPECIALTY PRODUCTS: We are one of the leading manufacturers of vinyl and fiberglass windows in the western United States. This segment includes windows, window frame components and patio doors, both in the United States and the United Kingdom. During 2016, this segment also included staple guns, hammer tackers and other fastening tools. (2016 net sales: \$0.8 billion, 11 percent of total Masco's net sales)



SIGNIFICANT CHANGES

In 2016, there were no significant changes to the Masco Corporation organizational profile.*

*In 2017, Masco Corporation sold Arrow Fastener and Moores Furniture Group.

SCALE

OPERATIONS

As of December 31, 2016, we had significant manufacturing operations in the following countries:

- Canada
- China
- France
- Germany
- Mexico
- Turkey
- United Kingdom
- United States

Our principal properties worldwide consisted of a collection of 120 manufacturing, distribution and warehouse facilities, totaling approximately 1,627,000 m². We had 68 manufacturing facilities (47 in North America, 21 outside of North America) and 52 distribution and warehouse facilities (29 in North America, 23 outside of North America).

Our facilities range from single warehouse buildings to complex manufacturing facilities. We own most of our manufacturing facilities, none of which are subject to significant encumbrances, and we lease a substantial number of our warehouse and distribution facilities. Most of our international facilities are located in China, Germany and the United Kingdom.

WORKFORCE

As of December 31, 2016, Masco employed approximately 26,000 employees in 34 countries. Of these employees, approximately 59 percent worked in the United States.



COLLECTIVE BARGAINING

In 2016, approximately 3 percent of all of our U.S. employees were covered by a collective bargaining agreement, most at our Arrow Fastener and BrassCraft Manufacturing operations. Outside the U.S., the percentages are higher. For instance, at Hüppe GmbH, in Germany, approximately 90 percent of employees were covered.

SUPPLY CHAIN

We partner with a global supply base to manufacture and distribute products to our customers and channel partners. Our 26,000 global suppliers provide us with raw materials, components, sub-assemblies, manufacturing services, finished goods, and indirect goods and services. We spend approximately \$4.4 billion with our global supply base—approximately 65 percent with suppliers in North America, 21 percent with suppliers in Asia and 14 percent with suppliers in Europe.

Many of the suppliers upon whom we rely are located in foreign countries. The differences in business practices, shipping and delivery requirements, and laws and regulations have increased the complexity of our supply chain logistics and the potential for interruptions in our production scheduling. Therefore, we have continued to seek and realize supply chain efficiencies through strategic sourcing. We also have agreements with certain significant suppliers to help ensure continued availability.

MEMBERSHIPS

In 2016, Masco was involved with various associations and national or international advocacy organizations, whether through memberships, governance, participation in projects or committees, funding beyond routine dues or other strategic forms of involvement. These memberships include:

U.S. AND INTERNATIONAL (EXCLUDING EUROPE)

- AliaRSE (promoting Mexican business ethics and environmental responsibility)
- American Alliance for Water Efficiency
- American Coatings Association
- American Society of Safety Engineers
- Architectural Manufacturers Association
- Canadian Paint and Coatings Association
- Composite Panel Association
- Conflict Free Sourcing Initiative
- Employers Group
- Equal Employment Action Committee
- International Wood Products Association
- Kitchen Cabinet Manufacturers Association
- Manufacturers Alliance for Productivity and Innovation (MAPI)
- National Safety Council
- Plumbing Manufacturers Institute
- Society for Human Resource Management
- U.S. Green Building Council
- National Association of Manufacturers (NAM)

EUROPE

- Association of German Engineers (VDI)
- Association for Occupational Safety (VSW)
- Association for Solar Energy (DGfNB)
- Alliance for Sustainability (Allianz pro Nachhaltigkeit)
- Bathroom Manufacturers Association
- British Fenestration Rating Council
- British Plastics Federation
- Furniture Industry Research Association
- German Association for Personnel Management
- German Sustainable Building Council
- Glass and Glazing Federation
- Industry Design Forum (Industrie Design Forum)
- Institute for Building and Environment (IBU)
- International Controller Association (ICV)
- Royal Society for the Prevention of Accidents



FEATURED PRODUCT
KRAFTMAID® Cabinetry

ECONOMIC

ECONOMIC PERFORMANCE

CORE FINANCIALS

Masco's net sales for 2016 were approximately \$7.4 billion. Additional information is included in our 2016 Form 10-K, available at <http://investor.masco.com/investor-relations/financial-information/annual-reports/default.aspx>.

REVENUE FROM SUSTAINABLE PRODUCTS

From paints that are UL Greenguard® and Green Seal® certified, to faucets that meet standards such as, Water Sense® and the European Water Label and Building Research Establishment Environmental Assessment Method, to windows that meet standards such as ENERGY STAR®, we are committed to making sustainable products. In 2016, a number of Masco's companies tracked the percentage of revenue they generated from the sale of sustainable products as follows:



REVENUE FROM PRODUCTS MEETING VOC EMISSIONS AND CONTENT STANDARDS

Three Masco companies have determined that volatile organic compounds (VOCs) emissions and content standards are applicable to their performance: Behr, Hüppe GmbH and Mirolin. For these companies, the percentage of their 2016 total revenue earned from sales of applicable products meeting these standards for VOCs was 100 percent.

WaterSense® and Energy Star® are registered trademarks of the Environmental Protection Agency. UL Greenguard® is a registered trademark of UL LLC. Green Seal® is a registered trademark of Green Seal, Inc.

INNOVATION

VITALITY

Our commitment to innovation in the development of new products keeps us at the forefront of the industries in which we do business. Masco's 2016 Vitality Index, which is the percentage of our 2016 gross sales attributable to products we first sold in the 36 months prior to December 31, 2016, was approximately 30 percent.



INTELLECTUAL PROPERTY

The total number of patents and trademark registrations granted to Masco worldwide during 2016 was approximately 1,200. The total number of patent and trademark applications filed by Masco worldwide during 2016 was approximately 1,450. Respectively, foreign grants and filings accounted for 77 and 73 percent of total grants and filings.

In order for us to continue to lead in innovation in the industries in which we do business, a dedicated team at Masco works to protect our intellectual property. We also hold trade secrets and proprietary information that are important to our business.



FEATURED PRODUCT
MILGARD® Windows

ENVIRONMENT

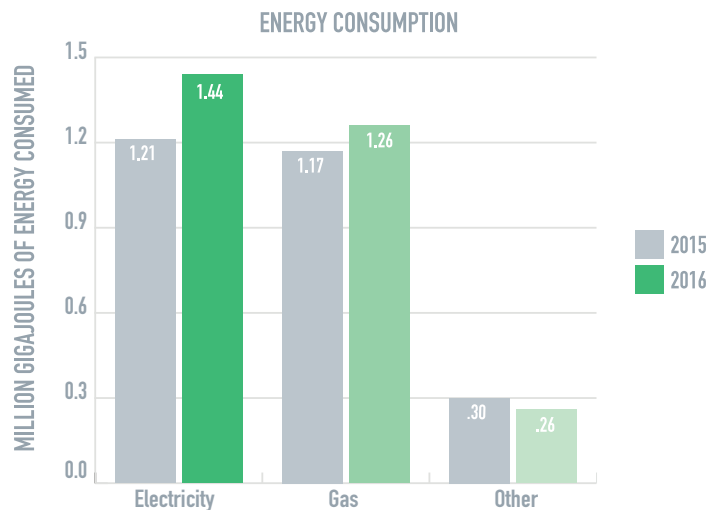


ENERGY

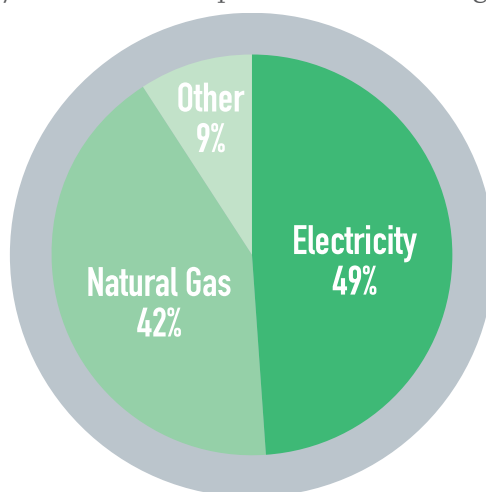


ENERGY CONSUMPTION

Masco's total energy consumption reported in 2016 was 2.96 million gigajoules (GJ), comprised largely of electricity and natural gas.



Of the total energy Masco consumed in 2016, 49 percent was electricity, 42 percent was natural gas, and the remaining 9 percent was diesel, gasoline, propane, fuel oil and renewables (wood waste and biodiesels). Almost all electricity consumed was purchased from the grid.



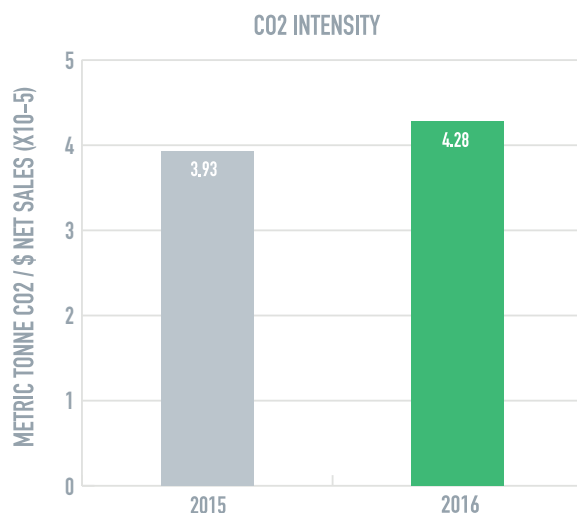
AIR



CO2 INTENSITY

We define our CO2 intensity as metric tons of CO2 per unit of net sales in U.S. dollars. In computing CO2, we include our consumption of electricity, natural gas, propane and heating fuel (oil), as well as fuel use (gasoline, diesel and propane). Standard conversion factors are used to compute CO2 emissions from energy use.

In 2016, our CO2 intensity per U.S. dollar of net sales increased by 9 percent over 2015. This was attributable to a 12 percent increase in CO2 emissions, due largely to the higher ratio of electricity to natural gas and a 3 percent increase in our net sales.



WATER

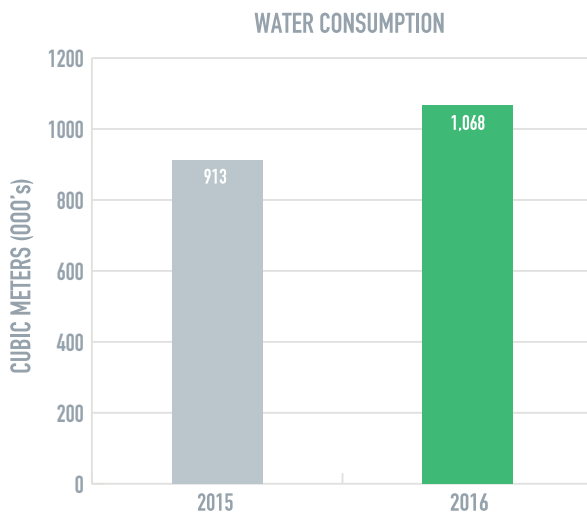


WATER USE

Masco's total water consumption in 2016 was approximately 1,068,000 M3.

For sites reporting in 2015, total water consumption in 2016 was approximately 993,000 M3, a 9 percent increase, due largely to increases in water consumption at three companies, consistent with growth in sales.

In addition, 11 new sites began reporting in 2016, with an additional total water consumption of 75,000 M3.



WATER USE IN STRESSED LOCATIONS

In 2016, five of Masco's companies— Liberty Hardware Manufacturing, Masco Canada, Mirolin Industries, Moores Furniture Group and Masco UK Window Group—reported the use of water in areas that the World Resource Institute defines as having low or medium baseline water stress.

Overall, only 34 percent of Masco's total water consumption was by companies who reported the use of water in areas the World Resource Institute defines as having high or extremely high baseline water stress.

WATER RISK MANAGEMENT

We are committed to reducing our impact on water resources company-wide. Efforts are in place to reduce the amount of water used in product design and manufacturing processes. For example, we have collaborated with the EPA as a WaterSense® partner to encourage the efficient use of water resources and actively protect the future of our water supply. The WaterSense® program currently specifies labeling of high-efficiency toilets and water-conserving bath faucets, which can provide 30 percent water savings for residential use and perform better than the industry standard. Behr Process Corporation's manufacturing process include the reuse of nearly all process waste water. Masco also works to reduce environmental impact by responsibly disposing of water. Masco discharges process water from its manufacturing locations to local, publicly-owned treatment works. We are not aware of any bodies of water that are significantly affected by our discharges.

WOOD



WOOD FIBER PURCHASED

The total amount of wood fiber purchased during 2016 was approximately 49,300 metric tons (MT).

WOOD FROM CERTIFIED FORESTLANDS

Masco is committed to the responsible sourcing of wood materials.

Some Masco companies sourced significant percentages of their wood from products from certified forestry sources:



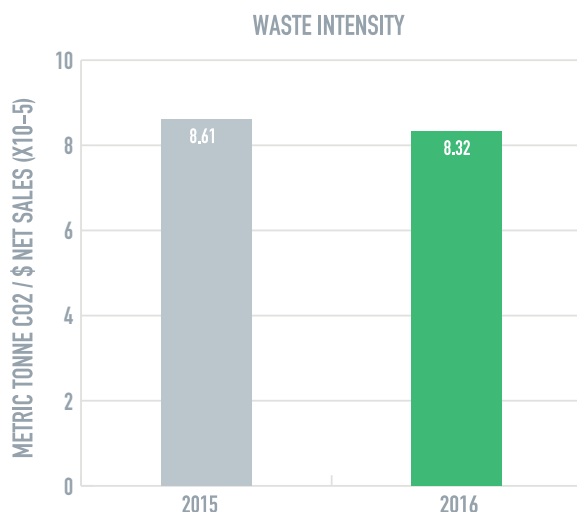
WASTE



WASTE INTENSITY

We define our waste intensity as metric tons of waste per unit of net sales in U.S. dollars. Total waste consists of hazardous waste, non-hazardous waste and recycled waste. Hazardous waste is primarily disposed through fuels blending, incineration, landfill or recycling. Non-hazardous waste is primarily disposed through landfill. Some non-hazardous waste is also incinerated or sent to a wastewater treatment facility. Recycled waste is kept out of landfills by changing some of our process and construction waste materials into new products.

In 2016, our waste intensity per U.S. dollar of net sales decreased by 3 percent over 2015. Despite an increase of 3 percent in our net sales, we had little change in our total waste volume.



*The numbers above do not include Mirolin for 2015, who subsequently completed efforts to incorporate their waste data into Masco's Corporate Health, Safety, and Environmental system for 2016.

PRODUCT LIFECYCLE MANAGEMENT

We are committed to sustainable product design, production, packaging and delivery, which may include product lifecycle evaluation for environmental impacts and product sustainability. We collaborate with many third-party business partners to reduce the environmental impact of our products, such as reducing water use and carbon intensity, as well as using sustainable materials in product development.



FEATURED PRODUCT
PEERLESS® Faucet

SOCIAL



COMMUNITY

We engage in a broad range of youth development and civic initiatives in support of a variety of causes. In 2016, business units worked actively with Masco's corporate office to identify and support opportunities to offer our products through donations and special pricing initiatives to nonprofit entities. Our business units are the primary source for in-kind product donations to charities.

VOLUNTEERISM

We support our nonprofit partners primarily through our cash and product donations, along with the widespread support of our employees and their families, who volunteer regularly in the communities where they work and live.

Masco's business units actively support charitable organizations in their local communities. These contributions take the form of cash donations, volunteer engagement and the donation of products. Many business units make special volunteerism promotions, such as paid volunteer time, part of their employee relations programs.

PHILANTHROPY

We are committed to supporting both local and national organizations through monetary and in-kind product donations. Masco's corporate-wide charitable giving is derived from a combination of the Masco Foundation funds and corporate resources, including cash and in-kind product donations. In 2016, Masco's combined charitable contributions exceeded \$6 million.

Organizations supported by Masco's Foundation over the 2016 calendar year include: Habitat for Humanity International, Detroit Institute of Arts, Home Aid America, Detroit Public Television and many other local and national organizations supporting arts and culture. In addition to manufactured product donations by our business units, our employees raised and donated hundreds of thousands of dollars for local charities.

The Masco Corporation Foundation, established in 1952 and funded exclusively by Masco Corporation, supports a variety of charitable organizations, and places special emphasis on financial support to not-for-profit organizations that promote decent, affordable housing for disadvantaged and low-income families. It also supports a number of specific cultural, environmental, human service and civic initiatives in the regions where Masco does business.

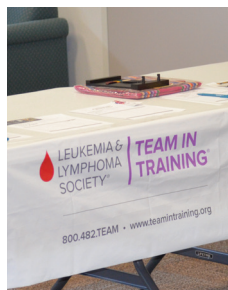
Since 2010, Masco has been offering employees of its U.S. business units the opportunity to participate in matching and volunteer grant programs to support the work of charitable organizations across the United States. Within established parameters and eligibility criteria, Masco matches employees' gifts to qualified 501(c)(3) public charities and educational institutions. In addition, employees who volunteer their time and energy to promoting charitable causes have the opportunity to apply for grants that they may direct to qualified charities of their choice.

We are proud to share a few of the philanthropic efforts of our business units:

BrassCraft: Total donations for 2016, including partners, relief efforts collections, and other community requests exceeded \$73,000. Our main partnerships were with the Coalition on Temporary Shelter, Juvenile Diabetes Research Foundation, Haven, Piquette Square for Veterans and the Leukemia and Lymphoma Society. In 2016, our associates volunteered with these organizations to serve lunch, donate clothing, participate in a fundraising walk and collect hygiene products. In addition, BrassCraft employees provided assistance for the Taiwan Relief Fund after the earthquake and filled the needs of 30 families in partnership with the Salvation Army.

Behr: A company-supported volunteerism benefit, called Behr Cares Day, is offered to all employees on an annual basis. Part-time employees receive four paid hours and full-time employees receive eight paid hours for volunteering in their local community. In 2016, Behr employees used over 1,800 volunteer hours to engage in a variety of activities, including painting local buildings, beach clean-ups, natural disaster relief and children's education. Behr and The Home Depot also donated over 15,000 gallons of paint, totaling about \$410,000 in 2016. Behr employees additionally donated 28 units of blood to the City of Hope and hundreds of toys to Toys for Tots and Spark of Love Toy Drive in 2016.

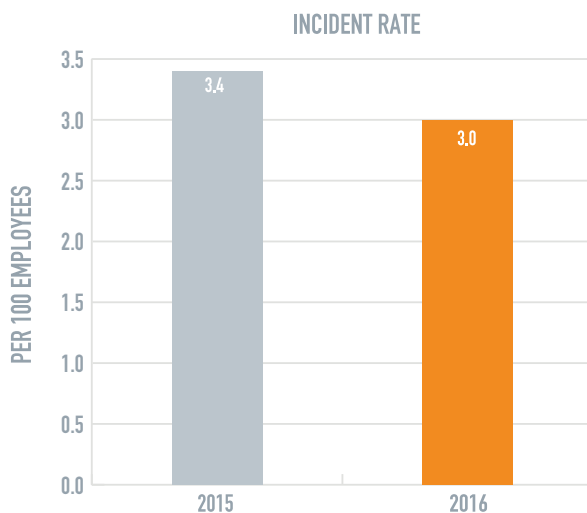
Watkins: Watkins Wellness continues to contribute to a variety of causes and organizations, both local and national, including Children's Hospital, City of Vista, Vista Boys and Girls Club, New Haven Youth and Family Services, North County Solutions for Change, Rancho Buena Vista High School, Vista Firefighters Association, Toys for Tots, Special Olympics and Ronald McDonald House Charities San Diego. Watkins Wellness also holds an annual Spas for a Cause Pink Party event benefitting the National Breast Cancer Foundation, and participates in the Making Strides Against Breast Cancer Walk, benefitting the American Cancer Society.



HEALTH & SAFETY

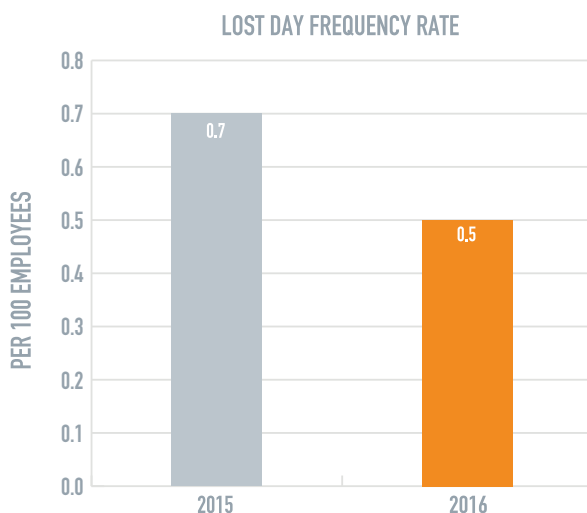
INCIDENT RATE

The safety of our employees is integral to our company and is handled responsibly and quickly. In support of our safety efforts, Masco collects and analyzes injury data centrally, and each year sets a goal to improve safety performance by at least 10 percent. Masco's incident rate was 3.0 per one hundred employees in 2016.



LOST DAY FREQUENCY RATE

Masco works to maximize company-wide efficiency through limiting lost days and encouraging a high standard of safety within the workplace. Masco's lost day frequency rate was 0.5 per hundred employees in 2016. Masco has had no fatalities in the last three years.



LABOR POLICY

Masco prides itself on its reputation for honesty, integrity and excellence in everything that we do. We, therefore, expect and require that all goods produced on our behalf or on behalf of any of the brands in the Masco family be manufactured in facilities that meet specific criteria for human rights, working conditions and protection of the environment.

Our selection and continued use of our suppliers is based on compliance to the following standards with respect to all goods that we purchase. Our suppliers must:

1. Comply with all applicable laws and regulations.
2. Protect against the use of workers younger than the minimum age required by law.
3. Protect against the use of forced labor (including Slavery and Human Trafficking).
4. Provide appropriate wages and benefits as required by law.
5. Protect against excessive working hours that exceed local laws or business customs.
6. Protect against physical and mental punishment of workers.
7. Protect against unlawful discrimination against workers and encourage employment based on ability.
8. Respect workers' rights to associate freely.
9. Maintain safe and clean workplaces, including any residential facilities, in compliance with the law.
10. Protect our confidential and proprietary information.
11. Provide us all requested information regarding Conflict Minerals.

Masco Corporation audits our supply base to ensure compliance with our SBP Policy. We use a risk-based approach to determine which suppliers will be audited in any given year, and then conduct audits using dedicated staff personnel and third-party resources. We conduct approximately 125 audits per year, and maintain the results of all completed audits. We execute Corrective Action Plans following the completion of each audit to drive continued improvement in our Supply Base.

Additional information regarding our Supplier Business Practice Policy can be found at <http://masco.com/suppliers-policy/>.

CHEMICAL RESPONSIBILITY

MANAGING PRODUCT RISK

By utilizing various environmental, health and safety (EHS) tools to analyze the hazards of chemicals and ensure their proper handling, labeling and waste treatment, we strive to keep our employees and customers safe from potentially harmful chemicals. Our program to mitigate risks to our employees as well as our customers starts when a chemical is first considered for use in our products or processes. Each new chemical must be reviewed and approved, including meeting REACH regulations in Europe, where applicable, before it may be brought on-site and used in our products or processes.

For example, Moores uses the Alcmus Sypol CMS COSHH Risk Management software. This system highlights products containing substances of very high concern, as well as assesses and audits DESEAR compliance.

MANAGING EMERGING CONCERNS

Masco follows strict regulations through software identification and requests from suppliers to constantly equip employees and customers to deal with emerging chemicals of concern. For example, Behr works closely with coating associations in both the United States and Canada to keep abreast of new regulations regarding chemicals used in its products. Before approving a supplier for business units that may use emerging chemicals of concern, our relevant businesses require the supplier to

declare whether its product or packaging contain Substances of Very High Concern (SVHCs). If the products or packaging contain SVHC, they are dealt with in a safe manner according to regulation.

HUMAN CAPITAL

Masco Corporation and its business units have a strong focus on human capital development. Across the enterprise, we have implemented a robust Talent Strategy that is integrally linked to driving our business. We have multi-year strategic priorities that include:

- Leadership: Build more great leaders, faster, at all levels.
- Diversity & Inclusion: Integrate diversity and inclusion into who we are and how we work.
- Future Workforce: Find, develop and engage a problem-solving, creative, agile, team-focused workforce.

Each strategic priority has linked to it both enterprise-wide and business unit specific initiatives that are focused on talent development and retention. These initiatives also have metrics associated with them to monitor progress. The metrics put in place to regularly monitor, report on, and course correct our talent initiatives include:

- Board-level reviews of the Talent Strategy and progress against targets
- Quarterly reviews with each business unit's leadership team and Masco's executive team, including review of key performance indicators
- Monthly talent touchpoints with business unit Presidents/HR leads and Masco Corporation Group Presidents and the Chief Human Resource Officer

Across the corporation, there has been significant investment and focus on building strong talent processes, methods, and tools to support a strong pipeline of leaders. The organization also offers various training programs to support technical and leadership development skills. We have a regular performance review process that aligns to career development—the process includes strong goal setting, ongoing coaching and feedback sessions, formal mid-year and year-end reviews, and linkage to performance-based compensation. Various approaches are used to support employee engagement and retention. Some examples include regularly gathering employee feedback through surveys, focus groups, and other open forums—then establishing clear improvements and actions that respond to employee feedback.

EMPLOYEE ENGAGEMENT

Engagement surveys are conducted on an annual, biannual or triennial basis. Last year's participation rate for business units partaking in an engagement survey exceeded 80 percent. The organization is committed to sharing survey results with employees and driving specific action plans to close identified gaps. Using input from our surveys, we are continuing efforts to strengthen workplace culture and increase personal and professional opportunities across our business units. In addition, as an enterprise, we are focusing on becoming an even more responsible corporate citizen by investing in diversity and inclusion efforts.

EMPLOYEE RETENTION

Masco believes in taking care of and retaining its people. During 2016, only 13 percent of employees of our headquarters and business units headquartered in the U.S. voluntarily terminated their employment.



FEATURED PRODUCT
BRIZO® Faucet

REPORTING



MATERIALITY

ENTITIES

All of Masco's business units are wholly owned, directly or indirectly, except for Hansgrohe SE, and are included in both this CSR and financial reports. Masco owns 68 percent of Hansgrohe SE.

DEFINING REPORT CONTENT

To prioritize the issues of most importance to our stakeholders, we hired a third-party consultant to assist the Sustainability Steering Committee (SSC) in assessing disclosure topics.

Our assessment focused on identifying, prioritizing and validating aspects from the following key sources: Masco's own documents on its sustainability strategy; feedback from Masco's SSC, SSC Working and Advisory Groups, and employees; feedback directly from stakeholders; initiatives from recognized industry organizations such as the Sustainability Accounting Standards Board, Global Reporting Initiative, Carbon Disclosure Project and the United Nations; documentation on the views of our stakeholders, including North American reporting authorities and surveys of U.S. environmental attitudes; and findings from peer benchmarking studies. In addition, specific comments and suggestions from stakeholders regarding our 2015 CSR report have been influential in determining the structure and content of our 2016 report.

From the content determined to be significant, we then identified the subset of content that would be appropriate to report, such as content with available data and without competitive risk. Finally, for each topic, we determined the boundary of applicability. For example, when considering volatile organic compounds (VOCs) in regard to chemicals in our products, our boundary included relevant companies such as Behr, but not most of our other companies.

MATERIAL ASPECTS AND BOUNDARIES

Following is a list of material aspects we identified in the process of defining the 2016 CSR content, organized to align with the categories of the Global Reporting Initiative:

Corporate:

- Ethics and Integrity
- Governance Structure
- Brands
- Products & Services
- Markets Served
- Facilities
- Countries of Operation
- Workforce
- Collective Bargaining
- Supply Chain

Economic:

- Economic Performance
- Revenue from Sustainable Products
- Innovation

Environmental:

- Sustainable Products & Services
- Energy
- Materials
- Water
- Biodiversity
- Emissions
- Effluents & Waste

Social:

- Community Engagement
- Occupational Health & Safety
- Employee Engagement
- Labor Policy

For 2016, we identified the following areas for additional disclosure: forced or compulsory labor, child labor, anti-discrimination, human capital, employee turnover and incident reduction programs.

This report provides a detailed summary of the sustainability performance and practices of Masco and its consolidated operating businesses, including Hansgrohe SE, as of December 31, 2016. Hansgrohe has additionally produced its own Sustainability Report covering its facilities. The most recent Hansgrohe Sustainability Report is available in English (www.hansgrohe.com) and German (www.hansgrohe.de).

SIGNIFICANT CHANGES

While Masco's organizational profile changed in 2015 with the spin off of our Installation and Other Services businesses, this report does not contain any significant changes in scope, boundary or measurement methods as compared to the 2015 CSR. This report does not contain a restatement of information relating to Masco's major financial indicators and environmental data.

STAKEHOLDER ENGAGEMENT

GROUPS

Our stakeholder groups, as of December 31, 2016, include the following:

- **Employees**—Masco and its business units had approximately 26,000 employees in 34 countries, approximately 59 percent of whom worked in the United States.
- **Investors**—Masco is a publicly traded company and had approximately 4,000 shareholders of record as of December 31, 2016.
- **Customers**—Our customers include home center retailers, other retailers, dealers, distributors and homebuilders. Our largest customer is The Home Depot, which represents approximately 34 percent of our consolidated 2016 net sales.
- **Consumers**—The ultimate consumers of our goods include builders, contractors, designers, installers and homeowners.

- **Communities**—Masco’s principal North American facilities consist of 47 manufacturing facilities and 29 distribution and warehouse facilities, and its principal facilities outside North America consist of 21 manufacturing facilities and 23 distribution and warehouse facilities. Community involvement and good citizenship are important parts of the Masco corporate culture. Through the Masco Foundation and other Corporate giving, the Company has demonstrated its commitment to a variety of arts, cultural and housing-based organizations, such as Habitat for Humanity, serving the communities in which its companies and employees reside.
- **Suppliers**—Masco buys raw materials, parts for its products and finished products from a wide range of supplier companies around the world.

SELECTION

Masco views its business—first and foremost—as one that serves its stakeholders. From our customers to our business partners to our employees, we know our financial and corporate sustainability performance depends on establishing good relationships with those we serve, and we rely on in the communities in which we work and live. We believe in engaging with all of our stakeholders honestly, respectfully and with integrity. Our stakeholder groups have been identified through a number of processes, namely feedback from Masco’s SSC, SSC Working and Advisory Groups, and employees, feedback directly from stakeholders, studies from recognized industry organizations and evaluation of peer benchmark studies.

APPROACH

We routinely seek input on what we make and sell and how we operate internally and externally through employee surveys, shareholder meetings, market research and customer satisfaction analyses. The qualitative market research studies we conduct typically include questions related to the importance of sustainability in customer buying decisions.

Our approach has been to respond to various investor and highly-respected non-governmental organization and advocacy group inquiries for information. We also believe that our Corporate Sustainability Report is an effective method for providing meaningful communications with our stakeholders about our sustainability practices. In addition, Masco interfaces regularly with sustainability executives from other companies. This has enabled peer review and learning within a network of trusted professionals. We also engage in sustainability best-practice exchanges with other companies.

Masco’s suppliers are engaged through our enterprise-wide Supplier Business Practices Policy and audit process, and each Masco business unit has one or more managers or groups responsible for ensuring employee engagement in their respective organizations.

Through executive interviews, online bulletin boards and focus groups, Masco seeks to connect with its customers and build a two-way conversation. Our business units undertake qualitative and quantitative “Voice of Customer” market research to guide their development efforts for new products focused on the needs of their customers.

CONCERNS

This report pays special attention to the topics of greatest concern to our principal stakeholders. These topics include innovative and sustainable products and energy usage.

REPORTING PROFILE

REPORTING PERIOD

This Corporate Sustainability Report (CSR) focuses on Masco's corporate governance, reporting approach and economic, social and environmental performance during 2016.

EXTERNAL ASSURANCE

External report assurance was not sought for this report.

DATE OF PREVIOUS REPORT

Our most recent report was for 2015.

REPORTING CYCLE

This report is planned to be published at least biennially.

REPORT CONTACT

Masco encourages feedback on its Corporate Sustainability Report. If you would like to comment on the report, please e-mail us at sustainabilityreport@mascohq.com. Additional information about Masco, our business units and brands is available on our website at www.masco.com and in our 2016 Annual Report, which is also available on our website.

GRI AND SASB INDEX

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines as well as metrics from the Sustainability Accounting Standards Board (SASB). The following table shows the location of each disclosure and metric in this report:

2016 CSR Sub-Section	2016 CSR Page #	GRI G4 Disclosure	GRI G4 Discl. ID	SASB Disclosure	SASB Discl. ID
Executive Message	7	Executive statement	1		
Ethics and Integrity	8	Codes of conduct and ethics	56		
Diversity and Inclusion	8	Anti-discrimination	HR3		
Structure	9	Governance structure	34		
Precautionary Principle	10	Precautionary principle	14		
Endorsements	10	Endorsements of external initiatives	15		
Organization	10	Organization name	3		
		Organization location	5		
		headquarters	7		
		Ownership and legal form			

2016 CSR Sub-Section	2016 CSR Page #	GRI G4 Disclosure	GRI G4 Discl. ID	SASB Disclosure	SASB Discl. ID
Brands, Products, and Markets	10	Primary brands, products, and services Markets served	4 8		
Significant Changes	11	Significant profile changes Significant scope or aspect boundary changes	13 23		
Operations	12	Number and names of countries of operation Organizational scale	6 9	Number of Manufacturing Facilities Area of Manufacturing Facilities	CN0602-B CN0603-B
Workforce	12	Workforce breakdown	10		
Collective Bargaining	12	Collective bargaining agreements	11		
Supply chain	12	Supply chain	12		
Memberships	13	Association and advocacy memberships	16		
Core Financials	15	Direct economic value generated and distributed	EC1	Annual Production	CN0603-A
Revenue from Sustainable Products	15	Direct economic value generated and distributed Financial implications and other risks and opportunities for the organization's activities due to climate change	EC1 EC2	Revenue from products designed with green chemistry principles	CN0602-08
Revenue from Products Meeting VOC Emissions and Content Standards	15	Financial implications and other risks and opportunities for the organization's activities due to climate change NOx, SOx, and other significant air emissions	EC2 EN21	Percentage of applicable products meeting volatile organic compound (VOC) emissions and content standards	CN0603-03.18
Vitality	15	Direct economic value generated and distributed Financial implications and other risks and opportunities for the organization's activities due to climate change	EC1 EC2		
Intellectual Property	16	Financial implications and other risks and opportunities for the organization's activities due to climate change Extent of impact mitigation of environmental impacts of products and services Total environmental protection expenditures and investments by type	EC2 EN27 EN31		

2016 CSR Sub-Section	2016 CSR Page #	GRI G4 Disclosure	GRI G4 Discl. ID	SASB Disclosure	SASB Discl. ID
Energy Consumption	18	Energy consumption within the organization	EN3	Total Energy Consumed Percentage Grid Electricity	CN0603-01.01 CN0603-01.03
CO2 Intensity	19	Direct greenhouse gas (GHG) emissions (Scope 1) Energy indirect greenhouse gas (GHG) emissions (Scope 2) Other indirect greenhouse gas (GHG) emissions (Scope 3) Greenhouse gas (GHG) emissions intensity	EN15 EN16 EN17 EN18		
Water Use	19	Total water withdrawn by source	EN8	Total Freshwater Withdrawn	CN0601-01.01
Water Use in Stressed Locations	20	Water sources significantly affected by withdrawal of water	EN9	Percentage in Regions with High or Extremely High Baseline Water Stress	CN0601-01.04
Water Risk Management	20	Disclosure Management Approach	DMA	Discussion of water management risks and description of strategies and practices to mitigate those risks	CN0602-02
Wood Fiber Purchased	20	Financial implications and other risks and opportunities for the organization's activities due to climate change Materials used by weight or volume Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas Habitats protected or restored	EC2 EN1 EN12 EN13	Total Wood Fiber Purchased	CN0603-06.29
Wood from Certified Forestlands	20	Materials used by weight or volume Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas Habitats protected or restored	EN1 EN12 EN13	Percentage from Third-Party Certified Forestlands, by Standard Percentage Meeting Other Fiber Sourcing Standards, by Standard	CN0603-06.30 CN0603-06.34
Waste Intensity	21	Financial implications and other risks and opportunities for the organization's activities due to climate change Total weight of waste by type and disposal method	EC2 EN23		

2016 CSR Sub-Section	2016 CSR Page #	GRI G4 Disclosure	GRI G4 Discl. ID	SASB Disclosure	SASB Discl. ID
Product Lifecycle Management	21	Disclosure Management Approach	DMA	Discussion of efforts to manage product lifecycle impacts and meet demand for sustainable products Description of strategies to reduce the environmental impact of packaging throughout its lifecycle	CN0603-04 CN0602-04
Volunteerism	23	Disclosure Management Approach	DMA		
Philanthropy	23	Direct economic value generated and distributed	EC1		
Incident Rate	25	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	LA6		
Labor Policy	25	Child labor Forced or compulsory labor	HR5 HR6		
Managing Product Risk	26	Disclosure Management Approach	DMA	Description of processes to assess and manage risks and/or hazards associated with chemicals in products	CN0603-02
Managing Emerging Concerns	26	Disclosure Management Approach	DMA	Discussion of process to identify and manage emerging materials and chemicals of concern	CN0602-07

2016 CSR Sub-Section	2016 CSR Page #	GRI G4 Disclosure	GRI G4 Discl. ID	SASB Disclosure	SASB Discl. ID
Human Capital	27	Average hours of training per year per employee by gender, and by employee category Programs for skills management and life long learning that support the continued employability of employees and assist them in managing career endings Percentage of employee receiving regular performance and career development reviews, by gender and by employee category Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation Anti-discrimination	LA9 LA10 LA11 LA12 LA13 HR3		
Employee Engagement	27	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	LA5		
Employee Retention	27	Total number and rates of new employee hires and employee turnover by age group, gender and region	LA1		
Entities	30	Entities in consolidated financial reports	17		
Defining Report Content	30	Process for defining report content and aspect boundaries	18		
Material Aspects and Boundaries	29	Material aspects Material aspect internal boundaries Material aspect external boundaries	19 20 21		
Significant Changes	30	Effect of any restatements	22		
Groups	30	Stakeholder groups engaged	24		
Selection	31	Stakeholder selection rationale	25		

2016 CSR Sub-Section	2016 CSR Page #	GRI G4 Disclosure	GRI G4 Discl. ID	SASB Disclosure	SASB Discl. ID
Approach	31	Stakeholder engagement approach	26		
Concerns	32	Stakeholder concerns and responses	27		
Reporting Period	32	Reporting period	28		
External Assurance	32	External assurance and executive support	33		
Date of Previous Report	32	Date of previous report	29		
Reporting Cycle	32	Reporting cycle	30		
Report Contact	32	Report contact	31		
GRI and SASB Index	32	GRI reference and index	32		