

SHERWIN WILLIAMS CO  
Form DEF 14A  
March 06, 2019  
Table of Contents

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

**Preliminary Proxy Statement**  
**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**  
**Definitive Proxy Statement**  
**Definitive Additional Materials**  
**Soliciting Material Pursuant to 240.14a-12**

**THE SHERWIN-WILLIAMS COMPANY**  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

*The Sherwin-Williams Company*

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held April 17, 2019

The Annual Meeting of Shareholders of THE SHERWIN-WILLIAMS COMPANY will be held in the Landmark Conference Center, 927 Midland Building, 101 West Prospect Avenue, Cleveland, Ohio on Wednesday, April 17, 2019 at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect the 12 director nominees named in the attached Proxy Statement to hold office until the next Annual Meeting of Shareholders and until their successors are elected;
2. To approve, on an advisory basis, the compensation of the named executives;
3. To ratify the appointment of Ernst & Young LLP as Sherwin-Williams independent registered public accounting firm; and
4. To transact such other business as may properly come before the Annual Meeting.

Shareholders of record at the close of business on February 19, 2019, the record date for the Annual Meeting, are the only shareholders entitled to notice of and to vote at the Annual Meeting.

Your vote is important. Whether or not you plan to attend the Annual Meeting, please promptly vote on the Internet, by telephone or by completing and returning the enclosed proxy card. Voting early will help avoid additional solicitation costs and will not prevent you from voting in person at the Annual Meeting if you wish to do so.

MARY L. GARCEAU

*Secretary*

101 West Prospect Avenue

Cleveland, Ohio 44115-1075

March 6, 2019

***ADMISSION TO THE 2019 ANNUAL MEETING.***

You are entitled to attend the Annual Meeting only if you were a Sherwin-Williams shareholder at the close of business on February 19, 2019. We may ask you to present evidence of share ownership and valid photo identification to enter the Annual Meeting. Please refer to the section entitled "How can I attend the Annual Meeting?" for further information.

***IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE SHAREHOLDER MEETING TO BE HELD ON APRIL 17, 2019.***

Sherwin-Williams Proxy Statement and 2018 Annual Report to Shareholders are available free of charge at <http://proxymaterials.sherwin.com>.

**Table of Contents**

**TABLE OF CONTENTS**

<b><u>PROXY SUMMARY</u></b>	<b>1</b>
<b><u>PROXY STATEMENT</u></b>	<b>6</b>
<u>General Information</u>	6
<u>Questions and Answers about the Meeting</u>	6
<u>Corporate Governance</u>	9
<b><u>PROPOSAL 1 Election of Directors</u></b>	<b>14</b>
<u>Independence of Directors</u>	21
<u>Experiences, Qualifications, Attributes and Skills of Director Nominees</u>	22
<b><u>DIRECTOR COMPENSATION</u></b>	<b>23</b>
<u>2018 Director Compensation Table</u>	23
<u>Director Compensation Program</u>	24
<b><u>BOARD MEETINGS AND COMMITTEES</u></b>	<b>25</b>
<u>Committee Membership</u>	25
<u>Audit Committee</u>	25
<u>Compensation and Management Development Committee</u>	26
<u>Nominating and Corporate Governance Committee</u>	27
<u>Audit Committee Report</u>	29
<u>Compensation Risk Assessment</u>	30
<u>Compensation Committee Report</u>	30
<b><u>EXECUTIVE COMPENSATION</u></b>	<b>31</b>
<u>Compensation Discussion and Analysis (CD&amp;A)</u>	31
<u>Summary Compensation Table</u>	50
<u>2018 Grants of Plan-Based Awards Table</u>	54
<u>Outstanding Equity Awards at December 31, 2018 Table</u>	56
<u>2018 Option Exercises and Stock Vested Table</u>	58
<u>2018 Nonqualified Deferred Compensation Table</u>	58
<u>Potential Payments upon Termination or Change in Control</u>	60
<u>Estimated Payments upon Termination or Change in Control Table</u>	65
<u>2018 CEO Pay Ratio</u>	66
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	<b>67</b>
<b><u>PROPOSAL 2 Advisory Approval of the Compensation of the Named Executives</u></b>	<b>68</b>
<b><u>PROPOSAL 3 Ratification of Appointment of the Independent Registered Public Accounting Firm</u></b>	<b>69</b>
<u>Matters Relating to the Independent Registered Public Accounting Firm</u>	70
<b><u>SECURITY OWNERSHIP</u></b>	<b>71</b>
<u>Security Ownership of Management</u>	71
<u>Security Ownership of Certain Beneficial Owners</u>	72
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	72
<b><u>OTHER MATTERS</u></b>	<b>72</b>
<u>Certain Relationships and Transactions with Related Persons</u>	72

<u>Shareholder Proposals for the 2020 Annual Meeting</u>	73
<u>Householding Information</u>	74
<u>Annual Report on Form 10-K</u>	74
<b><u>APPENDIX A Director Independence Standards</u></b>	<b>A-1</b>
<b><u>APPENDIX B Calculation of Financial Measures</u></b>	<b>B-1</b>

**Table of Contents****PROXY SUMMARY**

*This summary highlights information contained elsewhere in this Proxy Statement and does not contain all of the information you should consider. Please carefully read the entire Proxy Statement and our 2018 Annual Report to Shareholders before voting.*

**2019 Annual Meeting of Shareholders**

<b>Date and Time</b>	<b>Place</b>	<b>Record Date</b>
Wednesday, April 17, 2019	Landmark Conference Center	February 19, 2019
9:00 a.m., EDT	927 Midland Building	
	101 West Prospect Avenue	
	Cleveland, Ohio 44115	

**Proposals and Board Recommendations**

<b>Proposal</b>	<b>Board Recommendation</b>
1. Election of 12 directors	<b>FOR each nominee</b>
2. Advisory approval of the compensation of the named executives	<b>FOR</b>
3. Ratification of Ernst & Young LLP as our independent registered public accounting firm	<b>FOR</b>

**2018 Financial and Operating Highlights**

We delivered record performance across many measures in 2018. 2018 net sales increased to a record \$17.53 billion. Diluted net income per share from continuing operations decreased to \$11.67. Net income from continuing operations

was \$1.1 billion, and we generated record net operating cash of \$1.94 billion. Since completing the acquisition of The Valspar Corporation in 2017 (the Valspar Transaction), we have continued to make significant progress on our integration efforts.

<sup>1</sup> 2017 has been adjusted for a voluntary inventory accounting change made in 2018.

<sup>2</sup> 2018 includes after-tax acquisition-related costs of \$394.4 million, after-tax environmental expense provisions of \$126.1 million, after-tax California litigation expense of \$102.5 million and after-tax pension settlement expense of \$28.3 million. 2017 includes a one-time income tax benefit of \$668.8 million from Deferred income tax reductions and after-tax acquisition-related costs of \$329.4 million. 2016 includes after-tax acquisition-related costs of \$81.5 million.



**Table of Contents**

<sup>3</sup> 2018 includes charges of \$4.15 per share for acquisition-related costs, \$1.32 per share for environmental expense provisions, \$1.09 per share for California litigation expense and \$.30 per share for pension settlement expense. 2017 includes a one-time benefit of \$7.04 per share from Deferred income tax reductions and a charge of \$3.47 per share for acquisition-related costs. 2016 includes a charge of \$.86 per share for acquisition-related costs.

We continued our history of returning significant value to our shareholders in 2018, returning \$936 million through dividends and repurchases of our stock. During 2018, we increased our annual dividend to \$3.44 per share, extending our string of dividend increases to 40 consecutive years. In February 2019, the Board increased the quarterly cash dividend to \$1.13 per share, an increase of 31% over the dividend paid in the same quarter in 2018.

**Our Director Nominees**

The following table provides summary information about each of our director nominees. This year we have included two new director nominees — Kerrii B. Anderson, Retired, Former Chief Executive Officer and President of Wendy's International, Inc., and Jeff M. Fettig, Retired, Former Chairman of the Board and Chief Executive Officer of Whirlpool Corporation.

	Director		Principal Occupation	Independent	Committee Memberships				Other
	Age	Since			AC	CMDC	NCGC	Comp	
Anderson	61	N/A	Retired, Former CEO & President, Wendy's International, Inc.						
Anton	61	2006	Chairman & CEO, Swagelok Company				C, F		
Fettig	62	N/A	Retired, Former Chairman & CEO, Whirlpool Corporation						
Podnik	71	2005	Retired, Former President & CEO, Ace Hardware Corporation						
Kramer	55	2012	Chairman, CEO & President, The Goodyear Tire & Rubber Company				F		
Popf	70	2003	Retired, Former President & COO, Avon Products, Inc.						
Trikis	55	2015	Chairman & CEO, Sherwin-Williams						
Poon	66	2014	Executive in Residence, The Ohio State University				F	C	
Opki	68	2009	Retired, Former Chairman, President & CEO, Lincoln Electric Holdings, Inc.				L		
Thaman	55	2017	Chairman & CEO, Owens Corning						
Hornton III	60	2014	Executive VP & COO, FedEx Freight, FedEx Corporation						
Vunning	67	2015	Retired, Former Group President, Caterpillar Inc.					C	

Committee  
Compensation and Management Development Committee  
Nominating and Corporate Governance Committee

C = Committee Chair  
F = Financial Expert  
L = Lead Independent Director

**Table of Contents**

***Board Refreshment.*** Our Board utilizes a thoughtful approach to board composition to ensure a proper balance between the addition of new directors who bring fresh and diverse perspectives and the stability of the Board as a whole. With the election of the 12 director nominees, we will have added 7 new independent directors to our Board over the past 5 years. Our director nominees reflect the Board's efforts and commitment to achieving diversity in age, gender and ethnicity and the need for refreshment to maintain this commitment.

***Balanced Mix of Skills and Experience.*** Our director nominees also reflect the Board's efforts to ensure our directors have the variety of experiences, qualifications, attributes and skills necessary to make significant contributions to the Board, Sherwin-Williams and our shareholders. Our Board believes this mix contributes to a well-balanced Board and enables the Board to provide effective oversight of our management and business. These experiences, qualifications, attributes and skills are reviewed regularly in considering the composition of the full Board and each director nominee.

Table of Contents**Corporate Governance**

**Our Board and Committees.** Under our Corporate Governance Guidelines, each director is expected to attend, absent unusual circumstances, all meetings of the Board and each committee on which he or she serves. Each director is also expected to attend, absent unusual circumstances, all annual and special meetings of shareholders.

	<b>Number of Current Members</b>	<b>Independence</b>	<b>Number of Meetings During 2018</b>
Board of Directors	10	9 of 10	5
Audit Committee	4	100%	5
Compensation and Management Development Committee	5	100%	5
Nominating and Corporate Governance Committee	5	100%	3

Each of our incumbent directors attended at least 75% of all of the 2018 meetings of the Board and the committees on which he or she served. All of our incumbent directors attended the 2018 Annual Meeting.

**Sound Corporate Governance Practices.** We believe good corporate governance is an important element for creating and maximizing long-term value for our shareholders. Our corporate governance practices are designed to enable the Board to set objectives and monitor performance and to strengthen the accountability of the Board and management. We actively monitor our corporate governance practices to ensure we continue to manage our business in accordance with high standards of ethics, business integrity and corporate governance. The following table highlights our corporate governance practices and policies that serve the long-term interests of Sherwin-Williams and our shareholders.

Annual election of all directors	Annual board and committee self-assessment evaluations (conducted by an outside, independent advisor in 2018)
Majority voting standard and resignation policy for directors in uncontested elections	Executive sessions of independent directors are held with each regular board meeting
Proxy access rights available to 3 year, 3% shareholders for up to 20% of Board <b>NEW</b>	Directors have complete access to management
11 of 12 director nominees are independent	Board oversight of risk management
Independent lead director has significant governance responsibilities	Stringent restrictions on pledging and hedging of our stock

Board committees are comprised entirely of independent directors      Significant director and executive stock ownership guidelines

Mandatory retirement age of 72 for directors

Orientation program for new directors

**Table of Contents**

**Executive Compensation**

***Our Compensation Objectives.*** We design and manage our company-wide compensation programs to align with our overall business strategy and focus our employees on delivering sustained financial and operating results that drive long-term, superior shareholder returns. We believe it is important that our compensation programs: (a) be competitive; (b) maintain a performance and achievement-oriented culture; and (c) align the interests of our executives with those of our shareholders.

***Our Compensation Mix.*** A significant percentage of the compensation opportunity of our executives is variable, at risk and tied to company or business unit performance, including stock price appreciation. For 2018, 89% of the standard principal compensation components for our CEO and an average of 77% for our other named executives were at risk and tied to performance.

***Our Responsible Compensation Practices.*** Our compensation programs, practices and policies demonstrate our commitment to responsible pay and governance principles. We review and evaluate our compensation programs, practices and policies on an ongoing basis, and we modify them to address evolving best practices and changing regulatory requirements. The following table highlights some of the more significant best practices we have adopted, and the practices we have avoided, to best serve the long-term interests of our shareholders.

Annual say-on-pay votes	No unnecessary or excessive risk-taking in compensation policies and practices
Independent Compensation Committee	No excessive perquisites
Independent compensation consultant	No payment of dividend equivalents on unvested RSUs
Peer group benchmarking to median pay	
Emphasis on performance-based pay	Double-trigger vesting of long-term equity incentive awards upon change in control
Responsibly administered incentive compensation programs	No repricing or replacing of underwater stock options without shareholder approval
Balanced compensation structure	No above-market earnings on deferred compensation
Diversified performance metrics tied to financial and operating performance	No employment agreements with named executives (with the exception of Mr. Erter)
Clawback and recapture policy	
Significant stock ownership by our directors and officers	

**Table of Contents**

**THE SHERWIN-WILLIAMS COMPANY**

**101 West Prospect Avenue**

**Cleveland, Ohio 44115-1075**

**PROXY STATEMENT**

March 6, 2019

**GENERAL INFORMATION**

We are providing the enclosed proxy materials to you in connection with the solicitation by the Board of Directors (the Board) of proxies to be voted at the Annual Meeting of Shareholders to be held on April 17, 2019 (the Annual Meeting). We began giving these proxy materials to our shareholders on March 6, 2019. The terms we, us and our throughout this Proxy Statement refer to Sherwin-Williams and/or its management.

We are enclosing our Annual Report to Shareholders for the year ended December 31, 2018 with these proxy materials.

**QUESTIONS AND ANSWERS ABOUT THE MEETING**

***What is the purpose of the Annual Meeting?***

At the Annual Meeting, shareholders will act upon the proposals outlined in the Notice of Annual Meeting of Shareholders. The agenda includes the following proposals:

<b>Proposal</b>	<b>Board Recommendation</b>
1. Election of 12 directors	<b>FOR each nominee</b>
2. Advisory approval of the compensation of the named executives	<b>FOR</b>
3. Ratification of Ernst & Young LLP as our independent registered public accounting firm	<b>FOR</b>

In addition, our management will report on Sherwin-Williams financial and operating performance and respond to questions from shareholders. We are not aware of any other matters that will be brought before the Annual Meeting for action.

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

You are entitled to vote at the Annual Meeting only if you were a record holder of our common stock at the close of business on the record date, February 19, 2019. At the close of business on the record date, 92,680,611 shares of common stock were outstanding. Each share owned on the record date is entitled to one vote.

***What is the difference between a shareholder of record and a beneficial owner of shares held in street name?***

*Shareholder of Record.* If your shares are registered directly in your name with our transfer agent, EQ Shareowner Services, you are considered the shareholder of record with respect to those shares.

*Beneficial Owner of Shares Held in Street Name.* If your shares are held in an account at a broker, bank or other similar organization, you are the beneficial owner of shares held in street name. The organization holding your account is considered the shareholder of record for purposes of voting at the Annual Meeting. As a beneficial owner, you have the right to instruct that organization on how to vote the shares held in your account.



## **Table of Contents**

### ***How do I vote?***

Most shareholders have a choice of voting by mail, on the Internet, by telephone or in person at the Annual Meeting. We encourage you to vote in advance to ensure your vote will be represented at the Annual Meeting.

***Voting by Mail.*** If you are a shareholder of record, you may vote by signing, dating and returning your proxy card in the enclosed prepaid envelope. The proxy holders will vote your shares in accordance with your directions. If you sign and return your proxy card, but do not properly direct how your shares should be voted on a proposal, the proxy holders will vote your shares *for* the election of each director nominee on Proposal 1 and *for* Proposals 2 and 3. If you sign and return your proxy card, the proxy holders will vote your shares according to their discretion on any other proposals and other matters that may be brought before the Annual Meeting.

If you hold shares in street name, you should complete, sign and date the voting instruction card provided to you by your broker or nominee.

***Voting on the Internet or by Telephone.*** If you are a shareholder of record, detailed instructions for Internet and telephone voting are attached to your proxy card. Your Internet or telephone vote authorizes the proxy holders to vote your shares in the same manner as if you signed and returned your proxy card by mail. If you are a shareholder of record and you vote on the Internet or by telephone, your vote must be received by 11:59 p.m. EDT on April 16, 2019; you should not return your proxy card.

If you hold shares in street name, you may be able to vote on the Internet or by telephone as permitted by your broker or nominee.

***Voting in Person.*** All shareholders may vote in person at the Annual Meeting. Shareholders of record also may be represented by another person present at the Annual Meeting by signing a proxy designating such person to act on your behalf. If you hold shares in street name, you may vote in person at the Annual Meeting only if you have obtained a signed proxy from your broker or nominee giving you the right to vote your shares.

### ***What happens if I hold shares in street name and I do not give voting instructions?***

If you hold shares in street name and do not provide your broker with specific voting instructions, under the rules of the New York Stock Exchange (NYSE), your broker may generally vote on routine matters but cannot vote on non-routine matters. Proposals 1 and 2 are considered non-routine matters. Therefore, if you do not instruct your broker how to vote on Proposals 1 and 2, your broker does not have the authority to vote on those proposals. This is generally referred to as a broker non-vote. Proposal 3 is considered a routine matter and, therefore, your broker may vote your shares on this proposal according to your broker's discretion.

### ***Who tabulates the votes?***

Representatives of EQ Shareowner Services will tabulate the votes and act as inspectors of election at the Annual Meeting.

### ***How do I vote if I am a participant in the Dividend Reinvestment Plan or the Employee Stock Purchase and Savings Plan?***

If you are a participant in one of these plans, your proxy card also serves as voting instructions for the number of shares for which you are entitled to direct the vote under each plan. You may vote your shares in the same manner

outlined above for shareholders of record. If you are a participant in our Employee Stock Purchase and Savings Plan (ESPP), your voting instructions must be received by the close of business on April 12, 2019 in order to allow the trustee sufficient time for voting.

## **Table of Contents**

If you are a participant in our ESPP and you do not timely provide your voting instructions, the trustee will vote your shares in the same proportion as the trustee votes those shares for which it receives proper instructions.

### ***What constitutes a quorum for the Annual Meeting?***

A quorum of shareholders is necessary for us to hold a valid Annual Meeting. For a quorum, there must be present, in person or by proxy, or by use of communications equipment, shareholders of record entitled to exercise not less than fifty percent of the voting power of Sherwin-Williams. Both abstentions and broker non-votes are counted for the purpose of determining the presence of a quorum.

### ***What vote is required to approve each proposal?***

*Election of Directors (Proposal 1).* As provided in our Amended and Restated Articles of Incorporation, each of the 12 director nominees who receives a majority of the votes cast will be elected as a member of the Board. A majority of the votes cast means that the number of shares voted for a nominee's election exceeds the number of shares voted against the nominee's election. Abstentions and broker non-votes with respect to the election of one or more directors will not be counted as a vote cast and, therefore, will have no effect on the vote.

Any incumbent nominee who receives a greater number of against votes than for votes shall continue to serve on the Board pursuant to Ohio law, but is required to promptly tender his or her resignation for consideration by the Nominating and Corporate Governance Committee (the Nominating Committee) of the Board. We provide more information about majority voting for directors under the heading Corporate Governance Majority Voting for Directors.

*Advisory Approval of the Compensation of the Named Executives (Proposal 2).* The approval, on an advisory basis, of the compensation of the named executives requires the affirmative vote of a majority of the votes cast. Abstentions and broker non-votes with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote.

*Ratification of Independent Registered Public Accounting Firm (Proposal 3).* The ratification of the appointment of Ernst & Young LLP as our independent registered public accounting firm requires the affirmative vote of a majority of the votes cast. Abstentions with respect to this proposal will not be counted as a vote cast and, therefore, will have no effect on the vote. Broker non-votes are not expected to exist with respect to this proposal.

*Other Items.* All other proposals and other business as may properly come before the Annual Meeting require the affirmative vote of a majority of the votes cast, except as otherwise required by statute or our Amended and Restated Articles of Incorporation or Regulations.

### ***Can I revoke or change my vote after I submit my proxy?***

Yes. You can revoke or change your vote before the proxy holders vote your shares by timely:

giving a revocation to our Corporate Secretary in writing, in a verifiable communication or at the Annual Meeting;

returning a later signed and dated proxy card;

entering a new vote on the Internet or by telephone; or

voting in person at the Annual Meeting.

***How can I attend the Annual Meeting?***

You are entitled to attend the Annual Meeting only if you were a shareholder at the close of business on the record date, February 19, 2019. We may ask you to present evidence of share ownership

## **Table of Contents**

as of the record date, such as an account statement indicating ownership on that date, and valid photo identification, such as a driver's license or passport, to enter the Annual Meeting.

Even if you plan to attend the Annual Meeting in person, we encourage you to vote your shares in advance using one of the methods outlined in this Proxy Statement to ensure that your vote will be represented at the Annual Meeting. If you require directions to the Annual Meeting, please contact Investor Relations at (216) 566-2000.

### ***Where will I be able to find voting results of the Annual Meeting?***

We intend to announce preliminary voting results at the Annual Meeting and publish final voting results in a Current Report on Form 8-K to be filed with the SEC within four business days of the Annual Meeting.

### ***Who pays the cost of this proxy solicitation?***

The enclosed proxy is solicited by the Board, and Sherwin-Williams will pay the entire cost of solicitation. We retained Georgeson LLC to aid in the solicitation of proxies, for which it will receive a fee estimated at \$15,500, plus reasonable expenses.

In addition, we may reimburse banks, brokers and other nominees for costs reasonably incurred by them in forwarding proxy materials to beneficial owners of our common stock. Our officers and other employees may also solicit the return of proxies. Proxies will be solicited by personal contact, mail, telephone and electronic means.

### ***Are the Proxy Statement and the 2018 Annual Report to Shareholders available on the Internet?***

Yes. This Proxy Statement and our 2018 Annual Report are available at <http://proxymaterials.sherwin.com>.

You may help us save money in the future by accessing your proxy materials online, instead of receiving paper copies in the mail. If you would like to access proxy materials online beginning next year, please follow the instructions located in the "Access Proxy Materials Online" section of our Investor Relations website at [www.sherwin.com](http://www.sherwin.com).

## **CORPORATE GOVERNANCE**

The Board and management have recognized for many years the importance of sound corporate governance practices in fulfilling their respective duties and responsibilities to shareholders. We describe below our key corporate governance policies that enable us to manage our business in accordance with high ethical standards and in the best interests of our shareholders.

### ***Corporate Governance Guidelines.***

The Board has adopted Corporate Governance Guidelines, which provide the framework for the governance of our company. The Board reviews our Corporate Governance Guidelines at least annually. From time to time, the Board may revise our Corporate Governance Guidelines to reflect new regulatory requirements and evolving corporate governance practices.

### ***Leadership Structure and Lead Director.***

***Combined Chairman and Chief Executive Officer Role.*** Our Corporate Governance Guidelines provide that the same person should hold the positions of Chairman and CEO, except in unusual circumstances such as during a period of

transition in the office of the chief executive officer. The

## Table of Contents

Board believes this structure provides the most efficient and effective leadership model. A combined Chairman and CEO role provides clear insight and direction of business strategies and plans to both the Board and management, which facilitates the efficient and effective functioning of the Board and our company. The Board also believes we can most effectively execute our business strategies and plans if our Chairman is also a member of our management team. A single person acting in the capacities of Chairman and CEO also provides unified leadership and focus.

*Lead Director.* Under our Corporate Governance Guidelines, if the Chairman is not an independent director, the independent directors of the Board will annually elect an independent director to serve as Lead Director. John M. Stropki is currently the Lead Director. The Board believes a Lead Director improves the Board's overall performance by enhancing the efficiency of the Board's oversight and governance responsibilities and by supporting the relationship between the CEO and the independent directors.

The Lead Director has a significant role, with comprehensive governance responsibilities that are clearly described in our Corporate Governance Guidelines. These responsibilities are as follows:

Chair meetings of the Board at which the Chairman is not present.

Chair executive sessions of the non-management directors. Meet separately with the Chairman after executive sessions to review the matters discussed during the executive sessions.

Review with the Chairman the schedule for meetings of the non-management directors and set the agenda for such meetings.

Facilitate communications and serve as the principal liaison on Board-related issues between the Chairman and the non-management directors. Each director, however, is free to communicate directly with the Chairman.

Review with the Chairman the schedule for meetings of the Board to help assure that there is sufficient time allocated for discussion of all agenda items.

Suggest agenda items to the Chairman for meetings of the Board and approve the agenda, as well as the substance and timeliness of information sent to the Board.

Authorize the retention of independent legal advisors, or other independent consultants and advisors, as necessary, who report directly to the Board on Board-related issues.

Act as a resource for, and counsel to, the Chairman.

*Other Leadership Components.* Another key component of our leadership structure is our strong governance practices, which ensure the Board effectively carries out its responsibility to oversee management. All Board committees are entirely comprised of independent directors. Non-management directors meet in executive session

following every regularly scheduled Board meeting. The Lead Director may schedule additional executive sessions, as appropriate. The Board has full access to our management team at all times. In addition, the Board or any committee may retain independent legal, financial, compensation or other consultants and advisors to advise and assist the Board or committee in discharging its responsibilities.

***Code of Conduct.***

Our Code of Conduct applies to all directors, officers and employees of Sherwin-Williams and our subsidiaries, wherever located. It contains the general guidelines and principles for conducting Sherwin-Williams business, consistent with the highest standards of business ethics. Our Code of Conduct also embodies our seven guiding values, which form the foundation of our company: Integrity, People, Service, Quality, Performance, Innovation and Growth. We encourage our employees to report all violations of company policies and applicable law, including incidents of harassment or discrimination.



## **Table of Contents**

We will take appropriate steps to investigate all such reports and take appropriate action. Under no circumstances will employees be subject to any disciplinary or retaliatory action for reporting, in good faith, a possible violation of our Code of Conduct or applicable law, or for cooperating in any investigation of such a possible violation.

Under our Code of Ethics for Senior Financial Management, our CEO, CFO and senior financial management are responsible for creating and maintaining a culture of high ethical standards and commitment to compliance throughout our company to ensure the fair and timely reporting of Sherwin-Williams financial results and condition. Senior financial management includes the controller, treasurer, principal financial/accounting personnel in our operating groups and divisions, and all other financial/accounting personnel with staff supervision responsibilities in our corporate departments and operating groups and divisions.

### ***Risk Management and Oversight.***

While management is responsible for assessing and managing our exposure to various risks, the Board has responsibility for the oversight of risk management. We have an enterprise risk management process to identify, assess and manage the most significant risks facing us, including financial, strategic, operational, litigation, compliance, reputational and cybersecurity risks. Management reviews various significant risks with the Board throughout the year, as necessary and/or appropriate, and conducts a formal review of its assessment and management of the most significant risks with the Board on an annual basis.

Certain Board committees review specific risk areas to assist the Board with its overall risk management oversight responsibility. The Audit Committee has oversight responsibility to review management's enterprise risk management process, including the policies and guidelines used by management to identify, assess and manage our exposure to various risks. Consistent with this responsibility for the enterprise risk management process generally, the Audit Committee retains primary oversight of management's policies with respect to cybersecurity risks and the controls and procedures implemented to monitor and mitigate these risks. Management periodically reviews such cybersecurity policies, controls and procedures with the Audit Committee. The Audit Committee also has oversight responsibility for financial risks. Management reviews financial risks with the Audit Committee at least quarterly and reviews its risk management process with the Audit Committee on an ongoing basis. The Compensation Committee has oversight responsibility for the risks related to our compensation policies and practices. We include additional information about the Compensation Committee's annual risk assessment of such policies and practices under the heading Compensation Risk Assessment.

Management's role in identifying, assessing and managing risk and the Board's role in risk oversight have been well defined for many years. The Board's role in risk oversight has not significantly impacted the Board's leadership structure. We believe our current leadership structure, with Mr. Morikis serving as Chairman and CEO, enhances the Board's effectiveness in risk oversight due to his extensive knowledge of our operations and the paint and coatings industry.

### ***How You May Communicate with Directors.***

The Board has adopted a process by which shareholders and all other interested parties may communicate with the non-management directors, Lead Director or chairperson of any of the committees of the Board. You may send communications by regular mail to the attention of the: Lead Director; Chair, Audit Committee; Chair, Compensation and Management Development Committee; Chair, Nominating and Corporate Governance Committee; or non-management directors as a group to the Non-Management Directors; each, c/o Corporate Secretary, The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115.



## **Table of Contents**

Sherwin-Williams management will review all communications received to determine whether the communication requires immediate action. Management will pass on all appropriate and applicable communications received, or a summary of such communications, to the appropriate director or directors.

### ***Complaint Procedures for Accounting, Auditing and Financial Related Matters.***

The Audit Committee has established procedures for receiving, retaining and treating complaints from any source regarding accounting, internal accounting controls and auditing matters. The Audit Committee has also established procedures for the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Interested parties may communicate such complaints by following the procedures described above under the heading How You May Communicate with Directors. Employees may report such complaints by following the procedures outlined in our Code of Conduct. We do not permit any disciplinary or retaliatory action against any person who, in good faith, submits a complaint or concern under these procedures.

### ***Independence of Directors.***

Under our Director Independence Standards (a copy of which is attached as Appendix A), 9 of our 10 current directors and 11 of our 12 director nominees are independent. All members of the Audit Committee, Compensation Committee and Nominating Committee are independent.

### ***Majority Voting for Directors.***

As provided in our Amended and Restated Articles of Incorporation, for an individual to be elected to the Board of Directors in an uncontested election of directors, the number of votes cast in favor of the individual's election must exceed the number of votes cast against the individual's election.

Any incumbent nominee for director in an uncontested election who receives a greater number of against votes than for votes shall continue to serve on the Board pursuant to Ohio law, but is required to promptly tender his or her resignation to the Board under our Corporate Governance Guidelines. The Nominating Committee will promptly consider the tendered resignation and will recommend to the Board whether to accept the tendered resignation or to take some other action, such as rejecting the tendered resignation and addressing the apparent underlying causes of the majority against vote.

In making this recommendation, the Nominating Committee will consider all factors deemed relevant by its members. These factors may include the underlying reasons why shareholders voted against the director (if ascertainable), the length of service and qualifications of the director whose resignation has been tendered, the director's contributions to Sherwin-Williams, whether by accepting the resignation Sherwin-Williams will no longer be in compliance with any applicable law, rule, regulation or governing document, and whether or not accepting the resignation is in the best interest of Sherwin-Williams and our shareholders. In considering the Nominating Committee's recommendation, the Board will consider the factors considered by the Nominating Committee and such additional information and factors the Board believes to be relevant. We will promptly and publicly disclose the Board's decision and process in a report filed with or furnished to the SEC.

### ***Executive Sessions of Non-Management Directors.***

The non-management members of the Board meet in executive session in connection with regularly scheduled Board meetings. Additional executive sessions may be scheduled by the Lead Director or the non-management directors. The Lead Director will chair these sessions.

***Annual Board Self-Assessments.***

The Board has instituted annual self-assessments of the Board, as well as the Audit Committee, Compensation Committee and Nominating Committee, to assist in determining whether the Board and its committees are functioning effectively. The Nominating Committee oversees this process.

## **Table of Contents**

During 2018, the Board engaged an independent third-party advisor experienced in corporate governance matters to facilitate, and bring an outside perspective to, the Board's annual self-assessment process. The advisor conducted one-on-one, open-ended interviews with all Board members to provide each director with the opportunity to openly discuss the performance and effectiveness of the Board as a whole and its committees. The interviews also provided each director with an opportunity to identify areas for improvement. In addition to the director interviews, the advisor conducted interviews with the members of senior management who regularly attend Board meetings to solicit their perspectives on the relationship between the Board and management. The advisor's process was developed in consultation with the Lead Director and chair of the Nominating Committee, as well as our Chairman and CEO and our Senior Vice President, General Counsel and Secretary. The advisor gathered and analyzed the data and presented its findings and recommendations to the full Board.

### ***Board Committee Charters.***

The Audit Committee, Compensation Committee and Nominating Committee each have adopted written charters. Each committee reviews and evaluates the adequacy of its charter at least annually.

### ***Stock Ownership Guidelines.***

The Board believes our directors and executives should have meaningful share ownership in Sherwin-Williams. Accordingly, the Board has established minimum share ownership requirements. More information is set forth under the heading "Stock Ownership Guidelines" in the CD&A.

### ***Clawback and Recapture Policy.***

The Board has adopted a policy regarding the adjustment and recapture of compensation paid or payable to executives and key employees. Under this clawback and recapture policy, employees who participate in our 2007 Executive Annual Performance Bonus Plan are required to reimburse Sherwin-Williams for any award paid under this plan in the event:

the award was based upon the achievement of financial results that were subsequently the subject of an accounting restatement due to the material noncompliance with any financial reporting requirement under federal securities laws; and

the Board determines the employee engaged in knowing or intentional fraudulent or illegal conduct that caused or partially caused the need for the restatement; and

a lower amount would have been paid to the employee based upon the restated financial results. The reimbursement will be equal to the difference in the amount of the award prior to the restatement and the amount of the award determined using the restated financial results.

In addition, (a) all outstanding stock awards will be cancelled and (b) the employee will be required to reimburse Sherwin-Williams for any economic gains received by the employee pursuant to a stock award during the one-year period preceding the Board's determination that the employee engaged in the conduct described above.

*Availability of Corporate Governance Materials.*

You may access all committee charters and our Corporate Governance Guidelines, Director Independence Standards, Code of Conduct and other corporate governance materials in the Corporate Governance section of our Investor Relations website at [www.sherwin.com](http://www.sherwin.com).

---

**Table of Contents**

**PROPOSAL 1 ELECTION OF DIRECTORS**

Our Board has nominated the following 12 director nominees for election at the 2019 Annual Meeting to hold office until the next Annual Meeting and until their successors are elected. Our Board currently has 10 members, and all are standing for re-election as nominees. Each nominee was elected by our shareholders at the 2018 Annual Meeting, except for our two new nominees, Ms. Anderson and Mr. Fettig, who were nominated to be elected as directors by unanimous action of the Board on February 13, 2019.

All of the nominees are independent, except for Mr. Morikis. Mr. Morikis is not considered to be independent because of his position as our Chairman and CEO. There are no family relationships among any of the directors, director nominees and executive officers.

Each nominee has agreed to serve, if elected. If any nominee declines or is unable to accept such nomination or is unable to serve, an event which we do not expect, the Board reserves the right in its discretion to substitute another person as a nominee or to reduce the number of nominees. In this event, the proxy holders may vote, in their discretion, for any substitute nominee proposed by the Board.

We have presented biographical information regarding each nominee below. This biographical information is supplemented with the particular experiences, qualifications, attributes and skills that led the Board to conclude each nominee should serve on the Board. Please also refer to the additional information set forth under the heading Experiences, Qualifications, Attributes and Skills of Director Nominees.

**KERRI B. ANDERSON**

*Retired, Former Chief Executive Officer and President*

*Wendy's International, Inc.*

*Age: 61*

**Business Experience.** Kerri B. Anderson served as Chief Executive Officer and President of Wendy's International, Inc. (restaurant operating and franchising company n/k/a The Wendy's Company) from November 2006 until September 2008 when Wendy's merged with a subsidiary of Triarc Companies, Inc. to form Wendy's/Arby's Group, Inc. Ms. Anderson joined Wendy's in September 2000, serving as Interim Chief Executive Officer and President from April 2006 to November 2006 and Executive Vice President and Chief Financial Officer from September 2000 to April 2006. Prior to joining Wendy's, Ms. Anderson served as Senior Vice President and Chief Financial Officer of M/I Schottenstein Homes, Inc. (n/k/a M/I Homes, Inc.) from September 1987 to September 2000. Ms. Anderson has been a private investor and board advisor since 2008. Ms. Anderson is a director of Laboratory Corporation of America Holdings (NYSE: LH), Worthington Industries, Inc. (NYSE: WOR) and Abercrombie & Fitch Co. (NYSE: ANF). Ms. Anderson is a former director of Chiquita Brands International, Inc., for which she served as Chairwoman of the Board.

**Key Qualifications, Attributes and Skills.** Ms. Anderson has a strong record of leadership in operations, strategy, finance and talent management as a result of her experience serving as Chief Executive Officer and President and Chief Financial Officer of Wendy's. Ms. Anderson also has significant expertise in the areas of accounting and financial reporting, corporate finance, corporate governance and executive compensation through her service on other large public company boards. This breadth of experience will enable Ms. Anderson to advise our Board on a variety of matters relevant to Sherwin-Williams' global operations and business strategy.





**Table of Contents**

**ARTHUR F. ANTON**

*Chairman and Chief Executive Officer*

*Swagelok Company*

*Director of Sherwin-Williams since 2006*

*Age: 61*

*Business Experience.* Arthur F. Anton has served as Chief Executive Officer of Swagelok Company (manufacturer and provider of fluid system products and services) since January 2004 and Chairman of Swagelok since October 2017. Mr. Anton served as President of Swagelok from January 2001 to October 2017, Chief Operating Officer of Swagelok from January 2001 to January 2004, Executive Vice President of Swagelok from July 2000 to January 2001, and Chief Financial Officer of Swagelok from August 1998 to July 2000. Mr. Anton is also a director of Olympic Steel, Inc. (Nasdaq: ZEUS) and is Vice Chairman and a director of University Hospitals Health System, Inc. Mr. Anton is a former director of Forest City Realty Trust, Inc.

*Key Qualifications, Attributes and Skills.* Mr. Anton brings significant domestic and international manufacturing and distribution experience to the Board. In addition, as a former partner of Ernst & Young LLP and the former Chief Financial Officer of Swagelok, Mr. Anton has financial expertise and extensive financial experience in a manufacturing and distribution setting that provide him with a unique perspective on Sherwin-Williams business and operations.

**JEFF M. FETTIG**

*Retired, Former Chairman of the Board and Chief Executive Officer*

*Whirlpool Corporation*

*Age: 62*

*Business Experience.* Jeff M. Fettig served as Executive Chairman of the Board of Whirlpool Corporation (world's leading major home appliance company) from October 2017 until his retirement in December 2018. Mr. Fettig served as Chairman of the Board and Chief Executive Officer of Whirlpool from July 2004 to October 2017. Mr. Fettig joined Whirlpool in June 1981 and held numerous leadership positions of increasing responsibility, including President and Chief Operating Officer from June 1999 to July 2004 and Executive Vice President, Whirlpool and President, Whirlpool Europe and Asia from 1994 to June 1999. Mr. Fettig is a director and non-employee Executive Chairman of DowDuPont Inc. (NYSE: DWDP) and a director of Kohler Company. Mr. Fettig also serves as a director of the Indiana University Foundation and a trustee of PGA REACH. Mr. Fettig is a former director of The Dow Chemical Company and Whirlpool Corporation.

*Key Qualifications, Attributes and Skills.* Through his long tenure as Chairman and Chief Executive Officer and his experience in various other key leadership positions with Whirlpool over 37 years, Mr. Fettig gained significant knowledge of global business operations and end markets and the manufacturing, marketing, sales and distribution of consumer products worldwide. This extensive experience and breadth of knowledge will enable him to provide our Board with a unique, independent perspective on Sherwin-Williams business strategy, growth and operations and the issues and opportunities facing complex, global companies.



**Table of Contents**

**DAVID F. HODNIK**

*Retired, Former President and Chief Executive Officer*

*Ace Hardware Corporation*

*Director of Sherwin-Williams since 2005*

*Age: 71*

*Business Experience.* David F. Hodnik served as Chief Executive Officer of Ace Hardware Corporation (cooperative of independent hardware retail stores) from January 1997 until his retirement in April 2005. Mr. Hodnik also served as President of Ace Hardware from January 1996 through December 2004. Mr. Hodnik joined Ace Hardware in October 1972 and held various financial, accounting and operating positions at Ace Hardware.

*Key Qualifications, Attributes and Skills.* Mr. Hodnik has valuable management and leadership skills supporting a large retail operation. Mr. Hodnik brings to the Board more than 30 years of relevant experience at Ace Hardware in various financial, accounting and operating positions, including as Ace Hardware's principal accounting officer, allowing him to add important financial expertise and business insights to the Board.

**RICHARD J. KRAMER**

*Chairman of the Board, Chief Executive Officer and President*

*The Goodyear Tire & Rubber Company*

*Director of Sherwin-Williams since 2012*

*Age: 55*

*Business Experience.* Richard J. Kramer has served as Chief Executive Officer and President of The Goodyear Tire & Rubber Company (global manufacturer, marketer and distributor of tires) since April 2010 and Chairman of the Board of Goodyear since October 2010. Mr. Kramer joined Goodyear in March 2000 and has held various positions at Goodyear, including Chief Operating Officer from June 2009 to April 2010, President, North American Tire from March 2007 to February 2010, Executive Vice President and Chief Financial Officer from June 2004 to August 2007, Senior Vice President, Strategic Planning and Restructuring from August 2003 to June 2004, Vice President, Finance North American Tire from August 2002 to August 2003, and Vice President Corporate Finance from March 2000 to August 2002. Prior to joining Goodyear, Mr. Kramer was with PricewaterhouseCoopers LLP for 13 years, including two years as a partner. Mr. Kramer is also a director of Goodyear (Nasdaq: GT) and John Carroll University and serves on the Executive Committee of the National Association of Manufacturers.

*Key Qualifications, Attributes and Skills.* Mr. Kramer has significant experience leading and managing a large multinational industrial company. As the former Chief Financial Officer of Goodyear, he brings extensive financial and risk management experience to our Board. Mr. Kramer's diverse range of positions at Goodyear for over 19 years provides him with significant knowledge of global markets, manufacturing, distribution, retail, finance and technology, which enables him to advise our Board on a variety of strategic and business matters.



**Table of Contents**

**SUSAN J. KROPF**

*Retired, Former President and Chief Operating Officer*

*Avon Products, Inc.*

*Director of Sherwin-Williams since 2003*

*Age: 70*

*Business Experience.* Susan J. Kropf served as President and Chief Operating Officer of Avon Products, Inc. (global manufacturer and marketer of beauty and related products) from January 2001 until her retirement in January 2007. Mrs. Kropf served as Executive Vice President and Chief Operating Officer, North America and Global Business Operations of Avon from December 1999 to January 2001 and Executive Vice President and President, North America of Avon from March 1997 to December 1999. Mrs. Kropf is also a director of Avon Products, Inc. (NYSE: AVP), Tapestry, Inc. (NYSE: TPR) (f/k/a Coach, Inc.) and The Kroger Co. (NYSE: KR) and serves on the Board of Managers of New Avon LLC. Mrs. Kropf is a former director of MeadWestvaco Corporation.

*Key Qualifications, Attributes and Skills.* Mrs. Kropf has a significant amount of manufacturing and operating experience at a large consumer products company. Mrs. Kropf joined Avon in 1970, holding various positions in manufacturing, marketing and product development, and brings a meaningful global business perspective to the Board. Mrs. Kropf has extensive board experience through her service on the boards of four public companies, including Sherwin-Williams. Mrs. Kropf also has a strong understanding of executive compensation and related areas.

**JOHN G. MORIKIS**

*Chairman and Chief Executive Officer*

*Sherwin-Williams*

*Director of Sherwin-Williams since 2015*

*Age: 55*

*Business Experience.* John G. Morikis has served as Chief Executive Officer of Sherwin-Williams since January 2016 and Chairman of Sherwin-Williams since January 2017. Mr. Morikis served as President of Sherwin-Williams from October 2006 to March 2019, Chief Operating Officer of Sherwin-Williams from October 2006 to January 2016 and President, Paint Stores Group of Sherwin-Williams from October 1999 to October 2006. Mr. Morikis joined Sherwin-Williams in 1984 as a management trainee in the Paint Stores Group and has held roles of increasing responsibility throughout his career. Mr. Morikis is also a director of Fortune Brands Home & Security, Inc. (NYSE: FBHS). Mr. Morikis serves on the Policy Advisory Board of the Joint Center for Housing Studies of Harvard University and on the Board of Directors of the University Hospitals Health System, Inc.

*Key Qualifications, Attributes and Skills.* Mr. Morikis has been with Sherwin-Williams for over 34 years, including over nine years as Chief Operating Officer. He currently serves as Sherwin-Williams Chairman and Chief Executive Officer. His vast operating and leadership experience with Sherwin-Williams has provided him with significant, in-depth knowledge of the paint and coatings industry, as well as unique insight into the opportunities and challenges facing Sherwin-Williams. The Board benefits from his broad operating, manufacturing, retail, marketing, strategic

planning and international experience.

**Table of Contents**

**CHRISTINE A. POON**

*Executive in Residence*

*The Max M. Fisher College of Business*

*The Ohio State University*

*Director of Sherwin-Williams since 2014*

*Age: 66*

*Business Experience.* Christine A. Poon has served as Executive in Residence at The Max M. Fisher College of Business at The Ohio State University since September 2015. Ms. Poon served as Professor of Management and Human Resources at The Max M. Fisher College of Business from October 2014 to September 2015 and Dean and John W. Berry, Sr. Chair in Business at The Max M. Fisher College of Business from April 2009 to October 2014. Prior to joining Ohio State, Ms. Poon spent eight years at Johnson & Johnson until her retirement in March 2009, most recently as Vice Chairman of the Board of Directors beginning January 2005 and Worldwide Chairman, Pharmaceuticals Group beginning August 2001. Prior to joining Johnson & Johnson, Ms. Poon held various senior leadership positions at Bristol-Myers Squibb Company over a period of 15 years, most recently as President, International Medicines Group, and President, Medical Devices Group. Ms. Poon is also a director of Prudential Financial, Inc. (NYSE: PRU) and Regeneron Pharmaceuticals, Inc. (Nasdaq: REGN) and serves on the Supervisory Board of Koninklijke Philips N.V. (OTCMKTS: RYLPF).

*Key Qualifications, Attributes and Skills.* Ms. Poon has extensive strategic and operational leadership skills due to her over 20 years of experience at Johnson & Johnson and Bristol-Myers Squibb. Ms. Poon brings significant sales and marketing expertise in domestic and international markets to the Board, providing a valuable perspective on Sherwin-Williams worldwide commercial operations.

**JOHN M. STROPKI**

*Retired, Former Chairman, President and Chief Executive Officer*

*Lincoln Electric Holdings, Inc.*

*Director of Sherwin-Williams since 2009*

*Lead Director since 2015*

*Age: 68*

*Business Experience.* John M. Stropki served as Executive Chairman of Lincoln Electric Holdings, Inc. (manufacturer and reseller of welding and cutting products) from December 2012 until his retirement in December 2013. Mr. Stropki served as President and Chief Executive Officer of Lincoln Electric Holdings from June 2004 to December 2012 and Chairman of Lincoln Electric Holdings from October 2004 to December 2012. Mr. Stropki also served as Executive Vice President and Chief Operating Officer of Lincoln Electric Holdings from May 2003 to June 2004 and Executive Vice President of Lincoln Electric Holdings and President, North America of The Lincoln Electric Company from May 1996 to May 2003. Mr. Stropki is also a director of Hyster-Yale Materials Handling, Inc.

(NYSE: HY) and Rexnord Corporation (NYSE: RXN).

*Key Qualifications, Attributes and Skills.* Mr. Stropki has vast management, technical, manufacturing and leadership skills at an industrial company with a long history of financial improvement. His 41 years of experience at Lincoln Electric Holdings provided him with extensive knowledge of employee development and engagement, as well as important perspectives in operating a business in global markets that are relevant to Sherwin-Williams' business.



**Table of Contents**

**MICHAEL H. THAMAN**

*Chairman and Chief Executive Officer*

*Owens Corning*

*Director of Sherwin-Williams since 2017*

*Age: 55*

*Business Experience.* Michael H. Thaman has served as Chief Executive Officer of Owens Corning (developer, manufacturer and marketer of insulation, roofing and fiberglass composites) since December 2007 and Chairman of Owens Corning since April 2002. Mr. Thaman also served as President of Owens Corning from December 2007 to August 2018. In early 2019, Owens Corning announced that Mr. Thaman will be retiring as Chief Executive Officer of Owens Corning on April 18, 2019 and remain in the role of Executive Chairman. Mr. Thaman joined Owens Corning in 1992 and, before assuming his current role, held a variety of senior leadership positions, including Chief Financial Officer from April 2000 to September 2007, President of Exterior Systems from January 1999 to April 2000 and President of Engineered Pipe Solutions from January 1997 to December 1998. Mr. Thaman is a director of Owens Corning (NYSE: OC) and Kohler Company. Mr. Thaman is also a member of the Business Roundtable and serves on the Policy Advisory Board of the Joint Center for Housing Studies of Harvard University. Mr. Thaman is a former director of NextEra Energy, Inc.

*Key Qualifications, Attributes and Skills.* Mr. Thaman brings relevant operational experience leading and managing a global manufacturing company to the Board. The Board benefits from Mr. Thaman's deep and unique understanding of the residential, construction and industrial markets. Through serving in a variety of leadership roles at Owens Corning during a 27-year career, Mr. Thaman has gained significant knowledge of global markets, operations, finance and business strategy, which enables him to advise our Board on a variety of matters relevant to Sherwin-Williams operations and business strategy.

**MATTHEW THORNTON III**

*Executive Vice President and Chief Operating Officer*

*FedEx Freight*

*FedEx Corporation*

*Director of Sherwin-Williams since 2014*

*Age: 60*

*Business Experience.* Matthew Thornton III has served as Executive Vice President and Chief Operating Officer of FedEx Freight, a subsidiary of FedEx Corporation (global transportation, business services and logistics company), since May 2018. Mr. Thornton joined FedEx Corporation in November 1978 and has held various management positions of increasing responsibility with the company, including Senior Vice President, US Operations, FedEx Express from September 2006 to May 2018, Senior Vice President – Air, Ground & Freight Services, FedEx Express from July 2004 to September 2006 and Vice President – Regional Operations (Central Region), FedEx Express from April 1998 to July 2004. Mr. Thornton also serves on the Board of Directors of Safe Kids Worldwide and is a member

of The Executive Leadership Council.

*Key Qualifications, Attributes and Skills.* Mr. Thornton brings extensive management and leadership experience from a large multinational company to the Board. Through his broad range of positions at FedEx Corporation during a career exceeding 40 years, Mr. Thornton has gained significant strategic operations expertise and logistics management experience that allows him to provide the Board with a meaningful perspective on Sherwin-Williams operations and business matters.

**Table of Contents**

**STEVEN H. WUNNING**

*Retired, Former Group President*

*Caterpillar Inc.*

*Director of Sherwin-Williams since 2015*

*Age: 67*

*Business Experience.* Steven H. Wunning served as Group President and member of the Executive Office of Caterpillar Inc. (world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives) from January 2004 until his retirement in February 2015. Mr. Wunning joined Caterpillar in 1973 and held a variety of positions with increasing responsibility, including Vice President, Logistics Division from January 2000 to January 2004 and Vice President, Logistics & Product Services Division from November 1998 to January 2000. Mr. Wunning is also a director of Kennametal Inc. (NYSE: KMT), Neovia Logistics Holdings Ltd., Summit Materials, Inc. (NYSE: SUM) and Black & Veatch Holding Company. Mr. Wunning serves on the Board of Trustees of Missouri University of Science and Technology.

*Key Qualifications, Attributes and Skills.* Through his broad range of assignments and experience gained during 41 years of service at Caterpillar, Mr. Wunning developed an in-depth understanding of manufacturing, quality, product support and logistics at a leading global manufacturing company. Mr. Wunning's extensive management experience provides the Board with a valuable, independent perspective on Sherwin-Williams' global manufacturing and supply chain operations.

***The Board of Directors unanimously recommends that  
you vote FOR the election of each of the nominees listed.***

**Table of Contents**

**ADDITIONAL INFORMATION ABOUT OUR DIRECTORS**

***Independence of Directors.***

The Board has adopted categorical Director Independence Standards to assist the Board in determining the independence of each director. To be considered independent, the Board must affirmatively determine that the director has no material relationship with Sherwin-Williams. In each case, the Board broadly considers all relevant facts and circumstances, including the director's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships, and such other criteria as the Board may determine from time to time. Our Director Independence Standards also include additional independence requirements for members of the Audit Committee and Compensation Committee. A complete copy of our Director Independence Standards is attached as Appendix A.

During the Board's annual review of director independence, the Board considers transactions, relationships and arrangements between each director or an immediate family member of the director and Sherwin-Williams. The Board also considers transactions, relationships and arrangements between each director or an immediate family member of the director and our senior management. Under our Director Independence Standards, the following relationships are not considered to be material relationships that would impair a director's independence:

if the director is a current employee, or an immediate family member of the director is a current executive officer, of another company that has made payments to, or received payments from, Sherwin-Williams for property or services in an amount which, in any of the last three fiscal years, is less than \$1 million or two percent, whichever is greater, of such other company's annual gross revenues;

if the director, or an immediate family member of the director, is an executive officer of another company which is indebted to Sherwin-Williams, or to which Sherwin-Williams is indebted, in an amount which is less than five percent of such other company's total assets;

if the director, or an immediate family member of the director, serves as an officer, director or trustee of a not-for-profit organization, and Sherwin-Williams' discretionary charitable contributions (excluding matching contributions) to the organization are less than \$500,000 or five percent, whichever is greater, of that organization's annual gross revenues;

if the director serves as a director or executive officer of another company that also uses Sherwin-Williams independent auditor;

if the director is a member of, or associated with, the same professional association, or social, educational, civic, charitable, fraternal or religious organization or club as another Sherwin-Williams director or executive officer; or

if the director serves on the board of directors of another company at which another Sherwin-Williams director or executive officer also serves on the board of directors (except for compensation committee interlocks).

Early this year, the Board performed its independence review for 2019. As a result of this review, the Board determined that 9 of our 10 current directors and 11 of our 12 director nominees are independent. All members of the Audit Committee, Compensation Committee and Nominating Committee are independent. The Board determined that Mrs. Kropf, Ms. Anderson, Ms. Poon and Messrs. Anton, Fettig, Hodnik, Kramer, Stropki, Thaman, Thornton and Wunning meet these standards and are independent and, in addition, satisfy the independence requirements of the NYSE. Mr. Morikis is not considered to be independent because of his employment with Sherwin-Williams.

**Table of Contents**

*Experiences, Qualifications, Attributes and Skills of Director Nominees.*

In considering each director nominee and the composition of the Board as a whole, the Nominating Committee utilizes a director matrix consisting of a diverse set of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race, that it believes enables a director nominee to make significant contributions to the Board, Sherwin-Williams and our shareholders. These experiences, qualifications, attributes and skills are more fully described below. The Nominating Committee regularly reviews the director matrix as part of its annual Board composition review, which includes a review of potential director candidates. The Nominating Committee may also consider such other experiences, qualifications, attributes and skills, as it deems appropriate, given the then-current needs of the Board and Sherwin-Williams.

	<b>K. B. Anderson</b>	<b>A. F. Anton</b>	<b>J. M. Fettig</b>	<b>D. F. Hodnik</b>	<b>R. J. Kramer</b>	<b>S. J. Kropf</b>	<b>J. G. Morikis</b>	<b>C. A. Poon</b>	<b>J. M. Stropki</b>	<b>M. H. Thaman</b>	<b>M. Thornton III</b>	<b>S. H. Wu</b>
<b>ment nce</b>												
nce as a OO, t or P of a y or a nt y, g or unit.												
<b>dence</b>												
ne lence ents of E.												
<b>al se</b>												
he ge and ce to be as an committee expert.												

**Manufacturing;  
Production**

presence in,  
absence in

ment

able for,  
g  
nt

Manufacturing  
Distribution  
ns.

**al;  
h and  
ment**

presence in,  
absence in

ment

able for,  
g a  
nt

l or  
and  
ment

**ional  
ons**

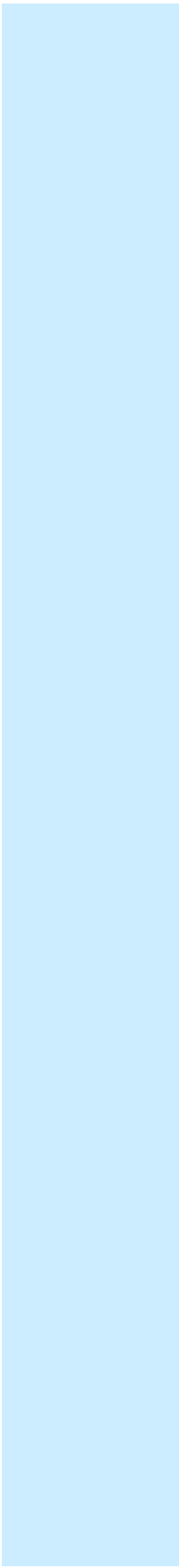
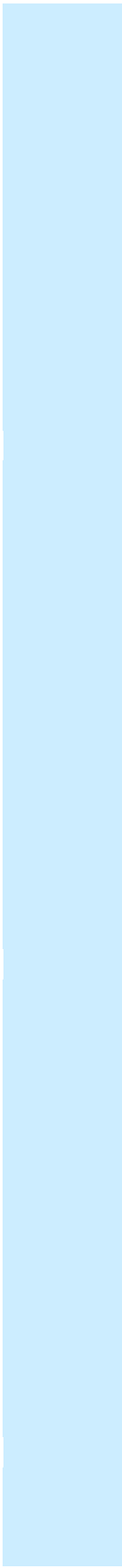
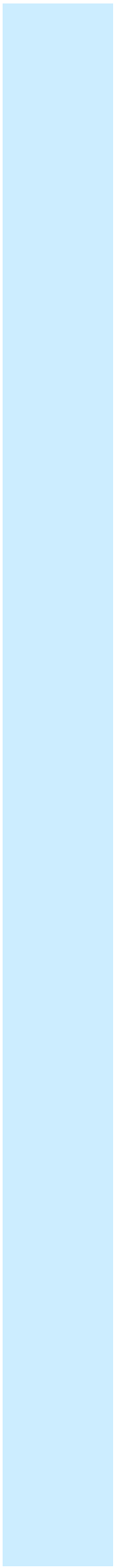
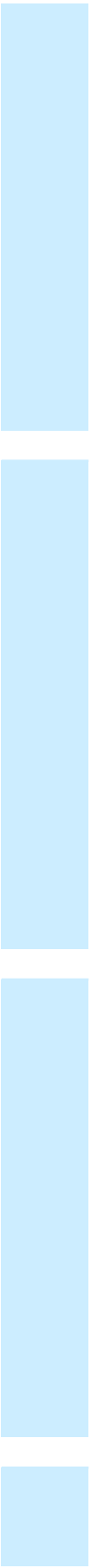
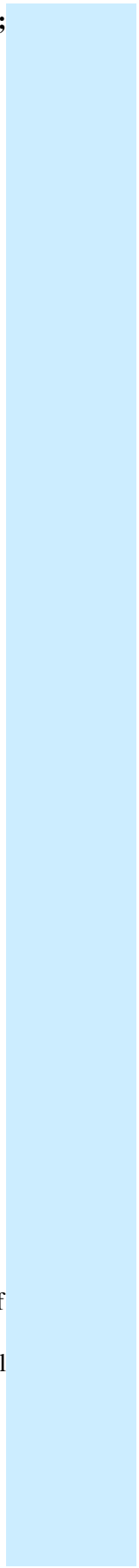
presence  
in a

tion  
goal  
ns with  
gh

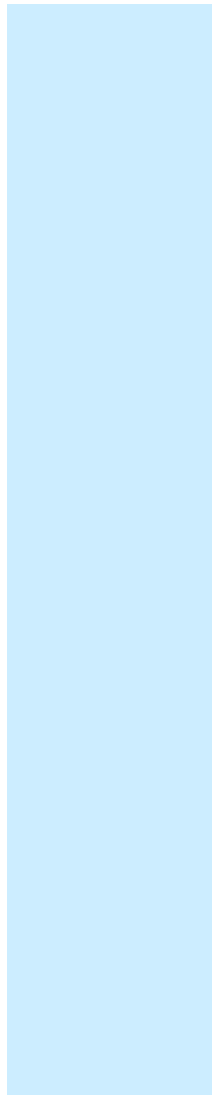
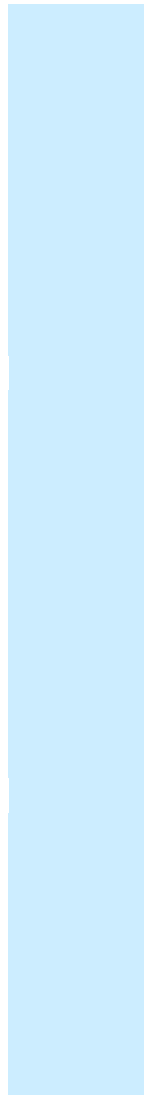
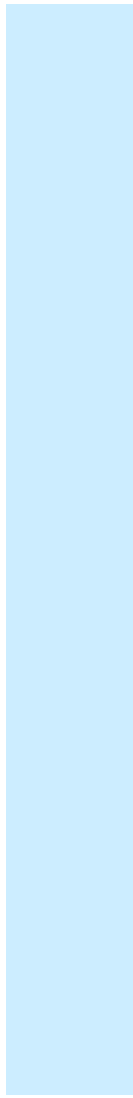
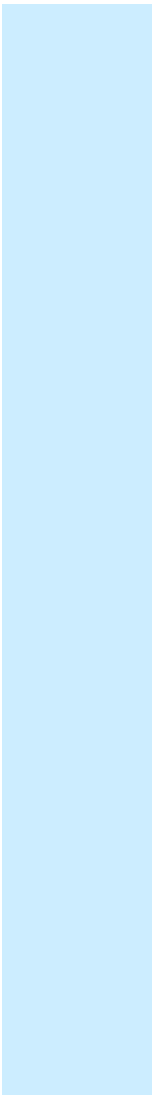
ending of

political  
latory  
ments.

**ng;**



ence in,  
ence in  
ment  
le for,  
g a  
g  
les  
  
ons  
ence in,  
ence in  
ment  
le for,  
g retail  
ns.  
y  
pective  
in  
ethnic  
nd,  
.





**Table of Contents****2018 DIRECTOR COMPENSATION TABLE**

The following table sets forth information regarding the compensation of our non-management directors for 2018.

<b>Name</b>	<b>Fees Earned or Paid in Cash (\$)<sup>(1,2)</sup></b>	<b>Stock Awards (\$)<sup>(3,4)</sup></b>	<b>All Other Compensation (\$)<sup>(5)</sup></b>	<b>Total (\$)</b>
A. F. Anton	136,000	145,797	-0-	281,797
D. F. Hodnik	115,000	145,797	-0-	260,797
R. J. Kramer	115,000	145,797	-0-	260,797
S. J. Kropf	115,000	145,797	3,000	263,797
C. A. Poon	130,000	145,797	3,513	279,310
J. M. Stropki	140,000	145,797	3,513	289,310
M. H. Thaman	115,000	145,797	6,000	266,797
M. Thornton III	115,000	145,797	-0-	260,797
S. H. Wunning	136,000	145,797	3,622	285,419

<sup>1</sup> These amounts reflect the annual retainer, the annual retainer for the Lead Director and the annual retainers for committee chairs.

<sup>2</sup> Mrs. Kropf, Ms. Poon and Messrs. Kramer, Thaman and Wunning deferred payments of fees under our Director Deferred Fee Plan. Cash amounts deferred into vested stock units under our Director Deferred Fee Plan during 2018 were as follows: Mrs. Kropf (\$115,000), Ms. Poon (\$32,500), Mr. Kramer (\$115,000), Mr. Thaman (\$115,000) and Mr. Wunning (\$136,000). These amounts were credited to either a common stock unit account or a shadow stock unit account under our Director Deferred Fee Plan.

<sup>3</sup> These values reflect 361 restricted stock units (RSUs) granted during 2018 to each of our non-management directors under our 2006 Stock Plan for Nonemployee Directors. The value of RSUs is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the Accounting Standards Codification (ASC)), excluding the effect of estimated forfeitures. The grant date fair value of RSUs is based on the fair market value of our common stock (the average of the highest and lowest reported sale prices) on the grant date.

- <sup>4</sup> The number of RSUs held by each of our non-management directors at December 31, 2018 was as follows: 671 for Mr. Thaman and 875 for each of Mrs. Kropf, Ms. Poon and Messrs. Anton, Hodnik, Kramer, Stropki, Thornton and Wunning. Dividend equivalents are paid on RSUs at the same rate as dividends are paid on our common stock.

None of our non-management directors held any stock options at December 31, 2018. Stock options are not part of our director compensation program.

- <sup>5</sup> Amounts for Mrs. Kropf, Ms. Poon and Messrs. Stropki, Thaman and Wunning include charitable matching gifts under our matching gifts and grants for volunteers program, which is described on the next page. Amounts for Ms. Poon and Messrs. Stropki and Wunning also include the aggregate incremental cost for personal use of corporate aircraft. The method used to calculate this cost is set forth in a footnote to the Summary Compensation Table.

**Table of Contents**

**DIRECTOR COMPENSATION PROGRAM**

The Compensation Committee is responsible for reviewing and approving the compensation for our non-management directors. All of our non-management directors are paid under the same compensation program. Any officer of Sherwin-Williams who also serves as a director does not receive any additional compensation for serving as a director.

***Director Fees.***

During 2018, the cash and equity compensation program for our non-management directors consisted of the following:

an annual cash retainer of \$115,000;

an additional annual cash retainer of \$25,000 for the Lead Director, \$21,000 for the chair of the Audit Committee, \$21,000 for the chair of the Compensation Committee and \$15,000 for the chair of the Nominating Committee;

a meeting fee of \$1,750 for each Board or committee meeting attended in excess of twelve meetings during the calendar year. For purposes of calculating the number of meetings, any Board and committee meetings held within 24 hours constitute one meeting; and

an annual grant of RSUs of approximately \$145,000, valued over a prior 30-day period, under our 2006 Stock Plan for Nonemployee Directors. One RSU is equivalent in value to one share of Sherwin-Williams common stock. RSUs generally are paid out in common stock upon vesting and vest in annual increments of one-third over a period of three years. RSUs will immediately vest in the event of the death or disability of the director or in the event of a change in control of Sherwin-Williams. In the event of the retirement of the director, RSUs will continue to vest in accordance with the original three-year vesting schedule.

We reimburse all directors for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of the Board and its committees. We do not provide retirement benefits to our non-management directors.

It is the Compensation Committee's practice to engage its independent compensation consultant every other year to assess the competitiveness of our director compensation program relative to market practices, including the peer group Sherwin-Williams uses for executive compensation purposes. During 2018, the Compensation Committee performed such review and based upon the recommendation of its compensation consultant, Compensation Advisory Partners, the Committee approved the following increases effective January 1, 2019: (a) annual cash retainer to \$125,000, (b) annual cash retainer for the lead director to \$35,000, (c) annual cash retainer for chairs of the Audit Committee, Compensation Committee and Nominating Committee to \$25,000, \$23,000 and \$20,000, respectively and (d) the value of the annual grant of RSUs to approximately \$160,000.

***Director Stock Ownership Requirement.***

The Board has established a minimum share ownership requirement to ensure that the interests of our directors are aligned with the interests of our shareholders. Each director who has served on the Board for at least five years is required to own shares of common stock equal in value to at least seven times the annual Board cash retainer.

***Other Benefits.***

We also provide liability insurance and business travel accident insurance for all directors, including \$300,000 accidental death and dismemberment coverage and \$300,000 permanent total disability coverage, while the directors are traveling on Sherwin-Williams business.

Directors may also receive the same discounts as our employees on the purchase of products at Sherwin-Williams stores and are eligible to participate in our matching gifts and grants for volunteers program on the same basis as employees.

**Table of Contents**

Directors may defer all or a part of their retainer and meeting fees under our Director Deferred Fee Plan into a common stock unit account, a shadow stock unit account or an interest bearing cash account. Amounts deferred may be distributed either in annual installments over a period of up to ten years or in a lump sum pursuant to a director's payment election. Amounts credited to a shadow stock unit account are distributed in cash.

**BOARD MEETINGS AND COMMITTEES**

The Board held five meetings during 2018. Each incumbent director attended at least 75% of all of the meetings of the Board and committees on which he or she served. Under our Corporate Governance Guidelines, each director is expected to attend, absent unusual circumstances, all meetings of shareholders. All directors attended the 2018 Annual Meeting.

The Board has established an Audit Committee, Compensation Committee and Nominating Committee. Each committee has adopted a written charter. You may find a complete copy of each charter in the Corporate Governance section of our Investor Relations website at [www.sherwin.com](http://www.sherwin.com).

***Committee Membership.***

The following table sets forth the current membership and chairs of the committees of the Board.

<b>Name</b>	<b>Audit</b>	<b>Compensation and Management Development</b>	<b>Nominating and Corporate Governance</b>
A. F. Anton	<b>Chair</b>		
D. F. Hodnik			
R. J. Kramer			
S. J. Kropf			
C. A. Poon			<b>Chair</b>
J. M. Stropki			
M. H. Thaman			
M. Thornton III			
S. H. Wunning		<b>Chair</b>	

***Audit Committee.***

The purpose of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities on matters relating to:

the integrity of our financial statements and effectiveness of our internal control over financial reporting;

the independence, qualifications and performance of the independent registered public accounting firm;

the performance of our internal audit function;

our compliance with legal and regulatory requirements; and

engaging in such other matters as may from time to time be specifically delegated to the Audit Committee by the Board.

The Audit Committee met five times during 2018. Each member of the Audit Committee is independent under applicable SEC rules, NYSE listing standards and our Director Independence Standards. The Board has determined that Ms. Poon and Messrs. Anton and Kramer are audit committee financial experts under SEC rules.

**Table of Contents**

***Compensation and Management Development Committee.***

The purpose of the Compensation Committee is to assist the Board in fulfilling its oversight responsibilities on matters relating to:

compensation for our directors and management, which includes our executive officers;

overseeing our management succession planning; and

engaging in such other matters as may from time to time be specifically delegated to the Compensation Committee by the Board.

As part of its charter, the Compensation Committee reviews and evaluates our programs, priorities and progress for recruiting, staffing, developing and retaining competent managers, including management succession planning for our CEO and other executives.

The Compensation Committee met five times during 2018. Each member of the Compensation Committee meets the independence requirements under applicable SEC rules, NYSE listing standards and our Director Independence Standards.

*Process for Determining Director and Executive Compensation.* The Compensation Committee reports to the Board on all compensation matters regarding our directors, executives and other key employees. The Compensation Committee does not generally delegate any of its authority to other persons, although it has the power to delegate authority to subcommittees and officers. The Compensation Committee relies upon several members of our management and their staff, as well as an outside compensation consultant, for assistance in performing its duties.

The Compensation Committee has engaged Compensation Advisory Partners as its outside compensation consultant reporting directly to the Compensation Committee. The Compensation Committee evaluated the independence of Compensation Advisory Partners taking into account all factors relevant to its independence from management under applicable SEC rules and NYSE listing standards. Based upon that evaluation, the Compensation Committee determined Compensation Advisory Partners is independent. In addition, the Compensation Committee conducted an assessment to evaluate whether the work performed by Compensation Advisory Partners raises a conflict of interest. Based upon that assessment, the Compensation Committee determined that no conflict of interest exists. Compensation Advisory Partners did not provide any services to Sherwin-Williams during 2018 other than those matters for which it was engaged by the Compensation Committee.

*Role of the Compensation Consultant.* The compensation consultant performs services for the Compensation Committee relating to director and executive compensation, including the following:

attends Compensation Committee meetings to present and offer independent recommendations, insights and perspectives on compensation matters;

assesses the appropriateness of our peer group used for compensation decisions;

assesses how our executive compensation program aligns with pay for performance;

reviews compensation levels for executives and non-management directors relative to our peer group and published survey data and recommends compensation pay levels;

reviews targeted pay levels and the mix of principal compensation components;

prepares CEO pay recommendations;

advises on annual and long-term incentive design and plan structure, performance goals, award opportunities and vesting conditions;

conducts an annual risk assessment of our compensation programs to guard against excessive risk-taking; and

provides information on current executive compensation trends and new developments.



**Table of Contents**

The Compensation Committee meets multiple times throughout the year with the compensation consultant in executive session without management present.

*Role of Management.* Several members of our management participate in the Compensation Committee's executive compensation process. The Compensation Committee relies upon our Senior Vice President - Human Resources (SVP HR) and his staff for input related to director and executive compensation matters. With regard to executive compensation, management plays a more active role in the compensation process and makes recommendations with respect to:

the development of compensation plans and programs, and changes to existing plans and programs;

the evaluation of executive performance;

salary increases;

the alignment of incentive compensation plans and programs with our business goals and strategies;

the performance goals (and weightings) for annual cash incentive compensation;

the financial performance goals for equity grants and the results attained; and

the number of stock options and RSUs granted.

Prior to providing recommendations to the Compensation Committee at its meetings, our SVP - HR will meet with our CEO to review the recommendations, except for recommendations concerning our CEO's compensation. Our CEO and our SVP - HR also meet with the chair of the Compensation Committee and the compensation consultant prior to meetings to review the agenda for the meetings and the compensation recommendations. Our CEO and our SVP - HR generally attend all Compensation Committee meetings. Our CEO does not have the ability to call meetings. Our SVP - HR serves as secretary for the Compensation Committee at its meetings. Our CEO is excused from that part of the meeting during which the Compensation Committee discusses his annual performance evaluation and compensation.

***Nominating and Corporate Governance Committee.***

The purpose of the Nominating Committee is to assist the Board in fulfilling its oversight responsibilities on matters relating to:

identifying individuals qualified to become members of the Board;

determining the composition of the Board and its committees;

reviewing and developing our Corporate Governance Guidelines and practices;

guiding the annual evaluation of the performance of the Board; and

engaging in such other matters as may from time to time be specifically delegated to the Nominating Committee by the Board.

The Nominating Committee met three times in 2018. Each member of the Nominating Committee is independent under NYSE listing standards and our Director Independence Standards.

*Director Qualifications.* The Nominating Committee seeks a diverse group of candidates who possess the appropriate experiences, qualifications, attributes and skills to make a significant contribution to the Board, Sherwin-Williams and our shareholders. From time to time, the Nominating Committee receives input from senior management and other members of the Board to identify and evaluate potential director candidates. Each candidate is evaluated in the context of the Board as a whole, with the objective that the Board can best perpetuate our company's success and represent

## Table of Contents

shareholders' interests through the exercise of sound business judgment using the directors' diversity of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race. Each candidate shall have the highest personal and professional character and integrity and shall have demonstrated exceptional ability and judgment in his or her respective endeavors. Candidates must possess sufficient time to effectively carry out their duties and responsibilities.

The Nominating Committee may employ professional search firms (for which it would pay a fee) to assist it in identifying potential members of the Board. Ms. Anderson and Mr. Fetting were recommended as nominees by the Nominating Committee and our CEO with input from our Lead Director and the chairs of our Board committees.

*Diversity of Director Nominees.* Although Sherwin-Williams does not have a specific diversity policy, in considering the composition of the Board, the Nominating Committee seeks to strike a proper balance between the addition of new directors who bring fresh and diverse perspectives and the stability of the Board as a whole. The Nominating Committee utilizes a director matrix consisting of a diverse set of experiences, qualifications, attributes and skills, including diversity in gender, ethnicity and race, to maintain this commitment to a well-balanced, diverse Board. The Nominating Committee utilizes the matrix when identifying, considering and recommending director nominees, as well as potential director candidates as part of its process of identifying individuals qualified to become Board members. The Nominating Committee also regularly uses the matrix in reviewing the experiences, qualifications, attributes and skills of current directors. In assessing its overall effectiveness in recommending a diverse group of director nominees, the Nominating Committee utilizes these reviews, as well as its committee self-assessment questionnaires. In addition, we have recently engaged various organizations focused on increasing the representation of women and minorities on public company boards.

*Consideration of Candidates Recommended by Shareholders.* The Nominating Committee's policy with respect to the consideration of director candidates recommended by shareholders is that the Nominating Committee will consider such candidates on the same basis and in the same manner as it considers all director candidates. Recommendations are required to include the following information:

the name and address of the shareholder;

the number of shares of common stock owned by the shareholder;

a description of all arrangements or understandings between or among any of (a) the shareholder, (b) each candidate and (c) any other person or persons pursuant to which the recommendation is being made;

the candidate's full name, address and telephone numbers;

a statement of the candidate's qualifications and experiences, and any other relevant qualities;

the information that would be required under the rules of the SEC in a proxy statement soliciting proxies for the election of the candidate as a director;

a statement, signed by both the shareholder and the candidate, (a) that the shareholder and the candidate currently do not have, and in the prior three years have not had, directly or indirectly, any business, professional or other relationship with each other, and that the shareholder and the candidate do not have any agreement, arrangement or understanding with each other with respect to the candidate's proposed service as a director, or (b) if either of the foregoing statements is incorrect in any manner, describing in detail the relationship, agreement, arrangement or understanding;

the candidate's resume, a list of other boards of directors of public companies on which the candidate currently serves or has served in the past five years, educational information and at least three references; and

a written statement signed by the candidate agreeing that if he or she is nominated by the Board, he or she will (a) be a nominee for election to the Board, (b) provide all information necessary to

---

**Table of Contents**

be included in Sherwin-Williams proxy statement under applicable SEC or NYSE rules and (c) serve as a director if he or she is elected by shareholders.

You may find a complete description of these requirements under Procedures for Shareholders to Recommend Director Candidates in the Corporate Governance section of our Investor Relations website at [www.sherwin.com](http://www.sherwin.com). Shareholders may submit recommendations, along with proof of shareholder status, in writing to: Chair, Nominating and Corporate Governance Committee, c/o Corporate Secretary, The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115.

*Ability of Shareholders to Nominate Directors via Proxy Access.* Our Regulations provide a proxy access right to permit any shareholder, or group of up to 20 shareholders collectively, owning 3% or more of our outstanding shares of common stock continuously for at least three years to nominate and include in our proxy materials director nominees for election to the Board. A shareholder or shareholders, as applicable, can nominate up to 20% of the total number of directors on the Board, rounding down to the nearest whole number, in accordance with the requirements set forth in our Regulations. Under our Regulations, requests to include shareholder-nominated candidates for director in our proxy materials must be received no earlier than 150 days and no later than 120 days before the anniversary of the date that we issued our proxy statement for the previous year's Annual Meeting of Shareholders. You may find a complete description of the requirements to nominate a director utilizing proxy access in our Regulations.

### **AUDIT COMMITTEE REPORT**

Management has the primary responsibility for the integrity of Sherwin-Williams financial information and the financial reporting process, including the system of internal control over financial reporting. Ernst & Young LLP, Sherwin-Williams independent registered public accounting firm, is responsible for conducting independent audits of Sherwin-Williams financial statements and the effectiveness of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB) and expressing an opinion on the financial statements and the effectiveness of internal control over financial reporting based upon those audits. The Audit Committee is responsible for overseeing the conduct of these activities by management and Ernst & Young LLP.

As part of its oversight responsibility, the Audit Committee has reviewed and discussed the audited financial statements, the adequacy of financial controls and the effectiveness of Sherwin-Williams internal control over financial reporting with management and Ernst & Young LLP. The Audit Committee also has discussed with Ernst & Young LLP the matters required to be discussed by Auditing Standard No. 1301, *Communications with Audit Committees*, as adopted by the PCAOB. The Audit Committee has received the written disclosures and the letter from Ernst & Young LLP required by applicable requirements of the PCAOB regarding the independent accountant's communications with the audit committee concerning independence. The Audit Committee also has discussed with Ernst & Young LLP the firm's independence.

Based upon these reviews and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Sherwin-Williams Annual Report on Form 10-K for the year ended December 31, 2018 for filing with the SEC.

#### **AUDIT COMMITTEE**

A. F. Anton, Chair

R. J. Kramer

C. A. Poon

M. Thornton III

**Table of Contents**

**COMPENSATION RISK ASSESSMENT**

The Compensation Committee annually assesses the risks related to our compensation policies and practices. During 2018, the Compensation Committee engaged Compensation Advisory Partners to conduct a comprehensive risk assessment of our incentive compensation programs, plans and policies. Compensation Advisory Partners presented the risk assessment to the Compensation Committee.

Based upon the assessment, the Compensation Committee and Compensation Advisory Partners concluded that our compensation policies and practices do not encourage excessive or unnecessary risk-taking and are not reasonably likely to have a material adverse effect on Sherwin-Williams. The following factors help mitigate against employees taking excessive or unnecessary risks.

We utilize a balanced approach to compensation, which combines fixed and variable, short-term and long-term, and cash and equity.

We have diversified incentive compensation metrics with performance goals focused on growth, profitability and managing capital at different levels within our company.

We design our incentive compensation plans without steep payout cliffs that might encourage short-term business decisions that are inconsistent with our long-term business strategy.

Performance incentives are capped at maximum payout amounts.

We grant equity awards annually, with appropriate vesting periods, that encourage consistent behavior and reward long-term, sustained performance.

Our equity plans include a double-trigger acceleration provision with respect to vesting in connection with a change in control.

We have significant stock ownership guidelines for our directors and executives.

We regularly benchmark our current compensation practices, policies and pay levels against peer companies and have a pay philosophy that targets market median compensation.

We have stringent restrictions on the hedging and pledging of our securities by executives and other employees.

The Compensation Committee reviews tally sheets for our named executives that provide a holistic view of each executive's compensation.

We have a clawback and recapture policy allowing us to clawback incentive compensation earned by executives and key employees.

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in this Proxy Statement. Based upon this review and discussion, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in Sherwin-Williams' Annual Report on Form 10-K for the year ended December 31, 2018 and this Proxy Statement.

### **COMPENSATION AND MANAGEMENT**

#### **DEVELOPMENT COMMITTEE**

S. H. Wunning, Chair

D. F. Hodnik

S. J. Kropf

J. M. Stropki

M. H. Thaman



**Table of Contents**

**COMPENSATION DISCUSSION AND ANALYSIS (CD&A)**

*Named Executive Officers.* This Compensation Discussion and Analysis describes our executive compensation program and how it applies to our five named executives listed below.

*John G. Morikis.* Mr. Morikis has served as CEO since January 2016 and Chairman since January 2017. Mr. Morikis also served as President until March 2019. He began his career with Sherwin-Williams in December 1984.

*Allen J. Mistysyn.* Mr. Mistysyn has served as Senior Vice President Finance and Chief Financial Officer since January 2017. He began his career with Sherwin-Williams in June 1990.

*Aaron M. Erter.* Mr. Erter served as President, Consumer Brands Group (CBG) from August 2017 to March 2019. Effective March 1, 2019, Mr. Erter was named President, Performance Coatings Group (PCG). He joined Sherwin-Williams on June 1, 2017 the date we completed the Valspar Transaction.

*David B. Sewell.* Mr. Sewell served as President, PCG from August 2014 to March 2019. Effective March 1, 2019, Mr. Sewell was named President and Chief Operating Officer (COO) of Sherwin-Williams. He began his career with Sherwin-Williams in February 2007.

*Peter J. Ippolito.* Mr. Ippolito has served as President, The Americas Group (TAG) since January 2018. He began his career with Sherwin-Williams in May 1986.

Except as otherwise specifically described in this CD&A, all references to the compensation of Messrs. Erter and Sewell reflect their roles during 2018.

**Executive Summary**

We manage our business with the long-term fundamental objective of creating and maximizing value for our shareholders. Our pay for performance philosophy supports this objective by linking a significant percentage of our executive compensation program to company performance, business unit performance (where applicable) and stock price appreciation.

Our compensation programs are integral to our longstanding success as they assist us in attracting, retaining and motivating talented and high-performing people throughout our organization who drive consistent and strong financial and operating results. Our long track record of sustained success is exemplified by the following:

Our average annual shareholder return, including dividends, over the past 10 years is 22.4%, compared to the average annual return for the S&P 500 of 13.1%.

2018 was our 40th consecutive year of increased dividends, as we continued our practice of returning significant value to our shareholders. During 2018, we returned \$936 million to our shareholders through dividends and repurchases of our stock. Over the past three years, we returned approximately \$1.6 billion in cash to shareholders through dividends and stock repurchases.

*2018 Financial and Operating Highlights.* We delivered record performance across many measures in 2018. 2018 net sales increased to a record \$17.53 billion. Diluted net income per share from continuing operations decreased to \$11.67. Net income from continuing operations was \$1.1 billion, and we generated record net operating cash of \$1.94 billion. Since completing the Valspar Transaction, we have continued to make significant progress on our integration efforts across businesses, functions and geographies.

---

**Table of Contents**

The following graph shows our company's performance for key financial measures over the past three-year period. Please also see our consolidated financial statements and notes included in our 2018 Annual Report.

- <sup>1</sup> 2017 has been adjusted for a voluntary inventory accounting change made in 2018.
- <sup>2</sup> 2018 includes after-tax acquisition-related costs of \$394.4 million, after-tax environmental expense provisions of \$126.1 million, after-tax California litigation expense of \$102.5 million and after-tax pension settlement expense of \$28.3 million. 2017 includes a one-time income tax benefit of \$668.8 million from Deferred income tax reductions and after-tax acquisition-related costs of \$329.4 million. 2016 includes after-tax acquisition-related costs of \$81.5 million.
- <sup>3</sup> 2018 includes charges of \$4.15 per share for acquisition-related costs, \$1.32 per share for environmental expense provisions, \$1.09 per share for California litigation expense and \$.30 per share for pension settlement expense. 2017 includes a one-time benefit of \$7.04 per share from Deferred income tax reductions and a charge of \$3.47 per share for acquisition-related costs. 2016 includes a charge of \$.86 per share for acquisition-related costs.

*2018 Compensation Highlights.* Recent key executive compensation highlights include the following:

*2018 Annual Cash Incentive Performance.* Our named executives earned an average of 136% of their 2018 target annual cash incentive compensation.

*2016 – 2018 Long-Term Equity Incentive Performance.* 134% and 200% of the target number of performance-based RSUs for the 2016 – 2018 performance period vested based upon above-target company performance for cumulative earnings per share (EPS) and average return on net assets employed (RONAE), respectively, over the three-year performance period.

*Adoption of the Key Employee Separation Plan.* Effective January 1, 2018, the Compensation Committee approved the adoption of the Key Employee Separation Plan (KESP). Our named executives (other than Mr. Erter, as further described below) participate in the KESP and are entitled to certain severance payments and benefits in the event their employment is involuntarily terminated by Sherwin-Williams for reasons other than cause, death or disability prior to a change in control.

*Independent Compensation Consultant.* The Compensation Committee assessed the independence of Compensation Advisory Partners under applicable SEC rules and NYSE listing standards. The Compensation Committee determined that Compensation Advisory Partners is independent and that its work raises no conflicts of interest. Compensation Advisory Partners did not provide any services to Sherwin-Williams during 2018 other than those matters for which it was engaged by the Compensation Committee.

*Relationship Between Pay and Performance.* Our executive compensation program combines different elements of compensation. As a result, the total amount of executive compensation paid is not



**Table of Contents**

directly tied to any one measure or component of compensation. We believe this approach assists us in viewing performance holistically and helps mitigate the risk of over-emphasizing any one metric. That said, a significant portion of our executive compensation program is tied to the value of our stock, which we believe is critical to ensuring that we deliver value to shareholders. Our executives only realize the full value of their compensation if our shareholders also realize value.

Each year, the Compensation Committee assesses our CEO's compensation in light of Sherwin-Williams' performance relative to its peers. In October 2018, the Compensation Committee analyzed the relationship between the realizable pay of our CEO and total shareholder return (TSR) over the five-year period ended December 31, 2017, comparing Sherwin-Williams to the peer group we use when making executive compensation decisions. At the time of such review, 2017 was the most recent year for which compensation information was available for our peer group. TSR includes the reinvestment of dividends and is calculated on a compounded annual growth rate basis.

The following chart, prepared by Compensation Advisory Partners, shows the degree of alignment between the total realizable pay of our CEO and Sherwin-Williams' TSR relative to our peer group over the five-year period. Sherwin-Williams' cumulative TSR over the five-year period was 187%, which was higher than all but four companies in our peer group. Peer group companies are indicated by the diamonds in the chart. Companies that fall within the shaded diagonal alignment zone are generally viewed as having pay and performance alignment. As illustrated below, our CEO's realizable pay was well aligned with Sherwin-Williams' performance.

**PAY FOR PERFORMANCE ALIGNMENT**

**CEO REALIZABLE PAY AND TSR**

**Table of Contents**

Realizable pay includes: (a) base salary during the five-year period; (b) actual cash incentive compensation earned during the five-year period; (c) the value of time-based restricted stock and RSUs granted during the five-year period based on the 2017 year-end closing stock price; (d) the vesting date value of long-term performance equity awards that were earned in 2015, 2016 and 2017; (e) the value of target long-term performance equity awards granted in 2016 and 2017 based on the 2017 year-end closing stock price; and (f) the in-the-money value of stock options granted during the five-year period based on the 2017 year-end closing stock price. Valuing equity awards in this manner is different from valuing equity awards at their aggregate grant date fair value, which is the method used in the Summary Compensation Table and the 2018 Grants of Plan-Based Awards Table.

*Overview of Executive Compensation Practices.* Our compensation programs, practices and policies are reviewed and evaluated on an ongoing basis. We modify our compensation programs to address evolving best practices and changing regulatory requirements, as well as in contemplation of significant events, such as the Valspar Transaction. We list below some of the more significant best practices we have adopted, and the practices we have avoided, which we believe highlight our commitment to responsible pay and governance principles that best serve our shareholders long-term interests.

***What We Do******What We Don't Do***

**Performance-Based Pay.** We emphasize pay for performance. For 2018, an average of 89% of the standard principal compensation components for our CEO (77% for our other named executives) were tied to performance.

**No Employment Agreements.\*** We do not have employment agreements with our named executives (with the exception of Mr. Erter); our other named executives are employed at will.

**Independent Compensation Committee.** Each member of the Compensation Committee meets the independence requirements under SEC rules and NYSE listing standards.

**No Dividend Equivalents for Unvested RSUs.** Dividend equivalents on RSU awards are deferred and paid only on earned shares upon vesting.

**Independent Compensation Consultant.** The Compensation Committee uses an independent compensation consultant, who provided no other services to our company during 2018.

**No Repricing or Replacing of Underwater Stock Options.** We do not permit the repricing or replacing of underwater stock options without shareholder approval.

*Balanced Compensation Structure.* We utilize a balanced approach to compensation, which combines fixed and variable, short-term and long-term, and cash and equity.

*No Hedging.* Directors, executives and other employees are prohibited from engaging in hedging transactions with respect to our securities.

*Target Median.* We have a pay philosophy that targets market median compensation. We assess our current compensation practices, policies and pay levels against peer companies.

*No Pledging.* Directors and executives may not hold our securities in margin accounts or otherwise pledge our securities as collateral for a loan.

*Responsibly Administered Incentive Compensation Programs.* We have diversified incentive compensation goals without steep payout cliffs. Vesting periods for annual equity awards encourage consistent behavior and reward long-term, sustained performance.

*No Speculative Trading.* Directors and executives may not engage in short sales of our securities or in put options, call options or other market-offered derivative transactions in our stock.

*Clawback and Recapture Policy.* Our clawback and recapture policy allows us to clawback incentive compensation earned by our executives and key employees.

*No Excessive Perquisites.* Consistent with our culture, we provide only limited perquisites to our executives.

**Table of Contents**

**Double-Trigger Change in Control.**

Our stock plan contains a double-trigger acceleration provision for the vesting of equity awards upon a change in control.

**No Excessive Risk-Taking.** We conducted a risk assessment and concluded that our compensation policies do not encourage excessive or unnecessary risk-taking.

**Significant Stock Ownership.** Our directors and executives have significant stock ownership requirements.

**No Above-Market Earnings on Deferred Compensation.** We do not pay guaranteed, above-market or preferential interest or earnings on deferred compensation.

**Annual Say-on-Pay Vote.** We continue to hold our advisory say-on-pay vote on an annual basis.

\* As noted in the Executive Summary, Mr. Erter joined Sherwin-Williams on June 1, 2017 pursuant to terms negotiated in connection with the Valspar Transaction. The terms of his employment agreement are described below under the heading Other Arrangements, Policies and Practices Employment Agreements.

**Impact of Last Year's Say-on-Pay Vote.** At last year's Annual Meeting, our shareholders approved the compensation of our named executives with a substantial majority of shareholders (95.7% of votes cast) voting in favor. We consider this vote to be a strong endorsement of our executive compensation program, practices and policies. Based on this strong shareholder support, the Compensation Committee does not believe our executive compensation program requires material changes. However, the Compensation Committee has made, and will continue to make, changes designed to further enhance the objectives of our program, as well as to address significant events to the extent appropriate to do so. We will continue to hold the advisory say-on-pay vote annually until the next shareholder vote on say-on-pay frequency in 2023.

The Compensation Committee highly values the input of our shareholders. The Compensation Committee will continue to consider the views of our shareholders in connection with our executive compensation program, including the results of the 2019 say-on-pay vote. We will make modifications based upon evolving best practices, developments in our business, market compensation information and changing regulatory requirements. We encourage you to support this year's say-on-pay proposal.





**Table of Contents**

**Overview of Our Executive Compensation Program**

***The Compensation Committee.***

The Compensation Committee, which is comprised entirely of independent directors, oversees our executive compensation program. The Compensation Committee reports to the Board on all compensation matters for members of our senior management team, including our named executives. The Compensation Committee has engaged Compensation Advisory Partners as its independent compensation consultant in order to fulfill its responsibilities. We include additional information about the Compensation Committee, including the role of the compensation consultant and management in the compensation setting process, under the heading **Board Meetings and Committees Compensation and Management Development Committee.**

***Compensation Objectives.***

We design and manage our company-wide compensation programs to align with our overall business strategy and to focus our employees on delivering sustained financial and operating results and creating value for our shareholders on a consistent long-term basis. We believe it is important that our compensation programs:

*Be competitive.* Our programs are designed to attract, retain and motivate talented and high-performing people at all levels of our company around the world. We structure our compensation programs to be competitive with the programs of companies of comparable size and business.

*Maintain a performance and achievement-oriented culture.* A significant percentage of our employees participate in incentive plans tied to clear, pre-established performance goals that support our business strategies. We utilize both annual and long-term incentives to appropriately balance consistent annual results with improved performance over the longer term. We select performance goals that are sufficiently demanding, support our financial and operating objectives and help drive our business. We reward employees for achieving and exceeding performance goals, without creating a sense of entitlement or encouraging unnecessary or excessive risk-taking.

*Align the interests of our executives with those of our shareholders.* It is important that a significant portion of our executives' incentive compensation be directly tied to our stock price in order to align the financial interests of our executives with the interests of our shareholders and keep our executives focused on sustained financial performance. In addition, we have implemented significant stock ownership requirements for our executives described below under the heading **Other Arrangements, Policies and Practices Stock Ownership Guidelines.**

We believe our compensation programs achieve these goals.

**Table of Contents*****Components of Compensation.***

The components of our standard executive compensation program, the primary purpose of each component and the form of compensation for each component are described in the following table. As previously noted, Mr. Erter's compensation arrangement was negotiated as part of the Valspar Transaction and is described below under the heading "Other Arrangements, Policies and Practices - Employment Agreements."

<b>Component</b>	<b>Primary Purpose</b>	<b>Form of Compensation</b>
Base Salary	Provides base compensation for day-to-day performance of job responsibilities.	Cash
Annual Cash Incentive Compensation	Rewards performance during the year based on the achievement of annual performance goals.	Cash
Long-Term Equity Incentive Compensation	Encourages improvement in the long-term performance of our company and aligns the financial interests of our executives with the interests of our shareholders.	<p>Stock options, which vest in equal installments on the first, second and third anniversary of grant and have a ten-year term.</p> <p>Performance-based RSUs, which vest at the end of a three-year period based upon the achievement of pre-established financial performance goals and are paid in stock.</p>
Other Employee and Executive Benefits	Provides a broad-based executive compensation program for employee retention, retirement and health.	Retirement and savings programs, health and welfare programs, and employee benefit plans, programs and arrangements generally available to all employees; annual executive physical exam; executive life insurance and executive long-term disability plans; and other benefits.

***Mix of Compensation Components.***

We maintain a balanced approach in compensating our named executives by combining elements that vary by the (a) type of compensation (fixed and performance-based), (b) length of the performance period (annual and long-term) and (c) form of compensation (cash and equity). We believe this mix aligns with our business strategies and emphasizes pay for performance. We determine this mix by reviewing market compensation information. We do not have a specific policy for the allocation of compensation between fixed and performance-based, annual and long-term, and cash and equity.

We manage our business with the long-term goal of creating and maximizing shareholder value. Accordingly, a significant percentage of the compensation opportunity of each named executive is variable, at risk and tied to company or business unit performance, including stock price appreciation. The following chart illustrates the mix of the key compensation components for our named executives for 2018. The percentages reflect the amounts of 2018 base salary, targeted annual cash incentive compensation and the aggregate grant date fair values of stock options and RSUs granted in 2018, but do not reflect the retention bonus received by Mr. Erter in 2018 pursuant to his employment agreement.

**Table of Contents*****Peer Group.***

The Compensation Committee utilizes a peer group of companies to assess whether our executive compensation program is competitive in the market. The compensation consultant annually identifies the compensation paid to named executives with similar roles and responsibilities at a group of chemical, industrial, manufacturing, consumer product and retail companies with comparable sales, which are considered to be our peer group companies. The compensation consultant also compiles compensation data from broad-based surveys of companies of similar size and industry to us. These surveys are sponsored by nationally recognized compensation consulting firms. We, along with many of our peer group companies, participate in these surveys.

We monitor compensation paid at these peer group companies because their size and business make them most comparable to us. We also believe these companies likely compete with us for executive talent. The compensation consultant annually reviews current and potential peer companies and recommends changes primarily based upon revenue size, market capitalization, industry, business description/mix and brand recognition. The Compensation Committee periodically evaluates and, if necessary, adjusts the composition of our peer group to ensure it remains the most relevant group of companies to use for compensation purposes.

During 2018, the Compensation Committee reviewed the continued appropriateness of our peer group. Based upon its evaluation and the recommendation of Compensation Advisory Partners, the Compensation Committee removed Monsanto Company from our peer group following its acquisition by Bayer AG in June 2018. Our peer group now consists of the 23 companies listed below. 2017 annual revenues for the companies in our peer group ranged from approximately \$7.6 billion to \$40.5 billion, with Sherwin-Williams ranking at the 56th percentile in annual revenues.

Air Products and Chemicals, Inc.	Ecolab Inc.	Mohawk Industries, Inc.
Akzo Nobel N.V.	Honeywell International Inc.	Newell Brands Inc.
Ball Corporation	Huntsman Corporation	PPG Industries, Inc.
Colgate-Palmolive Company	Illinois Tool Works Inc.	Praxair, Inc.
Cummins Inc.	Johnson Controls International plc	Stanley Black & Decker, Inc.
Deere & Company	Kimberly-Clark Corporation	3M Company
Eastman Chemical Company	LyondellBasell Industries N.V.	Whirlpool Corporation
Eaton Corporation plc	Masco Corporation	

***Use of Market Compensation.***

The compensation consultant calculates an average of (a) the compensation available at companies in our peer group (using the most recent proxy data) and (b) the average compensation data from the



**Table of Contents**

broad-based surveys. We refer to this average as market compensation, which provides the Compensation Committee with a framework to evaluate the competitiveness of our executive compensation program, as well as assistance in determining the mix of compensation components and target compensation levels. We generally benchmark target compensation paid to our named executives within a general range (plus or minus approximately 15%) of the market median compensation of comparable positions, although we do not have a formal policy of setting target compensation levels at a specific percentile of the market median.

We benchmark against market compensation because it allows us to attract and retain executives and helps us to manage the overall cost of our compensation program. We consider this information only as a reference point or as a framework, not as a determining factor or part of any arithmetic formula, in setting compensation. The policies we use to make compensation decisions, and the decisions we make, are materially similar for all named executives and generally result in higher compensation levels for our CEO due to the higher market compensation for CEOs. In setting compensation for Mr. Erter, the Compensation Committee evaluated only the average compensation derived from broad-based surveys because we did not project him to be among the top five named executives at that time.

The compensation consultant annually provides the Compensation Committee with a comprehensive analysis of market compensation, which includes base salary, annual cash incentive compensation, long-term equity incentive compensation, total annual cash compensation and total direct compensation. We define total direct compensation as the sum of base salary, annual cash incentive compensation and long-term equity incentive compensation. We review total direct compensation to help us determine whether the key compensation components we pay our executives are competitive in the aggregate.

The Compensation Committee generally compares each named executive's base salary, annual cash incentive compensation, long-term equity incentive compensation, total annual cash compensation and total direct compensation to the market median compensation. Individual components may be more or less than market median compensation because we focus on the overall competitiveness of our entire compensation program. Judgment and discretion may be used to adjust a component of compensation above or below the market median for reasons such as an executive's performance, responsibilities, experience and tenure, our company-wide performance and internal pay equity.

The following table sets forth the projected total direct compensation for each named executive as a percentage of the market median total direct compensation. For purposes of this table, projected total direct compensation includes 2019 base salary, 2019 targeted annual cash incentive compensation, stock options granted in 2018 (or, for Messrs. Erter and Sewell, the projected target value for their 2019 annual stock option grant) and the targeted value of performance-based RSUs granted in early 2019. The percentage for Mr. Erter reflects his new role as President, PCG, and the percentage for Mr. Sewell reflects his new role as President and COO. Mr. Erter's projected total direct compensation does not include the retention bonus payable in June 2019 pursuant to his employment agreement.

<b>Name</b>	<b>Projected Targeted Total Direct Compensation as a Percentage of Market Median Compensation</b>
J. G. Morikis	100%
A. J. Mistysyn	92%

A. M. Erter	87%
D. B. Sewell	86%
P. J. Ippolito	92%



**Table of Contents**

The actual amounts we pay our named executives may vary from the targeted amounts set forth above based upon the achievement of company and business unit performance goals. The Compensation Committee did not increase or decrease the amount of any compensation component based upon the amount of any other compensation component or its review of projected targeted total direct compensation.

**Key Components of Our Executive Compensation Program*****Base Salary.***

***Salary Ranges.*** Salary is the only key compensation component that is not at-risk. Each executive position at our company is assigned a salary grade. Salary grades are designed to be competitive and recognize different levels of responsibility within our company. Each salary grade corresponds to a salary range, with minimum and maximum amounts, that we review against market base salaries specific to the applicable position and level of responsibility. The midpoint of the salary range generally approximates the market median salary paid for an equivalent or similar position. The Compensation Committee reviews and approves the base salary of each executive annually and at other times in connection with a promotion or other change in responsibility, as appropriate. Annual base salary increases generally are effective early each year.

Annual salary increases are based, in part, on the overall annual salary budget guidelines for our company. We adopt the salary guidelines for all of our employees as part of our annual budgeting process, which includes a range of merit salary increases. The maximum amount of the range is equal to the amount necessary to increase the salary of an employee (whose salary is below the market median for his or her position, but who receives the highest performance rating) toward the market median salary for his or her position.

***Annual Performance Appraisals.*** All salaried employees, including our named executives, undergo an annual performance appraisal. Each non-CEO named executive's performance for the prior year is evaluated by our CEO. The evaluation is based upon the executive's performance results (including accomplishment of incentive performance goals, financial accomplishments and other contributions) and leadership (including work ethic and strategic contributions). For the evaluation of our CEO, each non-management director assesses performance for the following categories: performance results, business strategy, developing a management team and leadership. These factors are not quantified or weighted. Instead, discretion and subjective judgment are used in assessing the factors in a qualitative manner. In any one year, any one factor or group of factors may play a larger role in assessing performance. The results are reviewed by the Compensation Committee and by the non-management directors in executive session.

***2018 Base Salaries.*** The Compensation Committee set 2018 base salaries for our named executives at the beginning of 2018. Percentage salary increases for Messrs. Morikis and Mistysyn moved their base salaries closer to the market median for their respective positions, taking into account the composition of the new peer group established in 2017 due to the Valspar Transaction and Sherwin-Williams' resulting increase in size, geographic scope and complexity of business.

Name	2017 Base Salary (\$)	% Increase for 2018	2018 Base Salary (\$)
J. G. Morikis	1,150,000	13%	1,300,000

Edgar Filing: SHERWIN WILLIAMS CO - Form DEF 14A

A. J. Mistysyn	600,002	13.33%	679,982
A. M. Erter	*	*	516,256
D. B. Sewell	*	*	625,042
P. J. Ippolito	*	*	575,000

\* 2017 salary information is not shown for Messrs. Erter, Sewell and Ippolito because they were not named executives during 2017.

**Table of Contents*****Annual Cash Incentive Compensation.***

Annual cash incentive compensation may be earned by our named executives under our shareholder-approved 2007 Executive Annual Performance Bonus Plan (the Performance Plan). Annual incentive compensation is intended to motivate our executives to achieve annual performance goals that strengthen our company over the long term. Our Performance Plan is designed so that our executives may earn higher annual cash incentive compensation for exceeding target performance goals, but receive lower, or no, annual cash incentive compensation when target performance goals are not met.

*Target and Maximum Annual Incentive Levels.* The Compensation Committee annually reviews target and maximum annual cash incentive compensation levels for our named executives as a percentage of their base salary. Target incentive awards are determined by using the market median annual cash incentive compensation, which generally equals the amount a named executive could receive if he or she achieved a 100% average of his or her performance goals. The maximum incentive awards are determined by the Compensation Committee following a review of the maximum annual cash incentive compensation available to similarly-situated executives at peer group companies.

The following table sets forth the 2018 minimum, target and maximum annual cash incentive compensation levels, as a percentage of base salary, for each named executive.

Name	Incentive Amount as a Percentage of Salary		
	Minimum	Target	Maximum
J. G. Morikis	0%	145%	290%
A. J. Mistysyn	0%	80%	160%
A. M. Erter	0%	70%	140%
D. B. Sewell	0%	80%	160%
P. J. Ippolito	0%	80%	160%

*Objective Annual Payout Formula.* The Compensation Committee approves objective, clearly-defined annual performance goals and payout formulae for our named executives. Our CEO also approves the goals and payout formulae for our other named executives. During 2018, Messrs. Morikis and Mistysyn had identical corporate financial performance goals. Messrs. Erter, Sewell and Ippolito had performance goals related to objectives important to the business unit for which they are each responsible. We included a synergy savings goal for certain named executives to place focus on the important task of continuing to achieve costs savings and efficiencies necessary for the successful integration of Valspar.

We use multiple performance goals to encourage our named executives to have a well-rounded approach to managing the business and not concentrate on achieving just one goal to the detriment of others. We use EPS as a performance metric for both our annual cash incentive program and a portion of our performance-based RSU program. EPS is a widely communicated and easily understood key measure used in both evaluating the success of our company's performance and determining the market value of our stock. The Compensation Committee and management believe

it is important to utilize EPS for both our annual cash incentive compensation and long-term equity compensation programs because, over the long term, EPS growth will drive value for our shareholders. In addition, by using EPS, management is held accountable for driving top-line growth and managing our operating cost structure. Each year, the Compensation Committee and management evaluate the incentive structure, including the metrics used in each of the incentives. Based on the most recent review, we believe EPS provides effective line of sight to drive individual performance. In addition, by delivering the entire long-term incentive in equity, executives are encouraged to drive long-term value for shareholders, and the performance metrics used in the annual incentive program provide reinforcement of the activities that will drive value.

**Table of Contents**

For 2018, the Compensation Committee reviewed our annual operating budget and approved target financial performance goals set at levels that were of the same magnitude as set forth in our 2018 annual operating budget. We set maximum levels so that performance would have to exceed target levels by a significant degree, requiring performance well above expectations.

The Compensation Committee reviews and approves each named executive's achievement of performance goals for the prior year. In determining the level of achievement of performance goals, the Compensation Committee has discretion to include or exclude the impact of certain items, as permitted under the Performance Plan. The following table shows, for each named executive, the performance goals, minimums, targets, maximums and actual results (taking into account the adjustments shown on Appendix B).

Name	Performance Goals	2018 Annual Cash Incentive Performance Goals			Actual Results
		Minimum	Target	Maximum	
J. G. Morikis	Adjusted EPS <sup>(1)</sup>	\$14.92	\$18.65	\$19.49	\$18.28
A. J. Mistysyn	Net Sales	\$15.72 billion	\$17.46 billion	\$17.91 billion	\$17.53 billion
	Free Cash Flow <sup>(1)</sup>	\$1.08 billion	\$1.35 billion	\$1.53 billion	\$1.46 billion
	Synergy Savings	\$300 million	\$375 million	\$447.5 million	\$426 million
A. M. Erter	CBG Sales	\$2.61 billion	\$2.90 billion	\$2.94 billion	\$3.01 billion
	CBG PBT	\$204.93 million	\$256.16 million	\$257.15 million	\$284.33 million
	CBG RONAE <sup>(2)</sup>	14.08%	17.60%	18.20%	21.50%
	Synergy Savings	\$300 million	\$375 million	\$447.5 million	\$426 million
D. B. Sewell	PCG Sales	\$5.35 billion	\$5.94 billion	\$6.05 billion	\$6.15 billion
	PCG PBT	\$742.58 million	\$928.23 million	\$966.14 million	\$901.99 million
	PCG RONAE <sup>(2)</sup>	27.48%	34.35%	37.00%	37.59%
	Synergy Savings	\$300 million	\$375 million	\$447.5 million	\$426 million
P. J. Ippolito	TAG Sales	\$8.77 billion	\$9.74 billion	\$10.06 billion	\$9.63 billion

Edgar Filing: SHERWIN WILLIAMS CO - Form DEF 14A

TAG PBT	\$1.37 billion	\$1.71 billion	\$1.77 billion	\$1.68 billion
TAG RONAE <sup>(2)</sup>	72.78%	90.98%	92.85%	91.10%

<sup>1</sup> Adjusted EPS and free cash flow are calculated as set forth on Appendix B. The adjustments made to Adjusted EPS and free cash flow for the purpose of determining achievement are also shown on Appendix B.

<sup>2</sup> For each of CBG, PCG and TAG, RONAE is calculated as set forth on Appendix B.

*Calculation of 2018 Annual Cash Incentive Amounts Earned.* In February 2019, the Compensation Committee approved the annual incentive compensation amounts earned by our named executives during 2018 based upon the level of achievement of the performance goals. Each performance goal has corresponding pre-established achievement levels ranging from a minimum of 0 to a maximum of 125, with 100 equal to target achievement. Based upon 2018 business results, the Compensation Committee reviewed and approved the achievement level of each performance goal. The achievement level for each goal was multiplied by the goal's weight to determine a weighted achievement for the goal. For each named executive, the weighted achievement levels for all goals were added together to determine a total weighted achievement level. Total weighted achievement levels range from a minimum of 0 to a maximum of 125, with a target of 100. Total weighted achievement levels correspond to a pre-established range of final payouts as a percentage of salary for each named executive. The range of final payouts as a percentage of salary between 0-75, 75-100, and 100-125 are determined on a straight-line basis.

**Table of Contents**

The calculations used to determine the actual incentive amounts earned by each named executive during 2018 are shown in the table below and are illustrated by the following formula:

$$\text{Weighting} \times \text{Achievement Level} = \text{Weighted Achievement Level}$$

$$\text{Incentive Amount as a \% of Salary} \times \text{Salary} = \text{Incentive Amount Earned}$$

<b>J. G. Morikis</b>		<b>A. J. Mistysyn</b>		<b>A. M. Erter</b>		<b>D. B. Sewell</b>		<b>P. J. I</b>
Adjusted EPS	30%	Adjusted EPS	30%	CBG Sales	20%	PCG Sales	20%	TAG Sales
Net Sales	20%	Net Sales	20%	CBG PBT	30%	PCG PBT	30%	TAG PBT
Free Cash Flow	25%	Free Cash Flow	25%	CBG RONAE	25%	PCG RONAE	25%	TAG RONAE
Synergy Savings	25%	Synergy Savings	25%	Synergy Savings	25%	Synergy Savings	25%	
Adjusted EPS	90.08	Adjusted EPS	90.08	CBG Sales	125.00	PCG Sales	125.00	TAG Sales
Net Sales	104.02	Net Sales	104.02	CBG PBT	125.00	PCG PBT	85.87	TAG PBT
Free Cash Flow	115.65	Free Cash Flow	115.65	CBG RONAE	125.00	PCG RONAE	125.00	TAG RONAE
Synergy Savings	117.59	Synergy Savings	117.59	Synergy Savings	117.59	Synergy Savings	117.59	
Adjusted EPS	27.03	Adjusted EPS	27.03	CBG Sales	25.00	PCG Sales	25.00	TAG Sales
Net Sales	20.80	Net Sales	20.80	CBG PBT	37.50	PCG PBT	25.76	TAG PBT
Free Cash Flow	28.91	Free Cash Flow	28.91	CBG RONAE	31.25	PCG RONAE	31.25	TAG RONAE
Synergy Savings	29.40	Synergy Savings	29.40	Synergy Savings	29.40	Synergy Savings	29.40	
Total	106.14	Total	106.14	Total	123.15	Total	111.41	Total
Minimum	0%	Minimum	0%	Minimum	0%	Minimum	0%	Minimum
Target	145%	Target	80%	Target	70%	Target	80%	Target
Maximum	290%	Maximum	160%	Maximum	140%	Maximum	160%	Maximum
Actual Result	180.59%	Actual Result	99.64%	Actual Result	134.81%	Actual Result	116.50%	Actual Result
	\$1,276,924		\$667,678		\$513,756		\$613,500	
	\$2,306,000		\$665,000		\$693,000		\$715,000	

**Long-Term Equity Incentive Compensation.**

The largest component of pay for our named executives is long-term equity incentive compensation. We grant long-term equity incentive compensation annually under our shareholder-approved 2006 Equity and Performance Incentive Plan (the Incentive Plan). Our long-term equity incentive compensation program is designed to focus our executives on improving company performance over a multi-year period to encourage long-term decision-making and to reward executives the way our shareholders are rewarded through growth in the value of our stock. We believe that long-term equity awards also serve as a retention tool for our executives. The value delivered on these long-term incentives ultimately depends upon company performance and our stock price.

Our long-term equity compensation program for our named executives consists of stock options and performance-based RSUs. Our stock option program is the primary means by which we grant long-term equity

compensation to a broad group of employees to focus their efforts on our long-term performance and stock price improvement. Our performance-based RSU program is designed for a more select group of key employees, including our named executives, and rewards these employees based upon the achievement of financial performance goals and stock price appreciation.

*Double-Trigger Acceleration Provision.* Grants of stock options and RSUs include a double-trigger acceleration provision with respect to the vesting of the awards in connection with a change in control. Upon a change in control, awards that are assumed by the surviving entity will continue to vest and become exercisable in accordance with their original terms unless, within three years after the change in control, the participant's employment is terminated other than for cause or the participant terminates his or her employment for good reason.



**Table of Contents**

*Dividend Equivalents.* We do not pay current dividend equivalents on unvested RSUs. The payment of dividend equivalents on unvested RSUs is deferred and paid only if and to the extent the RSUs vest. There are no dividend equivalents associated with stock option awards.

*Grant Practices Emphasis on Performance-Based Awards.* When making annual equity grants, we begin by determining the market median value of long-term equity incentive compensation. We then allocate the target mix among types of equity grants. The target mix of our annual long-term equity incentives is set forth in the table below. We believe this mix of equity awards provides an appropriate balance among aligning executive interests with those of our shareholders, encouraging executive retention and rewarding executives for sustained performance results.

Type of Equity Award	Allocation
Stock Options	40%
Performance-Based RSUs    Adjusted EPS Goal	40%
Performance-Based RSUs    Adjusted RONAE Goal	20%

Our long-term incentive opportunities are intended to be competitive with market long-term incentive opportunities. Therefore, we do not consider the amount of outstanding stock options or RSUs currently held by an executive when making equity awards.

We grant stock options and RSUs on an annual basis at regularly scheduled Compensation Committee meetings. We schedule the dates of these meetings approximately three years in advance. We grant RSUs at each February Compensation Committee meeting. This meeting typically occurs in the middle of February, usually a few weeks following the release of our annual earnings results. We grant stock options at each October Compensation Committee meeting. These grants typically are made on the same day the Audit Committee approves our earnings release for the third quarter, shortly before we release our third quarter earnings results. We may also grant RSUs and stock options at other Compensation Committee meetings in connection with an employee's initial hire, promotion and other events. The dates of these grants may occur shortly before we release our quarterly earnings results. We do not take into account our earnings results when determining the number of stock options or RSUs to be granted or the date of grant.

*2018 Annual Equity Awards.* The following table shows the number of stock options and RSUs granted to each named executive during 2018.

Name	Number of Stock Options Granted in 2018	Number of Performance-Based RSUs Granted in 2018 at Target	
		Adjusted EPS Goal	Adjusted RONAE Goal
J. G. Morikis	38,900	9,100	4,550
A. J. Mistysyn	9,000	1,700	850

A. M. Erter	4,500	1,100	550
D. B. Sewell	7,400	1,500	750
P. J. Ippolito	7,400	1,500	750

*Stock Options.* The number of stock options granted to an executive is based upon the executive's position and level of responsibility. We determine the specific number of stock options to be granted by calculating the Black-Scholes value of the stock options over the 30-day period ending on the last day of the quarter immediately preceding the award date. Black-Scholes is a generally accepted model used in estimating the value of stock options. In accordance with the terms of our Incentive Plan, the option

**Table of Contents**

exercise price is equal to the average of the highest and lowest sale prices of our stock on the grant date. Accordingly, the exercise price may be higher or lower than the closing price of our stock on that day. The Compensation Committee believes that the average of the high and low prices is a better representation of the fair market value of our stock and is less volatile than the closing price given potential intra-day price volatility. We do not reprice stock options – our stock plans do not permit the repricing or replacing of underwater stock options with cash or equity without shareholder approval and do not contain reload features.

*Restricted Stock Units.* Our 2018 annual grants of RSUs consisted of performance-based RSUs, vesting at the end of a three-year period. The number of RSUs granted to an executive is based upon the executive's position and level of responsibility. The number of RSUs granted was determined by using the value of our stock over the 30-day period ending on the last day of the quarter before the award date. Beginning with the annual grant of RSUs in February 2019, the Compensation Committee will use a 30-day valuation period ending on the last day of the preceding January, rather than December, in order to move the valuation period closer to the date of grant. One RSU is equivalent in value to one share of our common stock. RSUs generally are paid out in common stock upon vesting. The number of RSUs granted is approximately equal to the target value. Executives have an opportunity to earn two times the target value for maximum performance. We correspondingly set maximum goals higher, making achievement of the goals more difficult to attain to provide a greater incentive for above-target performance.

The threshold, target and maximum achievement levels for the 2018 grants of RSUs are illustrated in the following table for the 2018 – 2020 performance period. Performance between the achievement levels is measured on a straight-line basis to reward improvements at various achievement levels, while not encouraging executives to take unnecessary risks to hit achievement levels with larger payouts.

	<b>Adjusted EPS Goal<sup>(1)</sup></b>	<b>Adjusted RONAE Goal<sup>(1)</sup></b>	<b>% of Target Vesting</b>
Maximum	\$69.26	13.8%	200%
Target	\$63.20	11.8%	100%
Threshold	\$57.49	9.8%	25%

<sup>1</sup> Adjusted EPS and Adjusted RONAE are calculated as set forth on Appendix B.

*2019 Vesting of Performance-Based RSUs.* In February 2019, the Compensation Committee determined the vesting of performance-based RSUs for the 2016 – 2018 performance period. In determining the level of achievement of performance goals, the Compensation Committee has discretion to include or exclude the impact of certain items, as permitted under the Incentive Plan. The following table shows the performance goals, target and maximum levels, actual results and percentage of target RSUs vesting (taking into account the adjustments shown on Appendix B).

<b>Performance Goal</b>	<b>Target</b>	<b>Maximum</b>	<b>Results</b>	<b>% of Target RSUs Vesting</b>
EPS <sup>(1)</sup>	\$40.63	\$44.57	\$41.93	134%
RONAE <sup>(1)</sup>	26.5%	29.5%	32.6%	200%

- <sup>1</sup> The adjustments made to EPS and RONAE for the purpose of determining achievement are shown on Appendix B.

**Other Arrangements, Policies and Practices**

***Employment Agreements.***

We do not have employment agreements with our named executives (with the exception of Mr. Erter); the other named executives are employed at will.

---

**Table of Contents**

In connection with the Valspar Transaction, Sherwin-Williams entered into an employment agreement with Mr. Erter. Mr. Erter's employment agreement has a term of two years and expires on August 1, 2019. At the end of the term, Mr. Erter will continue his employment with Sherwin-Williams as an at-will employee.

Under his employment agreement, Mr. Erter is entitled to the following compensation and benefits: (a) an annual base salary, subject to review and adjustment in accordance with our performance appraisal practices, (b) participation in our long-term equity incentive program in accordance with our equity grant practices for similarly situated executives, (c) participation in our annual cash incentive program administered in accordance with our practices for similarly situated executives, (d) two special cash bonuses with payments contingent upon his continued employment, consisting of (i) \$228,800 paid in June 2018 for continued employment through May 31, 2018 and (ii) \$228,800 payable in June 2019 for continued employment through May 31, 2019, (e) participation in employee benefit plans made available to similarly situated executives and (f) reimbursement of business expenses.

Additional information regarding Mr. Erter's employment agreement, including the estimated amounts payable to him upon termination of his employment without cause, for good reason, death or disability, is set forth under the heading Potential Payments upon Termination or Change in Control.

***Limited Perquisites.***

Consistent with our culture, we provide our named executives with only limited perquisites, which include benefits provided pursuant to our standard relocation policy that are in line with market practice. Under our standard relocation policy, eligible employees are reimbursed for reasonable and necessary expenses associated with a relocation at our request. Mr. Erter joined Sherwin-Williams on June 1, 2017 pursuant to terms negotiated in connection with the Valspar Transaction. The Valspar Transaction was transformational for our company, and in August 2017, Mr. Erter was promoted to President, CBG. In 2018, he moved to Cleveland, Ohio at our request. We believe (a) it is in the best interests of our company for certain members of our senior management team to be located at our corporate headquarters in Cleveland and (b) the provision of a home-sale loss relocation benefit under our relocation policy was necessary for Mr. Erter's retention and move to Cleveland. To protect Sherwin-Williams' interests, Mr. Erter agreed that if his employment is terminated for cause or if he voluntarily terminates employment with Sherwin-Williams within the two-year period following his acceptance of the home-sale loss relocation benefit under the policy, he will be required to reimburse Sherwin-Williams for such benefit and any associated tax gross-up.

Additional information, including the aggregate incremental cost of the relocation benefit provided to Mr. Erter and the aggregate incremental cost of all other perquisites paid for by Sherwin-Williams during 2018, is set forth in a footnote to the All Other Compensation column of the Summary Compensation Table.

***Internal Pay Equity.***

Our compensation program is designed so that compensation opportunities are similar for executives with comparable responsibilities, experience and tenure. Our executive compensation program uses the same compensation components for our executives, but results in different pay levels due to an executive's market compensation, position and performance. To maintain internal equity in connection with grants of stock options and RSUs, the Compensation Committee generally grants the same number of stock options and RSUs to employees who are in similar pay grades.

## **Table of Contents**

### ***Tally Sheets.***

When approving changes in compensation for our named executives, we prepare a tally sheet for each named executive. Tally sheets set forth the dollar amounts of all components of each named executive's current compensation, including base salary, annual cash incentive compensation, long-term incentive compensation, retirement and savings plans, health and welfare programs and other executive benefits. Tally sheets also quantify the potential payments to our named executives in the event of retirement and termination following a change in control.

Tally sheets allow the Compensation Committee and management to assess how a change in the amount of each compensation component affects each named executive's total compensation and to provide overall perspective on each named executive's total compensation. Based upon its most recent review, the Compensation Committee determined that total compensation, in the aggregate, for each of our named executives is consistent with the Compensation Committee's expectations. The Compensation Committee did not increase or decrease the amount of compensation of our named executives solely based upon the review of tally sheets.

### ***Stock Ownership Guidelines.***

We have established minimum stock ownership requirements for our non-management directors and executives to encourage meaningful stock ownership in Sherwin-Williams. We require each director who has served on the Board for at least five years to own shares of our stock equal in value to a minimum of seven times the annual Board cash retainer. We also require each executive who has served in such capacity for at least five years to own shares of stock equal in value to a multiple of his or her base salary. Minimum ownership requirements are six times for our CEO, four times for our COO and three times for our other named executives. For purposes of meeting this requirement, each equivalent share of stock held under our benefit plans and each time-based RSU is considered a share of stock. Stock options and performance-based RSUs are not considered for purposes of meeting the requirement.

The Compensation Committee reviews shareholdings on an annual basis to determine whether our non-management directors and executives are meeting these requirements. At December 31, 2018, our CEO held shares equal in value to 31 times his base salary and our other named executives held shares equal in value to an average of 6 times their respective base salaries. All non-management directors and executives have either met the guidelines or are expected to meet the guidelines within the prescribed time frames.

### ***Anti-Hedging and Anti-Pledging Policy.***

Directors, executives and other employees may not engage in hedging transactions related to our securities through various financial instruments (such as prepaid variable forwards, equity swaps, collars and exchange funds), may not engage in short sales, and may not purchase or sell put options, call options or other such derivative securities. In addition, directors and executives may not hold our securities in margin accounts or otherwise pledge our securities as collateral for a loan.

### ***Retirement Plans and Other Benefits.***

We provide our named executives with various tax-qualified and nonqualified retirement and savings plans, health and welfare programs and other executive benefits. We annually review these programs in connection with our review of the overall compensation packages of our named executives and tally sheets. Additional information about our retirement and savings plans is set forth in the executive compensation tables and the accompanying narrative discussion.

Other executive benefits generally include an annual physical exam and executive life insurance and executive long-term disability plans. The life insurance plan was frozen to new participants beginning in January 2008. The 2018 amounts for these benefits are set forth in a footnote to the All Other Compensation column of the Summary Compensation Table and described under the heading Potential Payments Upon Termination or Change in Control.

## **Table of Contents**

### ***Clawback and Recapture Policy.***

We have a policy allowing Sherwin-Williams to recapture or clawback incentive compensation paid or payable to our named executives and other key employees in the event of a financial restatement. Information about our policy is included under the heading Corporate Governance Clawback and Recapture Policy.

### ***Change in Control Agreements.***

To ensure continuity and the continued dedication of our executives during any period of uncertainty caused by the possible threat of a takeover, we entered into change in control severance pay agreements with our executives, including each of our named executives (other than Mr. Erter, who is entitled to receive certain severance payments and benefits pursuant to his employment agreement). Given the heightened focus on change in control agreements, the Compensation Committee engaged its compensation consultant in 2015 to compare our change in control severance pay agreements to prevailing market practices. Based upon such review, the Compensation Committee believes that the material terms of the severance agreements, which include a double-trigger provision, are generally in line with market practices.

Potential cash severance payments are based upon a multiplier of base salary and annual cash incentive pay. These severance pay agreements have not been a significant factor in setting compensation levels and have not affected the Compensation Committee's decisions with respect to compensation components. Additional information regarding the severance agreements, including the estimated amounts payable to each named executive, is set forth under the heading Potential Payments upon Termination or Change in Control.

### ***Policy Concerning Future Severance Agreements.***

We have a policy that provides we will not enter into any future severance agreements (including material amendments of existing agreements) with a senior executive providing for cash severance payments exceeding 2.99 times base salary and bonus without shareholder approval or ratification. For purposes of this calculation, cash severance payments do not include the acceleration of equity-based awards, vacation pay, retirement benefits, health continuation coverage and outplacement services. In addition, the policy provides that future executive severance agreements will not include any tax gross-up payments. The policy was adopted in February 2010 (after Sherwin-Williams entered into severance agreements with Messrs. Morikis and Ippolito).

### ***Key Employee Separation Plan (KESP).***

Effective January 1, 2018, the Compensation Committee approved the adoption of the KESP, in which each named executive participates (other than Mr. Erter, who is entitled to receive certain severance payments and benefits pursuant to his employment agreement). Under the KESP, our named executives are entitled, subject to execution and non-revocation of a release of claims, to certain severance payments and benefits in the event their employment is involuntarily terminated by Sherwin-Williams for reasons other than cause, death or disability prior to a change in control.

Additional information regarding the KESP, including the estimated amounts payable to our named executives upon termination of employment without cause prior to a change in control, is set forth below under the heading Potential Payments upon Termination or Change in Control.

### ***Tax and Accounting Considerations.***



From time to time, we review the accounting and tax laws, rules and regulations that may affect our compensation programs. However, tax and accounting considerations did not significantly impact the compensation programs we offered our executives during 2018.

**Table of Contents**

Section 162(m) of the Internal Revenue Code generally places a \$1 million limit on the amount of compensation a company can deduct in any one year for certain executive officers. While the Compensation Committee considers tax deductibility in determining executive compensation, the Committee looks at other factors in making its decisions, as noted above, and retains the flexibility to award compensation it determines to be consistent with the goals of our executive compensation program, even if the awards are not deductible by us for tax purposes. The exemption from Section

162(m)'s deduction limit for performance-based compensation has been repealed, effective for taxable years beginning after December 31, 2017, such that compensation paid to our named executives in excess of \$1 million will not be deductible unless it qualifies for the limited transition relief applicable to certain arrangements in place as of November 2, 2017.

Despite the Compensation Committee's efforts to structure certain performance-based awards in a manner intended to be exempt from Section 162(m), and therefore not subject to its deduction limits, no assurance can be given that compensation intended to satisfy the requirements for exemption from Section 162(m) will in fact satisfy the requirements. This uncertainty is due to ambiguities and uncertainties as to the application and interpretation of the scope of the transition relief under the legislation repealing the performance-based compensation exemption from Section 162(m)'s deduction limit. The Committee believes our shareholders' interests are best served if its discretion and flexibility in awarding compensation is not restricted, even though some compensation awards may result in non-deductible compensation expenses.

Table of Contents**SUMMARY COMPENSATION TABLE**

The following table sets forth information regarding the compensation of our Chairman and Chief Executive Officer, our Senior Vice President Finance and Chief Financial Officer and our other three highest paid executive officers.

Name and Principal Position*	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$) <sup>(1)</sup>	Option Awards (\$) <sup>(2)</sup>	Change in Pension Value and Non-Equity Nonqualified Incentive Deferred Compensation			Other Compensation (\$) <sup>(3)</sup>	Total (\$)
						Plan Compensation (\$)	Termination Benefits (\$)	Other Compensation (\$) <sup>(3)</sup>		
J. G. Morikis Chairman, President and Chief Executive Officer	2018	1,276,924	-0-	5,512,826	3,545,502	2,306,000	-0-	572,497	13,213,749	
	2017	1,142,313	-0-	5,042,504	4,109,591	2,730,000	-0-	488,786	13,513,194	
	2016	1,095,795	-0-	3,399,264	2,569,993	2,291,000	-0-	291,756	9,647,808	
A. J. Mistysyn Senior Vice President Finance and Chief Financial Officer	2018	667,678	-0-	1,029,869	820,296	665,000	-0-	184,031	3,366,874	
	2017	600,002	-0-	878,969	757,237	849,000	-0-	116,454	3,201,662	
A. M. Erter President, Consumer Brands Group	2018	513,756	228,800 <sup>(4)</sup>	666,386	410,148	693,000	-0-	616,320	3,128,410	
D. B. Sewell President, Performance Coatings Group	2018	613,500	-0-	908,708	674,466	715,000	-0-	124,628	3,036,302	
P. J. Ippolito President, The Americas Group	2018	560,847	-0-	908,708	674,466	407,000	-0-	192,484	2,743,505	

\* Titles for Messrs. Morikis, Erter and Sewell reflect their positions during 2018. Compensation information is not shown for 2016 and 2017 for Messrs. Erter, Sewell and Ippolito, and 2016 for Mr. Mistysyn, because they were not named executives during those years.

<sup>1</sup> These values reflect restricted stock units (RSUs) granted to our named executives. The value of RSUs is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation

Topic 718 of the ASC), excluding the effect of estimated forfeitures. This valuation method values the award assuming target level of performance based on the fair market value of our common stock (the average of the highest and lowest reported sale prices) on the grant date.

The following table sets forth the aggregate grant date fair value for the RSUs reflected in this column assuming the highest level of performance conditions will be achieved.

	<b>2018</b>	<b>2017</b>	<b>2016</b>
J. G. Morikis	\$ 11,025,651	\$ 10,085,007	\$ 6,798,528
A. J. Mistysyn	2,059,737	1,757,937	
A. M. Erter	1,332,771		
D. B. Sewell	1,817,415		
P. J. Ippolito	1,817,415		

**Table of Contents**

<sup>2</sup> These values reflect stock options granted to our named executives. The value of stock options is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the ASC), excluding the effect of estimated forfeitures. The values were calculated using a Black-Scholes option pricing model with the following weighted-average assumptions. Additional information used in estimating the fair value of these options are set forth in Note 13 to our consolidated financial statements included in our 2018 Annual Report.

	2018	2017	2016
Risk-free interest rate	2.99%	1.97%	1.24%
Expected life of options	5.05 years	5.05 years	5.05 years
Expected dividend yield of stock	0.89%	0.85%	1.06%
Expected volatility of stock	0.211	0.213	0.212

<sup>3</sup> The amounts for 2018 include compensation under the following plans and programs.

	J. G. Morikis	A. J. Mistysyn	A. M. Erter	D. B. Sewell	P. J. Ippolito
Pension Investment Plan	\$ 16,200	\$ 13,500	\$ 5,813	\$ -0-	\$ 16,200
Employee Stock Purchase Plan	16,500	16,500	16,500	16,500	15,857
Deferred Compensation Savings Plan	447,485	136,431	59,484	93,521	69,680
Valspar Savings and Retirement Plan	-0-	-0-	21,600	-0-	-0-
Executive Life Insurance Plan	49,430	13,273	-0-	5,650	28,181
Executive Disability Income Plan	5,452	3,300	2,750	3,025	2,151
Charitable Matching Gifts	-0-	-0-	-0-	2,500	-0-
Perquisites	37,430	1,027	368,751	3,432	60,415
Reimbursement of Taxes	-0-	-0-	141,422	-0-	-0-
<b>TOTAL</b>	<b>\$572,497</b>	<b>\$184,031</b>	<b>\$616,320</b>	<b>\$124,628</b>	<b>\$192,484</b>

*Pension Investment Plan* company contributions under our Salaried Employees Revised Pension Investment Plan, a tax-qualified defined contribution plan.

*Employee Stock Purchase and Savings Plan (ESPP)* company matching contributions under our ESPP, a tax-qualified 401(k) plan.

*Deferred Compensation Savings Plan* company contributions under our 2005 Deferred Compensation Savings and Pension Equalization Plan.

*Valspar Savings and Retirement Plan* company contribution under The Valspar Savings and Retirement Plan, a tax-qualified 401(k) Plan. During 2018, this plan was merged into the ESPP.

*Executive Life Insurance Plan* the dollar value of non-compensatory split-dollar life insurance benefits under our Executive Life Insurance Plan. This plan was frozen to new participants beginning in January 2008.

*Executive Disability Income Plan* company payments for premiums under our Executive Disability Income Plan.

*Charitable Matching Gifts* company charitable matching contributions under our matching gifts program.

*Perquisites* the aggregate incremental cost to Sherwin-Williams of perquisites consisting of (a) \$3,000 for each of Messrs. Sewell and Ippolito for an annual executive physical exam, (b) \$368,238 for Mr. Erter for relocation expenses, (c) \$55,493 and \$1,058 for Mr. Ippolito for our

**Table of Contents**

automobile program and personal use of company tickets to sporting or other entertainment events, respectively, and (d) \$37,430, \$1,027, \$513, \$432 and \$864 for Messrs. Morikis, Mistysyn, Erter, Sewell and Ippolito, respectively, for personal use of corporate aircraft.

*Mr. Erter's Relocation Benefit and Reimbursement of Taxes.* For 2018, the aggregate incremental cost of the relocation benefit provided to Mr. Erter in connection with his move to Cleveland, Ohio (Sherwin-Williams corporate headquarters) following the closing of the Valspar Transaction was \$368,238. This amount represents permitted expenses under our standard relocation policy, including \$262,500 for the loss on the sale of his home. We also reimbursed Mr. Erter \$141,422 in associated tax gross-ups for payments provided to him under the relocation policy. Additional information is set forth under the heading Limited Perquisites in the CD&A.

*Mr. Ippolito's Automobile Expenses.* Our automobile program terminates for our executive officers when they become executive officers. Because Mr. Ippolito became an executive officer during 2018, he participated in the program for a portion of the year. The amount shown for Mr. Ippolito is the aggregate incremental cost of the program.

*Personal Use of Corporate Aircraft.* Under our executive travel policy, the Board strongly recommends that our CEO use corporate aircraft at all times when he is traveling, whether for business or personal reasons. Our CEO has the authority to authorize the personal use of corporate aircraft by the other members of senior management. We believe this policy is similar to the policies of many other large public companies. The aggregate incremental cost of personal use of corporate aircraft is determined based upon the actual variable operating costs incurred as a result of such personal use, including fuel costs, hourly maintenance and repair costs, hangar and landing fees, insurance obtained for specific flights, customs, permits and similar fees, ground transportation, catering costs, travel expenses for the flight crew and other smaller variable costs. Incremental costs associated with the auxiliary power unit (APU) are also included and calculated on an annual basis by dividing the total APU usage for the year by the total flight hours for such year and then multiplying such hourly average rate by the aggregate hours of the executive's personal use of the aircraft. The incremental cost also includes the cost of deadhead flights, which are return or pick-up flights without passengers flown. Fixed operating costs, such as pilot salaries, depreciation and insurance, that do not change based upon usage are not included. To the extent any use of corporate aircraft results in imputed income to the executive, we do not provide tax gross-ups on such income.

*Sporting and Other Events.* From time to time, we provide tickets to sporting and other entertainment events to our employees, including our named executives, for business purposes. If the tickets are not needed for business use, they are made available to our employees for personal use. The incremental cost to Sherwin-Williams of such personal use includes the actual variable costs, such as catering, incurred by Sherwin-Williams as a result of the personal use, and does not include fixed costs, such as tickets, that do not change based upon usage.

<sup>4</sup> Represents an installment of Mr. Erter's retention bonus that was paid in 2018 in connection with the Valspar Transaction. Because the payment of the final installment is expected to occur in 2019 and is contingent upon Mr. Erter's continued employment, such amount has not been included in the Summary Compensation Table.

**Table of Contents**

***Narrative Information Regarding the Summary Compensation Table.***

*Salary.* The salary amounts disclosed in the table are the amounts of base salary earned by our named executives during the indicated year. For 2018, salaries earned by our named executives accounted for the following percentages of their total compensation set forth in the table: Mr. Morikis (9.7%), Mr. Mistysyn (19.8%), Mr. Erter (16.4%), Mr. Sewell (20.2%) and Mr. Ippolito (20.4%).

*Salaried Employees Revised Pension Investment Plan.* Our Salaried Employees Revised Pension Investment Plan is a tax-qualified money purchase pension plan that provides eligible U.S. salaried employees with a company contribution based on an age and service formula. Our named executives participate in this plan on the same terms as other eligible employees.

*Employee Stock Purchase and Savings Plan.* We provide all of our eligible U.S. salaried employees the opportunity to participate in our ESPP, a tax-qualified 401(k) plan. Under this plan, participants may contribute a percentage of their compensation on a pre-tax or after-tax basis and receive company matching contributions. Our named executives participate in this plan on the same terms as other eligible employees.

*2005 Deferred Compensation Savings and Pension Equalization Plan.* Our Deferred Compensation Savings Plan is an unfunded nonqualified plan that provides participating employees with the employer contributions the employees would have received under our qualified retirement plans, but for federal tax limitations. We do not pay guaranteed, above-market or preferential interest or earnings on amounts deferred under this plan. Information about this plan is set forth in the 2018 Nonqualified Deferred Compensation Table and the accompanying narrative discussion.



**Table of Contents****2018 GRANTS OF PLAN-BASED AWARDS TABLE**

The following table sets forth information regarding the grants of annual cash incentive compensation, stock options and performance-based RSUs during 2018 to our named executives.

Name/Award Type	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards <sup>(1)</sup>			Estimated Future Payouts Under Equity Incentive Plan Awards <sup>(2)</sup>			All Other Awards: Number of Securities Underlying Option Awards <sup>(3)</sup>	Exercise or Base Price of Option Awards <sup>(4)</sup>	Closing Price on the NYSE on Date of Grant <sup>(5)</sup>	Grant Date Fair Value of Stock and Option Awards <sup>(6)</sup>
		Threshold	Target	Maximum	Threshold	Target	Maximum				
		(\$)	(\$)	(\$)	(#)	(#)	(#)				
<b>G. Morikis</b>											
Cash Incentive	02/13/2018	-0-	1,851,540	3,703,080							
Us Adjusted EPS Goal	02/13/2018				2,275	9,100	18,200				3,675,200
Us Adjusted RONAE Goal	02/13/2018				1,138	4,550	9,100				1,837,600
Stock Options	10/17/2018							38,900	410.54	410.67	3,545,500
<b>J. Mistysyn</b>											
Cash Incentive	02/13/2018	-0-	534,142	1,068,284							
Us Adjusted EPS Goal	02/13/2018				425	1,700	3,400				686,500
Us Adjusted RONAE Goal	02/13/2018				213	850	1,700				343,200
Stock Options	10/17/2018							9,000	410.54	410.67	820,200
<b>M. Erter</b>											
Cash Incentive	02/13/2018	-0-	359,629	719,259							
Us Adjusted EPS Goal	02/13/2018				275	1,100	2,200				444,200
Us Adjusted RONAE Goal	02/13/2018				138	550	1,100				222,100
Stock Options	10/17/2018							4,500	410.54	410.67	410,100
<b>B. Sewell</b>											
Cash Incentive	02/13/2018	-0-	490,800	981,599							
Us Adjusted EPS Goal	02/13/2018				375	1,500	3,000				605,800
Us Adjusted RONAE Goal	02/13/2018				188	750	1,500				302,900
Stock Options	10/17/2018							7,400	410.54	410.67	674,400
<b>J. Ippolito</b>											
Cash Incentive	02/13/2018	-0-	448,678	897,355							
Us Adjusted EPS Goal	02/13/2018				375	1,500	3,000				605,800
Us Adjusted RONAE Goal	02/13/2018				188	750	1,500				302,900
Stock Options	10/17/2018							7,400	410.54	410.67	674,400

- <sup>1</sup> These amounts reflect the threshold, target and maximum annual cash incentive compensation amounts that could have been earned during 2018 based upon the achievement of annual performance goals under our 2007 Executive Annual Performance Bonus Plan. The amounts of annual cash incentive compensation earned in 2018 by our named executives have been determined and were paid in February 2019. The amounts paid are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.
  
- <sup>2</sup> These amounts reflect the threshold, target and maximum number of performance-based RSUs granted on February 13, 2018 under our 2006 Equity and Performance Incentive Plan. The number of RSUs that will ultimately vest in February 2021 is based upon the achievement of the performance goals over the 2018-2020 performance period.
  
- <sup>3</sup> These amounts reflect the number of stock options granted on October 17, 2018 under our 2006 Equity and Performance Incentive Plan. These stock options vest at the rate of one-third per year on the first, second and third anniversary dates of the grant and expire on October 16, 2028.
  
- <sup>4</sup> The exercise price equals the average of the highest and lowest sale prices of our common stock on the grant date, October 17, 2018.

---

**Table of Contents**

<sup>5</sup> The value of performance-based RSUs is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the ASC), excluding the effect of estimated forfeitures. This valuation method values the award assuming target level of performance based on the fair market value of our common stock (the average of the highest and lowest reported sale prices) on the grant date. The value of stock options is equal to the aggregate grant date fair value computed in accordance with stock-based accounting rules (Stock Compensation Topic 718 of the ASC), excluding the effect of estimated forfeitures. The values were calculated using a Black-Scholes option pricing model. The assumptions used in this model are set forth in a footnote to the Summary Compensation Table.

***Narrative Information Regarding the 2018 Grants of Plan-Based Awards Table.***

*Non-Equity Incentive Plan Awards.* The non-equity incentive plan awards set forth in the table reflect annual cash incentive compensation that could have been earned by our named executives during 2018 under our 2007 Executive Annual Performance Bonus Plan, based upon the accomplishment of financial and operating performance goals. More information is set forth under the heading "Annual Cash Incentive Compensation" in the CD&A.

*Performance-based RSUs.* During 2018, we granted performance-based RSUs pursuant to our 2006 Equity and Performance Incentive Plan. Our 2018 RSU awards consisted of two grants of RSUs—one grant with adjusted EPS as the performance goal and one grant with adjusted RONAE as the performance goal. We include more information about our RSU program under the heading "Long-Term Equity Incentive Compensation" in the CD&A.

The threshold amounts for the RSUs set forth in the table correspond to 25% of the target number of RSUs vesting, which is the number of RSUs that will vest for the specified minimum level of performance. The maximum amounts set forth in the table reflect a number of RSUs equal to two times the target (and, correspondingly, the setting of above-target goals higher, making achievement of the goals more difficult to attain) to provide an incentive for above-target performance.

The payment of dividend equivalents on unvested RSUs is deferred, and dividend equivalents are paid only if and to the extent the RSUs vest based on the achievement of the financial performance goals. Dividend equivalents are paid at the same rate as dividends on Sherwin-Williams common stock are paid to our shareholders. During 2018, the quarterly dividend rate was \$0.86 per share. In February 2019, the Board of Directors announced an increase in the quarterly dividend rate to \$1.13 per share payable on March 8, 2019.

*Stock Options.* We grant stock options pursuant to our 2006 Equity and Performance Incentive Plan. Stock options vest at the rate of one-third per year on the first, second and third anniversary dates of the grant and have a term of ten years.

Table of Contents**OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2018 TABLE**

The following table sets forth information regarding the number of unexercised stock options and the number and value of unvested RSUs outstanding at December 31, 2018 for our named executives.

Name	Option Grant Date <sup>(1)</sup>	Option Awards			Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Stock Awards		
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Exercised Options (#)	Exercise Price (\$)			Market Value of Shares or Units of Stock That Have Not Vested (\$) <sup>(2)</sup>	Equity Incentive Plan Awards: Number of Unearned Shares, or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, or Other Rights That Have Not Vested (\$) <sup>(2)</sup>
J. G. Morikis	10/22/2014	16,661	-0-	227.73	10/21/2024	26,400 <sup>(3)</sup>	10,387,344	32,700 <sup>(4)</sup>	12,866,142
	10/16/2015	43,783	-0-	239.55	10/15/2025			27,300 <sup>(5)</sup>	10,741,458
	10/18/2016	35,267	17,633	270.12	10/17/2026				
	10/18/2017	17,367	34,733	383.92	10/17/2027				
	10/17/2018	-0-	38,900	410.54	10/16/2028				
A. J. Mistysyn	10/16/2013	613	-0-	180.46	10/15/2023	1,800 <sup>(3)</sup>	708,228	5,700 <sup>(4)</sup>	2,242,722
	10/22/2014	2,261	-0-	227.73	10/21/2024			5,100 <sup>(5)</sup>	2,006,646
	10/16/2015	3,000	-0-	239.55	10/15/2025				
	10/24/2016	6,800	3,400	277.65	10/23/2026				
	10/18/2017	3,200	6,400	383.92	10/17/2027				
	10/17/2018	-0-	9,000	410.54	10/16/2028				
A. M. Erter	10/18/2017	1,900	3,800	383.92	10/17/2027	1,982 <sup>(6)</sup>	779,838	3,300 <sup>(5)</sup>	1,298,418
	10/17/2018	-0-	4,500	410.54	10/16/2028	1,509 <sup>(7)</sup>	593,731		
						1,597 <sup>(8)</sup>	628,356		
D. B. Sewell	10/17/2012	3,100	-0-	154.4325	10/16/2022	3,600 <sup>(3)</sup>	1,416,456	4,200 <sup>(4)</sup>	1,652,532

10/16/2013	4,446	-0-	180.46	10/15/2023			4,500 <sup>(5)</sup>	1,770,570
10/22/2014	4,861	-0-	227.73	10/21/2024				
10/16/2015	5,800	-0-	239.55	10/15/2025				
10/18/2016	4,800	2,400	270.12	10/17/2026				
10/18/2017	2,367	4,733	383.92	10/17/2027				
10/17/2018	-0-	7,400	410.54	10/16/2028				

P. J.

Ippolito	10/17/2012	3,700	-0-	154.4325	10/16/2022	2,400 <sup>(3)</sup>	944,304	2,700 <sup>(4)</sup>	1,062,342
	10/16/2013	5,000	-0-	180.46	10/15/2023			4,500 <sup>(5)</sup>	1,770,570
	10/22/2014	4,000	-0-	227.73	10/21/2024				
	10/16/2015	4,100	-0-	239.55	10/15/2025				
	10/18/2016	3,000	1,500	270.12	10/17/2026				
	10/18/2017	1,234	2,466	383.92	10/17/2027				
	10/17/2018	-0-	7,400	410.54	10/16/2028				

<sup>1</sup> Options vest at the rate of one-third per year on the first, second and third anniversary dates of the grant.

<sup>2</sup> These values equal the number of RSUs indicated multiplied by the closing price of our common stock (\$393.46) on December 31, 2018.

<sup>3</sup> 156% of the target number of these performance-based RSUs vested in February 2019 based upon the achievement of the performance goal for the three-year performance period that ended on December 31, 2018. The number and value of these RSUs reflect the maximum level of performance.

<sup>4</sup> Performance-based RSUs vest in February 2020 on the date the Compensation Committee determines the level of achievement of the performance goals. The number and value of these RSUs reflect the maximum level of performance.

**Table of Contents**

- <sup>5</sup> Performance-based RSUs vest in February 2021 on the date the Compensation Committee determines the level of achievement of the performance goals. The number and value of these RSUs reflect the maximum level of performance.
- <sup>6</sup> Time-based retention RSUs granted to Mr. Erter in connection with the Valspar Transaction and his employment agreement vest in July 2019.
- <sup>7</sup> Time-based RSUs originally granted to Mr. Erter under The Valspar Corporation Amended and Restated 2015 Omnibus Equity Plan were converted into time-based RSUs relating to Sherwin-Williams common stock pursuant to the Valspar Transaction. The RSUs vest in September 2019.
- <sup>8</sup> Time-based retention RSUs granted to Mr. Erter in connection with the Valspar Transaction and his employment agreement vest in July 2020.

**Table of Contents****2018 OPTION EXERCISES AND STOCK VESTED TABLE**

The following table sets forth information regarding the number and value of stock options exercised and RSUs vested during 2018 for our named executives.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) <sup>(1)</sup>	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) <sup>(2)</sup>
J. G. Morikis	21,863	5,665,366	8,294	3,326,558
A. J. Mistysyn	439	96,176	1,452	582,368
A. M. Erter	-0-	-0-	-0-	-0-
D. B. Sewell	-0-	-0-	2,696	1,081,312
P. J. Ippolito	3,300	947,554	1,866	748,415

<sup>1</sup> The value realized on the exercise of stock options is equal to the number of shares acquired multiplied by the difference between the exercise price and the market price of our common stock. The market price is equal to the average of the highest and lowest reported sale prices of our common stock on the date of exercise.

<sup>2</sup> The value realized on the vesting of RSUs is equal to the number of RSUs vested multiplied by the market price of our common stock. The market price is equal to the average of the highest and lowest reported sale prices of our common stock on the vesting date.

**2018 NONQUALIFIED DEFERRED COMPENSATION TABLE**

The following table sets forth information for 2018 relating to the Sherwin-Williams 2005 Deferred Compensation Savings and Pension Equalization Plan (the SW Deferred Plan) and the Valspar Nonqualified Deferred Compensation Plan (the Valspar Nonqualified Plan).

Name	Plan Name	Executive Contributions in Last FY (\$)	Registrant Contributions in Last FY (\$) <sup>(1)</sup>	Aggregate Earnings/(Losses) in Last FY (\$) <sup>(2)</sup>	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last FYE (\$) <sup>(3)</sup>
J. G. Morikis	SW Deferred Plan	-0-	447,485	(77,108)	-0-	2,202,921

A. J. Mistysyn	SW Deferred Plan	-0-	136,431	(44,824)	-0-	659,915
A. M. Erter	SW Deferred Plan	-0-	59,484	(3,711)	-0-	55,774
	Valspar Nonqualified Plan	-0-	-0-	4,511	369,703 <sup>(4)</sup>	12,466
D. B. Sewell	SW Deferred Plan	-0-	93,521	(29,171)	-0-	558,728
P. J. Ippolito	SW Deferred Plan	-0-	69,680	(28,319)	-0-	597,202

<sup>1</sup> These amounts represent company contributions for each named executive. These amounts are also reported in the All Other Compensation column of the Summary Compensation Table.

<sup>2</sup> These amounts include earnings/(losses), dividends and interest provided on account balances, including the change in value of the underlying investments in which our named executives are deemed to be invested. These amounts are not reported in the Summary Compensation Table.



**Table of Contents**

<sup>3</sup> These amounts represent each named executive's aggregate account balance at December 31, 2018. The amounts include company contributions, which are also reported in the "All Other Compensation" column of the Summary Compensation Table. The table below sets forth the portion of these aggregate account balances that were reported as compensation in the Summary Compensation Table for 2016, 2017 and 2018.

<b>Name</b>	<b>Amount Previously Reported (\$)</b>
J. G. Morikis	1,033,684
A. J. Mistysyn	203,850
A. M. Erter	59,484
D. B. Sewell	93,521
P. J. Ippolito	69,680

<sup>4</sup> This amount represents the distribution Mr. Erter received under the Valspar Nonqualified Plan. The Valspar Nonqualified Plan was an unfunded, nonqualified deferred compensation program sponsored by Valspar to provide its directors and designated key employees the opportunity to defer compensation. Pursuant to the Valspar Transaction, Sherwin-Williams agreed to administer the Valspar Nonqualified Plan. Distributions were made on or after certain payment events elected by the participant, including separation from service or a change in control, the latter of which included the Valspar Transaction and triggered Mr. Erter's distribution. Mr. Erter was no longer eligible to make contributions to the Valspar Nonqualified Plan in 2018. He participated in the SW Deferred Plan in 2018.

***Material Features of the SW Deferred Plan.***

The SW Deferred Plan is an unfunded nonqualified deferred compensation plan that provides eligible participants with company-only contributions that a participant would have otherwise received under our qualified retirement plans, but for certain federal tax limitations.

There are two benefit components to the deferred compensation savings portion of the plan. The benefit payable under the first component is the company matching contribution under our ESPP (a 401(k) plan) that participants would have otherwise received, but for the limitations under Sections 401(a)(17) and 415 of the Code. All of our named executives participated in this component of the plan during 2018.

The second component is the company contribution provided under our Salaried Employees' Revised Pension Investment Plan. The benefit payable under this second component is the company contribution that participants would have otherwise received, but for the limitations under Sections 401(a)(17) and 415 of the Code. All of our named executives participated in this component of the plan during 2018.

All company contributions provided under these two components are credited in the form of units and accrue earnings in accordance with the hypothetical investment options selected by the participant. The investment options contained in the plan are the same investment options provided to participants in our qualified retirement plans. We do not pay guaranteed, above-market or preferential interest or earnings on amounts deferred. Participant account balances will be distributed in a lump sum upon death, disability or a separation of service, unless otherwise timely elected, in equal

annual installments not to exceed fifteen years.

**Table of Contents**

**POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL**

The following information and table set forth the amounts of payments to each of our named executives in the event of a termination of employment as a result of retirement, involuntary termination, death, disability, voluntary termination, termination for cause and termination following a change in control. The information and amounts shown in the table assume that each named executive was terminated on December 31, 2018.

***Assumptions and General Principles.***

The following assumptions and general principles apply with respect to the table and any termination of employment of a named executive. We do not have employment agreements with any of our named executives, other than Mr. Erter. His employment agreement was negotiated in connection with the Valspar Transaction. We indicate below where information applies to him individually under his employment agreement.

The table reflects amounts earned at December 31, 2018 and includes estimates of amounts that would be paid to the named executive upon the occurrence of certain terminations of employment, as described above. The actual amounts to be paid to a named executive can only be determined at the time of the termination.

A named executive is entitled to receive amounts earned during his term of employment regardless of the manner in which the named executive's employment is terminated. These amounts include base salary, unused vacation pay and annual cash incentive compensation. These amounts are not shown in the table, except for potential annual cash incentive compensation, as described below.

Because we assume a December 31, 2018 termination date, each of our named executives would have been entitled to receive the annual cash incentive compensation earned under our 2007 Executive Annual Performance Bonus Plan for 2018. Therefore, the amounts set forth in the table for annual cash incentive compensation are the actual annual cash incentive compensation amounts earned by the named executives during 2018. Because of terms negotiated in the Valspar Transaction, Mr. Erter would have been entitled to the target amount, however, since his actual annual cash incentive compensation amount earned during 2018 was greater than the target, we included the higher earned amount in the table. These amounts are also set forth in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Our 2006 Equity and Performance Incentive Plan includes a double-trigger acceleration provision with respect to the vesting of equity awards in connection with a change in control. Please refer to the information set forth below under the heading Change in Control for a more detailed explanation of the treatment of equity awards under our equity plan in the event of a change in control.

A named executive may exercise any stock options that are exercisable prior to the date of termination and is entitled to receive shares of common stock with respect to any RSUs for which the vesting period has expired prior to the date of termination. The number of shares to be received by a named executive will be determined by the Compensation Committee pursuant to the applicable plan. Any payments related to these stock options and RSUs are not included in the table because they are not severance payments.

Our 2018 stock option and RSU award agreements include restrictive covenants regarding the protection of our intellectual property, the confidentiality of our proprietary information, and non-competition and non-solicitation restrictions that apply during the term of employment with Sherwin-Williams and for the two and three year periods thereafter, respectively. For purposes of the table, we have assumed that the named executives have complied with these restrictive covenants.

---

**Table of Contents**

A named executive will be entitled to receive all amounts accrued and vested under our retirement and savings programs, including our ESPP and any pension plans and deferred compensation plans in which the named executive participates. These amounts will be determined and paid in accordance with the applicable plan and are not included in the table because they are not severance payments.

The amounts shown in the table for excise taxes payable as a result of a change in control is an estimate for proxy disclosure purposes only. Payments on an actual change in control may differ based on factors such as transaction price, timing of employment termination and payments, methodology for valuing stock options, changes in compensation, reasonable compensation analysis and the value of covenants not to compete.

***Retirement.***

A named executive is eligible to elect retirement upon satisfying the criteria for retirement (age 65, age 55 – 59 with at least 20 years of vesting service or age 60 or older if the combination of age and years of vesting service equals at least 75). In the event of retirement, all outstanding stock options will continue to vest in accordance with their terms, and all outstanding RSUs will continue to vest as if the named executive had continued employment throughout the restriction period.

At December 31, 2018, Mr. Morikis was the only named executive eligible for retirement.

***Involuntary Termination.***

A named executive is entitled to certain severance payments and benefits if his employment is involuntarily terminated, as described below.

***Key Employee Separation Plan (KESP)***

All of the named executives, other than Mr. Erter, participate in the KESP. Mr. Erter was not eligible to participate in the KESP due to his employment agreement containing severance payment language, as noted below. Under the KESP, these named executives are entitled, subject to execution and non-revocation of a release of claims against Sherwin-Williams, to certain severance payments and benefits in the event their employment is involuntarily terminated prior to a change in control by Sherwin-Williams for reasons other than cause, death or disability. These payments and benefits include: (a) a cash severance amount equal to a factor (2, for Mr. Morikis, and 1.5, for Messrs. Mistysyn, Sewell and Ippolito) multiplied by the sum of such participant's annual base salary and target annual cash incentive compensation for the year of termination (paid in installments by Sherwin-Williams in accordance with its payroll practices over a two year period, for Mr. Morikis, and over a one and one-half year period, for Messrs. Mistysyn, Sewell and Ippolito); (b) a prorated annual cash incentive compensation payment based on the portion of the year the executive was employed with Sherwin-Williams (subject to the attainment of the applicable performance goals and paid after the end of the performance period); (c) continuation of medical and dental coverage benefits until the earliest of: (i) reaching the age of 65, (ii) the date similar benefits are provided by another employer and (iii) 18 months following the termination of employment; (d) reasonable outplacement assistance for expenses actually incurred, as approved by the Compensation Committee; and (e) continued vesting of equity awards (2 years, for Mr. Morikis, 18 months, for each of Messrs. Mistysyn, Sewell and Ippolito, or such longer period as provided in the applicable equity award agreements), with performance-based equity awards continuing to be subject to the attainment of the applicable performance goals. As described above, the named executives must sign a release of claims against Sherwin-Williams to receive payment under the KESP which includes restrictive covenants regarding the protection of our intellectual property, the confidentiality of our proprietary information, non-competition and non-solicitation restrictions that apply for the two and three year periods following termination of employment, respectively, and a

requirement not to disparage Sherwin-Williams. For purposes of the table, we have assumed that the named executives have complied with these restrictive covenants.

---

**Table of Contents***Erter Employment Agreement*

If, during the term of Mr. Erter's employment agreement, Sherwin-Williams terminates his employment other than for cause, death or disability, or he terminates employment for good reason (as such term is defined in his employment agreement), Mr. Erter is entitled to the following amounts to be paid in lump sum by Sherwin-Williams within 30 days of termination (subject to his execution and non-revocation of a release of claims against Sherwin-Williams): (a) if such termination occurs before May 31, 2019, (i) an amount equal to 2 times the sum of his annual base salary and target annual cash incentive compensation for the year of termination and (ii) his prorated target annual cash incentive compensation based on the number of days he was employed with Sherwin-Williams during the year of termination; (b) if such termination occurs on or after May 31, 2019 and prior to July 18, 2019, (i) an amount equal to the sum of his annual base salary and target annual cash incentive compensation (as in effect on May 31, 2017) and (ii) one-half of his prorated target annual cash incentive compensation as in effect on May 31, 2017 based on the number of days he was actively employed by Sherwin-Williams during the year of termination; and (c) if termination occurs on or after July 18, 2019, he will be eligible to receive severance in accordance with the severance plans and programs of Sherwin-Williams available to similarly situated executives (including the KESP, described above). In each case, Sherwin-Williams will also provide Mr. Erter with outplacement services generally available to similarly situated executives. If Mr. Erter receives payments and benefits under his employment agreement, he will not be entitled to any severance pay or benefits under any other severance plan or program of Sherwin-Williams during the term.

*Death and Disability.*

In the event of the death or disability of a named executive, all outstanding stock options will immediately vest and become exercisable. With respect to RSUs, (a) all time-based RSUs will immediately vest and (b) the greater of (i) 100% of the target performance-based RSUs and (ii) the vesting percentage of the target performance-based RSUs (based on the actual results of the performance metric measured as of the end of the last completed fiscal quarter preceding the date of the named executive's death or disability and the projected forecast of the performance metric over the remaining restriction period) will immediately vest. The amounts shown in the table for stock options reflect the difference between the average of the high and low market prices of our common stock (\$391.41) on December 31, 2018 and the exercise price for each option for which vesting accelerated. The amounts shown in the table for RSUs reflect the number of RSUs for which the vesting accelerated multiplied by the average of the high and low market prices of our common stock (\$391.41) on December 31, 2018.

During the term of his employment agreement, Mr. Erter is entitled to certain payments and benefits in the event of his death or disability. Mr. Erter (or his estate) will be entitled to receive the following amounts as severance to be paid in lump sum within 30 days of termination (subject to his execution and non-revocation of a release of claims against Sherwin-Williams in the case of disability): (i) an amount equal to 2 times the sum of his annual base salary and target annual cash incentive compensation for the year of termination and (ii) his prorated target annual cash incentive compensation based on the number of days he was actively employed by Sherwin-Williams during the year of termination.

In addition, each named executive (other than Mr. Erter) participates in our executive life insurance plan. Under our executive life insurance plan, the beneficiary of a named executive is entitled to receive a death benefit based upon the following formulas: (a) if the event occurs prior to age 62, then the death benefit will equal 4 times (for Messrs. Morikis, Mistysyn, Sewell and Ippolito) the named executive's base salary; (b) if the event occurs on or after age 62 and before age 65, then the death benefit will equal 4 times (for Messrs. Morikis, Mistysyn, Sewell and Ippolito) the named executive's base salary at age 62; and (c) if the event occurs at age 65 or older, then the death benefit will equal 2.5 times (for Messrs. Morikis, Mistysyn, Sewell and Ippolito) the named executive's base salary at





---

**Table of Contents**

age 62. All such named executives were less than 62 years of age on December 31, 2018. This plan was frozen to new participants beginning in January 2008.

Each named executive also participates in one of two executive long-term disability plans. The original plan was frozen to new participants effective January 1, 2008, and all the named executives participate in this plan, other than Mr. Erter. Upon the occurrence of a disability under the frozen plan, a covered named executive will receive an annual benefit equal to 60% of base salary until the earliest of: (a) age 65; (b) recovery from the disability; (c) the date the named executive begins receiving retirement plan benefits; and (d) death. Mr. Erter participates in the second plan that was adopted as of January 1, 2013 to cover executives not otherwise eligible for the original frozen plan and provides substantially similar benefits, subject to a benefit cap of \$35,000 per month, until the earliest of: (a) Social Security normal retirement age (or, if age 60 or older at the time of disability, a period of 12 – 60 months depending on the executive's age); (b) recovery from the disability; and (c) death. The amounts set forth in the table for the named executives reflect the amount of the first annual payment (60% multiplied by the named executive's current base salary) under the plans.

***Retiree Medical Benefits.***

In connection with the Valspar Transaction, Sherwin-Williams assumed The Valspar Corporation Employee Health Plan (the Health Plan), of which Mr. Erter is a participant. The Health Plan provides that if Mr. Erter's employment terminates for any reason other than cause and he is not in competition with Sherwin-Williams and its affiliates after termination of employment, he, his spouse and his dependents will be entitled to health benefits no less favorable than those provided by the medical plan then currently offered to active senior executives at Sherwin-Williams. Benefits under the Health Plan would commence on the date of employment termination and continue until the later of Mr. Erter's death and his spouse's death, except as provided in the plan. Sherwin-Williams charges participants for the full cost of the coverage premiums, but also reimburses them for that portion of the coverage premiums Sherwin-Williams would have paid if such participant were an active employee. Sherwin-Williams also provides a gross-up payment for taxes that relate to the health benefit. The amount set forth in the table has been calculated using the following assumptions to estimate the value of the benefits under the Health Plan: (a) standard actuarial mortality tables to estimate life expectancy; (b) a discount rate of 4.3%; and (c) spouse and dependent coverage through age 65 and spouse coverage only after age 65.

***Voluntary Termination and Termination for Cause.***

A named executive is not entitled to receive any additional forms of severance payments or benefits upon his voluntary decision to terminate employment with Sherwin-Williams prior to being eligible for retirement (except for benefits under the Health Plan for Mr. Erter) or upon termination for cause.

***Change in Control.***

Our 2006 Equity and Performance Incentive Plan includes a double-trigger acceleration provision with respect to the vesting of equity awards in connection with a change in control. Upon a change in control, awards that are assumed by the surviving entity will continue to vest and become exercisable in accordance with their original terms unless, within three years after the change in control, the participant's employment is terminated other than for cause or the participant terminates his or her employment for good reason (as such term is defined in the plan). If a participant's employment is terminated under either of those circumstances, his or her outstanding awards will vest in accordance with the terms of the award. Awards that are not assumed by the surviving entity will immediately vest and become exercisable in full.

The amounts set forth in the table assume that in the event of a change in control without a termination of employment, all outstanding stock options and RSUs will be assumed by the surviving entity and will continue to vest and become exercisable in accordance with their original terms.

## Table of Contents

The amounts shown in the table for stock options reflect the difference between the average of the high and low market prices of our common stock (\$391.41) on December 31, 2018 and the exercise price for each option for which vesting accelerated. The amounts shown in the table for RSUs reflect the number of RSUs for which vesting accelerated multiplied by the average of the high and low market prices of our common stock (\$391.41) on December 31, 2018.

We also entered into change in control severance agreements with each of our named executives, except for Mr. Erter. In general, a change in control will be deemed to have occurred under our 2006 Equity and Performance Incentive Plan and the severance agreements if: (a) a person or group buys 30% or more of Sherwin-Williams common stock (excluding certain purchases by Sherwin-Williams or its benefit plans, purchases approved by Sherwin-Williams or in connection with certain friendly business transactions, and certain inadvertent purchases); (b) Sherwin-Williams experiences a turn-over (not approved by Sherwin-Williams) of more than half of its directors during a two year period; (c) Sherwin-Williams closes a reorganization, merger, consolidation or significant sale of assets resulting in a substantial change in its ownership or leadership; or (d) Sherwin-Williams shareholders approve its liquidation or dissolution.

The severance agreements provide that upon a termination of employment within the two year period following a change in control (other than upon a termination for cause or by reason of death or disability) or if the named executive terminates his employment in certain circumstances defined in the agreement which constitutes good reason, in addition to the accelerated vesting of stock options and RSUs described above, each will receive:

a lump sum severance payment in an amount equal to 3 times (with respect to Mr. Morikis) or 2.5 times (with respect to Messrs. Mistysyn, Sewell and Ippolito) the sum of (a) the named executive's highest rate of base salary during the three year period prior to termination and (b) an amount equal to the greater of (i) the average of the annual cash incentive compensation received by the named executive for each of the three years prior to the date of termination and (ii) the named executive's target cash incentive compensation for the year in which the termination occurs;

a lump sum amount equal to the prorated portion of any annual cash incentive compensation earned by the named executive through the date of termination, assuming achievement of the target level of the performance goals;

eighteen months of continued health care benefits;

outplacement services in an amount not to exceed 10% of the named executive's then-current base salary; and

(for Messrs. Morikis and Ippolito) an amount equal to the excise tax and taxes thereon charged, if any, to the named executive as a result of any change in control payments; provided, however, in the event the aggregate change in control payments do not exceed 115% of the amount, which would cause the excise tax to be assessed, the severance payments shall be reduced to a level, which would cause no excise tax to apply.



**Table of Contents****ESTIMATED PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL TABLE**

<b>Event</b>	<b>J. G. Morikis</b>	<b>A. J. Mistysyn</b>	<b>A. M. Erter</b>	<b>D. B. Sewell</b>	<b>P. J. Ippolito</b>
<b>Retirement</b>					
Annual cash incentive compensation	\$ 2,306,000	N/A	N/A	N/A	N/A
Continued health care benefits	N/A	N/A	\$ 2,049,356	N/A	N/A
Continued vesting of stock options	\$ 2,398,595	N/A	N/A	N/A	N/A
Continued vesting of RSUs	\$ 16,908,696	N/A	N/A	N/A	N/A
<b>Total</b>	\$ 21,613,291	N/A	\$ 2,049,356	N/A	N/A
<b>Involuntary Termination</b>					
Annual cash incentive compensation	\$ 2,306,000	\$ 665,000	\$ 693,000	\$ 715,000	\$ 407,000
Continued vesting of stock options	\$ 2,398,595	\$ 434,671	N/A	\$ 326,511	\$ 200,386
Continued vesting of RSUs	\$ 16,908,696	\$ 1,467,769	N/A	\$ 1,526,480	\$ 998,083
Cash severance payment	\$ 6,303,080	\$ 1,821,187	\$ 2,111,400	\$ 1,673,762	\$ 1,535,517
Continued health care benefits	\$ 29,733	\$ 26,579	\$ 2,049,356	\$ 30,584	\$ 26,579
Outplacement services	\$ 130,000	\$ 67,998	\$ 51,626	\$ 62,504	\$ 57,500
<b>Total</b>	\$ 28,076,104	\$ 4,483,204	\$ 4,905,382	\$ 4,334,841	\$ 3,225,065
<b>Death</b>					
Annual cash incentive compensation	\$ 2,306,000	\$ 665,000	\$ 693,000	\$ 715,000	\$ 407,000
Accelerated stock options	\$ 2,398,595	\$ 434,671	\$ 28,443	\$ 326,511	\$ 200,386

Accelerated RSUs	\$ 16,908,696	\$ 2,465,852	\$ 909,952	\$ 2,407,141	\$ 1,878,744
Cash severance payment	N/A	N/A	\$ 2,111,400	N/A	N/A
Life insurance proceeds	\$ 5,107,696	\$ 2,670,710	N/A	\$ 2,500,168	\$ 2,300,000
<b>Total</b>	<b>\$ 26,720,987</b>	<b>\$ 6,236,233</b>	<b>\$ 3,742,795</b>	<b>\$ 5,948,820</b>	<b>\$ 4,786,130</b>

**Disability**

Annual cash incentive compensation	N/A	N/A	\$ 693,000	N/A	N/A
Accelerated stock options	\$ 2,398,595	\$ 434,671	\$ 28,443	\$ 326,511	\$ 200,386
Accelerated RSUs	\$ 16,908,696	\$ 2,465,852	\$ 909,952	\$ 2,407,141	\$ 1,878,744
Cash severance payment	N/A	N/A	\$ 2,111,400	N/A	N/A
Continued health care benefits	N/A	N/A	\$ 2,049,356	N/A	N/A
Disability benefits	\$ 766,154	\$ 400,607	\$ 309,754	\$ 375,025	\$ 345,000
<b>Total</b>	<b>\$ 20,073,445</b>	<b>\$ 3,301,130</b>	<b>\$ 6,101,905</b>	<b>\$ 3,108,677</b>	<b>\$ 2,424,130</b>

**Voluntary Termination**

Continued health care benefits	N/A	N/A	\$ 2,049,356	N/A	N/A
<b>Total</b>	<b>N/A</b>	<b>N/A</b>	<b>\$ 2,049,356</b>	<b>N/A</b>	<b>N/A</b>

**Change in Control with Termination**

Annual cash incentive compensation	\$ 2,306,000	\$ 665,000	\$ 693,000	\$ 715,000	\$ 407,000
Accelerated stock options	\$ 2,398,595	\$ 434,671	\$ 28,443	\$ 326,511	\$ 200,386
Accelerated RSUs	\$ 16,908,696	\$ 2,465,852	\$ 909,952	\$ 2,407,141	\$ 1,878,744
Cash severance payment	\$ 11,019,710	\$ 3,199,122	\$ 2,111,400	\$ 3,031,771	\$ 2,559,194

Edgar Filing: SHERWIN WILLIAMS CO - Form DEF 14A

Continued health care benefits	\$ 29,733	\$ 26,579	\$ 2,049,356	\$ 30,584	\$ 26,579
Outplacement services	\$ 130,000	\$ 67,998	\$ 51,626	\$ 62,504	\$ 57,500
Excise tax	\$ 0	N/A	N/A	N/A	\$ 0
<b>Total</b>	\$ 32,792,734	\$ 6,859,222	\$ 5,843,777	\$ 6,573,511	\$ 5,129,403

Table of Contents**2018 CEO PAY RATIO**

The SEC requires us to disclose the annual total compensation of each of our CEO, John G. Morikis, and our median employee, as well as the ratio of their respective annual total compensation to each other (in each case, with annual total compensation calculated in accordance with SEC rules applicable to the Summary Compensation Table). The values are as follows for 2018, our last completed fiscal year:

Mr. Morikis annual total compensation \$13,213,749

Our median employee's annual total compensation \$42,447

Ratio of Mr. Morikis annual total compensation to our median employee's annual total compensation 311:1  
SEC rules allow us to select a methodology for identifying our median employee in a manner that is most appropriate based on our size, organizational structure and compensation plans, policies and procedures.

Consistent with Instruction 2 to Item 402(u) of Regulation S-K, the applicable SEC rule, we may identify our median employee for purposes of providing pay ratio disclosure once every three years and calculate and disclose total compensation for that employee each year; provided that, during the last completed fiscal year, there has been no change in the employee population or employee compensation arrangements that we reasonably believe would result in a significant change to the 2017 pay ratio disclosure. We reviewed the changes in our employee population and employee compensatory arrangements and determined there has been no change in our employee population or employee compensatory arrangements that would significantly impact the 2017 pay ratio disclosure.

Although this is the case, we also performed the pay ratio analysis of our employee population for 2018. As with last year, we chose November 1st as the determination date to identify our median employee, which date was within the last three months of our most recently completed fiscal year. This date was again selected to allow us sufficient time to assess our employee population and employee compensation arrangements given the global nature of our operations and to identify a new median employee. As of November 1, 2018, we employed 60,242 persons in 58 countries, including 46,951 full-time employees and 13,291 part-time employees.

We used the same methodology as last year to identify our median employee. Our median employee was selected using total cash compensation (base salary, including overtime, and cash incentive compensation, where applicable), which was consistently applied across our entire global employee population for the trailing 12 months preceding November 1, 2018 (excluding our CEO) and whose compensation was substantially similar to the compensation of our median employee used for the 2017 pay ratio calculation. The principal difference between the compensation of our 2018 and 2017 median employees resulted from fluctuations in overtime pay year-over-year received by our 2017 median employee included in the 2017 pay ratio calculation (such employee's overtime pay was approximately \$3,500 less for the 2018 measurement period). Our 2018 assessment resulted in a Canadian employee being identified as our median employee. In determining our median employee, we did not use any of the exemptions permitted under SEC rules. We also did not rely on any material assumptions, adjustments (e.g., cost-of-living adjustments) or estimates (e.g., statistical sampling) to identify our median employee or determine annual total compensation or any elements of annual total compensation for our median employee or Mr. Morikis. For purposes of converting our median employee's compensation to US dollars, we calculated a simple average of the monthly local currency exchange rates for Canadian dollars to US dollars for the applicable period.



Once we identified our median employee, we calculated such employee's annual total compensation as described above for purpose of determining the ratio of Mr. Morikis' annual total compensation to such employee's annual total compensation.

Table of Contents**EQUITY COMPENSATION PLAN INFORMATION**

The following table provides information about our common stock that may be issued under our equity compensation plans at December 31, 2018.

<b>Plan Category</b>	<b>Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)</b>
Equity compensation plans approved by security holders	4,954,359 <sup>(1,2)</sup>	\$238.53	5,135,822 <sup>(3)</sup>
Equity compensation plans not approved by security holders <sup>(4)</sup>	4,883 <sup>(5)</sup>		
<b>Total</b>	<b>4,959,242</b>	<b>\$238.53<sup>(6)</sup></b>	<b>5,135,822</b>

<sup>1</sup> This amount represents 4,485,249 shares of common stock subject to outstanding stock options and 460,770 shares of common stock subject to outstanding RSUs under our 2006 Equity and Performance Incentive Plan and 8,340 shares of common stock subject to outstanding RSUs under our 2006 Stock Plan for Nonemployee Directors.

<sup>2</sup> At December 31, 2018, the 4,485,249 outstanding option rights had a weighted-average expected term of 6.1 years. The weighted average does not take into account shares relating to RSUs.

<sup>3</sup> This amount represents 5,049,846 shares of common stock remaining available for future awards under our 2006 Equity and Performance Incentive Plan and 85,976 shares of common stock remaining available for future awards under our 2006 Stock Plan for Nonemployee Directors.

<sup>4</sup> This does not include 22,362 shares of common stock subject to outstanding RSUs under The Valspar Corporation Amended and Restated 2015 Omnibus Equity Plan (the Valspar Plan). Pursuant to the Valspar Transaction, certain RSUs granted under the Valspar Plan were converted into RSUs relating to Sherwin-Williams common stock. As of the closing of the Valspar Transaction, no further awards may be made under the Valspar Plan.

- <sup>5</sup> This amount represents 4,883 common stock units to be settled in stock that are held by directors under our Director Deferred Fee Plan.
- <sup>6</sup> The weighted average does not take into account shares relating to common stock units held by directors under our Director Deferred Fee Plan.

**Table of Contents**

**PROPOSAL 2 ADVISORY APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVES**

We are asking our shareholders to approve, on an advisory, non-binding basis, the compensation of the named executives as disclosed in this Proxy Statement pursuant to SEC rules. This annual vote is commonly known as say-on-pay. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executives and our executive compensation program and practices described in this Proxy Statement.

We are focused on delivering sustained financial and operating results with the ultimate goal of creating and maximizing long-term value for our shareholders. We believe our executive compensation program has been thoughtfully and appropriately designed and managed to support our overall business goals and strategies, to drive sustained performance and to deliver superior shareholder returns.

Our objective is to ensure that our executive compensation program (a) is competitive by attracting, retaining and motivating talented and high-performing executives, (b) maintains a pay for performance philosophy with a significant percentage of executive pay tightly linked to company and business unit performance and (c) aligns the interests of our executives with those of our shareholders through significant stock ownership requirements and long-term stock incentive compensation that rewards our executives the way our shareholders are rewarded through growth in the value of our stock. We believe our program achieves this objective.

The CD&A describes our executive compensation program, including detailed information about how and why we make executive compensation decisions, and the decisions made relating to 2018 compensation. We include a list of our more significant executive compensation practices, which promote responsible pay and governance principles and alignment with shareholder interests, in the Executive Summary of the CD&A.

Accordingly, the Board of Directors requests that you vote for the following resolution:

RESOLVED, that Sherwin-Williams shareholders hereby approve, on an advisory basis, the compensation of the named executives as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables and any related material disclosed in this Proxy Statement.

Although this advisory vote on the compensation of the named executives is not binding on us, the Board and Compensation Committee highly value the opinions of our shareholders. The results of this vote will provide information to the Compensation Committee about our shareholders' views of our executive compensation program, which the Compensation Committee will be able to consider in the future when making executive compensation decisions. We intend to hold this vote annually, with the next vote expected to occur at our 2020 Annual Meeting of Shareholders.

***The Board of Directors unanimously recommends that you vote FOR Proposal 2  
to approve, on an advisory basis, the compensation of the named executives.***

**Table of Contents**

**PROPOSAL 3 RATIFICATION OF APPOINTMENT OF THE  
INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee is directly responsible for the appointment, retention, compensation, evaluation and oversight of our independent registered public accounting firm. In order to assure continuing audit independence and objectivity, the Audit Committee is involved in the selection of the firm's lead engagement partner in accordance with SEC rules. Additionally, the Audit Committee has adopted a policy for pre-approving all audit and non-audit services to be performed by such firm and assesses the impact the provision of any such non-audit services may have on the firm's independence.

The Audit Committee has appointed Ernst & Young LLP as our independent registered public accounting firm to audit our consolidated financial statements for the fiscal year ending December 31, 2019. Ernst & Young has served as our independent auditor since 1908. Information regarding the services provided to us by Ernst & Young during 2017 and 2018 is set forth below under the heading entitled "Matters Relating to the Independent Registered Public Accounting Firm."

At the Annual Meeting, our shareholders are being asked to ratify the appointment of Ernst & Young as our independent registered public accounting firm for 2019. The Audit Committee believes the continued retention of Ernst & Young as our independent registered public accounting firm for 2019 is in the best interests of the Company and our shareholders.

Although shareholder ratification is not required under the laws of the State of Ohio, we are submitting the appointment of Ernst & Young to our shareholders for ratification at the Annual Meeting as a matter of good corporate practice in order to provide a means by which our shareholders may communicate their opinion to the Audit Committee. If our shareholders do not ratify the appointment of Ernst & Young, the Audit Committee will reconsider the appointment. Even if the appointment is ratified, the Audit Committee may appoint a different independent registered public accounting firm at any time during the year if the Audit Committee determines such a change would be in the best interests of the Company and our shareholders.

Representatives of Ernst & Young are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they wish and to respond to appropriate shareholder questions.

***The Board of Directors unanimously recommends that you vote FOR***

***Proposal 3 to ratify the appointment of Ernst & Young LLP***

***as Sherwin-Williams independent registered public accounting firm.***

**Table of Contents****MATTERS RELATING TO THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM*****Fees Paid to Ernst & Young LLP.***

The following table sets forth the fees for services provided by Ernst & Young LLP during the fiscal years ended December 31, 2017 and December 31, 2018.

	<b>2018</b>	<b>2017</b>
Audit Fees	\$ 7,769,000	\$ 8,625,000
Audit-Related Fees	670,000	645,000
Tax Fees	2,276,000	2,741,000
All Other Fees	1,957,000	500,000
<b>Total</b>	<b>\$ 12,672,000</b>	<b>\$ 12,511,000</b>

The following is a description of the nature of the services comprising the fees disclosed in the table above for each of the four categories of services.

***Audit Fees.*** These are fees for professional services rendered by Ernst & Young for the integrated audit of our annual consolidated financial statements and the effectiveness of internal control over financial reporting, the review of financial statements included in our Quarterly Reports on Form 10-Q, certain audits of foreign subsidiary financial statements required by local statutes and services that are typically rendered in connection with statutory and regulatory filings or engagements.

***Audit-Related Fees.*** These are fees for assurance and related services rendered by Ernst & Young that are reasonably related to the performance of the audit or the review of our financial statements that are not included as audit fees. These services include employee benefit plan audits, consultation on accounting matters in foreign jurisdictions, due diligence related to mergers and acquisitions and consultation on financial accounting and reporting.

***Tax Fees.*** These are fees for professional services rendered by Ernst & Young with respect to tax compliance, tax advice and tax planning. These services include the review of certain tax returns, tax audit assistance in foreign jurisdictions and consulting on tax planning matters.

***All Other Fees.*** These are fees for other services rendered by Ernst & Young that do not meet the above category descriptions and are permissible under applicable laws and regulations.

***Audit Committee Pre-Approval Policy.***

The Audit Committee is responsible for pre-approving all audit services and permitted non-audit services (including the fees and retention terms) to be performed for us by Ernst & Young prior to its engagement for such services. The Audit Committee has adopted a pre-approval policy pursuant to which the Audit Committee establishes detailed pre-approved categories of non-audit services that may be performed by Ernst & Young during the fiscal year, subject

to dollar limitations set by the Audit Committee. The Audit Committee has also delegated to the chair of the Audit Committee the authority to pre-approve all audit and non-audit services when the entire Audit Committee is unable to pre-approve services. The chair reports to the Audit Committee at its next meeting all such services pre-approved since the last meeting.

All of the fees paid to Ernst & Young under the categories Audit-Related Fees, Tax Fees and All Other Fees were pre-approved by the Audit Committee.

**Table of Contents****SECURITY OWNERSHIP OF MANAGEMENT**

The following table sets forth, as to each director, director nominee and named executive and all directors, director nominees and executive officers as a group, information regarding the amount and nature of shares of our common stock beneficially owned at December 31, 2018. Unless otherwise noted, all of the directors, director nominees and executive officers have sole voting and investment power over the shares of common stock listed or share voting and investment power with a spouse.

<b>Name of Beneficial Owner</b>	<b>Shares of Common Stock<sup>(1)</sup></b>	<b>Shares of Common Stock Acquirable within 60 days<sup>(2)</sup></b>	<b>Total</b>	<b>Percent of Common Stock Beneficially Owned</b>
K. B. Anderson <sup>(3)</sup>	100	0	100	*
A. F. Anton	14,400	456	14,856	*
A. M. Erter	57	1,900	1,957	*
J. M. Fettig <sup>(3)</sup>	0	0	0	*
D. F. Hodnik	8,786	456	9,242	*
P. J. Ippolito	11,613	21,034	32,647	*
R. J. Kramer	4,020	3,025	7,045	*
S. J. Kropf	8,255	456	8,711	*
A. J. Mistysyn	15,250	15,874	31,124	*
J. G. Morikis	102,360	113,078	215,438	*
C. A. Poon	1,563	961	2,524	*
D. B. Sewell	7,870	25,374	33,244	*
J. M. Stropki	11,005	456	11,461	*
M. H. Thaman	156	554	710	*
M. Thornton III	1,533	456	1,989	*
S. H. Wunning	932	1,832	2,764	*



All directors, director nominees and executive officers as a group	220,971	246,957	467,928	*
--	---------	---------	---------	---

\* Represents less than 1% of the total number of shares of common stock outstanding.

<sup>1</sup> These amounts include shares of common stock held under our ESPP for which the executive officers have the right to direct the vote.

These amounts do not include units of shadow stock owned by directors under our Director Deferred Fee Plan that are payable in cash generally upon such directors' retirement: Mrs. Kropf (17,373). Under our Director Deferred Fee Plan, directors may defer payment of all or a portion of their director fees into a shadow stock unit account. Directors have no voting rights associated with shadow stock units, and ownership of shadow stock units does not result in any beneficial ownership of common stock.

<sup>2</sup> For executive officers, these amounts include shares of common stock for which the executive officers have the right to acquire beneficial ownership, within sixty days from December 31, 2018, through the exercise of stock options. For non-management directors, these amounts include (a) the number of shares of common stock for which the directors have the right to acquire beneficial ownership, within sixty days from December 31, 2018, through the vesting of time-based RSUs and (b) the number of common stock units held by non-management directors under our Director Deferred Fee Plan.

<sup>3</sup> Information for Ms. Anderson and Mr. Fettig is as of February 13, 2019, the date they were nominated to serve as directors.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth, as to each beneficial owner known to us to own more than 5% of our common stock, information regarding shares owned by each at December 31, 2018.

<u>Name of Beneficial Owner</u>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class</b>
The Sherwin-Williams Company Employee Stock Purchase and Savings Plan 101 West Prospect Avenue Cleveland, Ohio 44115	9,353,926 <sup>(1)</sup>	10.0%
BlackRock, Inc.  55 East 52nd Street  New York, New York 10055	5,429,226 <sup>(2)</sup>	5.8%
The Vanguard Group 100 Vanguard Boulevard Malvern, Pennsylvania 19355	7,243,054 <sup>(3)</sup>	7.7%

<sup>1</sup> Shares of common stock owned pursuant to our ESPP are voted by the trustee in accordance with written instructions of plan participants. If no instructions are received by the trustee, the trustee votes such shares in the same proportion as it votes those shares for which it receives proper instructions.

<sup>2</sup> Based on a Schedule 13G filed on February 6, 2019 by BlackRock, Inc. (BlackRock), BlackRock owned 5,429,226 shares of common stock at December 31, 2018. Of the total shares, BlackRock had sole voting power over 4,594,805 shares, sole dispositive power over all of the shares and shared voting power and shared dispositive power over none of the shares.

<sup>3</sup> Based on a Schedule 13G filed on February 11, 2019 by The Vanguard Group (Vanguard), an investment adviser, Vanguard owned 7,243,054 shares of common stock at December 31, 2018. Of the total shares, Vanguard had sole dispositive power over 7,122,634 shares, shared dispositive power over 120,420 shares, sole voting power over 101,700 shares and shared voting power over 21,031 shares.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers to file reports of ownership and changes in ownership of our equity securities with the SEC. To our knowledge, based solely on information furnished to us and written representations by such persons, all of our directors and executive officers complied with their filing requirements in 2018, except that, due to an administrative oversight, the Form 4 was

inadvertently filed one day late for Jane M. Cronin to report a grant of employee stock options.

**CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH RELATED PERSONS**

As part of our Code of Conduct, directors and employees are expected to make business decisions and take actions based upon the best interests of Sherwin-Williams and not based upon personal relationships or benefits.

The Board recognizes that some transactions, arrangements and relationships present a heightened risk of an actual or perceived conflict of interest and has adopted a written policy governing these transactions. This policy governs any transaction, arrangement or relationship (or any series of similar

**Table of Contents**

transactions, arrangements or relationships) in which Sherwin-Williams was during the last fiscal year, is or will be a participant and the amount involved exceeds \$120,000, and in which any of the following persons had, has or will have a direct or indirect material interest:

our directors, nominees for director or executive officers;

any person who is known to be the beneficial owner of more than 5% of any class of our voting securities;

any immediate family member of any of the foregoing persons; and

any entity in which any of the foregoing persons is employed or is a partner or principal or in a similar position or in which such person has a 5% or greater beneficial ownership interest.

The Nominating Committee is responsible for reviewing and approving these transactions.

In response to an annual questionnaire, directors, director nominees and executive officers are required to submit to the Nominating Committee a description of any current or proposed transaction and provide updates during the year. In addition, we will provide any similar information available with respect to any known transactions with beneficial owners of 5% or more of our voting securities. At each calendar year's first regularly scheduled Nominating Committee meeting, management will provide information regarding transactions to be entered into by Sherwin-Williams for that calendar year.

If management becomes aware of any transactions subsequent to that meeting, such transactions may be presented for approval at the next meeting or, where it is not practicable or desirable to wait until the next meeting, to the chair of the Nominating Committee (who possesses delegated authority to act between meetings) subject to ratification by the Nominating Committee at its next meeting. In the event management becomes aware of any transaction that was not approved under the policy, management will present the transaction to the Nominating Committee for its action, which may include termination, amendment or ratification of the transaction.

The Nominating Committee (or the chair) will approve only those transactions that are in, or are not inconsistent with, the best interests of Sherwin-Williams and our shareholders, as is determined in good faith in accordance with its business judgment. In addition, the transaction must be on terms comparable to those that could be obtained in arm's length dealings with an unrelated third party.

The Nominating Committee has reviewed and approved the following transaction. Peter J. Ippolito is President, TAG. Mr. Ippolito's brother-in-law, Brian H. Schumann, is employed by Sherwin-Williams as a District Manager, but does not directly report to Mr. Ippolito. His total compensation for 2018, consisting of salary, annual incentive compensation, an equity grant and retirement benefits, was approximately \$192,000. His compensation is consistent with our compensation practices and principles based upon his position, responsibility, experience, tenure and performance with Sherwin-Williams.

**SHAREHOLDER PROPOSALS FOR THE 2020 ANNUAL MEETING**

***Proposals to Be Included in the Proxy Statement.***

Under SEC rules, shareholder proposals submitted pursuant to Rule 14a-8 of the Securities Exchange Act of 1934 must be received at our principal executive offices, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115-1075, Attention: Corporate Secretary, on or before November 7, 2019 in order to be considered for inclusion in the proxy materials relating to the 2020 Annual Meeting. Upon timely receipt of any such proposal, we will determine whether to include such proposal in the proxy materials in accordance with applicable regulations governing the solicitation of proxies.

If an eligible shareholder, or a group of up to 20 eligible shareholders, desires to have a candidate for election as a director included in the proxy materials (a proxy access nominee) for the 2020 Annual Meeting, such nomination shall conform to the applicable requirements set forth in our Regulations and

## **Table of Contents**

any applicable SEC regulations concerning the submission and content of proxy access nominations, and must be submitted not earlier than October 8, 2019 and not later than the close of business on November 7, 2019 to us at our principal executive offices, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115-1075, Attention: Corporate Secretary.

### ***Proposals Not to Be Included in the Proxy Statement.***

Under our Regulations, shareholders must follow certain procedures to nominate a person for election as a director (not including a proxy access nominee) or to introduce an item of business at an Annual Meeting, which is not intended to be included in our proxy materials. These procedures provide that nominations for director nominees and/or an item of business to be introduced at an Annual Meeting must be timely submitted in writing to us at our principal executive offices, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115-1075, Attention: Corporate Secretary.

To be timely, a shareholder's notice must be delivered to, or mailed and received at, our principal executive offices not fewer than 60 nor more than 90 calendar days prior to the Annual Meeting. In the event that public announcement of the date of the Annual Meeting is not made at least 75 calendar days prior to the date of the Annual Meeting and it is held on a date more than 10 calendar days before or after the first anniversary of the date on which the prior year's Annual Meeting was held, notice by the shareholder, to be timely, must be received not later than the close of business on the 10th calendar day following the day on which public announcement is first made of the date of the Annual Meeting.

These time limits also apply in determining whether notice is timely for purposes of SEC rules relating to the exercise of discretionary voting authority. If we do not receive timely notice, or if we meet other SEC requirements, the persons named as proxies in the proxy materials for that meeting will use their discretion in voting at the meeting.

Our Regulations set forth specific requirements for the notice. You can access a copy of our Regulations in the Corporate Governance section of our Investor Relations website at [www.sherwin.com](http://www.sherwin.com). You may also receive a copy of our Regulations by writing to us at: The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115-1075, Attention: Investor Relations.

## **HOUSEHOLDING INFORMATION**

Some banks, brokers and other nominees participate in the practice of householding proxy statements and annual reports. This means that beneficial holders of our common stock who share the same address or household may not receive separate copies of this Proxy Statement and our 2018 Annual Report. We will promptly deliver an additional copy of either document to you if you write or call us at: The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio 44115-1075, Attention: Investor Relations; (216) 566-2000. If you are receiving more than one copy of this Proxy Statement and our 2018 Annual Report at a single address and would like to participate in householding in the future, please contact us at the address or phone number above. Shareholders who hold their shares in street name may contact their brokerage firm, bank, broker-dealer or other similar organization to request information about householding.

## **ANNUAL REPORT ON FORM 10-K**

**We will provide to each shareholder who is solicited to vote at the Annual Meeting, upon the request of such person and without charge, a copy of our 2018 Annual Report on Form 10-K. Please write or call us at: The Sherwin-Williams Company, 101 West Prospect Avenue, 12th Floor, Midland Building, Cleveland, Ohio**

**44115-1075, Attention: Investor Relations; (216) 566-2000.**

---

**Table of Contents**

**APPENDIX A**

**THE SHERWIN-WILLIAMS COMPANY**

**Board of Directors**

**Director Independence Standards**

The Board of Directors of The Sherwin-Williams Company has adopted the following Director Independence Standards to assist the Board in determining the independence of a director. To be considered independent, the Board must affirmatively determine that the director has no material relationship with Sherwin-Williams (either directly or as a partner, shareholder or officer of an organization that has a relationship with Sherwin-Williams). In each case, the Board shall broadly consider all relevant facts and circumstances, including the director's commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The Board shall also consider such other criteria as the Board may determine from time to time.

1. In no event will a director be considered independent if such director fails to qualify as an independent director under Rule 303A.02(b) of the New York Stock Exchange Listed Company Manual. In addition, a director will not be independent if: (i) the director is, or has been within the last three years, an employee of Sherwin-Williams; (ii) an immediate family member of the director is, or has been within the last three years, an executive officer of Sherwin-Williams; (iii) the director has received, or an immediate family member of the director has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from Sherwin-Williams, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service); (iv) the director is a current partner or employee of Sherwin-Williams independent auditor, or an immediate family member of the director is a current partner of Sherwin-Williams independent auditor; (v) an immediate family member of the director is a current employee of Sherwin-Williams independent auditor and personally works on Sherwin-Williams audit, or the director or an immediate family member of the director was within the last three years a partner or employee of Sherwin-Williams independent auditor and personally worked on Sherwin-Williams audit within that time; or (vi) the director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of Sherwin-Williams present executive officers at the same time serves or served on that company's compensation committee.
2. In addition to the relationships described in paragraph 1, Audit Committee members may not (i) directly or indirectly accept any consulting, advisory or other compensatory fee from Sherwin-Williams or any of its subsidiaries or (ii) be an affiliated person of Sherwin-Williams or any of its subsidiaries. Audit Committee members may receive directors' fees, in the form of cash, stock, stock units, stock options or other consideration ordinarily available to directors, as well as regular benefits that other directors receive.
3. In addition to the relationships described in paragraph 1, in affirmatively determining the independence of any director who will serve on the Compensation and Management Development Committee, the Board must consider all factors specifically relevant to determining whether a director has a relationship to Sherwin-Williams which is material to that director's ability to be independent from management in connection



with the duties of a Compensation and Management Development Committee member, including, but not limited to: (i) the source of compensation of such director, including any consulting, advisory or other compensatory fee paid by Sherwin-Williams to such director; and (ii) whether such director is affiliated with Sherwin-Williams, a subsidiary of Sherwin-Williams or an affiliate of a subsidiary of Sherwin-Williams.

4. The following relationships will not be considered to be material relationships that would impair a director's independence: (i) if the director is a current employee, or an immediate family

A-1

---

**Table of Contents**

member of the director is a current executive officer, of another company that has made payments to, or received payments from, Sherwin-Williams for property or services in an amount which, in any of the last three fiscal years, is less than \$1 million or two percent, whichever is greater, of such other company's annual consolidated gross revenues; (ii) if the director, or an immediate family member of the director, is an executive officer of another company which is indebted to Sherwin-Williams, or to which Sherwin-Williams is indebted, in an amount which is less than five percent of such other company's total consolidated assets; (iii) if the director, or an immediate family member of the director, serves as an officer, director or trustee of a foundation, university, charitable or other not-for-profit organization, and Sherwin-Williams' or Sherwin-Williams Foundation's discretionary charitable contributions (Sherwin-Williams Foundation matching of employee charitable contributions will not be included in the amount of the Foundation's contributions for this purpose) to the organization, in the aggregate, are less than \$500,000 or five percent, whichever is greater, of that organization's latest publicly available annual consolidated gross revenues; (iv) if the director serves as a director or executive officer of another company that also uses Sherwin-Williams' independent auditor; (v) if the director is a member of, or associated with, the same professional association, or social, educational, civic, charitable, fraternal or religious organization or club as another Sherwin-Williams director or executive officer; or (vi) if the director serves on the board of directors of another company at which another Sherwin-Williams director or executive officer also serves on the board of directors (except as set forth in paragraph 1 above regarding compensation committee interlocks).

5. For relationships not covered by the categorical standards in paragraphs 1 and 4, the determination of whether the relationship is material or not, and therefore whether the director would be independent or not, shall be made by the directors who satisfy the standards set forth in paragraphs 1 and 4. Sherwin-Williams will explain in its next proxy statement the basis for any Board determination that a relationship is immaterial despite the fact that it does not meet the categorical standards set forth in paragraphs 1 and/or 4 above.

6. The Board shall undertake an annual review of the independence of all directors. In advance of the meeting at which this review occurs, each director shall be asked to provide the Board with full information regarding the director's (including immediate family members') business, charitable and other relationships with Sherwin-Williams to enable the Board to evaluate the director's independence.

7. Directors have an affirmative obligation to inform the Board of any material changes in their circumstances or relationships that may impact their designation by the Board as independent. This obligation includes all business, charitable and other relationships between directors (including immediate family members) and Sherwin-Williams and its affiliates.

For purposes of these Director Independence Standards, immediate family member includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such person's home.

**Table of Contents**

**APPENDIX B**

**Calculation of Financial Measures**

We have included in this Proxy Statement measures of financial performance that are not in accordance with U.S. generally accepted accounting principles (GAAP). We believe these financial measures are the most appropriate measures to use for our incentive programs. These financial measures may not be comparable to similarly titled measures reported by other companies. We describe below how we calculate each of these financial measures.

**ANNUAL CASH INCENTIVE COMPENSATION PROGRAM**

***Adjusted Earnings Per Share***

We calculate Adjusted EPS as diluted net income per common share (as determined in accordance with GAAP), excluding purchase accounting impacts and transaction and integration costs related to the Valspar Transaction, and for the purpose of determining achievement, the Compensation Committee approved adjustments to exclude non-operating costs of \$2.46 per share for environmental expense provisions, California litigation expense and pension settlement expense. This adjustment aligns with how we set the performance goal at the beginning of 2018.

***Free Cash Flow***

We calculate free cash flow as net operating cash (as determined in accordance with GAAP), less capital expenditures and cash dividends paid, and for the purpose of determining achievement, the Compensation Committee approved an adjustment to add back \$91.4 million primarily related to cash source items originating from business operations, but classified in the other financing activities caption of the cash flow statement in 2018. This adjustment aligns with how we set the performance goal at the beginning of 2018.

***RONAE***

***CBG RONAE.*** We calculate CBG RONAE by dividing CBG PBT (excluding any items relating to unusual events or which result in a distortion of comparative results) by the CBG twelve-month average net assets employed, which is the sum of net accounts receivable, total inventory, customer investments, net fixed assets, total intangible assets and goodwill, less accounts payable.

***PCG RONAE.*** We calculate PCG RONAE by dividing PCG PBT (excluding any items relating to unusual events or which result in a distortion of comparative results) by the PCG twelve-month average net assets employed, which is the sum of net accounts receivable, total inventory, customer investments, net fixed assets, total intangible assets and goodwill, less accounts payable.

***TAG RONAE.*** We calculate TAG RONAE by dividing TAG PBT (excluding any items relating to unusual events or which result in a distortion of comparative results) by the TAG twelve-month average net assets employed, which is the sum of net accounts receivable, total inventory, net fixed assets, total intangible assets and goodwill, less accounts payable.

**LONG-TERM EQUITY INCENTIVE COMPENSATION PROGRAM**

**Performance-Based RSUs (2016 – 2018 Performance Period)**

***Earnings Per Share***

We calculate diluted net income per common share (as determined in accordance with GAAP) on a cumulative basis over the 3-year performance period. For the purpose of determining achievement, the Compensation Committee approved adjustments to exclude the following: (a) a charge of \$0.44 per share for discontinued operations, (b) the net cumulative impact of the Valspar Transaction resulting in a charge of \$6.39 per share, (c) a charge of \$2.71 per share for non-operating expenses and (d) a cumulative benefit of \$9.47 per share related to U.S. tax reform and the adoption of ASU 2016-09.

B-1

---

**Table of Contents*****RONAE***

We calculate RONAE by dividing net income by the twelve-month average net assets employed, which is the sum of net accounts receivable, total inventory, customer investments, net fixed assets, total intangible assets and goodwill, less accounts payable. For the purpose of calculating average annual RONAE for the performance period, the Compensation Committee approved adjustments to exclude the following impacts on net income: (a) a charge of \$41.5 million for discontinued operations, (b) a net cumulative impact of \$606.5 million related to the Valspar Transaction, (c) a charge of \$257.6 million for non-operating expenses and (d) a cumulative benefit of \$920.9 million related to U.S. tax reform and the adoption of ASU 2016-09. For total average net assets employed, the Compensation Committee approved an adjustment to exclude average net assets employed related to the Valspar Transaction to align with how we set the performance goal at the beginning of the 3-year performance period.

**Performance-Based RSUs (2018 – 2020 Performance Period)**

*Adjusted EPS.* We calculate Adjusted EPS as diluted net income per common share (as determined in accordance with GAAP), excluding transaction and integration costs and purchase accounting impacts.

*Adjusted RONAE.* We calculate Adjusted RONAE by dividing reported net income (excluding any items relating to unusual events or which result in a distortion of comparative results) by the twelve-month average net assets employed, which is the sum of net accounts receivable, total inventory, customer investments, net fixed assets, total intangible assets and goodwill, less accounts payable, and excluding transaction and integration costs and purchase accounting impacts.

Adjusted EPS and Adjusted RONAE, for the purpose of determining achievement, may be calculated without regard to: (a) the acquisition or disposition of a business with pro-forma annualized sales in excess of \$50 million, including but not limited to, (i) costs, fees and/or expenses related to the negotiation, completion, and/or integration of such acquisition or disposition, (ii) any related severance and restructuring costs related to such acquisition or disposition, (iii) any costs related to purchase accounting step up in the basis of, or the write-down or impairment of, tangible or intangible assets associated with such acquisition or disposition, (iv) any costs, fees and/or expenses related to an unsuccessful attempt related to such acquisition or disposition, and (v) any costs, fees and/or expenses, including attorneys' fees, relating to litigation involving such acquisition or disposition or such unsuccessfully attempted acquisition or disposition (including, in each case, claim judgments, civil penalties and settlements); and (b) any unusual, infrequent or non-recurring items determined in accordance with GAAP, including, but not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and notes thereto appearing in Sherwin-Williams' annual reports to shareholders.

**Table of Contents**

Shareowner Services  
 P.O. Box 64945  
 St. Paul, MN 55164-0945

Address Change? Mark box, sign, and indicate changes below:

TO VOTE BY INTERNET OR  
 TELEPHONE, SEE  
 REVERSE  
 SIDE OF THIS PROXY  
 CARD.

ò *Please fold here Do not separate* ò

**The Board of Directors recommends a vote FOR each nominee under Proposal 1  
 and FOR Proposals 2 and 3.**

on of directors:

	<b>FOR AGAINST ABSTAIN</b>	<b>FOR AGAINST ABSTAIN</b>	<b>FOR AGAINST ABSTAIN</b>
Anderson	05 R.J. Kramer	09 J.M. Stropki	
Anton	06 S.J. Kropf	10 M.H. Thaman	
Fettig	07 J.G. Morikis	11 M. Thornton III	
Hodnik	08 C.A. Poon	12 S.H. Wunning	

**2.** Advisory approval of the compensation of the named executives. For Against Abstain

**3.** Ratification of Ernst & Young LLP as our independent registered public

accounting firm for 2019. For Against Abstain

**THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR EACH NOMINEE UNDER PROPOSAL 1 AND FOR**

**PROPOSALS 2 AND 3.**

Date

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons should sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

Table of Contents

**2019 ANNUAL MEETING OF SHAREHOLDERS**

**THE SHERWIN-WILLIAMS COMPANY**

Wednesday, April 17, 2019, 9:00 A.M. (EDT)

Landmark Conference Center

927 Midland Building

101 West Prospect Avenue

Cleveland, Ohio 44115

**Important notice regarding the availability of proxy materials for the Annual Meeting of Shareholders to be held on April 17, 2019.** The Proxy Statement and the 2018 Annual Report to Shareholders are available at: <http://proxymaterials.sherwin.com>

**PROXY/VOTING INSTRUCTION CARD**

**THE SHERWIN-WILLIAMS COMPANY**

**ANNUAL MEETING OF SHAREHOLDERS APRIL 17, 2019**

The undersigned hereby appoints John G. Morikis, Allen J. Mistysyn and Mary L. Garceau, and each of them, with power to act without the other and with power of substitution, as proxies and attorneys-in-fact and hereby authorizes them to represent and vote, as provided on the other side, all the shares of common stock of The Sherwin-Williams Company that the undersigned is entitled to vote, and, in their discretion, to vote upon such other business as may properly come before the Annual Meeting of Shareholders to be held on April 17, 2019 or at any adjournment or postponement thereof, with all powers which the undersigned would possess if present at the Annual Meeting. This card also provides voting instructions for shares of common stock, if any, held for the account of the undersigned by the administrator of our Dividend Reinvestment Plan and by the trustee of our Employee Stock Purchase and Savings Plan.

**This card is solicited jointly by the Board of Directors, the administrator of our Dividend Reinvestment Plan and the trustee of our Employee Stock Purchase and Savings Plan. If you do not timely sign and return this card, the proxy holders cannot vote your shares (or, in the case of our Employee Stock Purchase and Savings Plan, if you do not sign and return this card by the close of business on April 12, 2019, your shares will be voted in the same proportion as the trustee votes those shares for which it receives proper instructions).**



**Vote by Internet, Telephone or Mail**

**24 Hours a Day, 7 Days a Week**

Your phone or Internet vote authorizes the named proxies to vote your shares  
in the same manner as if you marked, signed and returned your proxy card.

**INTERNET/MOBILE**  
**[www.proxypush.com/shw](http://www.proxypush.com/shw)**

Use the Internet to vote your proxy  
until 11:59 p.m. (EDT) on  
April 16, 2019.

**PHONE**  
**1-866-883-3382**

Use a touch-tone telephone to  
vote your proxy until 11:59 p.m.  
(EDT) on April 16, 2019.

**MAIL**

Mark, sign and date your proxy  
card and return it in the  
postage-paid envelope provided.

**If you vote your proxy by Internet or by Telephone, you do NOT need to mail back your Proxy Card.**