

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

2016 Annual Meeting of Stockholders

Notice and Proxy Statement

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Masco Corporation
21001 Van Born Road
Taylor, Michigan 48180

313-274-7400

www.masco.com

March 24, 2016

Dear Stockholder:

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

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

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

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

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

Sincerely,

J. Michael Losh

Chairman of the Board

Keith J. Allman

President and Chief Executive Officer

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MASCO CORPORATION

Notice of Annual Meeting of Stockholders

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

The purposes of the Annual Meeting are:

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

The Company recommends that you vote as follows:

FOR each Class I Director nominee;

FOR the approval of the compensation paid to our named executive officers; and

FOR the selection of PricewaterhouseCoopers LLP as our independent auditors for 2016.

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

By Order of the Board of Directors,

Kenneth G. Cole

Vice President, General Counsel and Secretary

March 24, 2016

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

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

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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

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

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

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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

Amit Bhargava	252,000	252,039	504,039
Christopher K. Kastner	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 ⁽¹⁾
Return on Invested Capital	8.50%	10.49%	214%

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

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

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

Stockholder Outreach

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

Our Compensation Practices

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

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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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