

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2021

Commission file number 1-04851

**THE SHERWIN-WILLIAMS COMPANY**

(Exact name of registrant as specified in its charter)

**Ohio**  
(State or other jurisdiction of incorporation or organization)  
**101 West Prospect Avenue**  
**Cleveland, Ohio**  
(Address of principal executive offices)

**34-0526850**  
(I.R.S. Employer Identification No.)  
**44115-1075**  
(Zip Code)

**(216) 566-2000**

Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
<b>Common Stock, par value of \$0.33-1/3 per share</b>	<b>SHW</b>	<b>New York Stock Exchange</b>

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the Registrant at June 30, 2021 was \$71,612,872,106 (computed by reference to the price at which the common stock was last sold on such date).

At January 31, 2022, 260,373,774 shares of common stock were outstanding, net of treasury shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of our Proxy Statement for the 2022 Annual Meeting of Shareholders ("Proxy Statement") to be filed with the Securities and Exchange Commission within 120 days of our fiscal year ended December 31, 2021 are incorporated by reference into Part III of this report.

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## PART I

### ITEM 1. BUSINESS

#### Introduction

The Sherwin-Williams Company, founded in 1866 and incorporated in Ohio in 1884, is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region, Europe, Asia and Australia. Our principal executive offices are located at 101 West Prospect Avenue, Cleveland, Ohio 44115-1075, telephone (216) 566-2000. As used in this report, the terms “Sherwin-Williams,” “Company,” “we” and “our” mean The Sherwin-Williams Company and its consolidated subsidiaries unless the context indicates otherwise.

#### Available Information

We make available free of charge on or through our website our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission. You may access these documents on our Investor Relations website, [investors.sherwin-williams.com](http://investors.sherwin-williams.com).

We also make available free of charge on our website our Corporate Governance Guidelines, our Director Independence Standards, our Code of Conduct and the charters of our Audit Committee, our Compensation and Management Development Committee and our Nominating and Corporate Governance Committee. You may access these documents on our Investor Relations website, [investors.sherwin-williams.com](http://investors.sherwin-williams.com).

#### Basis of Reportable Segments

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources. The Company has three reportable operating segments: The Americas Group, Consumer Brands Group and Performance Coatings Group (individually, a “Reportable Segment” and collectively, the “Reportable Segments”). The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment. For more information about the Reportable Segments, see Note 21 to the Consolidated Financial Statements in Item 8.

#### The Americas Group

The Americas Group consisted of 4,859 company-operated specialty paint stores in the United States, Canada, Latin America and the Caribbean region at December 31, 2021. Each store in this segment is engaged in servicing the needs of architectural and industrial paint contractors and do-it-yourself homeowners. These stores market and sell Sherwin-Williams® and other controlled brand architectural paint and coatings, protective and marine products, OEM product finishes and related products. The majority of these products are produced by manufacturing facilities in the Consumer Brands Group. In addition, each store sells select purchased associated products. In addition to our stores in the Latin America region, The Americas Group meets regional customer demands through developing, licensing, manufacturing, distributing and selling a variety of architectural paints, coatings and related products in North and South America. The loss of any single customer would not have a material adverse effect on the business of this segment. At December 31, 2021, The Americas Group consisted of operations from subsidiaries in 10 foreign countries.

#### Consumer Brands Group

The Consumer Brands Group supplies a broad portfolio of branded and private-label architectural paint, stains, varnishes, industrial products, wood finishes products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives to retailers and distributors throughout North America, as well as in China and Europe. The Consumer Brands Group also supports the Company’s other businesses around the world with new product research and development, manufacturing, distribution and logistics. Approximately 62% of the total sales of the Consumer Brands Group in 2021 were intersegment transfers of products primarily sold through The Americas Group. At December 31, 2021, the Consumer Brands Group consisted of operations in the United States and subsidiaries in 5 foreign countries. Sales and marketing of certain controlled brand and private-label products is performed by a direct sales staff. The products distributed through third-party customers are intended for resale to the ultimate end-user of the product. The Consumer Brands Group had sales to certain customers that, individually, may be a significant portion of the sales and related profitability of the segment. This segment incurred most of the Company’s capital expenditures related to ongoing environmental compliance measures at sites currently in operation.

#### Performance Coatings Group

The Performance Coatings Group develops and sells industrial coatings for wood finishing and general industrial (metal and plastic) applications, automotive refinish, protective and marine coatings, coil coatings, packaging coatings and performance-

based resins and colorants worldwide. This segment licenses certain technology and trade names worldwide. Sherwin-Williams® and other controlled brand products are distributed through The Americas Group and this segment's 282 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third-party distributors. The Performance Coatings Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the overall profitability of the segment. At December 31, 2021, the Performance Coatings Group consisted of operations in the United States and subsidiaries in 44 foreign countries.

#### Administrative Segment

The Administrative segment includes the administrative expenses of the Company's corporate headquarters site. Also included in the Administrative segment is interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses which are not directly associated with the Reportable Segments. The Administrative segment does not include any significant foreign operations. Also included in the Administrative segment is the operations of a real estate management unit that is responsible for the ownership, management, and leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Sales of this segment represent external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. Material gains and losses from the sale of property are infrequent and not a significant operating factor in determining the performance of the Administrative segment.

#### Raw Materials and Products Purchased for Resale

Raw materials and products purchased for resale make up the majority of our consolidated cost of goods sold. Raw materials may vary considerably by the specific paint or coating being manufactured but can generally be divided into the following categories: resins and latex, pigments, additives, solvents, and metal or plastic containers. A significant portion of these raw materials are derived from various upstream petrochemical and related commodity feedstocks, notably propylene. Raw materials are sourced from multiple suppliers globally, typically within the geographic region where our products are being manufactured. A small portion of specialized resins and other products are manufactured in house. We also purchase a variety of products for resale that are highly complementary to our paint and coating offerings, notably spray equipment and parts, floorcovering, and assorted sundries. We attempt, if feasible, to mitigate our potential risk associated with the sourcing of our raw materials and other products through inventory management, strategic relationships with key suppliers, alternative sourcing strategies and long-term investments to expand our manufacturing capabilities. See Item 1A Risk Factors for more information regarding cost and sourcing of raw materials.

#### Seasonality

The majority of the sales for the Reportable Segments traditionally occur during the second and third quarters. However, periods of economic downturn can alter these seasonal patterns. There is no significant seasonality in sales for the Administrative segment.

#### Working Capital

In order to meet increased demand during the second and third quarters, the Company usually builds its inventories during the first quarter. Working capital items (inventories and accounts receivable) are generally financed through short-term borrowings, which include the use of lines of credit and the issuance of commercial paper. For a description of the Company's liquidity and capital resources, see the "Financial Condition, Liquidity and Cash Flow" section in Item 7.

#### Trademarks and Trade Names

Customer recognition of trademarks and trade names owned or licensed by the Company collectively contribute significantly to our sales. The major trademarks and trade names used by each of the Reportable Segments are set forth below.

- *The Americas Group:* Sherwin-Williams®, Cashmere®, Colorgin®, Condor®, Duration®, Emerald®, Harmony®, Kem Tone®, Loxon®, Metalatex®, Novacor®, PaintShield®, ProClassic®, ProCraft®, ProIndustrial™, ProMar®, SuperDeck®, SuperPaint®, Woodscapes®
- *Consumer Brands Group:* Cabot®, Dupli-Color®, Dutch Boy®, Geocel®, HGTV HOME® by Sherwin-Williams, Huarun®, Krylon®, Minwax®, Purdy®, Ronseal®, Thompson's® WaterSeal®, Valspar®, White Lightning®
- *Performance Coatings Group:* Sherwin-Williams®, Acrolon®, AcromaPro®, ATX®, DeBeer Refinish®, Duraspar®, EcoDex®, Envirolastic®, Excelo®, EzDex®, Fastline®, Firetex®, Fluropon®, Heat-Flex®, House of Kolor®, Huarun®, Inver®, Kem Aqua®, Lazzuril®, Macropoxy®, Martin Senour®, Matrix Edge™, M.L. Campbell®, Octoral®, PermaClad®, Polane®, Powdura®, Sayerlack®, Sher-Wood®, Sumaré®, Ultra 9K®, Ultra 7000®, ValPure®, Valspar®

### Patents

Although patents and licenses are not of material importance to our business as a whole or any segment, The Americas Group and the Performance Coatings Group derive a portion of their income from the licensing of technology, trademarks and trade names to foreign companies.

### Backlog and Productive Capacity

Backlog orders are not typically significant in the business of any Reportable Segment since there is normally a short period of time between the placing of an order and shipment. During 2021, we experienced raw material shortages, labor constraints, and weather-related shutdowns that impacted our production and ability to meet customer orders. We believe that sufficient productive capacity currently exists to fulfill our needs for paint, coatings and related products during 2022.

### Competition

We experience competition from many local, regional, national and international competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. We are a leading manufacturer and retailer of paint, coatings and related products to professional, industrial, commercial and retail customers, however, our competitive position varies for our different products and markets.

In The Americas Group, competitors include other paint and wallpaper stores, mass merchandisers, home centers, independent hardware stores, hardware chains and manufacturer-operated direct outlets. Product quality, product innovation, breadth of product line, technical expertise, service and price determine the competitive advantage for this segment.

In the Consumer Brands Group, domestic and foreign competitors include manufacturers and distributors of branded and private-label paint and coatings products. Technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price are the key competitive factors for this segment.

The Performance Coatings Group has numerous competitors in its domestic and foreign markets with broad product offerings and several others with niche products. Key competitive factors for this segment include technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price.

The Administrative segment has many competitors consisting of other real estate owners, developers and managers in areas in which this segment owns property. The main competitive factors are the availability of property and price.

### Human Capital Resources

We believe our people are central to the foundation and future of the Company's success. Our culture and commitment to our people are important factors in attracting, retaining, developing and progressing qualified talent. At December 31, 2021, we employed 61,626 people worldwide, of which 78% were in the United States and 22% were in other global regions.

*Purpose and Culture.* Our commitment to our people is embedded in our corporate purpose and guiding values. Our purpose is to inspire and improve the world by coloring and protecting what matters. We fulfill this purpose through the development, manufacture, distribution and sale of innovative paint and coatings products, striving to deliver benefits for all major stakeholders, including our employees. The Company's seven guiding values — integrity, people, service, quality, performance, innovation and growth — influence how we fulfill our purpose, emphasize our commitment to our people and serve as the foundation of our culture of excellence. We value and support our people through, among other initiatives, our inclusion, diversity and equity, talent acquisition, employee engagement, and occupational health and safety initiatives, and our employment practices and total rewards programs.

*Inclusion, Diversity and Equity.* We are committed to fostering a culture of inclusion where differences are welcomed, appreciated and celebrated to positively impact our people and business. Reflected in the Company's Code of Conduct and reinforced through our actions, training and attitudes, fostering an inclusive culture is a moral and business imperative. The building blocks of our inclusion, diversity and equity strategy include:

- *Educate and communicate to drive success:* Building awareness of inclusive leadership behaviors to leverage the unique contributions of each employee to positively impact our people and business results.
- *Fill the pipeline with the best talent:* Attracting the best talent pool that reflects the diversity of the communities in which we serve and do business.
- *Develop and engage talent by investing in our people:* Investing in our people by providing networking and learning opportunities to drive retention, progression and engagement.
- *Progress talent by embedding equity into talent planning:* Embedding equity into talent practices, processes, tools and resources at all levels.

Our continuous efforts to create a supportive, welcoming environment across our global footprint is the shared responsibility of all employees, including our senior leaders. Our senior leaders attend an inclusion, diversity and equity learning session to assist us in maintaining our commitment to leading with inclusion and embracing and leveraging the diversity of our workforce.

*Talent Acquisition and Employee Engagement.* We are committed to providing our people with opportunities to learn, grow and be recognized for their achievements. Through our integrated talent management strategy, we strive to attract, retain, develop and progress a workforce that embraces our culture of inclusion and reflects our diversity efforts. The Company's early talent programs, including our management trainee program, play a critical role in attracting and progressing a diverse pipeline of talent. During 2021, we hired approximately 1,400 talented people through our management trainee program as part of our long-term growth initiatives.

We are also committed to investing in our people by providing learning and employee networking opportunities to drive retention, progression and engagement and help them excel in their current and future roles. During 2021, our employees completed thousands of hours of online and instructor-led courses across a broad range of categories, including leadership, inclusion, diversity and equity, professional skills, technical and compliance.

*Occupational Health and Safety.* We are committed to providing safe and healthy working environments for our employees. We have a continued focus on Environmental, Health and Safety (EHS) excellence that involves enhancing employee health and safety, process safety, occupational health and taking reasonable preventative measures to reduce workplace injuries to protect the health and safety of our employees. We strive for incident-free workplaces — continuously assessing and developing the programs that are in place to help keep our employees, customers and communities safe.

Since the onset of the pandemic, we have implemented significant modifications to our health and safety programs, which were designed to protect the health and well-being of our employees and customers from COVID-19. These efforts have included, but are not limited to: requiring social distancing; permitting remote, alternate and flexible work arrangements where possible; enhancing cleaning and sanitation procedures; restricting domestic and international travel; developing return to work and visitor screening protocols; and postponing or cancelling the hosting or attending of large events.

*Employment Practices and Total Rewards.* We are committed to the fair, consistent and equitable treatment of our employees in relation to working conditions, wages, benefits, policies and procedures. To this end, the Company's policies and programs are designed to respond to the needs of our employees in a manner that provides a safe, professional, efficient and rewarding workplace. Our total rewards programs are designed to offer competitive compensation, comprehensive benefits and other programs to support employees' growth, both personally and professionally, and the diverse needs and well-being of our employees worldwide.

Over the past two years, we enhanced certain of the Company's benefits and practices to support the health and well-being of our employees through the challenges of the pandemic and significant supply chain disruptions caused by Winter Storm Uri and Hurricane Ida — two natural disasters that occurred during 2021. Our enhanced benefits have included tele-health, paid sick leave, family leave and voluntary leave of absence policies and programs. We also have rewarded our employees' resiliency and hard work and made changes in our business to encourage retention, including wage increases, reduced store hours and employee benefits enhancements.

For additional information regarding our response to the COVID-19 pandemic and supply chain disruptions, see the information included within Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### Regulatory Compliance

For additional information regarding environmental-related matters, see Notes 1, 9 and 18 to the Consolidated Financial Statements in Item 8.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Letter to Shareholders” and elsewhere in this report constitute “forward-looking statements” within the meaning of the federal securities laws. These forward-looking statements are based upon management’s current expectations, predictions, estimates, assumptions and beliefs concerning future events and conditions and may discuss, among other things, anticipated future performance (including sales and earnings), expected growth, future business plans and the costs and potential liability for environmental-related matters and the lead pigment and lead-based paint litigation. Any statement that is not historical in nature is a forward-looking statement and may be identified by the use of words and phrases such as “believe,” “expect,” “may,” “will,” “should,” “project,” “could,” “plan,” “goal,” “target,” “potential,” “seek,” “intend,” “aspire” or “anticipate” or the negative thereof or comparable terminology.

Readers are cautioned not to place undue reliance on any forward-looking statements. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside our control, that could cause actual results to differ materially from such statements and from our historical results, performance and experience. These risks, uncertainties and other factors include such things as:

- general business conditions, strengths of retail and manufacturing economies and growth in the coatings industry;
- changes in general domestic and international economic conditions such as inflation rates, interest rates, tax rates, unemployment rates, higher labor and healthcare costs, recessions, and changing government policies, laws and regulations;
- changes in raw material and energy supplies and pricing;
- changes in our relationships with customers and suppliers;
- disruptions in the supply chain, including those caused by industry capacity constraints, labor shortages, raw material availability, and logistics delays and constraints;
- our ability to successfully integrate past and future acquisitions into our existing operations, as well as the performance of the businesses acquired;
- competitive factors, including pricing pressures and product innovation and quality;
- our ability to attain cost savings from productivity initiatives;
- risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets, including general economic conditions, inflation rates, recessions, foreign currency exchange rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest and other external economic and political factors;
- the achievement of growth in foreign markets, such as Asia, Europe and South America;
- increasingly stringent domestic and foreign governmental regulations, including those affecting health, safety and the environment;
- inherent uncertainties involved in assessing our potential liability for environmental-related activities;
- other changes in governmental policies, laws and regulations, including changes in tariff policies, as well as changes in accounting policies and standards and taxation requirements (such as new tax laws and new or revised tax law interpretations);
- the nature, cost, quantity and outcome of pending and future litigation and other claims, including the lead pigment and lead-based paint litigation, and the effect of any legislation and administrative regulations relating thereto;
- adverse weather conditions or natural disasters, including due to the impacts of climate change, and public health crises, including the COVID-19 pandemic; and
- the duration, severity and scope of the COVID-19 pandemic and the actions implemented by international, federal, state and local public health and governmental authorities to contain and combat the outbreak and spread of COVID-19, which may exacerbate one or more of the aforementioned and/or other risks, uncertainties and factors more fully described in the Company’s reports filed with the Securities and Exchange Commission.

Readers are cautioned that it is not possible to predict or identify all of the risks, uncertainties and other factors that may affect future results and that the above list should not be considered to be a complete list. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as otherwise required by law.



## ITEM 1A. RISK FACTORS

The risks described below and in other documents we file from time to time with the Securities and Exchange Commission could materially and adversely affect our business, results of operations, cash flow, liquidity or financial condition. Although the risks are organized by headings, and each risk is discussed separately, many are interrelated. Readers should not interpret the disclosure of any risk factor to imply that the risk has not already materialized.

### **ECONOMIC AND STRATEGIC RISKS**

***The COVID-19 pandemic has adversely impacted our business, results of operations, cash flow and financial condition, and the continuing effects of the COVID-19 pandemic remain highly unpredictable and could adversely impact our business, results of operations, cash flow, liquidity and financial condition in the future.***

Our business, results of operations, cash flow and financial condition have been, and may be in the future, adversely affected by the COVID-19 pandemic, including the impacts resulting from efforts by public health and governmental authorities to contain and combat the outbreak and spread of COVID-19. Since the onset of the pandemic, we have made changes in our business designed to support these efforts and protect the health and well-being of our employees and customers. The changes in our business have included: temporarily reducing store hours and closing our sales floors in our company-operated paint stores to the general public; requiring our customers to order product online or via phone and to access their products via curbside pickup or delivery; implementing remote, alternate and flexible work arrangements where possible; enhancing cleaning and sanitation procedures; implementing domestic and international travel restrictions and return to work and visitor screening protocols; postponing or canceling the hosting or attending of large events; and enhancing certain employee benefits, such as telehealth, paid sick leave, family leave and voluntary leave of absence policies and programs. We continue to evaluate the changes we have made in our business, consider new and further changes, and work with public health, government and other authorities and organizations to maintain our operations and support the health and well-being of our employees, customers and their families.

The necessary and appropriate measures we have taken have resulted in additional costs, including for COVID-related leave and healthcare costs, and have adversely impacted our business and financial performance. As the pandemic continues and evolves, we may incur additional costs and experience further adverse impacts to our business, each of which may be significant. We also have faced, and may continue to face, operational risks in connection with remote and hybrid in-office work arrangements, including but not limited to cybersecurity risks and increased vulnerability to damage or interruption resulting from, among other causes, cyber attacks, security breaches, phishing, malware, viruses, ransomware, power outages or system failures.

The COVID-19 pandemic has severely impacted the global economy, disrupted consumer spending and global supply chains, and created significant volatility and disruption of financial markets, all of which may continue, and all of which have adversely affected, and may continue to adversely affect, our business. We have experienced occasional, temporary disruptions and closures of some of our facilities, including more recently in connection with the Omicron variant and due to our employees or their family members testing positive for COVID-19. We also have seen shifts in consumer behaviors and preferences, as well as impacts in the demand for some of our products. While demand levels for our products have been returning to more normalized levels, our ability to predict and meet any future changes in the demand for our products due to the impacts of the pandemic remains uncertain.

While we continue to closely monitor the impact of the pandemic on all aspects of our business, the extent of the impact on our results of operations, cash flow, liquidity, and financial performance, as well as our ability to execute near-term and long-term business strategies and initiatives, will depend on numerous evolving factors and future developments, which are highly uncertain and which we cannot predict or control, and some of which we are not currently aware, including, but not limited to: (a) the duration, severity and scope of the pandemic, including additional variants and waves of COVID-19 cases; (b) rapidly-changing governmental and public health directives to contain and combat the outbreak, including with respect to COVID-19 vaccination and testing requirements, and the duration, degree, effectiveness and easing, removal or reinstitution of directives; (c) the further development, availability, effectiveness and distribution of COVID-19 treatments and vaccines; (d) the extent and duration of the pandemic's adverse and/or volatile effects on economic and social activity, supply chain logistics, inflationary pressures, consumer confidence, discretionary spending and preferences, labor and healthcare costs, labor markets and unemployment rates, any of which may reduce demand for some of our products, impact our ability to predict and meet any future changes in the demand for our products, or impair the ability of those with whom we do business to satisfy their obligations to us; (e) our ability to sell, provide and meet the demand for our services and products, including as a result of new, or the reinstitution of prior, directives; (f) any temporary reduction in our workforce or closures of our offices and facilities and our ability to adequately staff and maintain our operations, including as a result of employees or their family members testing positive for COVID-19; (g) the ability of our customers and suppliers to continue their operations, which could affect our ability to sell, provide and meet the demand for our services and products and result in terminations of contracts, losses of



revenue and adverse effects to our supply chain; and (h) any impairment in value of our tangible or intangible assets which could be recorded as a result of weaker economic conditions. If the pandemic continues to create disruptions or turmoil in the credit or financial markets or impacts our credit ratings in the future, it could adversely affect our ability to access capital on favorable terms and continue to meet our liquidity needs.

Given the inherent uncertainty surrounding COVID-19, the pandemic may continue to create challenging operating environments and may have an adverse impact on our business in the near term. If these conditions persist or worsen for a prolonged period, the COVID-19 pandemic, including any of the above factors and others that are currently unknown, may also have a material adverse effect on our results of operations, cash flow, liquidity, or financial condition.

***Adverse changes in general business and economic conditions in the United States and worldwide may adversely affect our results of operations, cash flow, liquidity or financial condition.***

Our business is sensitive to global and regional business and economic conditions. Adverse changes in such conditions in the United States and worldwide, including due to the COVID-19 pandemic, may reduce the demand for some of our products, adversely impact our ability to predict and meet any future changes in the demand for our products, and impair the ability of those with whom we do business to satisfy their obligations to us, each of which could adversely affect our results of operations, cash flow, liquidity or financial condition. Higher inflation rates, interest rates, tax rates and unemployment rates, higher labor and healthcare costs, recessions, changing governmental policies, laws and regulations, business disruptions due to cybersecurity incidents, terrorist activity, armed conflict, war, public health crises (including the COVID-19 pandemic), impacts of climate change, fires or other natural disasters, supply chain disruptions, and other economic factors could also adversely affect demand for some of our products, our ability to predict and meet any future changes in the demand for our products, the availability, delivery or cost of raw materials, our ability to adequately staff and maintain operations at affected facilities and our results of operations, cash flow, liquidity or financial condition and that of our customers, vendors and suppliers.

***Protracted duration of economic downturns in cyclical segments of the economy may depress the demand for some of our products and adversely affect our sales, earnings, cash flow or financial condition.***

Portions of our business involve the sale of paint, coatings and related products to segments of the economy that are cyclical in nature, particularly segments relating to construction, housing, manufacturing and oil production, refining, storage and transportation. Our sales to these segments are affected by the levels of discretionary consumer and business spending in these segments. During economic downturns in these segments, the levels of consumer and business discretionary spending may decrease, and the recovery of these segments may lag behind the recovery of the overall economy. This decrease in spending likely will reduce the demand for some of our products and may adversely affect our sales, earnings, cash flow or financial condition.

Although interest rates remain low by historical standards, any increase may adversely affect the demand for new residential homes, existing home turnover and new non-residential construction. A worsening in these segments will reduce the demand for some of our products and may adversely impact sales, earnings and cash flow.

In the U.S. construction and housing segments, the recent demand for new construction has caused contractors to experience a shortage of skilled workers, resulting in related project backlogs and an adverse effect on the growth rate of demand for our products. While we expect to see higher demand for our products as project backlogs are reduced in the future, this labor shortage may adversely impact our sales, earnings, cash flow or financial condition.

**FINANCIAL RISKS**

***A weakening of global credit markets could adversely affect our results of operations, cash flow, liquidity or financial condition.***

A weakening of global credit markets could adversely impact our net sales, the collection of accounts receivable, funding for working capital needs, expected cash flow generation from current and acquired businesses, access to capital and our investments, which could adversely impact our results of operations, cash flow, liquidity or financial condition.

We finance a portion of our sales through trade credit. Credit markets remain tight, and some customers who require financing for their businesses have not been able to obtain, and may in the future have difficulty obtaining, necessary financing. A continuation or worsening of these conditions could limit our ability to collect our accounts receivable, which could adversely affect our results of operations, cash flow, liquidity or financial condition.

We generally fund a portion of our seasonal working capital needs and obtain funding for other general corporate purposes through short-term borrowings backed by our revolving credit facility and other financing facilities. If any of the banks in these credit and financing facilities are unable to perform on their commitments, such inability could adversely impact our cash flow, liquidity or financial condition, including our ability to obtain funding for working capital needs and other general corporate purposes.

Although we have available credit facilities to fund our current operating needs, we cannot be certain we will be able to replace our existing credit facilities or refinance our existing or future debt when necessary. Our cost of borrowing and ability to access the capital markets are affected not only by market conditions, but also by our debt and credit ratings assigned by the major credit rating agencies. Downgrades in these ratings, including due to uncertainties regarding COVID-19, likely would increase our cost of borrowing and could have an adverse effect on our access to the capital markets, including our access to the commercial paper market. An inability to access the capital markets could have a material adverse effect on our results of operations, cash flow, liquidity or financial condition.

We have goodwill and intangible assets recorded on our balance sheet. We periodically evaluate the recoverability of the carrying value of our goodwill and intangible assets whenever events or changes in circumstances indicate such value may not be recoverable. An impairment assessment involves judgment as to assumptions regarding future sales and cash flow and the impact of market conditions on those assumptions. Future events and changing market conditions may impact our assumptions and change our estimates of future sales and cash flow, resulting in us incurring substantial impairment charges, which would adversely affect our results of operations or financial condition.

We hold investments in equity and debt securities in some of our defined benefit pension plans. A decrease in the value of plan assets resulting from a general financial downturn may cause a negative pension plan investment performance, which may adversely affect our results of operations, cash flow, liquidity or financial condition.

***We require a significant amount of cash to service the substantial amount of debt we have outstanding. Our ability to generate cash depends on many factors beyond our control. We also depend on the business of our subsidiaries to satisfy our cash needs. If we cannot generate the required cash, we may not be able to make the necessary payments required under our indebtedness.***

At December 31, 2021, we had total debt of approximately \$9.615 billion, which is an increase of \$1.323 billion since December 31, 2020. We have the ability under our existing credit facilities to incur substantial additional indebtedness in the future. Our ability to make payments on our debt, fund our other liquidity needs, and make planned capital expenditures will depend on our ability to generate cash in the future. Our historical financial results have been, and we anticipate our future financial results will be, subject to fluctuations. Our ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors beyond our control, including public health crises, such as the COVID-19 pandemic, adverse weather conditions or natural disasters, such as due to the impacts of climate change, supply chain disruptions and related impacts. We cannot guarantee our business will generate sufficient cash flow from our operations or future borrowings will be available to us in an amount sufficient to enable us to make payments of our debt, fund other liquidity needs and make planned capital expenditures.

The degree to which we are leveraged could have important consequences for shareholders. For example, it could:

- require us to dedicate a substantial portion of our cash flow from operations to the payment of debt service, reducing the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other long-term growth initiatives and general corporate purposes;
- increase our vulnerability to adverse economic or industry conditions;
- limit our ability to obtain additional financing in the future to enable us to react to changes in our business or economic or industry conditions; or
- place us at a competitive disadvantage compared to businesses in our industry that have less debt.

Additionally, any failure to comply with covenants in the instruments governing our debt could result in an event of default which, if not cured or waived, would have a material adverse effect on us.

A significant portion of our operations are conducted through our subsidiaries. As a result, our ability to generate sufficient cash flow for our needs is dependent to some extent on the earnings of our subsidiaries and the payment of those earnings to us in the form of dividends, loans or advances and through repayment of loans or advances from us. Our subsidiaries are separate and distinct legal entities. Our subsidiaries have no obligation to pay any amounts due on our debt or to provide us with funds to meet our cash flow needs, whether in the form of dividends, distributions, loans or other payments. Further, any payment of dividends, loans or advances by our subsidiaries could be subject to statutory or contractual restrictions. Payments to us by our subsidiaries will also be contingent upon our subsidiaries' earnings and business considerations. Our right to receive any assets of any of our subsidiaries upon their liquidation or reorganization will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. Even if we are a creditor of any of our subsidiaries, our rights as a creditor would be subordinate to any security interest in the assets of our subsidiaries and any indebtedness of our subsidiaries senior to that held by us. Finally, changes in the laws of foreign jurisdictions in which we operate may adversely affect the ability of some of our foreign subsidiaries to repatriate funds to us.

***Fluctuations in foreign currency exchange rates could adversely affect our results of operations, cash flow, liquidity or financial condition.***

Because of our international operations, we are exposed to risk associated with interest rates and value changes in foreign currencies, which may adversely affect our business. Historically, our reported net sales, earnings, cash flow and financial condition have been subjected to fluctuations in foreign exchange rates. Our primary exchange rate exposure is with the Euro, the Chinese yuan, the Canadian dollar, the Brazilian real, the British pound, and the Mexican peso, each against the U.S. dollar. While we actively manage the exposure of our foreign currency risk as part of our overall financial risk management policy, we believe we may experience losses from foreign currency exchange rate fluctuations, and such losses could adversely affect our sales, earnings, cash flow, liquidity or financial condition.

**OPERATIONAL RISKS**

***Adverse weather conditions and natural disasters, including due to the impacts of climate change, may temporarily reduce the demand for some of our products, impact our ability to meet the demand for our products or cause supply chain disruptions and increased costs, and could have a negative effect on our sales, earnings or cash flow.***

Our business is seasonal in nature, with the second and third quarters typically generating a higher proportion of sales and earnings than other quarters. From time to time, adverse weather conditions and natural disasters, including due to the impacts of climate change, have had or may have an adverse effect on our sales, manufacture and distribution of paint, coatings and related products. In the event adverse weather conditions or a natural disaster cause significant damage to any one or more of our principal manufacturing or distribution facilities, we may not be able to manufacture the products needed to meet customer demand, which could have an adverse effect on our sales of certain paint, coatings and related products.

The impact of these risks to our suppliers also have had or may have an adverse effect on our sales, manufacture and distribution of certain of our products. During 2021, Winter Storm Uri and Hurricane Ida caused significant damage to certain of our suppliers' facilities in Texas and Louisiana, respectively. These natural disasters and their impacts to certain of our suppliers resulted in unprecedented industry-wide supply chain disruptions, increased raw material and other costs, and significantly hindered our ability to manufacture the products needed to fully meet customer demand. We discuss these natural disasters and their adverse impact to our business in more detail in the "Outlook" section in Item 7.

In any of these instances, an adverse effect on sales may cause a reduction in our earnings or cash flow.

***Unexpected shortages and increases in the cost of raw materials and energy may adversely affect our earnings or cash flow.***

We purchase raw materials (including titanium dioxide and petrochemical feedstock sources, such as propylene and ethylene) and energy for use in the manufacturing, distribution and sale of our products. Factors such as political instability, higher tariffs, supply chain disruptions, adverse weather conditions and natural disasters (including hurricanes and severe winter or other storms due to the impacts of climate change) or public health crises (including the COVID-19 pandemic) could disrupt the availability of raw material and fuel supplies, adversely impact our ability to meet customer demands for some of our products or adequately staff and maintain operations at affected facilities and increase our costs. In addition, environmental and social regulations, including regulations related to climate change, may negatively impact us or our suppliers in terms of availability and cost of raw materials, as well as sources and supply of energy. Although raw materials and energy supplies (including oil and natural gas) are generally available from various sources in sufficient quantities, unexpected shortages and increases in the cost of raw materials and energy, or any deterioration in our relationships with or the financial viability of our suppliers, may have an adverse effect on our earnings or cash flow. In the event we experience supply chain disruptions from our suppliers, we may not be able to timely secure alternate sources in order to prevent significant impacts to our business, or we may experience quality issues with raw materials and energy sourced from alternate sources. If the cost of raw materials and energy increases, we may not be able to offset higher costs in a timely manner by sufficiently decreasing our operating costs or raising the prices of our products. In recent years, some raw material and energy prices have increased, particularly titanium dioxide and petrochemical feedstock sources, such as propylene and ethylene, as well as metal and plastic packaging.

The cost of raw materials and energy could continue to experience periods of volatility in the future and may adversely affect our earnings and cash flow.

***Although we have an extensive customer base, the loss of any of our largest customers could adversely affect our sales, earnings or cash flow.***

We have a large and varied customer base due to our extensive distribution platform. During 2021, no individual customer accounted for sales totaling more than ten percent of our sales. However, we have some customers that, individually, purchase a large amount of products from us. Although our broad distribution channels help to minimize the impact of the loss of any one customer, the loss of any of these large customers could have an adverse effect on our sales, earnings or cash flow.

***Increased competition or failure to keep pace with developments in key competitive areas of our business may reduce our sales, earnings or cash flow performance.***

We face substantial competition from many international, national, regional and local competitors of various sizes in the manufacture, distribution and sale of our paint, coatings and related products. Some of our competitors operate more extensively in certain regions around the world and have greater financial or operational resources to compete internationally. Other competitors are smaller and may be able to offer more specialized products. Technology, product quality, product innovation, breadth of product line, technical expertise, distribution, service and price are key competitive factors for our business. Competition in any of these areas, or failure to keep pace with developments in any of these areas, may reduce our sales and adversely affect our earnings or cash flow by resulting in decreased sales volumes, reduced prices and increased costs of manufacturing, distributing and selling our products.

***Our results of operations, cash flow or financial condition may be negatively impacted if we do not successfully integrate future acquisitions into our existing operations and if the performance of the businesses we acquire do not meet our expectations.***

We have historically made strategic acquisitions of businesses in the paint and coatings industry and likely will acquire additional businesses in the future as part of our long-term growth strategy. The success of future acquisitions depends in large part on our ability to integrate the operations and personnel of the acquired companies and manage challenges that may arise as a result of the acquisitions, particularly when the acquired businesses operate in new or foreign markets. In the event we do not successfully integrate such future acquisitions into our existing operations so as to realize the expected return on our investment, our results of operations, cash flow or financial condition could be adversely affected.

***Risks and uncertainties associated with our expansion into and our operations in Asia, Europe, South America and other foreign markets could adversely affect our results of operations, cash flow, liquidity or financial condition.***

Net external sales of our consolidated foreign subsidiaries totaled approximately 21.2%, 19.5% and 20.6% of our total consolidated net sales in 2021, 2020 and 2019, respectively. Sales outside of the United States make up a significant part of our current business and future strategic plans. Our results of operations, cash flow, liquidity or financial condition could be adversely affected by a variety of domestic and international factors, including general economic conditions, political instability, inflation rates, recessions, tariffs, foreign currency exchange rates, foreign currency exchange controls, interest rates, foreign investment and repatriation restrictions, legal and regulatory constraints, civil unrest, difficulties in staffing and managing foreign operations and other external economic and political factors. In addition, public health crises (including the COVID-19 pandemic) in foreign jurisdictions may temporarily reduce the demand for some of our products and adversely affect the availability and cost of raw materials. Our inability to successfully manage the risks and uncertainties relating to any of these factors could adversely affect our results of operations, cash flow, liquidity or financial condition.

In many foreign countries, it is not uncommon to engage in certain business practices we are prohibited from engaging in because of regulations applicable to us, such as the Foreign Corrupt Practices Act and the UK Bribery Act. Recent years have seen a substantial increase in anti-bribery law enforcement activity, with more frequent and aggressive investigations and enforcement proceedings by both U.S. and non-U.S. regulators, and an increase in criminal and civil proceedings brought against companies and individuals. Although we have internal control policies and procedures designed to ensure compliance with these regulations, there can be no assurance our policies and procedures will prevent a violation of these regulations. Any violation could cause an adverse effect on our results of operations, cash flow or financial condition.

***Policy changes affecting international trade could adversely impact the demand for our products and our competitive position.***

Due to the international scope of our operations, changes in government policies on foreign trade and investment may affect the demand for our products and services, impact the competitive position of our products or prevent us from being able to sell products in certain countries. Our business benefits from free trade agreements, which may include the United States-Mexico-Canada Agreement, and efforts to withdraw from, or substantially modify such agreements, in addition to the implementation of more restrictive trade policies, such as more detailed inspections, higher tariffs, import or export licensing requirements, exchange controls or new barriers to entry, could have a material adverse effect on our results of operations, financial condition or cash flow and that of our customers, vendors and suppliers.

Additionally, the results of the United Kingdom's referendum on European Union membership, which resulted in the United Kingdom's exit from the European Union on January 31, 2020 ("Brexit"), caused significant volatility in global stock markets, currency exchange rate fluctuations and global economic uncertainty. The transition period post-Brexit expired on December 31, 2020, and the United Kingdom and European Union entered into a free trade agreement that now governs the United Kingdom's relationship with the European Union. While the United Kingdom and European Union generally have continued to trade with each other without the imposition of tariffs for imports and exports, trades have been subject to new customs

requirements that require additional documentation and data and new controls on the movement and reporting of goods (including chemicals). Although we have not experienced any material disruption in our business as a result of Brexit to date, we do not know the extent to which Brexit and the free trade agreement will ultimately impact the business and regulatory environment in the United Kingdom, the rest of the European Union or other countries, although it is possible there will be tighter controls and administrative requirements for imports and exports between the United Kingdom and the European Union or other countries, as well as increased regulatory complexities, as the transition continues. Any of these factors could adversely impact customer demand, our relationships with customers and suppliers and our results of operations.

***Cybersecurity incidents and other disruptions to our information technology systems could interfere with our operations, result in the compromise or loss of critical and confidential information and severely harm our business.***

We rely on information technology systems to conduct our business, including recording and processing transactions, manufacturing and selling our products, researching and developing new products, maintaining and growing our competitive position, and supporting and communicating with our employees, customers, suppliers and other vendors. These information technology systems are important to many business-critical processes including, but not limited to, production planning, manufacturing, finance, company operations, sales and customer service. Some of these systems are maintained or operated by third-party providers. Despite our efforts to prevent disruptions to these information technology systems, these systems may be affected by damage or interruption resulting from, among other causes, cyber attacks, security breaches, phishing, malware, viruses, ransomware, power outages or system failures. These risks could be magnified due to the increased reliance on information technology systems to conduct our business, including those used in furtherance of remote and hybrid in-office work environments. Disruptions to these systems may have a material adverse effect on our business, results of operations and financial condition.

As part of our business, we collect and handle sensitive and confidential information about our business, customers, employees and suppliers. Despite the security measures we have in place, our facilities and systems, and those third parties with which we do business, may be vulnerable to cyber attacks, security breaches, malware, viruses, ransomware, power outages, system failures, acts of vandalism or misconduct, human or technical errors or other similar events or disruptions. Any such event involving the misappropriation, loss or other unauthorized disclosure of information, whether impacting us or third parties with which we do business, could result in losses, damage our reputation or relationships with customers and suppliers, expose us to the risks of litigation, regulatory action and liability, disrupt our operations and have a material adverse effect on our business, results of operations and financial condition. We continue to mitigate these risks in a number of ways, including through additional investment, engagement of third-party experts and consultants, improving the security of our facilities and systems, providing annual training for all employees (with more enhanced or frequent training based on role), assessing the continued appropriateness of relevant insurance coverage and strengthening our controls to monitor and mitigate these threats.

The domestic and international regulatory environment related to information security, collection and privacy is increasingly rigorous and complex, with new and rapidly changing requirements applicable to our business. Compliance with these requirements, including the European Union's General Data Protection Regulation, the California Consumer Privacy Act and other international and domestic regulations, could result in additional costs and changes to our business practices.

***Our ability to attract, retain, develop and progress a qualified workforce could adversely impact our business and impair our ability to meet our strategic objectives and the needs of our customers.***

Our continued success depends in part on our ability to identify, attract and onboard qualified candidates with the requisite education, background, skills and experience and our ability to retain, develop, progress and engage qualified employees across our business, including our stores, fleet, manufacturing, corporate and other operations and functions. Competition for talent is intense, and we are facing increased wage rates and labor shortages due to a tightened labor market and other macroeconomic conditions that have been exacerbated by the COVID-19 pandemic. To the extent we are unable to remain competitive with our compensation and benefits, talent management strategy, inclusive workplace culture and related initiatives, programs and practices, or if qualified candidates or employees become more difficult to attract or retain under reasonable terms, we may experience higher labor-related costs and may be unable to attract, retain, develop and progress a qualified workforce, which could adversely affect our business and future success and impair our ability to meet our strategic objectives and the needs of our customers.

***Inability to protect or enforce our material trademarks and other intellectual property rights could have an adverse effect on our business.***

We have numerous patents, trade secrets, trademarks, trade names and know-how that are valuable to our business. Despite our efforts to protect such intellectual property and other proprietary information from unauthorized use or disclosure, third parties may attempt to disclose, obtain or use our trademarks or such other intellectual property and information without our authorization. Although we rely on the patent, trademark, trade secret and copyright laws of the United States and other countries to protect our intellectual property rights, the laws of some countries may not protect such rights to the same extent as

the laws of the United States. Unauthorized use of our intellectual property by third parties, the failure of foreign countries to have laws to protect our intellectual property rights, or an inability to effectively enforce such rights in foreign countries could have an adverse effect on our business.

## **LEGAL AND REGULATORY RISKS**

***We are subject to a wide variety of complex domestic and foreign laws, rules and regulations, for which compliance could adversely affect our results of operations, cash flow or financial condition.***

We are subject to a wide variety of complex domestic and foreign laws, rules and regulations, and legal compliance risks, including securities laws, tax laws, employment and pension-related laws, competition laws, U.S. and foreign export and trading laws, data privacy and security laws, and laws governing improper business practices. We are affected by new laws and regulations, and changes to existing laws and regulations, including interpretations by courts and regulators. From time to time, our Company, our operations and the industries in which we operate may be reviewed or investigated by regulators, which could lead to enforcement actions or the assertion of private litigation claims and damages.

Although we believe we have adopted appropriate risk management and compliance programs to mitigate these risks, the global and diverse nature of our operations means compliance risks will continue to exist. Investigations, examinations and other proceedings, the nature and outcome of which cannot be predicted, likely will arise from time to time. These investigations, examinations and other proceedings could subject us to significant liability and require us to take significant accruals or pay significant settlements, fines and penalties, which could have a material adverse effect on our results of operations, cash flow or financial condition.

We are subject to tax laws and regulations in the United States and multiple foreign jurisdictions. We are affected by changes in tax laws and regulations, as well as changes in related interpretations and other tax guidance. In the ordinary course of our business, we are subject to examinations and investigations by various tax authorities and other regulators. In addition to existing examinations and investigations, there could be additional examinations and investigations in the future, and existing examinations and investigations could be expanded.

For non-income tax risks, we estimate material loss contingencies and accrue for such loss contingencies as required by U.S. generally accepted accounting principles based on our assessment of contingencies where liability is deemed probable and reasonably estimable in light of the facts and circumstances known to us at a particular point in time. Subsequent developments may affect our assessment and estimates of the loss contingency. In the event the loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material adverse effect on our results of operations or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable a liability has been incurred and cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material adverse effect on our results of operations, cash flow or financial condition for the annual or interim period during which such liability is accrued or paid. For income tax risks, we recognize tax benefits based on our assessment that a tax benefit has a greater than 50% likelihood of being sustained upon ultimate settlement with the applicable taxing authority that has full knowledge of all relevant facts. For those income tax positions where we determine there is not a greater than 50% likelihood such tax benefits will be sustained, we do not recognize a tax benefit in our financial statements. Subsequent events may cause us to change our assessment of the likelihood of sustaining a previously-recognized benefit which could result in a material adverse effect on our results of operations, cash flow or financial position for the annual or interim period during which such liability is accrued or paid.

We discuss risks and uncertainties with regard to taxes in more detail in Note 19 to the Consolidated Financial Statements in Item 8.

***We are required to comply with, and may become subject to additional, numerous complex and increasingly stringent domestic and foreign health, safety and environmental (including related to climate change) laws, regulations and requirements, the cost of which is likely to increase and may adversely affect our results of operations, cash flow or financial condition.***

Our operations are subject to various domestic and foreign health, safety and environmental laws, regulations and requirements, including those related to chemicals, climate change and the COVID-19 pandemic. These laws, regulations and requirements not only govern our current operations and products, but also impose potential liability on us for our past operations.

Increased global focus on climate change may result in the imposition of new or additional regulations or requirements applicable to, and increased financial risks for, our business and industry. A number of government authorities and agencies have introduced or are contemplating regulatory changes to address climate change, including the regulation of greenhouse gas emissions. The outcome of new legislation or regulation in the U.S. and other jurisdictions in which we operate may result in new or additional requirements, including to fund energy efficiency activities or renewable energy use, and fees or restrictions



on certain activities or materials. Compliance with these climate change initiatives may also result in additional costs to us, including, among other things, increased production costs, additional taxes, additional investments in renewable energy use and other initiatives, reduced emission allowances or additional restrictions on production or operations. We may not be able to timely recover the cost of compliance with such new or more stringent laws and regulations, which could adversely affect our results of operations, cash flow or financial condition.

We expect health, safety and additional environmental laws, regulations and requirements to be increasingly stringent upon our industry and us in the future. Our costs to comply with these laws, regulations and requirements may increase as they become more stringent in the future, and these increased costs may adversely affect our results of operations, cash flow or financial condition.

***We are involved with environmental investigation and remediation activities at some of our currently- and formerly-owned sites, as well as a number of third-party sites, for which our ultimate liability may exceed the current amount we have accrued.***

We are involved with environmental investigation and remediation activities at some of our currently- and formerly-owned sites and a number of third-party sites. We accrue for estimated costs of investigation and remediation activities at these sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs are based on currently available facts regarding each site. We continuously assess our potential liability for investigation and remediation activities and adjust our environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated. Due to the uncertainties surrounding environmental investigation and remediation activities, our liability may result in costs that are significantly higher than currently accrued and may have an adverse effect on our earnings. We discuss these risks and uncertainties in more detail in the “Environmental-Related Liabilities” and “Environmental Matters” sections in Item 7 and in Note 9 to the Consolidated Financial Statements in Item 8.

***The nature, cost, quantity and outcome of pending and future litigation, such as litigation arising from the historical manufacture and sale of lead pigments and lead-based paint, could have a material adverse effect on our results of operations, cash flow, liquidity and financial condition.***

In the course of our business, we are subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental (including natural resource damages), intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to us. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, we accrue for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event a loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to us may result in a material impact on our results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

Our past operations included the manufacture and sale of lead pigments and lead-based paints. Along with other companies, we are and have been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs’ claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. We have also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. We believe the litigation brought to date is without merit or subject to meritorious defenses and are vigorously defending such litigation. We expect additional lead pigment and lead-based paint litigation may be filed against us in the future asserting similar or different legal theories and seeking similar or different types of damages and relief. The Company will continue to vigorously defend against any additional lead pigment and lead-based paint litigation that may be filed, including utilizing all avenues of appeal, if necessary.



Notwithstanding our views on the merits, litigation is inherently subject to many uncertainties, and we ultimately may not prevail. Adverse court rulings or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against us and encourage an increase in the number and nature of future claims and proceedings. From time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which we and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings, or the effect any legislation and/or administrative regulations may have on the litigation or against us. Further, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the California public nuisance litigation, we have not accrued any amounts for such litigation because we do not believe it is probable that a loss has occurred, and we believe it is not possible to estimate the range of potential losses as there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. Due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to us arising out of such litigation may have a material adverse effect on our results of operations, cash flow, liquidity or financial condition. We discuss the risks and uncertainties related to litigation, including the lead pigment and lead-based paint litigation, in more detail in Note 10 to the Consolidated Financial Statements in Item 8.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

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## ITEM 2. PROPERTIES

We own our world headquarters located in Cleveland, Ohio, which includes the world headquarters for The Americas Group, Consumer Brands Group and Performance Coatings Group. Our principal manufacturing and distribution facilities are located as set forth below. We believe our manufacturing and distribution facilities are well-maintained and are suitable and adequate, with sufficient productive capacity, to meet our current needs.

	Manufacturing <sup>(1)</sup>			Distribution <sup>(1)</sup>		
	Leased	Owned	Total	Leased	Owned	Total
<b>Consumer Brands Group</b>						
Asia	1	5	6	1	3	4
Canada		3	3	1		1
Europe		3	3	1	3	4
Jamaica		1	1		1	1
Latin America	2	6	8	4	5	9
United States	6	31	37	11	1	12
Total	9	49	58	18	13	31
<b>Performance Coatings Group</b>						
Africa		1	1		1	1
Asia	2	3	5	2	2	4
Europe	1	17	18	4	12	16
Latin America	1	4	5	1	6	7
United States		10	10		9	9
Total	4	35	39	7	30	37

<sup>(1)</sup> Certain geographic locations may contain both manufacturing and distribution facilities.

The operations of The Americas Group included a leased distribution facility in Uruguay and 4,859 company-operated specialty paint stores, of which 217 were owned, in the United States, Canada, Puerto Rico, Virgin Islands, Grenada, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba, St. Lucia, Uruguay, Brazil, Chile, Peru, Mexico, Ecuador and Barbados at December 31, 2021. These paint stores are divided into six separate operating divisions that are responsible for the sale of predominantly architectural, protective and marine and related products through the paint stores located within their geographical region. At the end of 2021:

- the Mid Western Division operated 1,156 paint stores primarily located in the midwestern and upper west coast states;
- the Eastern Division operated 891 paint stores along the upper east coast and New England states;
- the Canada Division operated 246 paint stores throughout Canada;
- the Southeastern Division operated 1,151 paint stores principally covering the lower east and gulf coast states, Puerto Rico, Virgin Islands, Grenada, Trinidad and Tobago, St. Maarten, Jamaica, Curacao, Aruba, St. Lucia and Barbados;
- the South Western Division operated 1,105 paint stores in the central plains and the lower west coast states; and
- the Latin America Division operated 310 paint stores in Uruguay, Brazil, Chile, Peru, Mexico and Ecuador.

During 2021, The Americas Group opened 85 net new stores, consisting of 92 new stores opened (76 in the United States, 3 in Canada, 3 in South America and 10 in Mexico) and 7 stores closed (6 in the United States and 1 in South America).

The Performance Coatings Group operated 221 branches in the United States, of which 8 were owned, at December 31, 2021. The Performance Coatings Group also operated 61 branches internationally, of which 6 were owned, at December 31, 2021, consisting of branches in Canada (21), Europe (15), Chile (11), Mexico (5), Peru (4), Vietnam (3), Ecuador (1), and Brazil (1). During 2021, this segment opened one new branch and closed one branch for no net change in the number of branches operated.

All real property within the Administrative segment is owned by us. For additional information regarding real property within the Administrative segment, see the information set forth in Item 1 of this report, which is incorporated herein by reference.

For additional information regarding real property leases, see Note 8 to the Consolidated Financial Statements in Item 8.

### **ITEM 3. LEGAL PROCEEDINGS**

Securities and Exchange Commission regulations require disclosure of certain environmental matters when a governmental authority is a party to the proceedings and such proceedings involve potential monetary sanctions that the Company reasonably believes will exceed a specified threshold. Pursuant to these regulations, the Company uses a threshold of \$1 million for purposes of determining whether disclosure of any such proceedings is required.

For information regarding certain environmental-related matters and other legal proceedings, see the information included under the captions titled “Other Long-Term Liabilities” and “Litigation” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 1, 9, 10 and 18 to the “Notes to Consolidated Financial Statements” in Item 8. The information contained in Note 10 to the Consolidated Financial Statements is incorporated herein by reference.

### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**INFORMATION ABOUT OUR EXECUTIVE OFFICERS**

The following is the name, age and position of each of our executive officers and all persons chosen to become executive officers, as well as all prior positions held by each person during the last five years. Executive officers are generally elected annually by the Board of Directors and hold office until their successors are elected and qualified or until their earlier death, resignation or removal.

<u>Name</u>	<u>Age</u>	<u>Position</u>
John G. Morikis	58	Chairman and Chief Executive Officer, Director
Heidi G. Petz	47	President and Chief Operating Officer
Allen J. Mistysyn	53	Senior Vice President - Finance and Chief Financial Officer
Jane M. Cronin	54	Senior Vice President - Corporate Controller
Mary L. Garceau	49	Senior Vice President, General Counsel and Secretary
Thomas P. Gilligan	61	Senior Vice President - Human Resources
James R. Jaye	55	Senior Vice President - Investor Relations and Corporate Communications
Bryan J. Young	46	Senior Vice President - Corporate Strategy and Development
Justin T. Binns	46	President, The Americas Group
Karl J. Jorgenrud	45	President, Performance Coatings Group
Todd D. Rea	47	President, Consumer Brands Group
Joseph F. Sladek	51	President & General Manager, Global Supply Chain Division, Consumer Brands Group

Mr. Morikis has served as Chairman since January 2017, President since March 2021, and Chief Executive Officer since January 2016. Mr. Morikis served as President from October 2006 to March 2019 and Chief Operating Officer from October 2006 to January 2016. Mr. Morikis has served as a Director since October 2015 and has been employed with the Company since December 1984. Effective March 1, 2022, Mr. Morikis will serve as Chairman and Chief Executive Officer.

Ms. Petz has served as President, The Americas Group since March 2021. Ms. Petz served as Senior Vice President, Marketing, The Americas Group from November 2020 to March 2021 and President, Consumer Brands Group from September 2020 to November 2020. Also within the Consumer Brands Group, Ms. Petz served as President & General Manager, Retail North America from March 2019 to September 2020 and Senior Vice President, Marketing from June 2017 to March 2019. Prior to joining the Company in connection with the Valspar acquisition, Ms. Petz served as Vice President of Marketing, Consumer Business of Valspar from June 2013 to June 2017. Ms. Petz has been employed with the Company since June 2017. Effective March 1, 2022, Ms. Petz will serve as President and Chief Operating Officer.

Mr. Mistysyn has served as Senior Vice President - Finance and Chief Financial Officer since January 2017. Mr. Mistysyn has been employed with the Company since June 1990.

Ms. Cronin has served as Senior Vice President - Corporate Controller since October 2016. Ms. Cronin has been employed with the Company since September 1989.

Ms. Garceau has served as Senior Vice President, General Counsel and Secretary since August 2017. Ms. Garceau served as Vice President, Deputy General Counsel and Assistant Secretary from June 2017 to August 2017, Associate General Counsel and Assistant Secretary from April 2017 to June 2017 and Associate General Counsel from February 2014 to April 2017. Ms. Garceau has been employed with the Company since February 2014.

Mr. Gilligan has served as Senior Vice President - Human Resources since January 2016. Mr. Gilligan has been employed with the Company since October 1983.

Mr. Jaye has served as Senior Vice President - Investor Relations and Corporate Communications since June 2019. Mr. Jaye served as Vice President - Investor Relations from October 2017 to June 2019. Prior to joining the Company, Mr. Jaye served as Senior Director, Communications and Investor Relations at Nordson Corporation, manufacturer of dispensing products and systems, from October 2007 to October 2017. Mr. Jaye has been employed with the Company since October 2017.

Mr. Young has served as Senior Vice President - Corporate Strategy and Development since March 2021. Mr. Young served as Vice President - Corporate Strategy and Development from June 2017 to February 2021. Prior to joining the Company in

connection with the acquisition of The Valspar Corporation, Mr. Young served as Vice President, Corporate Development of Valspar from October 2015 to June 2017. Mr. Young has been employed with the Company since June 2017.

Mr. Binns has served as President, Performance Coatings Group since November 2020. Mr. Binns served as President & General Manager, Automotive Finishes Division, Performance Coatings Group from July 2018 to November 2020 and President & General Manager, Eastern Division, The Americas Group from October 2016 to July 2018. Mr. Binns has been employed with the Company since August 1997. Effective March 1, 2022, Mr. Binns will serve as President, The Americas Group.

Mr. Jorgenrud has served as President & General Manager, General Industrial Division, Performance Coatings Group since January 2020. Mr. Jorgenrud served as President & General Manager, Protective & Marine Division, Performance Coatings Group from June 2017 to December 2019. Prior to joining the Company in connection with the Valspar acquisition, Mr. Jorgenrud served as Vice President and General Manager, Global Functional Coatings of Valspar from September 2013 to June 2017. Mr. Jorgenrud has been employed with the Company since June 2017. Effective March 1, 2022, Mr. Jorgenrud will serve as President, Performance Coatings Group and will become an executive officer at that time.

Mr. Rea has served as President, Consumer Brands Group since November 2021. Mr. Rea served within the Consumer Brands Group as President of North America Sales from November 2020 to November 2021, Senior Vice President of Sales, Retail and National Accounts from November 2019 to November 2020, Senior Vice President of Sales, Lowe's Business Unit from March 2018 to November 2019, Senior Vice President of Sales, National Accounts from August 2017 to February 2018, and Vice President of Sales, National Accounts from April 2016 to August 2017. Mr. Rea has been employed with the Company since April 1993.

Mr. Sladek has served as President & General Manager, Global Supply Chain Division, Consumer Brands Group since January 2021. Mr. Sladek served within the Global Supply Chain Division, Consumer Brands Group as Senior Vice President, Global Operations & Engineering from August 2020 to January 2021, Senior Vice President, International & Industrial Operations from April 2019 to August 2020, Vice President, Excellence Initiatives from March 2017 to March 2019 and Vice President, Engineering & Manufacturing Quality from June 2014 to March 2017. Mr. Sladek has been employed with the Company since May 2007.

## PART II

### ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is listed on the New York Stock Exchange and traded under the symbol SHW. The number of shareholders of record at January 31, 2022 was 5,365. The information regarding securities authorized for issuance under the Company's equity compensation plans is set forth in our Proxy Statement under the caption "Equity Compensation Plan Information" and is incorporated by reference into Part III of this report.

#### Common Stock Split

During the first quarter of 2021, the Company's Board of Directors approved and declared a three-for-one stock split to shareholders of record at the close of business on March 23, 2021 (the Stock Split). The Stock Split was effected on March 31, 2021. All share and per share information herein has been retroactively adjusted to reflect the Stock Split.

#### Issuer Purchases of Equity Securities

The following table sets forth a summary of the Company's purchases of common stock during the fourth quarter of 2021.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Plan	Maximum Number of Shares that May Yet Be Purchased Under the Plan
October 1 – October 31				
Share repurchase program <sup>(1)</sup>	1,475,000	\$ 290.20	1,475,000	49,100,000
Employee transactions <sup>(2)</sup>	2,423	\$ 294.85		N/A
November 1 – November 30				
Share repurchase program <sup>(1)</sup>	200,000	\$ 333.69	200,000	48,900,000
Employee transactions <sup>(2)</sup>	715	\$ 330.67		N/A
December 1 – December 31				
Share repurchase program <sup>(1)</sup>	325,000	\$ 340.09	325,000	48,575,000
Employee transactions <sup>(2)</sup>	603	\$ 342.05		N/A
Total				
Share repurchase program <sup>(1)</sup>	2,000,000	\$ 302.66	2,000,000	48,575,000
Employee transactions <sup>(2)</sup>	3,741	\$ 309.30		N/A

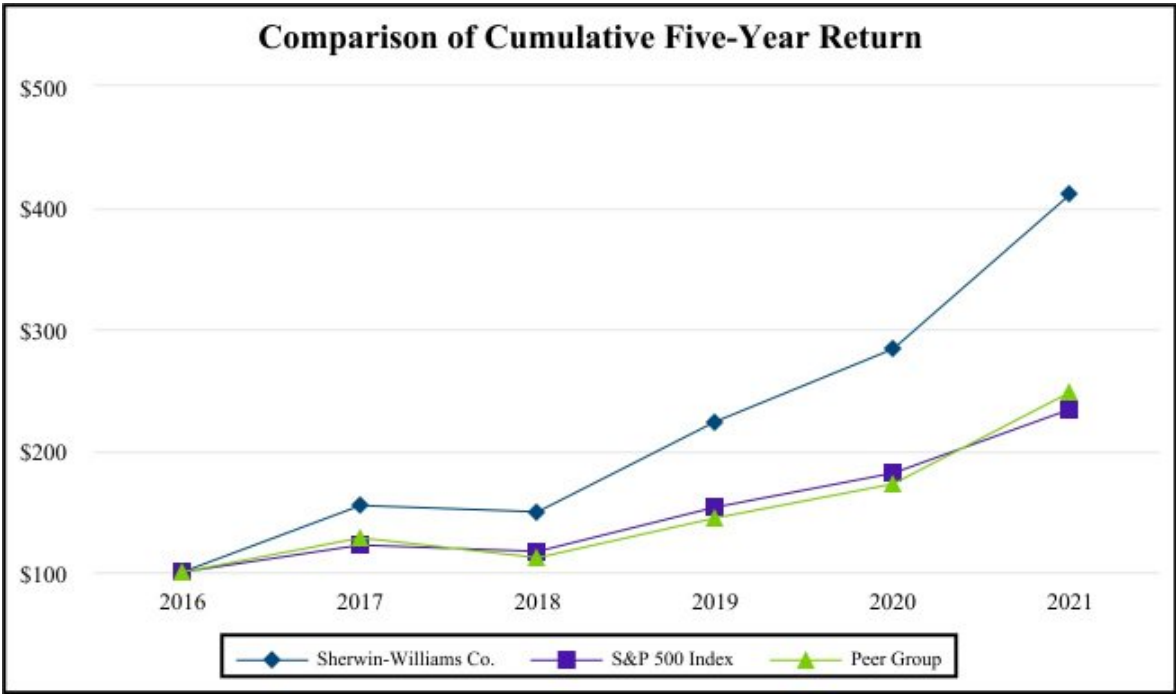
<sup>(1)</sup> Shares were purchased through the Company's publicly announced share repurchase program. On February 17, 2021, the Board of Directors authorized the Company to purchase an additional 45,000,000 shares of the Company's stock for treasury purposes. The Company had remaining authorization at December 31, 2021 to purchase 48,575,000 shares. There is no expiration date specified for the program.

<sup>(2)</sup> All shares were delivered to satisfy the exercise price and/or tax withholding obligations by employees who exercised stock options or had shares of restricted stock vest.



**Comparison of Cumulative Total Return**

The following graph compares the cumulative total shareholder return on Sherwin-Williams common stock with the cumulative five-year total return of the companies listed on the Standard & Poor’s 500 Stock Index and the peer groups of companies selected on a line-of-business basis. The cumulative five-year total return assumes \$100 was invested on December 31, 2016 in Sherwin-Williams common stock, the S&P 500 and the peer group. The cumulative five-year total return, including reinvestment of dividends, represents the cumulative value through December 31, 2021.



Peer group of companies comprised of the following: Akzo Nobel N.V., Axalta Coating Systems Ltd., BASF SE, Genuine Parts Company, H.B. Fuller Company, The Home Depot, Inc., Lowe’s Companies, Inc., Masco Corporation, Newell Brands Inc., PPG Industries, Inc., RPM International Inc., and Stanley Black & Decker, Inc.

**ITEM 6. [Reserved]**

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(dollars in millions, except as noted and per share data)

### Company Background

The Sherwin-Williams Company, founded in 1866, and its consolidated wholly owned subsidiaries (collectively, the Company) are engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America with additional operations in the Caribbean region and throughout Europe, Asia and Australia.

The Company is structured into three reportable segments – The Americas Group, Consumer Brands Group and Performance Coatings Group (collectively, the Reportable Segments) – and an Administrative segment in the same way it is internally organized for assessing performance and making decisions regarding allocation of resources. See Note 21 to the Consolidated Financial Statements in Item 8 for additional information on the Company's Reportable Segments.

### Summary

- Consolidated net sales increased 8.6% in the year to a record \$19.94 billion
  - Net sales from stores in U.S. and Canada open more than twelve calendar months increased 6.0% in the year
  - Raw material availability issues negatively impacted full year sales by a mid-single digit percentage
- Diluted net income per share decreased to \$6.98 per share in the year compared to \$7.36 per share in the full year 2020
  - Adjusted diluted net income per share decreased to \$8.15 per share in the year compared to \$8.19 per share in the full year 2020
- Completed a three-for-one stock split to improve accessibility to a broader base of investors
- Finalized the divestiture of our Wattyl business in Australia and New Zealand
- Continued to invest in acquisitions expanding our product offerings and manufacturing capacity

### Outlook

The Company navigated many uncertainties during 2021, including unprecedented raw material inflation, industry-wide supply chain disruptions, as well as temporary changes in the demand for our products due to the impacts of the COVID-19 pandemic earlier in the year and the Omicron variant later in the year. Despite the uncertainties, our businesses continue to be well-positioned, and we have confidence in our long-term outlook.

The COVID-19 pandemic continues to evolve and disrupt normal activities in many segments of the global economy. We continue to work with government and health authorities to operate our business, including our company-operated stores, manufacturing plants and other facilities. We also continue to follow recommended actions of government authorities and health officials in order to protect the health and well-being of our employees, customers and their families worldwide.

As we look to 2022, we are encouraged by the demand environment, which remains robust across our end markets. Our customers remain positive, and we expect that jobs delayed by raw material availability issues in 2021 will be completed in the quarters ahead rather than cancelled. We brought on 50 million gallons of incremental architectural paint production capacity in 2021 to meet this demand and will continue to add paint stores in 2022. We expect raw material availability to continue improving. We are implementing additional price increases to offset to the sustained cost inflation and expect raw material costs will ultimately moderate, enabling the recovery of our margins over time.

We intend to remain disciplined in our capital allocation approach, focused on driving value for our customers and returns for our shareholders. Capital expenditures, excluding our new global headquarters, will remain modest at approximately 2 percent of sales and we will continue to pursue acquisitions that fit our strategy. We expect to use any excess cash to make open market purchases of Company stock. Our balance sheet remains strong, and we expect debt to EBITDA to approach the high end of our target of 2.0 to 2.5 times range.

Please see Item 1A "Risk Factors" in Part I of this Annual Report on Form 10-K for further information regarding the current and potential impact of the COVID-19 pandemic and the potential impact of supply chain disruptions and raw material inflation on the Company.

### Common Stock Split

During the first quarter of 2021, the Company's Board of Directors approved and declared a three-for-one stock split to shareholders of record at the close of business on March 23, 2021 (the Stock Split). The Stock Split was effected on March 31, 2021. All share and per share information herein has been retroactively adjusted to reflect the Stock Split.

## RESULTS OF OPERATIONS

The following discussion and analysis addresses comparisons of material changes in the consolidated financial statements for the years ended December 31, 2021 and 2020. For comparisons of the years ended December 31, 2020 and 2019, see Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed on February 19, 2021.

### Net Sales

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
<b>Net Sales:</b>				
The Americas Group	\$ 11,217.0	\$ 10,383.2	\$ 833.8	8.0 %
Consumer Brands Group	2,721.6	3,053.4	(331.8)	(10.9)%
Performance Coatings Group	6,003.8	4,922.4	1,081.4	22.0 %
Administrative	2.2	2.7	(0.5)	(18.5)%
Total	<u>\$ 19,944.6</u>	<u>\$ 18,361.7</u>	<u>\$ 1,582.9</u>	<u>8.6 %</u>

Consolidated net sales for 2021 increased due primarily to selling price increases in all Reportable Segments and higher product sales volume in the Performance Coatings Group, partially offset by lower sales volume in the Consumer Brands Group. Currency translation rate changes increased 2021 consolidated net sales by 0.8%. Net sales of all consolidated foreign subsidiaries increased 17.9% to \$4.223 billion for 2021 versus \$3.581 billion for 2020 due primarily to returning demand in most industrial end markets globally. Net sales of all operations other than consolidated foreign subsidiaries increased 6.4% to \$15.722 billion for 2021 versus \$14.781 billion for 2020.

Net sales in The Americas Group increased due primarily to selling price increases in all end markets, while sales volume remained flat as a result of raw material availability challenges. Net sales from stores in U.S. and Canada open for more than twelve calendar months increased 6.0% in the year over last year's comparable period. Currency translation rate changes reduced net sales by 0.1% compared to 2020. During 2021, The Americas Group opened 92 new stores and closed 7 redundant locations for a net increase of 85 stores, with a net increase of 73 new stores in the U.S. and Canada. The total number of stores in operation at December 31, 2021 was 4,859 in the United States, Canada, Latin America and the Caribbean. The Americas Group's objective is to expand its store base an average of 2% each year, primarily through organic growth. Sales of products other than paint increased approximately 12.5% over last year. A discussion of changes in volume versus pricing for sales of products other than paint is not pertinent due to the wide assortment of general merchandise sold.

Net sales of the Consumer Brands Group decreased in 2021 primarily due to lower volume sales to most of the group's retail customers as DIY demand returned to more normal levels, raw material availability issues, and the WattyI divestiture, partially offset by selling price increases. In 2022, the Consumer Brands Group is focused on meeting customer needs through product development, building inventory, and optimizing the product assortment at existing customers.

The Performance Coatings Group's net sales in 2021 increased due primarily to higher sales volumes in most end markets and selling price increases. Currency translation rate changes increased net sales 2.2% compared to 2020. At December 31, 2021, the Performance Coatings Group had 282 branches open in the United States, Canada, Mexico, South America, Europe and Asia. In 2022, the Performance Coatings Group plans to continue expanding its worldwide presence, including improving its customer base and product offering.

Net sales in the Administrative segment, which primarily consists of external leasing revenue of excess headquarters space and leasing of facilities no longer used by the Company in its primary business, decreased by an insignificant amount in 2021.

## Income Before Income Taxes

The following table presents the components of income before income taxes as a percentage of net sales:

	Year Ended December 31,			
	2021		2020	
	% of Net Sales		% of Net Sales	
Net sales	\$	19,944.6	100.0 %	\$ 18,361.7 100.0 %
Cost of goods sold		11,401.9	57.2 %	9,679.1 52.7 %
Gross profit		8,542.7	42.8 %	8,682.6 47.3 %
Selling, general, and administrative expenses (SG&A)		5,572.5	27.9 %	5,477.9 29.8 %
Other general expense - net		101.8	0.5 %	27.7 0.2 %
Amortization		309.5	1.5 %	313.4 1.7 %
Impairment of trademarks		—	— %	2.3 — %
Interest expense		334.7	1.7 %	340.4 1.9 %
Interest and net investment income		(4.9)	— %	(3.6) — %
Other (income) expense - net		(19.5)	(0.1)%	5.3 — %
Income before income taxes	\$	2,248.6	11.3 %	\$ 2,519.2 13.7 %

Consolidated cost of goods sold increased \$1.723 billion, or 17.8% in 2021 compared to the same period in 2020 primarily due to higher raw material costs (including titanium dioxide and petrochemical feedstock sources) and unfavorable currency translation rate changes, partially offset by lower sales volumes primarily as a result of raw material availability issues during the second half of 2021. Currency translation rate changes increased Cost of goods sold by 1.1% in the current year.

Consolidated gross profit decreased \$139.9 million in 2021 compared to the same period in 2020. Consolidated gross profit as a percent to consolidated net sales decreased to 42.8% in 2021 from 47.3% in 2020. Consolidated gross profit dollars decreased primarily due to higher raw material costs in each Reportable Segment and lower sales volume in the Consumer Brands Group, partially offset by selling price increases in each Reportable Segment as well as higher sales volume in The Performance Coatings Group and The Americas Group. The gross margin rate decreased primarily as a result of higher raw material costs in each Reportable Segment.

The Americas Group's gross profit for 2021 increased \$134.7 million compared to the same period in 2020. The Americas Group's gross profit dollars increased primarily as a result of selling price increases, partially offset by higher raw material costs. The America's Group gross margin rate decreased primarily due to higher raw material costs. The Consumer Brands Group's gross profit decreased \$327.8 million in 2021 compared to the same period in 2020. The Consumer Brands Group's gross profit dollars and margin rate decreased primarily as a result of lower sales volume, the Wattyl divestiture, higher raw material costs and supply chain inefficiencies. The Performance Coatings Group's gross profit for 2021 increased \$58.6 million compared to the same period in 2020. The Performance Coatings Group's gross profit dollars increased due to higher sales and favorable currency translation rate changes, partially offset by higher raw material costs. The Performance Coatings Group's gross margin rate decreased primarily due to higher raw material costs, partially offset by higher sales volumes and selling price increases.

Consolidated SG&A increased by \$94.6 million due primarily to increased expenses to support higher sales levels and net new store openings, partially offset by good cost control. As a percent of net sales, SG&A decreased 190 basis points compared to the same period in 2020 as a result of good cost control, partially offset by increased spending from new store openings and costs to support higher sales levels.

The Americas Group's SG&A increased \$196.3 million for the year due primarily to increased spending from new store openings and costs to support higher sales levels, including the hiring of additional sales representatives. The Consumer Brands Group's SG&A decreased by \$104.9 million for the year primarily due to good sales and marketing cost control in line with a return to more normal DIY sales levels. The Performance Coatings Group's SG&A increased by \$75.4 million for the year primarily to support higher sales levels and unfavorable currency translation rate changes, partially offset by good cost control. The Administrative segment's SG&A decreased \$72.2 million primarily due to lower compensation, including incentive compensation.

Other general expense - net increased \$74.1 million in 2021 compared to 2020. The increase was primarily attributable to the recognition of a \$111.9 million loss on the Wattyl divestiture in March 2021, partially offset by a \$41.1 million decrease in provisions for environmental matters in the Administrative segment. See Notes 3, 9 and 18 to the Consolidated Financial Statements in Item 8 for additional information concerning the Wattyl divestiture, environmental matters and Other general expense - net, respectively.

For information on the amortization of acquired intangible assets and related impairment considerations, see Note 5 to the Consolidated Financial Statements in Item 8.

Interest expense decreased \$5.7 million in 2021 primarily due to lower expense associated with short-term borrowings. See Note 6 to the Consolidated Financial Statements in Item 8 for additional information on the Company's outstanding debt.

Other (income) expense - net improved \$24.8 million in 2021 compared to 2020 primarily due to the \$21.3 million loss recognized upon extinguishment of debt in 2020 in the Administrative segment. See Notes 6 and 18 to the Consolidated Financial Statements in Item 8 for additional information related to debt and Other (income) expense - net, respectively.

The following table presents income before income taxes by segment and as a percentage of net sales by segment:

	Year Ended December 31,			
	2021	2020	\$ Change	% Change
<b>Income Before Income Taxes:</b>				
The Americas Group	\$ 2,239.1	\$ 2,294.1	\$ (55.0)	(2.4)%
Consumer Brands Group	358.4	579.6	(221.2)	(38.2)%
Performance Coatings Group	486.2	500.1	(13.9)	(2.8)%
Administrative	(835.1)	(854.6)	19.5	2.3 %
Total	\$ 2,248.6	\$ 2,519.2	\$ (270.6)	(10.7)%
<b>Income Before Income Taxes as a % of Net Sales:</b>				
The Americas Group	20.0 %	22.1 %		
Consumer Brands Group	13.2 %	19.0 %		
Performance Coatings Group	8.1 %	10.2 %		
Administrative	nm	nm		
Total	11.3 %	13.7 %		

nm - not meaningful

#### Income Tax Expense

The effective income tax rate for 2021 was 17.1% compared to 19.4% in 2020. The decrease in the effective rate was primarily due to an increase in tax benefits related to employee share-based payments and the net favorable impact of various other tax benefits received by the Company in the current year. See Note 19 to the Consolidated Financial Statements in Item 8 for additional information.

#### Net Income Per Share

Diluted net income per share for 2021 decreased to \$6.98 per share from \$7.36 per share for 2020. Diluted net income per share in 2021 included acquisition-related amortization expense of \$0.83 per share and a \$0.34 per share loss from the Wattyl divestiture. See Note 3 to the Consolidated Financial Statements in Item 8 for additional information regarding the Wattyl divestiture. Currency translation rate changes decreased diluted net income per share in the year by \$0.05 per share.

Diluted net income per share in 2020 included acquisition-related amortization expense of \$0.83 per share.

## FINANCIAL CONDITION, LIQUIDITY AND CASH FLOW

### Overview

The Company's financial condition, liquidity and cash flow continued to be strong in 2021. The Company generated \$2.245 billion in net operating cash despite ongoing and industry-wide raw material availability issues which negatively impacted total sales and gross margins. The net operating cash generation was primarily attributable to operating results as consolidated income before income taxes was \$2.249 billion or 11.3% of net sales. The strong cash generation, along with an increase in our short-term borrowings and long-term debt, allowed the Company to invest \$372.0 million in capital expenditures and return \$3.339 billion to shareholders in the form of cash dividends and share buybacks during the year.

During 2021, the Company generated EBITDA of \$3.156 billion and Adjusted EBITDA of \$3.268 billion. See the Non-GAAP Financial Measures section in Item 7 for definition and calculation of EBITDA and Adjusted EBITDA. As of December 31, 2021, the Company had Cash and cash equivalents of \$165.7 million and total debt outstanding of \$9.615 billion. Total debt, net of Cash and cash equivalents, was \$9.449 billion and was 2.9 times the Company's Adjusted EBITDA in 2021.

### Net Working Capital

Net working capital, defined as Total current assets less Total current liabilities, decreased \$662.8 million to a deficit of \$665.8 million at December 31, 2021 from a deficit of \$3.0 million at December 31, 2020. The net working capital decrease is due to an increase in current liabilities, partially offset by an increase in current assets.

Comparing current asset balances at December 31, 2021 to December 31, 2020, Accounts receivable increased \$274.3 million due to higher sales, Inventories increased \$123.1 million due to higher raw material costs, and Other current assets increased \$125.8 million primarily related to refundable income taxes and prepaid expenses.

Current liability balances increased \$1.125 billion at December 31, 2021 compared to December 31, 2020 primarily due to a \$763.4 million increase in Short-term borrowings and \$235.5 million increase in the Current portion of long-term debt. Excluding Short-term borrowings and the Current portion of long-term debt, current liabilities increased \$126.2 million primarily due to the timing of payments related to accounts payable, partially offset by lower accruals, including compensation.

As a result of the net effect of these changes, the Company's current ratio decreased to 0.88 at December 31, 2021 from 1.00 at December 31, 2020. Accounts receivable as a percent of net sales increased to 11.8% in 2021 from 11.3% in 2020. Accounts receivable days outstanding remained unchanged at 57 days in 2021. In 2021, provisions for allowance for doubtful collection of accounts decreased \$4.6 million, or 8.6%. Inventories as a percent of net sales decreased to 9.7% in 2021 from 9.8% in 2020. Inventory days outstanding was 75 days in 2021 compared to 74 days in 2020. The Company has sufficient total available borrowing capacity to fund its current operating needs.

### Property, Plant and Equipment

Net property, plant and equipment increased \$32.8 million to \$1.867 billion at December 31, 2021 due primarily to capital expenditures of \$372.0 million, assets acquired through business combinations of \$33.5 million, partially offset by depreciation expense of \$263.1 million, sale or disposition of assets with remaining net book value of \$53.1 million, and other adjustments of \$56.5 million, which includes government incentives associated with the construction of our new global headquarters (new headquarters) in downtown Cleveland, Ohio and new research and development (R&D) center in the Cleveland suburb of Brecksville and currency translation.

Capital expenditures during 2021 in The Americas Group were primarily attributable to the opening of new paint stores and renovation and improvements in existing stores. In the Consumer Brands Group and the Performance Coatings Group, capital expenditures during 2021 were primarily attributable to operational efficiencies, capacity, health and safety at sites currently in operation. The Administrative segment incurred capital expenditures primarily related to construction activities associated with the new headquarters and new R&D center. The Company has committed to spend a minimum of \$600 million of capital expenditures to build both the new headquarters and R&D center. Construction on the new headquarters and R&D center is expected to continue in 2022, with completion in 2024 at the earliest. The Company has not made any decisions regarding the disposition of the Company's current Cleveland-area headquarters and R&D centers, which are all owned by the Company.

In 2022, the Company expects to spend more than 2021 for capital expenditures. The predominant share of the capital expenditures in 2022 is expected to be for various productivity improvement and maintenance projects at existing manufacturing, distribution and research and development facilities, new store openings, new or upgraded information systems hardware and the new headquarters and R&D center in Ohio. The Company does not anticipate the need for any specific long-term external financing to support these capital expenditures.

Goodwill and Intangible Assets

Goodwill, which represents the excess of cost over the fair value of net assets acquired in purchase business combinations, increased \$85.5 million in 2021 primarily due to incremental goodwill recognized in 2021 acquisitions of \$155.6 million, partially offset by foreign currency translation rate fluctuations and the Wattyl divestiture.

Intangible assets decreased \$469.7 million in 2021 primarily due to amortization of finite-lived intangible assets of \$309.5 million, dispositions of \$148.5 million primarily related to Wattyl divestiture, and foreign currency translation rate fluctuations of \$37.2 million, partially offset by finite-lived intangible assets recognized in 2021 through acquisitions of \$25.5 million.

See Note 3 to the Consolidated Financial Statements in Item 8 for additional information related to acquisitions and divestitures. See Note 5 to the Consolidated Financial Statements in Item 8 for a description of goodwill, identifiable intangible assets and asset impairments recognized in accordance with the Goodwill and Other Intangibles Topic of the ASC and summaries of the remaining carrying values of goodwill and intangible assets.

Other Assets

Other assets increased \$94.7 million to \$789.0 million at December 31, 2021. The increase was primarily due to incremental deposits and investments (including an increase in deferred pension assets), partially offset by the sale of investments to fund the Company's domestic defined contribution plan. See Note 7 to the Consolidated Financial Statements in Item 8 for additional information related to the domestic defined contribution plan.

Debt (including Short-term borrowings)

	December 31, 2021	December 31, 2020
Long-term debt	\$ 8,851.5	\$ 8,292.0
Short-term borrowings	763.5	0.1
Total debt outstanding	\$ 9,615.0	\$ 8,292.1

Total debt including Short-term borrowings increased by \$1.323 billion to \$9.615 billion in 2021. Short-term borrowings are primarily comprised of amounts outstanding under the Company's domestic commercial paper program and various foreign credit facilities. The Company's long-term debt primarily consists of senior notes.

In November 2021, the Company issued \$500.0 million of 2.20% Senior Notes due March 2032 and \$500.0 million of 2.90% Senior Notes due March 2052 in a public offering. The net proceeds from the issuance of these notes were used to repay outstanding borrowings under the Company's domestic commercial paper program.

In October 2021, the Company redeemed the entire outstanding \$400.0 million aggregate principal amount of its 4.20% Senior Notes due 2022 and its 4.20% Notes due 2022 initially issued by The Valspar Corporation (collectively, the 4.20% Senior Notes) after exercising its optional redemption rights. The 4.20% Senior Notes were redeemed at a redemption price equal to 100% of the principal amount, plus accrued interest, and resulted in a gain of \$1.4 million recorded in Other (income) expense - net.

On June 29, 2021, the Company and two of its wholly-owned subsidiaries, Sherwin-Williams Canada Inc. (SW Canada) and Sherwin-Williams Luxembourg S.à r.l. (SW Luxembourg, together with the Company and SW Canada, the Borrowers), entered into a new five-year \$2.000 billion credit agreement (New Credit Agreement). The New Credit Agreement may be used for general corporate purposes, including the financing of working capital requirements. The New Credit Agreement replaced the \$2.000 billion credit agreement dated July 19, 2018, as amended, which was terminated effective June 29, 2021. The New Credit Agreement will mature on June 29, 2026 and provides that the Company may request to extend the maturity date of the facility for two additional one-year periods. In addition, the New Credit Agreement provides that the Borrowers may increase the aggregate amount of the facility to \$2.750 billion, subject to the discretion of each lender to participate in the increase, and the Borrowers may request letters of credit in an amount of up to \$250.0 million. At December 31, 2021 and 2020, there were no short-term borrowings under these credit agreements.

On August 2, 2021, the Company entered into an amended and restated \$625.0 million credit agreement (August 2021 Credit Agreement), which amends and restates the five-year credit agreement entered into in September 2017. The August 2021 Credit Agreement was subsequently amended on multiple dates to extend the maturity of commitments available for borrowing or letters of credit under the agreement. On May 9, 2016, the Company entered into a five-year credit agreement (May 2016 Credit Agreement), subsequently amended on multiple dates to extend the maturity of commitments available for borrowing or letters of credit under the agreement. The May 2016 credit agreement gives the Company the right to borrow and obtain letters of



credit up to an aggregate availability of \$875.0 million. Both of these credit agreements are being used for general corporate purposes. At December 31, 2021 and 2020, there were no borrowings outstanding under these credit agreements.

The Company's available capacity under its committed credit agreements is reduced for amounts outstanding under its domestic commercial paper program and letters of credit. At December 31, 2021, the Company had unused capacity under its various credit agreements of \$2.725 billion.

See Note 6 to the Consolidated Financial Statements in Item 8 for a detailed description and summary of the Company's outstanding debt, short-term borrowings and other available financing programs.

#### Defined Benefit Pension and Other Postretirement Benefit Plans

In accordance with the accounting prescribed by the Retirement Benefits Topic of the ASC, the Company's total liability for unfunded or underfunded defined benefit pension plans decreased \$31.3 million to \$79.0 million primarily due to changes in the actuarial assumptions. The Company's liability for other postretirement benefits decreased \$15.2 million to \$276.4 million at December 31, 2021 due primarily to changes in the actuarial assumptions.

The assumed discount rate used to determine the projected benefit obligation for domestic defined benefit pension plans was 3.1% at December 31, 2021 and 2.9% at December 31, 2020. The assumed discount rate used to determine the projected benefit obligation for foreign defined benefit pension plans increased to 2.3% at December 31, 2021 from 1.6% at December 31, 2020. The increase in the discount rates for both the domestic and foreign defined benefit pension plans was primarily due to higher interest rates. The assumed discount rate used to determine the projected benefit obligation for other postretirement benefit obligations increased to 2.8% at December 31, 2021 from 2.5% at December 31, 2020 for the same reason.

The rate of compensation increases used to determine the projected benefit obligations at December 31, 2021 was 3.0% for the domestic pension plan and 3.3% for foreign pension plans, which was comparable to the rates used in the prior year. In deciding on the rate of compensation increases, management considered historical Company increases as well as expectations for future increases. The expected long-term rate of return on assets remained 5.0% at December 31, 2021 for the domestic pension plan and was slightly lower for most foreign plans. In establishing the expected long-term rate of return on plan assets for 2021, management considered the historical rates of return, the nature of investments and an expectation for future investment strategies. The assumed health care cost trend rates used to determine the net periodic benefit cost of other postretirement benefits for 2021 were 5.1% and 8.3%, respectively, for medical and prescription drug cost increases, both decreasing gradually to 4.5% in 2029. In developing the assumed health care cost trend rates, management considered industry data, historical Company experience and expectations for future health care costs.

For 2022 net pension cost for the ongoing domestic pension plan, the Company will use a discount rate of 3.1%, an expected long-term rate of return on assets of 5.0% and a rate of compensation increase of 3.0%. Lower discount rates and expected long-term rates of return on plan assets will be used for most foreign plans. For 2022 net periodic benefit costs for other postretirement benefits, the Company will use a discount rate of 2.8%. Net pension cost in 2022 for the ongoing domestic pension plan is expected to be approximately \$1.5 million. Net periodic benefit costs for other postretirement benefits in 2022 is expected to be approximately \$11.0 million. See Note 7 to the Consolidated Financial Statements in Item 8 for additional information on the Company's obligations and funded status of its defined benefit pension plans and other postretirement benefits.

#### Deferred Income Taxes

Deferred income taxes at December 31, 2021 decreased \$77.9 million from the prior year primarily due to the change in deferred taxes as a result of the amortization of intangible assets in the current year. See Note 19 to the Consolidated Financial Statements in Item 8 for additional information on deferred taxes.

#### Other Long-Term Liabilities

Other long-term liabilities increased \$47.1 million during 2021 due primarily to an increase in long-term commitments related to affordable housing and historic real estate properties, partially offset by the payment of U.S. federal payroll withholding taxes in accordance with the terms of the legislatively authorized tax payment deferral mechanisms established in 2020.

#### Environmental-Related Liabilities

The operations of the Company, like those of other companies in the same industry, are subject to various federal, state and local environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

Depreciation of capital expenditures and other expenses related to ongoing environmental compliance measures were included in the normal operating expenses of conducting business. The Company's capital expenditures, depreciation and other expenses related to ongoing environmental compliance measures were not material to the Company's financial condition, liquidity, cash flow or results of operations during 2021. Management does not expect that such capital expenditures, depreciation and other expenses will be material to the Company's financial condition, liquidity, cash flow or results of operations in 2022. See Note 9 to the Consolidated Financial Statements in Item 8 for further information on environmental-related long-term liabilities.

#### Contractual and Other Obligations and Commercial Commitments

During 2021, the Company signed agreements related to various acquisitions, including related to the European industrial coatings business of Sika AG (Sika). The Sika transaction is expected to close in the first quarter of 2022. Refer to Note 3 for additional information. The Company has certain obligations and commitments to make future payments under contractual and other obligations and commercial commitments. The Company believes that cash generated from operating activities and borrowings available under long-term and short-term debt, including its committed credit agreements and commercial paper program, will be sufficient for it to meet its contractual and other obligations and commercial commitments. The following tables summarize such obligations and commitments as of December 31, 2021.

Contractual and Other Obligations	Payments Due by Period				
	Total	Less Than 1 Year	1–3 Years	3–5 Years	More Than 5 Years
Long-term debt	\$ 8,935.0	\$ 260.8	\$ 501.1	\$ 1,000.2	\$ 7,172.9
Interest on Long-term debt	4,265.4	285.9	556.7	500.2	2,922.6
Operating leases	2,035.4	455.2	735.3	470.3	374.6
Short-term borrowings	763.5	763.5			
California litigation accrual	52.7	12.0	24.0	16.7	
Real estate financing transactions	191.4	14.2	30.4	30.7	116.1
Purchase obligations <sup>(1)</sup>	630.0	630.0			
Other contractual obligations <sup>(2)</sup>	355.5	65.7	66.5	64.3	159.0
<b>Total contractual cash obligations</b>	<b>\$ 17,228.9</b>	<b>\$ 2,487.3</b>	<b>\$ 1,914.0</b>	<b>\$ 2,082.4</b>	<b>\$ 10,745.2</b>

<sup>(1)</sup> Relate to open purchase orders for raw materials at December 31, 2021.

<sup>(2)</sup> Relate primarily to estimated future capital contributions to investments in the U.S. affordable housing and historic renovation real estate partnerships and various other contractual obligations.

Commercial Commitments	Amount of Commitment Expiration Per Period				
	Total	Less Than 1 Year	1–3 Years	3–5 Years	More Than 5 Years
Standby letters of credit	\$ 89.2	\$ 89.2			
Surety bonds	151.7	151.7			
<b>Total commercial commitments</b>	<b>\$ 240.9</b>	<b>\$ 240.9</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

#### Warranties

The Company offers product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience and included an amount in Other accruals. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2021 and 2020, including customer satisfaction settlements during the year, were as follows:

	2021	2020
Balance at January 1	\$ 43.3	\$ 42.3
Charges to expense	27.5	38.1
Settlements	(35.6)	(37.1)
<b>Balance at December 31</b>	<b>\$ 35.2</b>	<b>\$ 43.3</b>

### Shareholders' Equity

Shareholders' equity decreased \$1.174 billion to \$2.437 billion at December 31, 2021 from \$3.611 billion last year. The decrease was primarily attributable to the Company repurchasing \$2.752 billion in Treasury stock and declaring \$587.1 million in cash dividends, partially offset by \$1.864 billion of net income and an increase of \$268.3 million associated with stock option exercises and the recognition of stock-based compensation expense. See the Statements of Consolidated Shareholders' Equity and Statements of Consolidated Comprehensive Income in Item 8 for additional information.

The Company purchased 10.1 million shares of its common stock for treasury purposes through open market purchases during 2021. The Company acquires its common stock for general corporate purposes, and depending on its cash position and market conditions, it may acquire shares in the future. On February 17, 2021, the Board of Directors authorized the Company to purchase an additional 45.0 million shares of the Company's stock for treasury purposes. The Company had remaining authorization from its Board of Directors at December 31, 2021 to purchase 48.6 million shares of its common stock.

The Company's 2021 annual cash dividend of \$2.20 per share represented 30% of 2020 diluted net income per share. The 2021 annual dividend represented the 43<sup>rd</sup> consecutive year of increased dividend payments since the dividend was suspended in 1978. On February 16, 2022, the Board of Directors increased the quarterly cash dividend to \$0.60 per share. This quarterly dividend, if approved in each of the remaining quarters of 2022, would result in an annual dividend for 2022 of \$2.40 per share or a 34% payout of 2021 diluted net income per share.

### Cash Flow

Net operating cash decreased \$1.164 billion in 2021 to a cash source of \$2.245 billion from \$3.409 billion in 2020 due primarily to incremental working capital requirements and a decrease in net income, partially offset by favorable changes in non-cash items associated with the Wattyl divestiture and deferred taxes when compared to 2020. Net operating cash decreased as a percent to sales to 11.3% in 2021 compared to 18.6% in 2020.

Net investing cash usage increased \$154.0 million to a usage of \$476.4 million in 2021 from a usage of \$322.4 million in 2020 due primarily to cash used for acquisitions and an increase in capital expenditures, partially offset by higher proceeds received from the sale of businesses and assets (including the Wattyl divestiture). See Note 3 to the Consolidated Financial Statements in Item 8 for additional information on acquisitions and divestitures.

Net financing cash usage decreased \$1.186 billion to a usage of \$1.834 billion in 2021 from a usage of \$3.020 billion in 2020 due primarily to \$1.746 billion of incremental cash provided by short-term borrowings and long-term debt, partially offset by an increase of \$405.1 million, or 13.8%, in cash returned to shareholders in the form of cash dividends and share buybacks during the year and lower proceeds from treasury stock issuances.

### Litigation

See Note 10 to the Consolidated Financial Statements in Item 8 for information concerning litigation.

### Market Risk

The Company is exposed to market risk associated with interest rate, foreign currency and commodity fluctuations. The Company occasionally utilizes derivative instruments as part of its overall financial risk management policy, but does not use derivative instruments for speculative or trading purposes. In 2021 and 2020, the Company entered into foreign currency forward contracts with maturity dates of less than twelve months primarily to hedge against value changes in foreign currency and cross currency swap contracts to hedge its net investment in European operations. See Notes 1, 15 and 18 to the Consolidated Financial Statements in Item 8 for additional information related to the Company's use of derivative instruments.

The Company believes it may be exposed to continuing market risk from foreign currency exchange rate and commodity price fluctuations. However, the Company does not expect that foreign currency exchange rate and commodity price fluctuations or hedging contract losses will have a material adverse effect on the Company's financial condition, results of operations or cash flows.

### Financial Covenant

Certain borrowings contain a consolidated leverage covenant. The covenant states the Company's leverage ratio is not to exceed 3.75 to 1.00. The leverage ratio is defined as the ratio of total indebtedness (the sum of Short-term borrowings, Current portion of long-term debt and Long-term debt) at the reporting date to consolidated "Earnings Before Interest, Taxes, Depreciation and Amortization" (EBITDA) for the 12-month period ended on the same date. Refer to the "Non-GAAP Financial Measures" section in Item 7 for a reconciliation of EBITDA to net income. At December 31, 2021, the Company was in compliance with the covenant. The Company's Notes, Debentures and revolving credit agreement contain various default and cross-default provisions. In the event of default under any one of these arrangements, acceleration of the maturity of any

one or more of these borrowings may result. See Note 6 to the Consolidated Financial Statements in Item 8 for additional information.

Employee Stock Ownership Plan

Participants in the Company's employee stock ownership plan (ESOP) are allowed to contribute up to the lesser of 50% of their annual compensation and the maximum dollar amount allowed under the Internal Revenue Code. The Company matches 6% of eligible employee contributions. The Company's matching contributions to the ESOP charged to operations were \$133.7 million in 2021 compared to \$120.0 million in 2020. At December 31, 2021, there were 20,639,085 shares of the Company's common stock being held by the ESOP, representing 7.9% of the total number of voting shares outstanding. See Note 12 to the Consolidated Financial Statements in Item 8 for additional information concerning the Company's ESOP.

## NON-GAAP FINANCIAL MEASURES

Management utilizes certain financial measures that are not in accordance with U.S. generally accepted accounting principles (US GAAP) to analyze and manage the performance of the business. The required disclosures for these non-GAAP measures are shown below. The Company provides such non-GAAP information in reporting its financial results to give investors additional data to evaluate the Company's operations. Management does not, nor does it suggest investors should, consider such non-GAAP measures in isolation from, or in substitution for, financial information prepared in accordance with US GAAP.

### *EBITDA and Adjusted EBITDA*

Earnings before interest, taxes, depreciation and amortization (EBITDA) is a non-GAAP financial measure defined as net income before income taxes and interest, depreciation and amortization. Adjusted EBITDA is a non-GAAP financial measure that excludes the loss on the Wattyl divestiture. Management considers EBITDA and Adjusted EBITDA useful in understanding the operating performance of the Company. The reader is cautioned that the Company's EBITDA and Adjusted EBITDA should not be compared to other entities unknowingly. Further, EBITDA and Adjusted EBITDA should not be considered alternatives to net income or net operating cash as an indicator of operating performance or as a measure of liquidity. The reader should refer to the determination of net income and net operating cash in accordance with US GAAP disclosed in the Statements of Consolidated Income and Statements of Consolidated Cash Flows in Item 8.

The following table summarizes EBITDA and Adjusted EBITDA as calculated by management for the years indicated below:

<i>(millions of dollars)</i>	Year Ended December 31,	
	2021	2020
Net income	\$ 1,864.4	\$ 2,030.4
Interest expense	334.7	340.4
Income taxes	384.2	488.8
Depreciation	263.1	268.0
Amortization	309.5	313.4
EBITDA	3,155.9	3,441.0
Loss on Wattyl divestiture	111.9	—
Adjusted EBITDA	\$ 3,267.8	\$ 3,441.0

### *Free Cash Flow*

Free Cash Flow is a non-GAAP financial measure defined as Net operating cash, as shown in the Statements of Consolidated Cash Flows, less the amount reinvested in the business for Capital expenditures and the return of investment to its shareholders by the payment of cash dividends. Management considers Free Cash Flow to be a useful tool in its determination of appropriate uses of the Company's Net operating cash. The reader is cautioned that the Free Cash Flow measure should not be compared to other entities unknowingly as it may not be comparable and it does not consider certain non-discretionary cash flows, such as mandatory debt and interest payments. The amount shown below should not be considered an alternative to Net operating cash or other cash flow amounts provided in accordance with US GAAP as disclosed in the Statements of Consolidated Cash Flows in Item 8.

The following table summarizes Free Cash Flow as calculated by management for the years indicated below:

<i>(millions of dollars)</i>	Year Ended December 31,	
	2021	2020
Net operating cash	\$ 2,244.6	\$ 3,408.6
Capital expenditures	(372.0)	(303.8)
Cash dividends	(587.1)	(488.0)
Free cash flow	\$ 1,285.5	\$ 2,616.8

### Adjusted Diluted Net Income Per Share

Management of the Company believes that investors' understanding of the Company's operating performance is enhanced by the disclosure of diluted net income per share excluding the loss on divestiture of Wattyl and Valspar acquisition-related amortization expense. This adjusted earnings per share measurement is not in accordance with US GAAP. It should not be considered a substitute for earnings per share in accordance with US GAAP and may not be comparable to similarly titled measures reported by other companies.

The following tables reconcile diluted net income per share computed in accordance with US GAAP to adjusted diluted net income per share.

	Year Ended December 31, 2021		
	Pre-Tax	Tax Effect <sup>(1)</sup>	After-Tax
Diluted net income per share			\$ 6.98
Loss on Wattyl divestiture	\$ .41	\$ .07	.34
Acquisition-related amortization expense <sup>(2)</sup>	1.10	.27	.83
Adjusted diluted net income per share			\$ 8.15

	Year Ended December 31, 2020		
	Pre-Tax	Tax Effect <sup>(1)</sup>	After-Tax
Diluted net income per share			\$ 7.36
Acquisition-related amortization expense <sup>(2)</sup>	1.10	.27	.83
Adjusted diluted net income per share			\$ 8.19

<sup>(1)</sup> The tax effect is calculated based on the statutory rate and the nature of the item, unless otherwise noted.

<sup>(2)</sup> Acquisition-related amortization expense consists primarily of the amortization of intangible assets related to the Valspar acquisition and is included in Amortization.

### Adjusted Segment Profit

Management of the Company believes that investors' understanding of the Company's operating performance is enhanced by the disclosure of segment profit excluding the loss on divestiture of Wattyl and Valspar acquisition-related amortization expense. This adjusted segment profit measurement is not in accordance with US GAAP. It should not be considered a substitute for segment profit in accordance with US GAAP and may not be comparable to similarly titled measures reported by other companies. The following tables reconcile segment profit computed in accordance with US GAAP to adjusted segment profit.

Year Ended December 31, 2021					
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Total
Net external sales	\$ 11,217.0	\$ 2,721.6	\$ 6,003.8	\$ 2.2	\$ 19,944.6
Income before income taxes	\$ 2,239.1	\$ 358.4	\$ 486.2	\$ (835.1)	\$ 2,248.6
as a % of Net external sales	20.0 %	13.2 %	8.1 %		11.3 %
Loss on Wattyl divestiture	—	—	—	111.9	111.9
Acquisition-related amortization expense <sup>(1)</sup>	—	82.8	211.2	—	294.0
Adjusted segment profit	\$ 2,239.1	\$ 441.2	\$ 697.4	\$ (723.2)	\$ 2,654.5
as a % of Net external sales	20.0 %	16.2 %	11.6 %		13.3 %

Year Ended December 31, 2020					
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Total
Net external sales	\$ 10,383.2	\$ 3,053.4	\$ 4,922.4	\$ 2.7	\$ 18,361.7
Income before income taxes	\$ 2,294.1	\$ 579.6	\$ 500.1	\$ (854.6)	\$ 2,519.2
as a % of Net external sales	22.1 %	19.0 %	10.2 %		13.7 %
Acquisition-related amortization expense <sup>(1)</sup>	—	90.5	213.1	0.9	304.5
Adjusted segment profit	\$ 2,294.1	\$ 670.1	\$ 713.2	\$ (853.7)	\$ 2,823.7
as a % of Net external sales	22.1 %	21.9 %	14.5 %		15.4 %

<sup>(1)</sup> Acquisition-related amortization expense consists primarily of the amortization of intangible assets related to the Valspar acquisition and is included in Amortization.



## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) requires management to make estimates and assumptions that affect amounts reported in the accompanying consolidated financial statements. These determinations were made based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

All of the significant accounting policies that were followed in the preparation of the consolidated financial statements are disclosed in Note 1 to the Consolidated Financial Statements in Item 8. Management believes that the following critical accounting policies and estimates have a significant impact on our consolidated financial statements.

### Inventories

Inventories were stated at the lower of cost or net realizable value with cost determined principally on the last-in, first-out (LIFO) method based on inventory quantities and costs determined during the fourth quarter. Inventory quantities were adjusted throughout the year as formal cycle counts were completed, or during the fourth quarter as a result of annual physical inventory counts. If inventories accounted for on the LIFO method are reduced on a year-over-year basis, then liquidation of certain quantities carried at costs prevailing in prior years occurs. Management recorded the best estimate of net realizable value for obsolete and discontinued inventories based on historical experience and current trends through reductions to inventory cost by recording a provision included in Cost of goods sold. If management estimates that the reasonable market value is below cost or determines that future demand was lower than current inventory levels, based on historical experience, current and projected market demand, current and projected volume trends and other relevant current and projected factors associated with the current economic conditions, a reduction in inventory cost to estimated net realizable value is provided for in the reserve for obsolescence. See Note 4 to the Consolidated Financial Statements in Item 8 for more information regarding the impact of the LIFO inventory valuation and the reserve for obsolescence.

### Goodwill and Intangible Assets

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management performs impairment tests of goodwill and indefinite-lived intangible assets on an annual basis, as well as whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. An optional qualitative assessment allows companies to skip the annual quantitative test if it is not more likely than not that impairment has occurred based on monitoring key Company financial performance metrics and macroeconomic conditions. The qualitative assessment is performed when deemed appropriate.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management tests goodwill for impairment at the reporting unit level. A reporting unit is an operating segment per the Segment Reporting Topic of the ASC or one level below the operating segment (component level) as determined by the availability of discrete financial information that is regularly reviewed by operating segment management or an aggregate of component levels of an operating segment having similar economic characteristics. At the time of goodwill impairment testing (if performing a quantitative assessment), management determines fair value through the use of a discounted cash flow valuation model incorporating discount rates commensurate with the risks involved for each reporting unit. If the calculated fair value is less than the current carrying value, then impairment of the reporting unit exists. The use of a discounted cash flow valuation model to determine estimated fair value is common practice in impairment testing. The key assumptions used in the discounted cash flow valuation model for impairment testing include discount rates, growth rates, cash flow projections and terminal value rates. Discount rates are set by using the Weighted Average Cost of Capital ("WACC") methodology. The WACC methodology considers market and industry data as well as Company-specific risk factors for each reporting unit in determining the appropriate discount rates to be used. The discount rate utilized for each reporting unit is indicative of the return an investor would expect to receive for investing in such a business. Operational management, considering industry and Company-specific historical and projected data, develops growth rates, sales projections and cash flow projections for each reporting unit. Terminal value rate determination follows common methodology of capturing the present value of perpetual cash flow estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. As an indicator that each reporting unit has been valued appropriately through the use of the discounted cash flow valuation model, the aggregate of all reporting units' fair value is reconciled to the total market capitalization of the Company.

The Company had seven components, some of which are aggregated due to similar economic characteristics, to form three reporting units (also the operating segments) with goodwill as of October 1, 2021, the date of the annual impairment test. The annual impairment review performed as of October 1, 2021 did not result in any of the reporting units having impairment or deemed at risk for impairment.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, management tests indefinite-lived intangible assets for impairment at the asset level, as determined by appropriate asset valuations at acquisition. Management utilizes the royalty savings method and valuation model to determine the estimated fair value for each indefinite-lived intangible asset or trademark. In this method, management estimates the royalty savings arising from the ownership of the intangible asset. The key assumptions used in estimating the royalty savings for impairment testing include discount rates, royalty rates, growth rates, sales projections, terminal value rates and, to a lesser extent, tax rates. Discount rates used are similar to the rates developed by the WACC methodology considering any differences in Company-specific risk factors between reporting units and trademarks. Royalty rates are established by management and valuation experts and periodically substantiated by valuation experts. Operational management, considering industry and Company-specific historical and projected data, develops growth rates and sales projections for each significant trademark. Terminal value rate determination follows common methodology of capturing the present value of perpetual sales estimates beyond the last projected period assuming a constant WACC and low long-term growth rates. The royalty savings valuation methodology and calculations used in 2021 impairment testing are consistent with prior years. The annual impairment review performed as of October 1, 2021 did not result in any of the reporting units having impairment or deemed at risk for impairment.

The discounted cash flow and royalty savings valuation methodologies require management to make certain assumptions based upon information available at the time the valuations are performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value considering the current economic conditions. See Note 5 to the Consolidated Financial Statements in Item 8 for a discussion of goodwill and intangible assets and the impairment tests performed in accordance with the Goodwill and Other Intangibles Topic of the ASC.

#### Valuation of Long-Lived Assets

In accordance with the Property, Plant and Equipment Topic of the ASC, if events or changes in circumstances indicated that the carrying value of long-lived assets, including Operating lease right-of-use assets, may not be recoverable or the useful life had changed, impairment tests were performed or the useful life was adjusted. Undiscounted cash flows were used to calculate the recoverable value of long-lived assets to determine if such assets were not recoverable. If the carrying value of the assets was deemed to not be recoverable, the impairment to be recognized is the amount by which the carrying value of the assets exceeds the estimated fair value of the assets as determined in accordance with the Fair Value Topic of the ASC. If the usefulness of an asset was determined to be impaired, then management estimated a new useful life based on the period of time for projected uses of the asset. Fair value approaches and changes in useful life required management to make certain assumptions based upon information available at the time the valuation or determination was performed. Actual results could differ from these assumptions. Management believes the assumptions used are reflective of what a market participant would have used in calculating fair value or useful life considering the current economic conditions. All tested long-lived assets or groups of long-lived assets had undiscounted cash flows that were substantially in excess of their carrying value. See Note 5 to the Consolidated Financial Statements in Item 8 for a discussion of the reductions in carrying value or useful life of long-lived assets in accordance with the Property, Plant and Equipment Topic of the ASC. See Note 1 to the Consolidated Financial Statements in Item 8 for the Property, Plant and Equipment accounting policy.

#### Defined Benefit Pension and Other Postretirement Benefit Plans

To determine the Company's ultimate obligation under its defined benefit pension plans and other postretirement benefit plans, management must estimate the future cost of benefits and attribute that cost to the time period during which each covered employee works. To determine the obligations of such benefit plans, management uses actuaries to calculate such amounts using key assumptions such as discount rates, inflation, long-term investment returns, mortality, employee turnover, rate of compensation increases and medical and prescription drug costs. Management reviews all of these assumptions on an ongoing basis to ensure that the most current information available is being considered. An increase or decrease in the assumptions or economic events outside management's control could have a direct impact on the Company's results of operations or financial condition.

In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes each plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. Actuarial gains and losses and prior service costs are recognized and recorded in AOCI. The amounts recorded in AOCI will continue to be modified as actuarial assumptions and service costs change, and all such amounts will be amortized to expense over a period of years through the net pension and net periodic benefit costs.

In 2022, pension costs are expected to decrease slightly and other postretirement benefit plan costs are expected to increase slightly based on the actuarial assumptions being applied. See Note 7 to the Consolidated Financial Statements in Item 8 for information concerning the Company's defined benefit pension plans and other postretirement benefit plans.

### Environmental Matters

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites (including sites which were previously owned and/or operated by businesses acquired by the Company). The Company initially provides for estimated costs of environmental-related activities relating to its past operations and third-party sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs, which are mostly undiscounted, are determined based on currently available facts regarding each site. If the reasonably estimable costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is provided.

The Company continuously assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. Actual costs incurred may vary from the accrued estimates due to the inherent uncertainties involved. See Note 9 to the Consolidated Financial Statements in Item 8 for information concerning the accrual for extended environmental-related activities and a discussion concerning unaccrued future loss contingencies.

### Litigation and Other Contingent Liabilities

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims. Management believes that the Company has properly accrued for all known liabilities that existed and those where a loss was deemed probable for which a fair value was available or an amount could be reasonably estimated in accordance with US GAAP. However, because litigation is inherently subject to many uncertainties and the ultimate result of any present or future litigation is unpredictable, the Company's ultimate liability may result in costs that are significantly higher than currently accrued. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the liability may result in a material impact on net income for the annual or interim period during which such liability is accrued. Additionally, due to the uncertainties involved, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. See Note 10 to the Consolidated Financial Statements in Item 8 for information concerning litigation.

### Income Taxes

The Company estimated income taxes for each jurisdiction that it operated in. This involved estimating taxable earnings, specific taxable and deductible items, the likelihood of generating sufficient future taxable income to utilize deferred tax assets and possible exposures related to future tax audits. To the extent these estimates change, adjustments to deferred and accrued income taxes will be made in the period in which the changes occur.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution. These assessments of uncertain tax positions contain judgments related to the interpretation of tax regulations in the jurisdictions in which we transact business. The judgments and estimates made at a point in time may change based on the outcome of tax audits, expiration of statutes of limitations, as well as changes to, or further interpretations of, tax laws and regulations. Income tax expense is adjusted in our Statements of Consolidated Income in the period in which these events occur. See Note 19 to the Consolidated Financial Statements in Item 8 for information concerning income taxes.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risk associated with interest rates, foreign currency and commodity fluctuations. We occasionally utilize derivative instruments as part of our overall financial risk management policy, but do not use derivative instruments for speculative or trading purposes. In 2021 and 2020, the Company utilized U.S. Dollar to Euro cross currency swap contracts to hedge the Company's net investment in its European operations. The contracts have been designated as net investment hedges and have various maturity dates. See Note 15 to the Consolidated Financial Statements in Item 8. The Company entered into forward foreign currency exchange contracts during 2021 to hedge against value changes in foreign currency. There were no material contracts outstanding at December 31, 2021. Forward foreign currency exchange contracts are described in Note 18 to the Consolidated Financial Statements in Item 8. We believe we may experience continuing losses from foreign currency fluctuations. However, we do not expect currency translation, transaction or hedging contract losses to have a material adverse effect on our financial condition, results of operations or cash flows.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Index to Consolidated Financial Statements**

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**Report of Management  
On Internal Control Over Financial Reporting**

Shareholders of The Sherwin-Williams Company

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended. We recognize that internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and is subject to the possibility of human error or the circumvention or the overriding of internal control. Therefore, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, we believe we have designed into the process safeguards to reduce, though not eliminate, this risk. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In order to ensure that the Company's internal control over financial reporting was effective as of December 31, 2021, we conducted an assessment of its effectiveness under the supervision and with the participation of our management group, including our principal executive officer and principal financial officer. This assessment was based on the criteria established in the 2013 Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on our assessment of internal control over financial reporting under the criteria established in Internal Control – Integrated Framework, we have concluded that, as of December 31, 2021, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting as of December 31, 2021 has been audited by Ernst & Young LLP, an independent registered public accounting firm, and their report on the effectiveness of our internal control over financial reporting is included on page 41 of this report.



J. G. Morikis  
Chairman, President and Chief Executive Officer



A. J. Mistysyn  
Senior Vice President - Finance and Chief Financial Officer



J. M. Cronin  
Senior Vice President - Corporate Controller

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of The Sherwin-Williams Company

### Opinion on Internal Control over Financial Reporting

We have audited The Sherwin-Williams Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, The Sherwin-Williams Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated balance sheets of The Sherwin-Williams Company as of December 31, 2021, 2020, and 2019, the related statements of consolidated income, comprehensive income, cash flows and shareholders' equity for each of the three years in the period ended December 31, 2021, and the related notes and the financial statement schedule listed in Item 15(a) and our report dated February 17, 2022 expressed an unqualified opinion thereon.

### Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

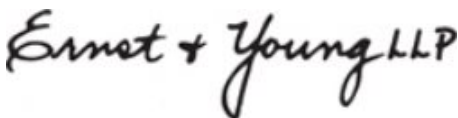
We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Cleveland, Ohio  
February 17, 2022

**Report of Management  
On the Consolidated Financial Statements**

Shareholders of The Sherwin-Williams Company

We are responsible for the preparation and fair presentation of the consolidated financial statements, accompanying notes and related financial information included in this report of The Sherwin-Williams Company and its consolidated subsidiaries (collectively, the “Company”) as of December 31, 2021, 2020 and 2019 and for the years then ended in accordance with U.S. generally accepted accounting principles. The consolidated financial information included in this report contains certain amounts that were based upon our best estimates, judgments and assumptions that we believe were reasonable under the circumstances.

We have conducted an assessment of the effectiveness of internal control over financial reporting based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. As discussed in the Report of Management on Internal Control Over Financial Reporting on page 40 of this report, we concluded that the Company’s internal control over financial reporting was effective as of December 31, 2021.

The Board of Directors pursues its responsibility for the oversight of the Company’s accounting policies and procedures, financial statement preparation and internal control over financial reporting through the Audit Committee, comprised exclusively of independent directors. The Audit Committee is responsible for the appointment and compensation of the independent registered public accounting firm. The Audit Committee meets at least quarterly with financial management, internal auditors and the independent registered public accounting firm to review the adequacy of financial controls, the effectiveness of the Company’s internal control over financial reporting and the nature, extent and results of the audit effort. Both the internal auditors and the independent registered public accounting firm have private and confidential access to the Audit Committee at all times.

We believe that the consolidated financial statements, accompanying notes and related financial information included in this report fairly reflect the form and substance of all material financial transactions and fairly present, in all material respects, the consolidated financial position, results of operations and cash flows as of and for the periods presented.



J. G. Morikis  
Chairman, President and Chief Executive Officer



A. J. Mistysyn  
Senior Vice President - Finance and Chief Financial Officer



J. M. Cronin  
Senior Vice President - Corporate Controller



## **Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of The Sherwin-Williams Company

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of The Sherwin-Williams Company (the “Company”) as of December 31, 2021, 2020 and 2019, the related statements of consolidated income, comprehensive income, cash flows and shareholders’ equity for each of the three years in the period ended December 31, 2021, and the related notes and the financial statement schedule listed in Item 15(a) (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”), the Company’s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 17, 2022 expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### **Gibbsboro environmental-related accrual**

#### *Description of the Matter*

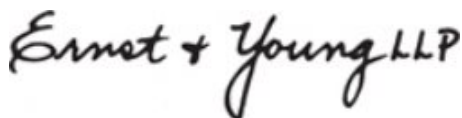
As described in Note 9 to the consolidated financial statements, the Company had short-term and long-term accruals for environmental-related activities of \$45.9 million and \$277.4 million, respectively, at December 31, 2021. The Company's largest and most complex site is the Gibbsboro, New Jersey site ("Gibbsboro") and the substantial majority of the environmental-related accrual relates to this site. Gibbsboro consists of six operable units which contain a combination of soil, waterbodies and groundwater contamination, and are in various phases of investigation and remediation with the Environmental Protection Agency ("EPA"). The Company's estimated environmental-related accrual for Gibbsboro is based on industry standards and professional judgement, and the most significant assumptions underlying the estimated cost of remediation efforts reserved for Gibbsboro are the types and extent of contamination.

Auditing the Company's environmental-related accrual at the Gibbsboro site required complex judgement due to the inherent challenges in identifying the type and extent of future remedies and the costs of implementing those remedies in determining the probable and reasonably estimable loss for which the Company will be responsible.

#### *How We Addressed the Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's processes to estimate the Gibbsboro environmental-related accrual. For example, we tested controls over management's review of the environmental loss calculations and the key assumptions affecting those calculations as described above.

To test the Gibbsboro environmental-related accrual, our audit procedures included, among others, a review of correspondence with the EPA supporting the Company's assessment of the type and extent of contamination at the Gibbsboro site for which the Company is responsible. We involved our environmental specialists to confirm our understanding of the remediation plans for the most significant operable units within the Gibbsboro site and to evaluate the Company's methodology and assumptions to estimate the unit cost and extent of contamination in accordance with industry practice, applicable laws and regulations. We recalculated the remediation cost estimate based on unit cost and estimated extent of remediation required. We reconciled types and extent of contamination identified in communications between the Company and the EPA to the Company's remediation cost estimates recorded for Gibbsboro and confirmed a sample of underlying cost estimates with third-parties. We also conducted a search for publicly available information that might indicate facts contrary to the types and extent of contamination currently identified in the Company's remediation cost estimates recorded for Gibbsboro.

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

We have served as the Company's auditor since 1908.  
Cleveland, Ohio  
February 17, 2022

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**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**STATEMENTS OF CONSOLIDATED INCOME**

(in millions, except per share data)

	Year Ended December 31,		
	2021	2020	2019
Net sales	\$ 19,944.6	\$ 18,361.7	\$ 17,900.8
Cost of goods sold	11,401.9	9,679.1	9,864.7
Gross profit	8,542.7	8,682.6	8,036.1
<i>Percent to net sales</i>	42.8 %	47.3 %	44.9 %
Selling, general and administrative expenses	5,572.5	5,477.9	5,274.9
<i>Percent to net sales</i>	27.9 %	29.8 %	29.5 %
Other general expense - net	101.8	27.7	39.1
Amortization	309.5	313.4	312.8
Impairment of trademarks	—	2.3	122.1
Interest expense	334.7	340.4	349.3
Interest and net investment income	(4.9)	(3.6)	(25.9)
Other (income) expense - net	(19.5)	5.3	(18.0)
Income before income taxes	2,248.6	2,519.2	1,981.8
Income tax expense	384.2	488.8	440.5
Net income	\$ 1,864.4	\$ 2,030.4	\$ 1,541.3
Net income per share:			
Basic	\$ 7.10	\$ 7.48	\$ 5.60
Diluted	\$ 6.98	\$ 7.36	\$ 5.50
Weighted average shares outstanding:			
Basic	262.5	271.3	275.4
Diluted	267.1	275.8	280.3

See notes to consolidated financial statements.

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME**

<i>(in millions)</i>	Year Ended December 31,		
	2021	2020	2019
Net income	\$ 1,864.4	\$ 2,030.4	\$ 1,541.3
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments <sup>(1)</sup>	(30.6)	(14.1)	(49.8)
Pension and other postretirement benefit adjustments:			
Amounts recognized in Other comprehensive income (loss) <sup>(2)</sup>	48.7	(19.4)	(5.1)
Amounts reclassified from Other comprehensive income (loss) <sup>(3)</sup>	6.3	1.4	22.3
	55.0	(18.0)	17.2
Unrealized net gains on cash flow hedges:			
Amounts reclassified from Other comprehensive income (loss) <sup>(4)</sup>	(4.5)	(6.7)	(8.7)
Other comprehensive income (loss), net of tax	19.9	(38.8)	(41.3)
Comprehensive income	\$ 1,884.3	\$ 1,991.6	\$ 1,500.0

<sup>(1)</sup> The years ended December 31, 2021, 2020 and 2019 include unrealized gains (losses), net of taxes, of \$37.1 million, \$(54.0) million and \$1.1 million, respectively, related to net investment hedges. See Note 15.

<sup>(2)</sup> Net of taxes of \$(12.6) million, \$3.4 million and \$1.3 million in 2021, 2020 and 2019, respectively.

<sup>(3)</sup> Net of taxes of \$(2.1) million, \$(0.4) million and \$(7.3) million in 2021, 2020 and 2019, respectively.

<sup>(4)</sup> Net of taxes of \$1.0 million, \$2.2 million and \$2.8 million in 2021, 2020 and 2019, respectively.

*See notes to consolidated financial statements.*

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(in millions)

	December 31,		
	2021	2020	2019
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 165.7	\$ 226.6	\$ 161.8
Accounts receivable, less allowance	2,352.4	2,078.1	2,088.9
Inventories	1,927.2	1,804.1	1,889.6
Other current assets	608.4	482.6	491.4
Total current assets	5,053.7	4,591.4	4,631.7
Property, plant and equipment, net	1,867.3	1,834.5	1,835.2
Goodwill	7,134.6	7,049.1	7,004.8
Intangible assets	4,001.5	4,471.2	4,734.5
Operating lease right-of-use assets	1,820.6	1,761.1	1,685.6
Other assets	789.0	694.3	604.4
Total Assets	<u>\$ 20,666.7</u>	<u>\$ 20,401.6</u>	<u>\$ 20,496.2</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Short-term borrowings	\$ 763.5	\$ 0.1	\$ 204.7
Accounts payable	2,403.0	2,117.8	1,876.3
Compensation and taxes withheld	716.6	752.7	552.7
Accrued taxes	160.3	183.5	85.7
Current portion of long-term debt	260.6	25.1	429.8
Current portion of operating lease liabilities	409.7	387.3	371.6
Other accruals	1,005.8	1,127.9	1,001.1
Total current liabilities	5,719.5	4,594.4	4,521.9
Long-term debt	8,590.9	8,266.9	8,050.7
Postretirement benefits other than pensions	259.4	275.6	263.0
Deferred income taxes	768.2	846.1	969.9
Long-term operating lease liabilities	1,470.7	1,434.1	1,370.7
Other long-term liabilities	1,420.8	1,373.7	1,196.7
Shareholders' equity:			
Common stock - \$0.33 par value:			
261.1, 268.7, and 276.4 million shares outstanding			
at December 31, 2021, 2020 and 2019, respectively	90.8	89.9	119.4
Other capital	3,793.0	3,491.4	3,153.0
Retained earnings	2,121.7	844.3	7,366.9
Treasury stock, at cost	(2,869.9)	(96.5)	(5,836.5)
Accumulated other comprehensive loss	(698.4)	(718.3)	(679.5)
Total shareholders' equity	2,437.2	3,610.8	4,123.3
Total Liabilities and Shareholders' Equity	<u>\$ 20,666.7</u>	<u>\$ 20,401.6</u>	<u>\$ 20,496.2</u>

See notes to consolidated financial statements.

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**STATEMENTS OF CONSOLIDATED CASH FLOWS**

	Year Ended December 31,		
	2021	2020	2019
<b>Operating Activities</b>			
Net income	\$ 1,864.4	\$ 2,030.4	\$ 1,541.3
Adjustments to reconcile net income to net operating cash:			
Depreciation	263.1	268.0	262.1
Non-cash lease expense	400.7	381.3	370.8
Amortization of intangible assets	309.5	313.4	312.8
Loss on divestiture of business	111.9	—	—
(Gain) loss on extinguishment of debt	(1.4)	21.3	14.8
Impairment of trademarks	—	2.3	122.1
Amortization of credit facility and debt issuance costs	6.4	7.2	9.2
Provisions for environmental-related matters	(4.0)	37.1	23.0
Deferred income taxes	(80.3)	(145.3)	(131.1)
Defined benefit pension plans net cost	6.8	7.6	43.1
Stock-based compensation expense	97.7	95.9	101.7
Decrease in non-traded investments	53.6	84.8	82.3
(Gain) loss on sale or disposition of assets	(6.1)	(9.4)	16.1
Other	(6.4)	(6.9)	10.2
Change in working capital accounts:			
(Increase) decrease in accounts receivable	(287.8)	10.3	(73.2)
(Increase) decrease in inventories	(228.1)	84.4	(75.5)
Increase in accounts payable	346.1	227.2	36.2
(Decrease) increase in accrued taxes	(32.7)	99.2	5.1
(Decrease) increase in accrued compensation and taxes withheld	(10.9)	197.7	49.6
(Increase) decrease in refundable income taxes	(38.5)	40.6	(47.8)
Other	(46.8)	(62.0)	(40.8)
Change in operating lease liabilities	(401.4)	(371.4)	(368.4)
Costs incurred for environmental-related matters	(41.3)	(39.0)	(26.1)
Other	(29.9)	133.9	83.8
Net operating cash	2,244.6	3,408.6	2,321.3
<b>Investing Activities</b>			
Capital expenditures	(372.0)	(303.8)	(328.9)
Acquisitions of businesses, net of cash acquired	(210.9)	—	(77.3)
Proceeds from divestiture of business	122.5	—	—
Proceeds from sale of assets	14.8	60.7	6.9
Other	(30.8)	(79.3)	(63.3)
Net investing cash	(476.4)	(322.4)	(462.6)
<b>Financing Activities</b>			
Net increase (decrease) in short-term borrowings	763.9	(204.6)	(122.8)
Proceeds from long-term debt	994.8	999.0	1,332.8
Payments of long-term debt	(422.9)	(1,204.7)	(1,875.8)
Payments for credit facility and debt issuance costs	(11.5)	(10.0)	(13.6)
Payments of cash dividends	(587.1)	(488.0)	(420.8)
Proceeds from stock options exercised	192.8	182.7	154.6
Treasury stock purchased	(2,752.3)	(2,446.3)	(778.8)
Proceeds from treasury stock issued	11.7	182.4	—
Other	(23.4)	(30.6)	(122.0)
Net financing cash	(1,834.0)	(3,020.1)	(1,846.4)
Effect of exchange rate changes on cash	4.9	(1.3)	(6.0)
Net (decrease) increase in cash and cash equivalents	(60.9)	64.8	6.3
Cash and cash equivalents at beginning of year	226.6	161.8	155.5
Cash and cash equivalents at end of year	\$ 165.7	\$ 226.6	\$ 161.8
Taxes paid on income	\$ 466.3	\$ 437.2	\$ 407.5
Interest paid on debt	338.8	340.8	336.1

See notes to consolidated financial statements.

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY**

(in millions, except per share data)

	Common Stock	Other Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Total
Balance at January 1, 2019	\$ 118.4	\$ 2,896.4	\$ 6,246.5	\$ (4,900.7)	\$ (629.9)	\$ 3,730.7
Net income			1,541.3			1,541.3
Other comprehensive loss					(41.3)	(41.3)
Adjustment to initially adopt ASU 2016-02			(8.4)			(8.4)
Adjustment to initially adopt ASU 2018-02			8.3		(8.3)	—
Treasury stock purchased				(778.8)		(778.8)
Treasury stock transferred from defined benefit pension plan				(131.8)		(131.8)
Stock-based compensation activity	1.0	254.5		(25.2)		230.3
Other adjustments		2.1				2.1
Cash dividends -- \$1.5067 per share			(420.8)			(420.8)
Balance at December 31, 2019	119.4	3,153.0	7,366.9	(5,836.5)	(679.5)	4,123.3
Net income			2,030.4			2,030.4
Other comprehensive loss					(38.8)	(38.8)
Adjustment to initially adopt ASU 2016-13			(3.0)			(3.0)
Treasury stock purchased				(2,446.3)		(2,446.3)
Treasury stock issued		61.6		120.8		182.4
Treasury stock retired	(30.6)		(8,061.6)	8,092.2		—
Stock-based compensation activity	1.1	276.4		(26.7)		250.8
Other adjustments		0.4	(0.4)			—
Cash dividends -- \$1.7867 per share			(488.0)			(488.0)
Balance at December 31, 2020	89.9	3,491.4	844.3	(96.5)	(718.3)	3,610.8
Net income			1,864.4			1,864.4
Other comprehensive income					19.9	19.9
Treasury stock purchased				(2,752.3)		(2,752.3)
Treasury stock issued		9.3		2.4		11.7
Stock-based compensation activity	0.9	290.9		(23.5)		268.3
Other adjustments		1.4	0.1			1.5
Cash dividends -- \$2.20 per share			(587.1)			(587.1)
Balance at December 31, 2021	\$ 90.8	\$ 3,793.0	\$ 2,121.7	\$ (2,869.9)	\$ (698.4)	\$ 2,437.2

See notes to consolidated financial statements.



**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(millions of dollars, unless otherwise noted)**

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES**

Consolidation

The consolidated financial statements include the accounts of The Sherwin-Williams Company and its wholly owned subsidiaries (collectively, the Company). Inter-company accounts and transactions have been eliminated.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles (US GAAP) requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those amounts.

Nature of Operations

The Company is engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers primarily in North and South America, with additional operations in the Caribbean region, Europe, Asia and Australia.

Reportable Segments

See Note 21 for further details.

Cash Equivalents

Management considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable were recorded at the time of credit sales net of allowance for credit losses. The Company recorded an allowance for doubtful accounts of \$48.9 million, \$53.5 million and \$36.5 million at December 31, 2021, 2020 and 2019, respectively, to reduce Accounts receivable to the net amount expected to be collected (estimated net realizable value).

Effective January 1, 2020, the Company adopted Accounting Standards Update (ASU) 2016-13, “Measurement of Credit Losses on Financial Instruments” (ASC 326) using the modified retrospective transition method, electing to not restate prior periods. This ASU replaced the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. As a result of the transition method elected, the required comparative period disclosures are prepared in accordance with the incurred loss impairment methodology.

Under ASC 326, the Company reviews the collectibility of the Accounts receivable balance each reporting period and estimates the allowance based on historical bad debt experience, aging of accounts receivable, current creditworthiness of customers, current economic factors, as well as reasonable and supportable forward-looking information. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful accounts are included in Selling, general and administrative expenses. See Note 17 for further details.

Property, Plant and Equipment

Property, plant and equipment (including leasehold improvements) is stated on the basis of cost. Depreciation is charged to expense using the straight-line method over the assets’ estimated useful lives which range from 5 to 25 years for buildings and 3 to 15 years for machinery and equipment. Depreciation and amortization are included in the appropriate Cost of goods sold or Selling, general and administrative expenses caption on the Statements of Consolidated Income.

Goodwill and Intangible Assets

Goodwill represents the cost in excess of fair value of net assets acquired in business combinations accounted for by the purchase method. Intangible assets include trademarks, customer relationships and intellectual property. In accordance with the Goodwill and Other Intangibles Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), goodwill and indefinite-lived trademarks are not amortized, but instead are tested for impairment on an annual basis, as well as whenever an event occurs or circumstances change that indicate impairment has more likely than not occurred. Finite-lived intangible assets are amortized on a straight-line basis over the expected period of benefit, which ranges primarily from 15 to 20 years. See Note 5 for further details.

Impairment of Long-Lived Assets

In accordance with the Property, Plant and Equipment Topic of the ASC, management evaluates the recoverability and remaining lives of long-lived assets (including right-of-use assets) whenever events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. See Note 5 for further details.

Derivative Instruments

The Company utilizes derivative instruments to mitigate certain risk exposures as part of its overall financial risk management policy and accounts for these instruments in accordance with the Derivatives and Hedging Topic of the ASC. Derivatives are recorded as assets or liabilities in the consolidated balance sheets at fair value. Changes in fair value of the derivative instruments are recognized immediately in earnings unless the derivative instrument qualifies for and is designated in an effective hedging relationship.

The Company entered into foreign currency forward contracts with maturity dates of less than twelve months in 2021, 2020, and 2019, primarily to hedge against value changes in foreign currency. There were no material foreign currency option and forward contracts outstanding at December 31, 2021, 2020 and 2019. See Note 18 for further details.

The Company also entered into cross currency swap contracts to hedge its net investment in European operations in 2021, 2020, and 2019. These contracts qualified for and were designated as net investment hedges as permitted under US GAAP. The changes in fair value for the cross currency swaps are recognized in the foreign currency translation adjustments component of AOCI. The cash flow impact of these instruments is classified as an investing activity in the consolidated statement of cash flows. See Note 15 for further details.

Non-Traded Investments

The Company has investments in the U.S. affordable housing and historic renovation real estate markets and certain other investments that have been identified as variable interest entities. However, because the Company does not have the power to direct the day-to-day operations of the investments and the risk of loss is limited to the amount of contributed capital, the Company is not considered the primary beneficiary. In accordance with the Consolidation Topic of the ASC, the investments are not consolidated. For affordable housing investments entered into prior to the January 1, 2015 adoption of ASU 2014-01, the Company uses the effective yield method to determine the carrying value of the investments. Under the effective yield method, the initial cost of the investments is amortized to income tax expense over the period that the tax credits are recognized. For affordable housing investments entered into on or after the January 1, 2015 adoption of ASU 2014-01, the Company uses the proportional amortization method. Under the proportional amortization method, the initial cost of the investments is amortized to income tax expense in proportion to the tax credits and other tax benefits received. The carrying value of the investments are recorded in Other assets. The liabilities for the estimated future capital contributions are recorded in Other accruals and Other long-term liabilities. The following table summarizes the balances related to the investments at December 31, 2021, 2020 and 2019, respectively.

	2021	2020	2019
Other assets	\$ 355.8	\$ 198.2	\$ 176.2
Other accruals	61.8	89.0	87.3
Other long-term liabilities	289.7	127.3	87.1

Standby Letters of Credit

The Company occasionally enters into standby letter of credit agreements to guarantee various operating activities. These agreements provide credit availability to the various beneficiaries if certain contractual events occur. Amounts outstanding under these agreements totaled \$89.2 million, \$51.3 million and \$61.2 million at December 31, 2021, 2020 and 2019, respectively.

Product Warranties

The Company offers assurance type product warranties for certain products. The specific terms and conditions of such warranties vary depending on the product or customer contract requirements. Management estimated the costs of unsettled product warranty claims based on historical results and experience and included an amount in Other accruals. Management periodically assesses the adequacy of the accrual for product warranty claims and adjusts the accrual as necessary. Changes in the Company's accrual for product warranty claims during 2021, 2020 and 2019, including customer satisfaction settlements during the year, were as follows:

	2021	2020	2019
Balance at January 1	\$ 43.3	\$ 42.3	\$ 57.1
Charges to expense	27.5	38.1	32.5
Settlements	(35.6)	(37.1)	(47.3)
Balance at December 31	<u>\$ 35.2</u>	<u>\$ 43.3</u>	<u>\$ 42.3</u>

Defined Benefit Pension and Other Postretirement Benefit Plans

The Company accounts for its defined benefit pension and other postretirement benefit plans in accordance with the Retirement Benefits Topic of the ASC, which requires the recognition of a plan's funded status as an asset for overfunded plans and as a liability for unfunded or underfunded plans. See Note 7 for further details.

Environmental Matters

Capital expenditures for ongoing environmental compliance measures were recorded in Property, plant and equipment, and related expenses were included in the normal operating expenses of conducting business. The Company accrued for environmental-related activities for which commitments or clean-up plans have been developed and when such costs could be reasonably estimated based on industry standards and professional judgment. Accrued amounts were primarily recorded on an undiscounted basis and have not been recorded net of insurance proceeds in accordance with the Offsetting Subtopic of the Balance Sheet Topic of the ASC. Environmental-related expenses included direct costs of investigation and remediation and indirect costs such as compensation and benefits for employees directly involved in the investigation and remediation activities and fees paid to outside engineering, consulting and law firms. See Notes 9 and 18 for further details.

ESOP

The Company accounts for its employee stock ownership plan (ESOP), in accordance with the Employee Stock Ownership Plans Subtopic of the Compensation – Stock Ownership Topic of the ASC. The Company recognized compensation expense for amounts contributed to the ESOP. See Note 12 for further details.

Stock-Based Compensation

The cost of the Company's stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. See Note 13 for further details.

Other Liabilities

The Company retains risk for certain liabilities, primarily workers' compensation claims, employee medical and disability benefits, and automobile, property, general and product liability claims. Estimated amounts were accrued for certain workers' compensation, employee medical and disability benefits, automobile and property claims filed but unsettled, and estimated claims incurred but not reported. Estimates were based upon management's estimated aggregate liability for claims incurred using historical experience, actuarial assumptions followed in the insurance industry and actuarially-developed models for estimating certain liabilities. Certain estimated general and product liability claims filed but unsettled were accrued based on management's best estimate of ultimate settlement or actuarial calculations of potential liability using industry experience and actuarial assumptions developed for similar types of claims.

Foreign Currency Translation

All consolidated non-highly inflationary foreign operations use the local currency of the country of operation as the functional currency and translated the local currency asset and liability accounts at year-end exchange rates while income and expense accounts were translated at average exchange rates. The resulting translation adjustments were included in accumulated other comprehensive income (loss) (AOCI), a component of Shareholders' equity.

### Revenue Recognition

The Company recognized revenue when performance obligations under the terms of the agreement were satisfied. This generally occurs with the transfer of control of our products to the customer. Collectibility of amounts recorded as revenue was probable at the time of recognition. See Note 17 for further details.

### Customer and Vendor Consideration

The Company offered certain customers rebate and sales incentive programs which were classified as reductions in net sales. Such programs were in the form of volume rebates, rebates that constituted a percentage of sales or rebates for attaining certain sales goals. The Company received consideration from certain suppliers of raw materials in the form of volume rebates or rebates that constituted a percentage of purchases. These rebates were recognized on an accrual basis by the Company as a reduction of the purchase price of the raw materials and a subsequent reduction of Cost of goods sold when the related product was sold.

### Costs of Goods Sold

Included in Costs of goods sold were costs for materials, manufacturing, distribution and related support. Distribution costs included expenses related to the distribution of products including inbound freight charges, purchase and receiving costs, warehousing costs, internal transfer costs and other costs incurred to ship products. Also included in Costs of goods sold were total technical expenditures, which included research and development costs, quality control, product formulation expenditures and other similar items. Research and development costs included in technical expenditures were \$115.9 million, \$97.1 million and \$103.1 million for 2021, 2020 and 2019, respectively.

### Selling, General and Administrative Expenses

Selling costs included advertising expenses, marketing costs, employee and store costs and sales commissions. The cost of advertising was expensed as incurred. The Company incurred \$311.9 million, \$363.4 million and \$355.2 million in advertising costs during 2021, 2020 and 2019, respectively. General and administrative expenses included human resources, legal, finance and other support and administrative functions.

### Earnings Per Share

Common stock held in a revocable trust (see Note 11) was not included in outstanding shares for basic or diluted income per share calculations. Basic and diluted net income per share were calculated using the treasury stock method in accordance with the Earnings Per Share Topic of the ASC. Basic net income per share amounts were computed based on the weighted-average number of shares outstanding during the year. Diluted net income per share amounts were computed based on the weighted-average number of shares outstanding plus all dilutive securities potentially outstanding during the year. See Note 20 for further details.

### Reclassifications

Certain amounts in the consolidated financial statements and notes to the consolidated financial statements for 2019 and 2020 have been reclassified to conform to the 2021 presentation.

## **NOTE 2 – RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

### Adopted in 2021

Effective January 1, 2021, the Company adopted Accounting Standards Update (ASU) 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes.” This ASU simplifies the accounting for income taxes by removing certain exceptions to the general principles in ASC 740. It also improves consistent application of and simplifies U.S. GAAP for other areas of ASC 740 by clarifying and amending existing guidance. The amendments are being applied prospectively. The adoption of ASU 2019-12 did not have a material impact on the Company’s financial position, results of operations or cash flows.

### Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, “Business Combinations (Topic 805): Accounting for Contract Assets and Liabilities from Contracts with Customers.” This ASU requires an acquiring entity to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. The ASU is effective for fiscal years and interim periods beginning after December 15, 2022, with early adoption permitted. The Company is evaluating the impact of adopting this ASU.

In November 2021, the FASB issued ASU 2021-10, “Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance.” This ASU requires disclosures for material government assistance transactions during annual reporting periods. The disclosures include information about the nature of the transaction, the related accounting policies used to account for the government assistance, the effect of government assistance on the entity’s financial statements, and any significant terms and conditions. The ASU is effective for the Company as of January 1, 2022 and will not affect the Company’s financial position, results of operations or cash flows as the standard only impacts annual financial statement footnote disclosures.

## **NOTE 3 – ACQUISITIONS AND DIVESTITURES**

During the third quarter of 2021, the Company signed an agreement to acquire the European industrial coatings business of Sika AG (Sika). Sika’s European industrial coatings business engineers, manufactures and sells corrosion protection coating systems and fire protection coating systems. The transaction is subject to customary closing conditions and is expected to close in the first quarter of 2022. The acquired business will be reported within the Company’s Performance Coatings Group.

During the fourth quarter of 2021, the Company completed the acquisition of Specialty Polymers, Inc. (Specialty Polymers), a leading manufacturer and developer of water-based polymers used in architectural and industrial coatings and other applications. The acquisition added to the Company’s existing internal resin manufacturing capabilities. Specialty Polymers will be reported within the Company’s Performance Coatings Group.

During the first quarter of 2021, the Company completed the acquisition of a domestic coatings company. The acquisition expanded the Performance Coatings Group’s platform for growth and portfolio of brands and technologies.

The aggregate purchase price for acquisitions closed in 2021 was approximately \$227.0 million, including amounts withheld as security for certain representations, warranties and obligations of the sellers. The purchase price for each acquisition was preliminarily allocated to identifiable assets and liabilities based on information available at the date of acquisition and may change as the Company completes its analysis of net assets acquired, primarily the valuation of intangible assets. As of December 31, 2021, \$155.6 million of goodwill and \$11.3 million of intangible assets were recognized from these transactions. The preliminary purchase price allocation for each acquisition is expected to be finalized within the allowable measurement period. The results of operations for the acquisitions have been included in the consolidated financial statements since the respective acquisition dates. Pro forma results of operations have not been presented as the impact on the Company’s consolidated financial results is not material.

On March 31, 2021, the Company divested Wattyl, an Australian and New Zealand manufacturer and seller of architectural and protective paint and coatings with annual revenue of approximately \$200 million. The divestiture will enable the Company to focus its resources on global opportunities which better align with our long-term strategies. In connection with this transaction, the Company recognized a pre-tax loss of \$111.9 million within Other general (income) expense - net (see Note 15). The Wattyl divestiture does not meet the criteria to be reported as discontinued operations in our consolidated financial statements as the Company’s decision to divest this business did not represent a strategic shift that will have a major effect on the Company’s operations and financial results.

During 2019, the Company completed the acquisition of a domestic packaging company and two European coatings companies for an aggregate purchase price of \$84.4 million, including amounts withheld as security for certain representations, warranties and obligations of the sellers. These acquisitions support the growth of the Performance Coatings Group by providing new technologies and an expanded global platform. The acquisitions have been accounted for as business combinations. The results of operations of these companies have been included in the consolidated financial statements since the date of acquisition. Pro forma results of operations have not been presented as the impact on the Company's consolidated financial results was not material.

#### NOTE 4 – INVENTORIES

Included in Inventories were the following:

	2021	2020	2019
Finished goods	\$ 1,378.8	\$ 1,427.6	\$ 1,509.6
Work in process and raw materials	548.4	376.5	380.0
Inventories	\$ 1,927.2	\$ 1,804.1	\$ 1,889.6

Inventories were stated at the lower of cost or net realizable value, with cost primarily determined on the last-in, first-out (LIFO) method. Management believes that the use of LIFO results in a better matching of costs and revenues.

The following table summarizes the extent to which the Company's Inventories use the LIFO cost method, and presents the effect on Inventories had the Company used the first-in, first-out (FIFO) inventory valuation method.

	2021	2020	2019
Percentage of total inventories on LIFO	70 %	72 %	72 %
Excess of FIFO over LIFO	\$ 593.0	\$ 312.1	\$ 339.8

During 2021, certain inventories accounted for on the LIFO method were reduced, resulting in the liquidation of certain quantities carried at costs prevailing in prior years. The 2021 liquidation increased net income by \$25.8 million.

The Company recorded a reserve for obsolescence of \$118.6 million, \$125.8 million and \$115.4 million at December 31, 2021, 2020 and 2019, respectively, to reduce Inventories to their estimated net realizable value.

## NOTE 5 – LONG-LIVED ASSETS, INCLUDING GOODWILL AND INTANGIBLE ASSETS

Included in Property, plant and equipment, net were the following:

	2021	2020	2019
Land	\$ 257.7	\$ 283.5	\$ 242.1
Buildings	1,157.8	1,098.0	1,044.2
Machinery and equipment	3,043.6	3,026.8	2,952.1
Construction in progress	205.4	140.5	144.0
Property, plant and equipment, gross	4,664.5	4,548.8	4,382.4
Less allowances for depreciation	2,797.2	2,714.3	2,547.2
Property, plant and equipment, net	\$ 1,867.3	\$ 1,834.5	\$ 1,835.2

In accordance with the Property, Plant and Equipment Topic of the ASC, whenever events or changes in circumstances indicate that the carrying value of long-lived assets may not be recoverable or the useful life may have changed, impairment tests are to be performed. Undiscounted cash flows are used to calculate the recoverable value of long-lived assets to determine if such assets are not recoverable. If the carrying value of the assets is deemed to not be recoverable, the impairment to be recognized is the amount by which the carrying value of the assets exceeds the estimated fair value of the assets as determined in accordance with the Fair Value Topic of the ASC. No material impairments of long-lived assets were recorded in 2021, 2020 or 2019.

During 2021, the Company acquired two companies which resulted in the recognition of goodwill of \$155.6 million and finite-lived intangibles of \$11.3 million. During 2019, the Company acquired three companies which resulted in the recognition of goodwill of \$14.2 million and finite-lived intangibles of \$34.9 million. In addition, during 2021, the Company divested its Wattyl business in Australia and New Zealand. See Note 3 for additional information related to the acquisitions and divestiture.

In accordance with the Goodwill and Other Intangibles Topic of the ASC, goodwill and indefinite-lived intangible assets are tested for impairment annually at the reporting unit level, and interim impairment tests are performed whenever an event occurs or circumstances change that indicate an impairment has more likely than not occurred. October 1 has been established for the annual impairment review. At the time of impairment testing, values are estimated separately for goodwill and trademarks with indefinite lives using a valuation model, incorporating discount rates commensurate with the risks involved for each group of assets. An optional qualitative assessment may alleviate the need to perform the quantitative goodwill impairment test when impairment is unlikely.

The annual impairment review performed as of October 1, 2021 did not result in any trademark or goodwill impairment. The annual impairment review performed as of October 1, 2020 resulted in trademark impairment of \$2.3 million in the Performance Coatings Group related to lower than anticipated sales of an acquired brand and no goodwill impairment.

During the fourth quarter of 2019, the Company performed a strategic review of its business lines as part of the annual planning cycle. Decisions were made during this review related to certain brands which resulted in a reduction to the long-term forecasted net sales for certain indefinite-lived trademarks acquired in the Valspar acquisition within the Performance Coatings and Consumer Brands Groups. As a result of the strategic decisions made at that time and in conjunction with the annual impairment review performed as of October 1, 2019, the Company recognized non-cash pre-tax impairment charges totaling \$122.1 million related to certain recently acquired indefinite-lived trademarks. These charges included impairments totaling \$117.0 million in the Performance Coatings Group and \$5.1 million in the Consumer Brands Group. In the Performance Coatings Group, \$75.6 million related to trademarks in North America directly associated with strategic decisions made to rebrand industrial products to the Sherwin-Williams® brand name, \$25.7 million related to trademarks in the Asia Pacific region as a direct result of recent performance that reduced the long-term forecasted net sales and \$15.7 million related to other recently acquired trademarks in various regions. The annual impairment review did not result in any goodwill impairment.

A summary of changes in the Company's carrying value of goodwill by Reportable Segment is as follows:

Goodwill	The Americas Group	Consumer Brands Group	Performance Coatings Group	Consolidated Totals
Balance at January 1, 2019 <sup>(1)</sup>	\$ 2,256.6	\$ 1,753.8	\$ 2,946.3	\$ 6,956.7
Acquisitions			14.2	14.2
Currency and other adjustments		0.1	33.8	33.9
Balance at December 31, 2019 <sup>(1)</sup>	2,256.6	1,753.9	2,994.3	7,004.8
Currency and other adjustments		0.7	43.6	44.3
Balance at December 31, 2020 <sup>(1)</sup>	2,256.6	1,754.6	3,037.9	7,049.1
Acquisitions			155.6	155.6
Currency and other adjustments		(45.7)	(24.4)	(70.1)
Balance at December 31, 2021 <sup>(1)</sup>	<u>\$ 2,256.6</u>	<u>\$ 1,708.9</u>	<u>\$ 3,169.1</u>	<u>\$ 7,134.6</u>

<sup>(1)</sup> Net of accumulated impairment losses of \$19.4 million (\$10.5 million in The Americas Group, \$8.1 million in the Consumer Brands Group and \$0.8 million in the Performance Coatings Group).

A summary of the Company's carrying value of intangible assets is as follows:

	Finite-Lived Intangible Assets					Trademarks With Indefinite Lives <sup>(1)</sup>	Total Intangible Assets
	Software	Customer Relationships	Intellectual Property	All Other	Subtotal		
December 31, 2021							
Gross	\$ 166.0	\$ 3,005.7	\$ 1,730.3	\$ 303.5	\$ 5,205.5		
Accumulated amortization	(149.3)	(961.6)	(396.5)	(279.7)	(1,787.1)		
Net value	<u>\$ 16.7</u>	<u>\$ 2,044.1</u>	<u>\$ 1,333.8</u>	<u>\$ 23.8</u>	<u>\$ 3,418.4</u>	<u>\$ 583.1</u>	<u>\$ 4,001.5</u>
December 31, 2020							
Gross	\$ 166.8	\$ 3,181.6	\$ 1,730.3	\$ 306.8	\$ 5,385.5		
Accumulated amortization	(142.8)	(804.7)	(310.0)	(273.4)	(1,530.9)		
Net value	<u>\$ 24.0</u>	<u>\$ 2,376.9</u>	<u>\$ 1,420.3</u>	<u>\$ 33.4</u>	<u>\$ 3,854.6</u>	<u>\$ 616.6</u>	<u>\$ 4,471.2</u>
December 31, 2019							
Gross	\$ 166.4	\$ 3,062.8	\$ 1,730.3	\$ 312.9	\$ 5,272.4		
Accumulated amortization	(134.8)	(527.5)	(223.5)	(260.5)	(1,146.3)		
Net value	<u>\$ 31.6</u>	<u>\$ 2,535.3</u>	<u>\$ 1,506.8</u>	<u>\$ 52.4</u>	<u>\$ 4,126.1</u>	<u>\$ 608.4</u>	<u>\$ 4,734.5</u>

<sup>(1)</sup> Trademarks are net of accumulated impairment losses of \$124.4 million as of December 31, 2021 and 2020, and \$122.1 million as of December 31, 2019.

Amortization of finite-lived intangible assets is estimated as follows for the next five years: \$299.1 million in 2022, \$297.3 million in 2023, \$294.0 million in 2024, \$286.7 million in 2025 and \$282.3 million in 2026.

Although the Company believes its estimates of fair value related to reporting units and indefinite-lived trademarks are reasonable, actual financial results could differ from those estimates due to the inherent uncertainty involved in making such estimates. Changes in assumptions concerning future financial results or other underlying assumptions could have a significant impact and future impairment charges may be required.



## NOTE 6 – DEBT

The table below summarizes the carrying value of the Company's outstanding debt, net of capitalized debt issuance costs:

	Due Date	2021	2020	2019
3.45% Senior Notes	2027	\$ 1,490.4	\$ 1,488.6	\$ 1,486.8
4.50% Senior Notes	2047	1,231.6	1,230.8	1,230.1
2.95% Senior Notes	2029	792.6	791.7	790.7
3.80% Senior Notes	2049	543.0	542.8	542.5
3.125% Senior Notes	2024	498.3	497.7	497.0
2.30% Senior Notes	2030	496.2	495.8	—
3.30% Senior Notes	2050	493.9	493.7	—
2.20% Senior Notes	2032	493.6	—	—
2.90% Senior Notes	2052	491.3	—	—
3.45% Senior Notes	2025	398.7	398.3	398.0
4.55% Senior Notes	2045	394.7	394.5	394.3
3.95% Senior Notes	2026	356.2	357.8	359.3
4.00% Senior Notes	2042	296.7	296.6	296.4
2.75% Senior Notes	2022	260.0	259.6	757.1
3.30% Senior Notes	2025	249.6	249.5	249.4
4.40% Senior Notes	2045	240.0	239.6	239.2
7.375% Debentures	2027	119.2	119.1	119.1
7.45% Debentures	2097	3.5	3.5	3.5
0.53% to 8.00% Promissory Notes	Through 2026	2.0	2.3	2.9
4.20% Senior Notes	2022	—	405.7	411.3
0.92% Fixed Rate Loan	2021	—	24.4	22.4
Floating Rate Loan	2021	—	—	251.9
2.25% Senior Notes	2020	—	—	428.6
Total <sup>(1)</sup>		8,851.5	8,292.0	8,480.5
Less amounts due within one year		260.6	25.1	429.8
Long-term debt		\$ 8,590.9	\$ 8,266.9	\$ 8,050.7

<sup>(1)</sup> Net of capitalized debt issuance costs of \$57.6 million, \$52.9 million and \$50.6 million at December 31, 2021, 2020 and 2019, respectively.

Maturities of long-term debt are as follows for the next five years: \$260.8 million in 2022; \$0.9 million in 2023; \$500.2 million in 2024, \$650.1 million in 2025 and \$350.1 million in 2026. Interest expense on long-term debt was \$320.4 million, \$320.5 million and \$321.3 million for 2021, 2020 and 2019, respectively.

Among other restrictions, the Company's notes, debentures and revolving credit agreement contain certain covenants relating to liens, ratings changes, merger and sale of assets, consolidated leverage and change of control, as defined in the agreements. In the event of default under any one of these arrangements, acceleration of the maturity of any one or more of these borrowings may result. The Company was in compliance with all covenants for all years presented.

In November 2021, the Company issued \$500.0 million of 2.20% Senior Notes due March 2032 and \$500.0 million of 2.90% Senior Notes due March 2052 in a public offering. The net proceeds from the issuance of these notes were used to repay outstanding borrowings under the Company's domestic commercial paper program.

In October 2021, the Company exercised its optional redemption rights to redeem the entire outstanding \$400.0 million aggregate principal amount of its 4.20% Senior Notes due 2022 and its 4.20% Notes due 2022 initially issued by The Valspar Corporation (collectively, the 4.20% Senior Notes) after exercising its optional redemption rights. The 4.20% Senior Notes were redeemed at a redemption price equal to 100% of the principal amount, plus accrued interest, and resulted in a gain of \$1.4 million recorded in Other (income) expense - net. See Note 18.

In March 2020, the Company issued \$500.0 million of 2.30% Senior Notes due May 2030 and \$500.0 million of 3.30% Senior Notes due May 2050 in a public offering. The net proceeds from the issuance of these notes were used to repurchase a portion of the 2.75% Senior Notes due 2022 and redeem the 2.25% Senior Notes due May 2020. The repurchase of the 2.75% Senior Notes due 2022 during the first quarter of 2020 resulted in a loss of \$21.3 million recorded in Other (income) expense - net. See Note 18.

In August 2019, the Company issued \$800.0 million of 2.95% Senior Notes due 2029 and \$550.0 million of 3.80% Senior Notes due 2049 in a public offering. The net proceeds from the issuance of these notes were used for general corporate purposes.

In August 2019, the Company repurchased \$1.010 billion of its 2.25% Senior Notes due 2020 and \$490.0 million of its 2.75% Senior Notes due 2022. These repurchases resulted in a loss of \$14.8 million recorded in Other (income) expense - net. See Note 18.

In June 2019, the Company repurchased \$60.9 million of its 2.25% Senior Notes due May 2020. This repurchase resulted in an insignificant gain.

#### Short-Term Borrowings

On June 29, 2021, the Company and two of its wholly-owned subsidiaries, Sherwin-Williams Canada Inc. (SW Canada) and Sherwin-Williams Luxembourg S.à r.l. (SW Luxembourg, together with the Company and SW Canada, the Borrowers), entered into a new five-year \$2.000 billion credit agreement (New Credit Agreement). The New Credit Agreement may be used for general corporate purposes, including the financing of working capital requirements. The New Credit agreement replaced the \$2.000 billion credit agreement dated July 19, 2018, as amended, which was terminated effective June 29, 2021. The New Credit Agreement will mature on June 29, 2026 and provides that the Company may request to extend the maturity date of the facility for two additional one-year periods. In addition, the New Credit Agreement provides that the Borrowers may increase the aggregate amount of the facility to \$2.750 billion, subject to the discretion of each lender to participate in the increase, and the Borrowers may request letters of credit in an amount of up to \$250.0 million. At December 31, 2021, 2020 and 2019, there were no short-term borrowings under these credit agreements.

On August 2, 2021, the Company entered into an amended and restated \$625.0 million credit agreement (August 2021 Credit Agreement), which amends and restates the five-year credit agreement entered into in September 2017. The August 2021 Credit Agreement was subsequently amended on multiple dates to extend the maturity of commitments available for borrowing or letters of credit under the agreement. On May 9, 2016, the Company entered into a five-year credit agreement (May 2016 Credit Agreement), subsequently amended on multiple dates to extend the maturity of commitments available for borrowing or letters of credit under the agreement. The May 2016 credit agreement gives the Company the right to borrow and obtain letters of credit up to an aggregate availability of \$875.0 million. These credit agreements are being used for general corporate purposes. At December 31, 2021, 2020 and 2019, there were no borrowings outstanding under these credit agreements.

The Company's available capacity under its committed credit agreements is reduced for amounts outstanding under its domestic commercial paper program and letters of credit. At December 31, 2021, the Company had unused capacity under its various credit agreements of \$2.725 billion. The table below summarizes the Company's short-term borrowings:

	2021	2020	2019
Domestic commercial paper	\$ 739.9	\$ —	\$ 191.9
Foreign facilities	23.6	0.1	12.8
Total	\$ 763.5	\$ 0.1	\$ 204.7
Weighted average interest rate:			
Domestic	0.3 %	— %	2.1 %
Foreign	9.5 %	0.2 %	4.3 %

**NOTE 7 – PENSION, HEALTH CARE AND OTHER POSTRETIREMENT BENEFITS**

The Company provides pension benefits to substantially all full-time employees through primarily noncontributory defined contribution or defined benefit plans and certain health care and life insurance benefits to domestic active employees and eligible retirees. In accordance with the Retirement Benefits Topic of the ASC, the Company recognizes an asset for overfunded defined benefit pension or other postretirement benefit plans and a liability for unfunded or underfunded plans. In addition, actuarial gains and losses and prior service costs of such plans are recorded in AOCI. The amounts recorded in AOCI will continue to be modified as actuarial assumptions and service costs change, and all such amounts will be amortized to expense over a period of years through the net pension cost (credit) and net periodic benefit cost (credit).

**Health Care Plans**

The Company provides certain domestic health care plans that are contributory and contain cost-sharing features such as deductibles and coinsurance. There were 29,016, 27,782 and 27,030 active employees entitled to receive benefits under these plans at December 31, 2021, 2020 and 2019, respectively. The cost of these benefits for active employees, which includes claims incurred but not reported, amounted to \$336.0 million, \$298.8 million and \$301.6 million for 2021, 2020 and 2019, respectively.

**Defined Contribution Pension Plans**

The Company's annual contribution for its domestic defined contribution pension plan was \$85.3 million, \$77.0 million and \$72.7 million for 2021, 2020 and 2019, respectively. The contribution percentage ranges from two percent to seven percent of compensation for covered employees based on an age and service formula. Assets in employee accounts of the domestic defined contribution pension plan are invested in various investment funds as directed by the participants. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

The Company's annual contributions for its foreign defined contribution pension plans, which are based on various percentages of compensation for covered employees up to certain limits, were \$17.9 million, \$22.5 million and \$24.5 million for 2021, 2020 and 2019, respectively. Assets in employee accounts of the foreign defined contribution pension plans are invested in various investment funds. These investment funds did not own a significant number of shares of the Company's common stock for any year presented.

**Defined Benefit Pension Plans**

In 2018, the Company's domestic defined benefit pension plan was split into two separate overfunded plans: one that will continue to operate, and one that was frozen and subsequently terminated during 2018 (Terminated Plan). Active participants in the Terminated Plan were moved to the Company's domestic defined contribution plan (Qualified Replacement Plan). The Company settled the liabilities of the Terminated Plan through a combination of (i) lump sum payments to eligible participants who elected to receive them and (ii) the purchase of annuity contracts for participants who either did not elect lump sums or were already receiving benefit payments. The lump sum payments were paid in December 2018. During the first quarter of 2019, the Company purchased annuity contracts to settle the remaining liabilities of the Terminated Plan. The annuity contract purchase resulted in a settlement charge of \$32.4 million in the first quarter of 2019. The remaining surplus of the Terminated Plan is being used, as prescribed in the applicable regulations, to fund Company contributions to the Qualified Replacement Plan. During 2019, the Company transferred the remaining surplus of \$242.2 million to a suspense account held within a trust for the Qualified Replacement Plan. This amount included \$131.8 million of Company common stock (900,000 shares). The shares are treated as treasury stock in accordance with ASC 715. See Note 11. The remaining surplus consists of investment funds held at fair value. See Note 16.

At December 31, 2021, the domestic defined benefit pension plan was overfunded, with a projected benefit obligation of \$120.8 million, fair value of plan assets of \$155.2 million and excess plan assets of \$34.4 million. The plan was funded in accordance with all applicable regulations at December 31, 2021.

The Company has thirty-three foreign defined benefit pension plans. At December 31, 2021, twenty-seven of the Company's foreign defined benefit pension plans were unfunded or underfunded, with combined accumulated benefit obligations, projected benefit obligations, fair values of net assets and deficiencies of plan assets of \$95.2 million, \$108.5 million, \$29.5 million and \$79.0 million, respectively.

The Company expects to make the following benefit payments for all domestic and foreign defined benefit pension plans: \$15.2 million in 2022; \$14.8 million in 2023; \$16.1 million in 2024; \$16.9 million in 2025; \$23.1 million in 2026; and \$105.4 million in 2027 through 2031. The Company expects to contribute \$5.8 million to the foreign plans in 2022.

The estimated net actuarial losses and prior service credits for the defined benefit pension plans that are expected to be amortized from AOCI into the net pension costs in 2022 are \$0.3 million and \$(0.2) million, respectively.

The following table summarizes the components of the net pension costs and AOCI related to the defined benefit pension plans:

	Domestic Defined Benefit Pension Plan			Foreign Defined Benefit Pension Plans		
	2021	2020	2019	2021	2020	2019
Net pension cost:						
Service cost	\$ 4.9	\$ 4.4	\$ 3.5	\$ 7.4	\$ 6.8	\$ 5.9
Interest cost	2.7	3.2	4.8	5.7	6.9	9.4
Expected return on plan assets	(7.1)	(6.3)	(5.3)	(9.6)	(10.0)	(10.3)
Amortization of prior service cost	1.1	1.4	1.4	(0.1)		
Amortization of actuarial losses				1.5	1.0	1.0
Ongoing pension cost	1.6	2.7	4.4	4.9	4.7	6.0
Settlement costs			32.4	0.3	0.2	0.3
Net pension cost	1.6	2.7	36.8	5.2	4.9	6.3
Other changes in plan assets and projected benefit obligation recognized in AOCI (before taxes):						
Net actuarial (gains) losses arising during the year	(10.5)	(4.5)	(22.0)	(44.9)	7.0	13.2
Prior service cost (credit) arising during the year	1.4	0.2	3.1	(1.0)	(0.5)	
Amortization of actuarial losses				(1.5)	(1.0)	(1.0)
Amortization of prior service cost	(1.1)	(1.4)	(1.4)	0.1		
Loss recognized for settlement			(32.4)	(0.3)	(0.2)	(0.3)
Gain arising from curtailment						(0.7)
Exchange rate (loss) gain recognized during the year				(0.6)	1.7	1.0
Total recognized in AOCI	(10.2)	(5.7)	(52.7)	(48.2)	7.0	12.2
Total recognized in net pension cost and AOCI	\$ (8.6)	\$ (3.0)	\$ (15.9)	\$ (43.0)	\$ 11.9	\$ 18.5

Service cost is recorded in Cost of goods sold and Selling, general and administrative expense. All other components of Net pension costs are recorded in Other (income) expense - net.

The Company employs a total return investment approach for the domestic and foreign defined benefit pension plan assets. A mix of equities and fixed income investments are used to maximize the long-term return of assets for a prudent level of risk. In determining the expected long-term rate of return on defined benefit pension plan assets, management considers the historical rates of return, the nature of investments and an expectation of future investment strategies. The target allocations for plan assets are 35% – 65% equity securities, 35% – 55% fixed income securities and 0% – 10% other (including alternative investments and cash).

The following tables summarize the fair value of the defined benefit pension plan assets at December 31, 2021, 2020 and 2019. The presentation is in accordance with the Retirement Benefits Topic of the ASC.

	Fair value at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments <sup>(1)</sup>	\$ 133.1	\$ 13.5	\$ 119.6	
Fixed income investments <sup>(2)</sup>	172.1		172.1	
Other assets <sup>(3)</sup>	36.7		36.7	
Total investments in fair value hierarchy	341.9	\$ 13.5	\$ 328.4	
Investments measured at NAV or its equivalent <sup>(4)</sup>	141.7			
Total investments	<u>\$ 483.6</u>			

	Fair value at December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments <sup>(1)</sup>	\$ 134.9	\$ 13.9	\$ 121.0	
Fixed income investments <sup>(2)</sup>	182.3	24.3	158.0	
Other assets <sup>(3)</sup>	39.2		39.2	
Total investments in fair value hierarchy	356.4	\$ 38.2	\$ 318.2	
Investments measured at NAV or its equivalent <sup>(4)</sup>	106.1			
Total investments	<u>\$ 462.5</u>			

	Fair value at December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments at fair value:				
Equity investments <sup>(1)</sup>	\$ 115.7	\$ 7.9	\$ 107.8	
Fixed income investments <sup>(2)</sup>	173.4	29.7	143.7	
Other assets <sup>(3)</sup>	36.6		36.6	
Total investments in fair value hierarchy	325.7	\$ 37.6	\$ 288.1	
Investments measured at NAV or its equivalent <sup>(4)</sup>	88.3			
Total investments	<u>\$ 414.0</u>			

<sup>(1)</sup> This category includes actively managed equity assets that track primarily to the S&P 500.

<sup>(2)</sup> This category includes government and corporate bonds that track primarily to the Barclays Capital Aggregate Bond Index.

<sup>(3)</sup> This category includes real estate and pooled investment funds.

<sup>(4)</sup> This category includes pooled investment funds and private equity funds that are measured at NAV or its equivalent using the practical expedient. Therefore, these investments are not classified in the fair value hierarchy.

The following table summarizes the obligations, plan assets and assumptions used for the defined benefit pension plans, which are all measured as of December 31:

	Domestic Defined Benefit Pension Plan			Foreign Defined Benefit Pension Plans		
	2021	2020	2019	2021	2020	2019
Accumulated benefit obligations at end of year	\$ 117.0	\$ 114.2	\$ 97.2	\$ 334.8	\$ 370.2	\$ 331.7
Projected benefit obligations:						
Balances at beginning of year	\$ 118.6	\$ 103.0	\$ 524.7	\$ 401.1	\$ 360.7	\$ 315.8
Service cost	4.9	4.4	3.5	7.4	6.8	5.9
Interest cost	2.7	3.2	4.8	5.7	6.9	9.4
Actuarial (gains) losses	(2.8)	11.0	4.4	(26.0)	25.3	36.2
Contributions and other	1.4	0.2	3.1	(4.6)	(0.1)	0.7
Settlements			(429.3)	(1.7)	(4.3)	(6.6)
Effect of foreign exchange				(9.8)	16.0	7.8
Benefits paid	(4.0)	(3.2)	(8.2)	(9.4)	(10.2)	(8.5)
Balances at end of year	120.8	118.6	103.0	362.7	401.1	360.7
Plan assets:						
Balances at beginning of year	144.3	125.9	777.0	318.2	288.1	253.5
Actual returns on plan assets	14.9	21.6	31.7	27.9	28.9	33.3
Contributions and other				(1.1)	5.9	7.7
Settlements			(429.3)	(1.7)	(4.3)	(6.6)
Transfer related to plan termination			(245.3)			
Effect of foreign exchange				(5.5)	9.8	8.7
Benefits paid	(4.0)	(3.2)	(8.2)	(9.4)	(10.2)	(8.5)
Balances at end of year	155.2	144.3	125.9	328.4	318.2	288.1
Excess (deficient) plan assets over projected benefit obligations	\$ 34.4	\$ 25.7	\$ 22.9	\$ (34.3)	\$ (82.9)	\$ (72.6)
Assets and liabilities recognized in the Consolidated Balance Sheets:						
Deferred pension assets	\$ 34.4	\$ 25.7	\$ 22.9	\$ 44.7	\$ 27.4	\$ 20.1
Other accruals				(3.3)	(2.5)	(2.3)
Other long-term liabilities				(75.7)	(107.8)	(90.4)
	\$ 34.4	\$ 25.7	\$ 22.9	\$ (34.3)	\$ (82.9)	\$ (72.6)
Amounts recognized in AOCI:						
Net actuarial gains (losses)	\$ 13.0	\$ 2.5	\$ (2.0)	\$ 1.9	\$ (45.4)	\$ (37.9)
Prior service (costs) credits	(6.5)	(6.2)	(7.4)	1.4	0.5	
	\$ 6.5	\$ (3.7)	\$ (9.4)	\$ 3.3	\$ (44.9)	\$ (37.9)
Weighted-average assumptions used to determine projected benefit obligations:						
Discount rate	3.12 %	2.85 %	3.44 %	2.26 %	1.63 %	2.17 %
Rate of compensation increase	3.00 %	3.00 %	3.00 %	3.25 %	2.91 %	3.09 %
Weighted-average assumptions used to determine net pension cost:						
Discount rate	2.85 %	3.44 %	3.60 %	1.63 %	2.17 %	3.04 %
Expected long-term rate of return on assets	5.00 %	5.00 %	5.00 %	3.17 %	3.62 %	4.09 %
Rate of compensation increase	3.00 %	3.00 %	3.17 %	2.91 %	3.09 %	3.65 %

### Other Postretirement Benefits

Employees of the Company hired in the United States prior to January 1, 1993 who are not members of a collective bargaining unit, and certain groups of employees added through acquisitions, are eligible for health care and life insurance benefits upon retirement, subject to the terms of the unfunded plans. There were 3,410, 3,465 and 3,481 retired employees entitled to receive such postretirement benefits at December 31, 2021, 2020 and 2019, respectively.

The following table summarizes the obligation and the assumptions used for other postretirement benefits:

	Other Postretirement Benefits		
	2021	2020	2019
<b>Benefit obligation:</b>			
Balance at beginning of year - unfunded	\$ 291.6	\$ 280.5	\$ 274.6
Service cost	1.4	1.5	1.5
Interest cost	4.9	7.6	11.2
Actuarial (gain) loss	(4.1)	19.7	12.8
Plan amendments	(2.2)	1.0	
Benefits paid	(15.2)	(18.7)	(19.6)
Balance at end of year - unfunded	\$ 276.4	\$ 291.6	\$ 280.5
<b>Liabilities recognized in the Consolidated Balance Sheets:</b>			
Other accruals	\$ (17.0)	\$ (16.0)	\$ (17.5)
Postretirement benefits other than pensions	(259.4)	(275.6)	(263.0)
	\$ (276.4)	\$ (291.6)	\$ (280.5)
<b>Amounts recognized in AOCI:</b>			
Net actuarial losses	\$ (54.0)	\$ (62.8)	\$ (45.1)
Prior service credit (cost)	1.6	(0.9)	1.1
	\$ (52.4)	\$ (63.7)	\$ (44.0)
<b>Weighted-average assumptions used to determine benefit obligation:</b>			
Discount rate	2.83 %	2.49 %	3.22 %
Health care cost trend rate - pre-65	6.38 %	6.06 %	6.38 %
Health care cost trend rate - post-65	5.13 %	5.13 %	5.25 %
Prescription drug cost increases	8.25 %	8.25 %	9.00 %
Employer Group Waiver Plan (EGWP) trend rate	8.25 %	8.25 %	9.00 %
<b>Weighted-average assumptions used to determine net periodic benefit cost:</b>			
Discount rate	2.49 %	3.22 %	4.21 %
Health care cost trend rate - pre-65	6.06 %	6.38 %	6.69 %
Health care cost trend rate - post-65	5.13 %	5.25 %	4.94 %
Prescription drug cost increases	8.25 %	9.00 %	9.75 %

The following table summarizes the components of the net periodic benefit cost and AOCI related to postretirement benefits other than pensions:

	Other Postretirement Benefits		
	2021	2020	2019
Net periodic benefit cost:			
Service cost	\$ 1.4	\$ 1.5	\$ 1.5
Interest cost	4.9	7.6	11.2
Amortization of actuarial losses	4.7	2.0	0.5
Amortization of prior service cost (credit)	0.3	(1.1)	(5.0)
Net periodic benefit cost	11.3	10.0	8.2
Other changes in projected benefit obligation recognized in AOCI (before taxes):			
Net actuarial (gain) loss arising during the year	(4.1)	19.7	12.8
Prior service (credit) cost arising during the year	(2.2)	0.9	
Amortization of actuarial losses	(4.7)	(2.0)	(0.5)
Amortization of prior service credit	(0.3)	1.1	5.0
Total recognized in AOCI	(11.3)	19.7	17.3
Total recognized in net periodic benefit cost and AOCI	\$ —	\$ 29.7	\$ 25.5

The estimated net actuarial losses and prior service credits for other postretirement benefits that are expected to be amortized from AOCI into net periodic benefit cost in 2022 are \$4.2 million and \$(0.4) million, respectively.

The assumed health care cost trend rate and prescription drug cost increases used to determine the net periodic benefit cost for postretirement health care benefits for 2022 both decrease in each successive year until reaching 4.5% in 2029.

The Company expects to make retiree health care benefit cash payments as follows:

2022	\$ 17.1
2023	17.8
2024	18.5
2025	19.2
2026	19.1
2027 through 2031	85.1
Total expected benefit cash payments	\$ 176.8



## NOTE 8 – LEASES

The Company leases retail stores, manufacturing and distribution facilities, office space and equipment under operating lease agreements. Operating lease right-of-use (ROU) assets and lease liabilities are recognized based on the present value of lease payments over the lease term. The majority of the ROU asset and lease liability balances relate to the retail operations of The Americas Group.

Most leases include one or more options to renew. The exercise of lease renewal options is at the Company's discretion and is not reasonably certain at lease commencement. The Company does not account for lease and non-lease components of contracts separately for any underlying asset class. Some leases have variable payments, however, because they are not based on an index or rate, they are not included in the ROU assets and liabilities. Variable payments for real estate leases relate primarily to common area maintenance, insurance, taxes and utilities associated with the properties. Variable payments for equipment leases relate primarily to hours, miles, or other quantifiable usage factors which are not determinable at the time the lease agreement is entered into by the Company. The Company has made an accounting policy election by underlying asset class to not apply the recognition requirements of ASC 842 to short-term leases. As a result, certain leases with a term of 12 months or less are not recorded on the balance sheet and expense is recognized on a straight-line basis over the lease term. Most leases do not contain an implicit discount rate. Therefore, the Company's estimated incremental borrowing rate based on information available at the time of lease inception is used to discount lease payments to present value.

Additional lease information is summarized below:

	2021	2020	2019
Operating lease cost	\$ 478.0	\$ 464.5	\$ 452.9
Short-term lease cost	43.8	41.1	39.7
Variable lease cost	84.4	80.7	73.6
Operating cash outflows from operating leases	\$ 461.4	\$ 446.1	\$ 430.9
Leased assets obtained in exchange for new operating lease liabilities	\$ 505.2	\$ 469.9	\$ 346.4
Weighted average remaining lease term	5.8 years	6.0 years	6.0 years
Weighted average discount rate	3.0 %	3.4 %	3.9 %

The following table reconciles the undiscounted cash flows for each of the next five years and thereafter to the operating lease liabilities recognized on the balance sheet as of December 31, 2021. The reconciliation excludes short-term leases that are not recorded on the balance sheet.

Year Ending December 31,	
2022	\$ 455.2
2023	398.1
2024	337.2
2025	271.7
2026	198.6
Thereafter	374.6
Total lease payments	2,035.4
Amount representing interest	(155.0)
Present value of operating lease liabilities	\$ 1,880.4

## NOTE 9 – OTHER LONG-TERM LIABILITIES

The operations of the Company, like those of other companies in its industry, are subject to various domestic and foreign environmental laws and regulations. These laws and regulations not only govern current operations and products, but also impose potential liability on the Company for past operations. Management expects environmental laws and regulations to impose increasingly stringent requirements upon the Company and the industry in the future. Management believes that the Company conducts its operations in compliance with applicable environmental laws and regulations and has implemented various programs designed to protect the environment and promote continued compliance.

The Company is involved with environmental investigation and remediation activities at some of its currently and formerly owned sites (including sites which were previously owned and/or operated by businesses acquired by the Company). In addition, the Company, together with other parties, has been designated a potentially responsible party under federal and state environmental protection laws for the investigation and remediation of environmental contamination and hazardous waste at a number of third-party sites, primarily Superfund sites. In general, these laws provide that potentially responsible parties may be held jointly and severally liable for investigation and remediation costs regardless of fault. The Company may be similarly designated with respect to additional third-party sites in the future.

The Company initially provides for estimated costs of environmental-related activities relating to its past operations and third-party sites for which commitments or clean-up plans have been developed and when such costs can be reasonably estimated based on industry standards and professional judgment. These estimated costs, which are mostly undiscounted, are determined based on currently available facts regarding each site. If the reasonably estimable costs can only be identified as a range and no specific amount within that range can be determined more likely than any other amount within the range, the minimum of the range is provided.

The Company continuously assesses its potential liability for investigation and remediation-related activities and adjusts its environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. At December 31, 2021, 2020 and 2019, the Company had accruals reported on the balance sheet as Other long-term liabilities of \$277.4 million, \$300.5 million and \$314.8 million, respectively. Estimated costs of current investigation and remediation activities of \$45.9 million, \$68.6 million and \$57.6 million are included in Other accruals at December 31, 2021, 2020 and 2019, respectively.

Actual costs incurred may vary from the accrued estimates due to the inherent uncertainties involved including, among others, the number and financial condition of parties involved with respect to any given site, the volumetric contribution which may be attributed to the Company relative to that attributed to other parties, the nature and magnitude of the wastes involved, the various technologies that can be used for remediation and the determination of acceptable remediation with respect to a particular site. If the Company's future loss contingency is ultimately determined to be at the unaccrued maximum of the estimated range of possible outcomes for every site for which costs can be reasonably estimated, the Company's accrual for environmental-related activities would be \$101.4 million higher than the minimum accruals at December 31, 2021. Additionally, costs for environmental-related activities may not be reasonably estimable at early stages of investigation and therefore would not be included in the unaccrued maximum amount.

Four of the Company's currently and formerly owned manufacturing sites ("Major Sites") account for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at December 31, 2021. At December 31, 2021, \$278.5 million, or 86.1% of the total accrual, related directly to the Major Sites. In the aggregate unaccrued maximum of \$101.4 million at December 31, 2021, \$78.7 million, or 77.6%, related to the Major Sites. The significant cost components of this liability continue to be related to remedy implementation, regulatory agency interaction, project management and other costs. While different for each specific environmental situation, these components generally each account for approximately 85%, 10%, and 5%, respectively, of the accrued amount and those percentages are subject to change over time. While environmental investigations and remedial actions are in different stages at these sites, additional investigations, remedial actions and monitoring will likely be required at each site.

The largest and most complex of the Major Sites is the Gibbsboro, New Jersey site ("Gibbsboro") which comprises the substantial majority of the environmental-related accrual. Gibbsboro, a former manufacturing plant, and related areas, which ceased operations in 1978, has had various areas included on the National Priorities List since 1999. This location has soil, waterbodies, and groundwater contamination related to the historic operations of the facility. Gibbsboro has been divided by the Environmental Protection Agency ("EPA") into six operable units ("OUs") based on location and characteristics, whose investigation and remediation efforts are likely to occur over an extended period of time. Each of the OUs are in various phases of investigation and remediation with the EPA that provide enough information to reasonably estimate cost ranges and record environmental-related accruals. The most significant assumptions underlying the reliability and precision of remediation cost

estimates for the Gibbsboro site are the type and extent of future remedies to be selected by the EPA and the costs of implementing those remedies.

The remaining three Major Sites comprising the majority of the accrual include (1) a multi-party Superfund site that has received a record of decision from the federal EPA and is currently in the remedial design phase for one operable unit and for which a remedial investigation/feasibility study has been submitted for another operable unit, (2) a closed paint manufacturing facility that is in the operation and maintenance phase of remediation under both federal and state EPA programs, and (3) a formerly-owned site containing warehouse and office space that is in the remedial investigation phase under a state EPA program. Each of these three Major Sites are in phases of investigation and remediation that provide sufficient information to reasonably estimate cost ranges and record environmental-related accruals.

Excluding the Major Sites discussed above, no sites are individually material to the total accrual balance. There are multiple, future events yet to occur, including further remedy selection and design, remedy implementation and execution, and securing applicable governmental agency approvals, all of which have the potential to contribute to the uncertainty surrounding these future events. As these events occur and to the extent that the cost estimates of the environmental remediation change, the existing reserve will be adjusted.

Management cannot presently estimate the ultimate potential loss contingencies related to these sites or other less significant sites until such time as a substantial portion of the investigation at the sites is completed and remedial action plans are developed. Unasserted claims could have a material effect on the Company's loss contingency as more information becomes available over time. At December 31, 2021, the Company did not have material loss contingency accruals related to unasserted claims. Management does not expect that a material portion of unrecognized loss contingencies will be recoverable through insurance, indemnification agreements or other sources. In the event any future loss contingency significantly exceeds the current amount accrued, the recording of the ultimate liability may result in a material impact on net income for the annual or interim period during which the additional costs are accrued. Moreover, management does not believe that any potential liability ultimately attributed to the Company for its environmental-related matters will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended length of time during which environmental investigation and remediation takes place. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

Management expects these contingent environmental-related liabilities to be resolved over an extended period of time. Management is unable to provide a more specific time frame due to the indeterminate amount of time to conduct investigation activities at any site, the indeterminate amount of time to obtain environmental agency approval, as necessary, with respect to investigation and remediation activities, and the indeterminate amount of time necessary to conduct remediation activities.

The Asset Retirement and Environmental Obligations Topic of the ASC requires a liability to be recognized for the fair value of a conditional asset retirement obligation if a settlement date and fair value can be reasonably estimated. The Company recognizes a liability for any conditional asset retirement obligation when sufficient information is available to reasonably estimate a settlement date to determine the fair value of such a liability. The Company has identified certain conditional asset retirement obligations at various current and closed manufacturing, distribution and store facilities. These obligations relate primarily to asbestos abatement, hazardous waste Resource Conservation and Recovery Act (RCRA) closures, well abandonment, transformers and used oil disposals and underground storage tank closures. Using investigative, remediation and disposal methods that are currently available to the Company, the estimated costs of these obligations were accrued and are not significant. The recording of additional liabilities for future conditional asset retirement obligations may result in a material impact on net income for the annual or interim period during which the costs are accrued. Management does not believe that any potential liability ultimately attributed to the Company for its conditional asset retirement obligations will have a material adverse effect on the Company's financial condition, liquidity, or cash flow due to the extended period of time over which sufficient information may become available regarding the closure or modification of any one or group of the Company's facilities. An estimate of the potential impact on the Company's operations cannot be made due to the aforementioned uncertainties.

**NOTE 10 – LITIGATION**

In the course of its business, the Company is subject to a variety of claims and lawsuits, including, but not limited to, litigation relating to product liability and warranty, personal injury, environmental, intellectual property, commercial, contractual and antitrust claims that are inherently subject to many uncertainties regarding the possibility of a loss to the Company. These uncertainties will ultimately be resolved when one or more future events occur or fail to occur confirming the incurrence of a liability or the reduction of a liability. In accordance with the Contingencies Topic of the ASC, the Company accrues for these contingencies by a charge to income when it is both probable that one or more future events will occur confirming the fact of a loss and the amount of the loss can be reasonably estimated. In the event that the Company's loss contingency is ultimately determined to be significantly higher than currently accrued, the recording of the additional liability may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such additional liability is accrued. In those cases where no accrual is recorded because it is not probable that a liability has been incurred and the amount of any such loss cannot be reasonably estimated, any potential liability ultimately determined to be attributable to the Company may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued. In those cases where no accrual is recorded or exposure to loss exists in excess of the amount accrued, the Contingencies Topic of the ASC requires disclosure of the contingency when there is a reasonable possibility that a loss or additional loss may have been incurred.

**Lead pigment and lead-based paint litigation.** The Company's past operations included the manufacture and sale of lead pigments and lead-based paints. The Company, along with other companies, is and has been a defendant in a number of legal proceedings, including individual personal injury actions, purported class actions, and actions brought by various counties, cities, school districts and other government-related entities, arising from the manufacture and sale of lead pigments and lead-based paints. The plaintiffs' claims have been based upon various legal theories, including negligence, strict liability, breach of warranty, negligent misrepresentations and omissions, fraudulent misrepresentations and omissions, concert of action, civil conspiracy, violations of unfair trade practice and consumer protection laws, enterprise liability, market share liability, public nuisance, unjust enrichment and other theories. The plaintiffs seek various damages and relief, including personal injury and property damage, costs relating to the detection and abatement of lead-based paint from buildings, costs associated with a public education campaign, medical monitoring costs and others. The Company has also been a defendant in legal proceedings arising from the manufacture and sale of non-lead-based paints that seek recovery based upon various legal theories, including the failure to adequately warn of potential exposure to lead during surface preparation when using non-lead-based paint on surfaces previously painted with lead-based paint. The Company believes that the litigation brought to date is without merit or subject to meritorious defenses and is vigorously defending such litigation. The Company expects that additional lead pigment and lead-based paint litigation may be filed against the Company in the future asserting similar or different legal theories and seeking similar or different types of damages and relief. The Company will continue to vigorously defend against any additional lead pigment and lead-based paint litigation that may be filed, including utilizing all avenues of appeal, if necessary.

Notwithstanding the Company's views on the merits, litigation is inherently subject to many uncertainties, and the Company ultimately may not prevail. Adverse court rulings or determinations of liability, among other factors, could affect the lead pigment and lead-based paint litigation against the Company and encourage an increase in the number and nature of future claims and proceedings. In addition, from time to time, various legislation and administrative regulations have been enacted, promulgated or proposed to impose obligations on present and former manufacturers of lead pigments and lead-based paints respecting asserted health concerns associated with such products or to overturn the effect of court decisions in which the Company and other manufacturers have been successful.

Due to the uncertainties involved, management is unable to predict the outcome of the lead pigment and lead-based paint litigation, the number or nature of possible future claims and proceedings or the effect that any legislation and/or administrative regulations may have on the litigation or against the Company. In addition, management cannot reasonably determine the scope or amount of the potential costs and liabilities related to such litigation, or resulting from any such legislation and regulations. Except with respect to the litigation in California discussed below, the Company has not accrued any amounts for such litigation because the Company does not believe it is probable that a loss has occurred, and the Company believes it is not possible to estimate the range of potential losses as there is no substantive information upon which an estimate could be based. In addition, any potential liability that may result from any changes to legislation and regulations cannot reasonably be estimated. Due to the uncertainties associated with the amount of any such liability and/or the nature of any other remedy which may be imposed in such litigation, any potential liability determined to be attributable to the Company arising out of such litigation may have a material adverse effect on the Company's results of operations, liquidity or financial condition. An estimate of the potential impact on the Company's results of operations, cash flow, liquidity or financial condition cannot be made due to the aforementioned uncertainties.

**Public Nuisance Claim Litigation.** The Company and other companies are or were defendants in legal proceedings seeking recovery based on public nuisance liability theories, among other theories, brought by the State of Rhode Island; the City of St. Louis, Missouri; various cities and counties in the State of New Jersey; various cities in the State of Ohio and the State of Ohio; the City of Chicago, Illinois; the City of Milwaukee, Wisconsin; the County of Santa Clara, California, and other public entities in the State of California; and Lehigh and Montgomery Counties in Pennsylvania. Except for the Santa Clara County, California proceeding and the pending Pennsylvania proceedings, all of these legal proceedings have been concluded in favor of the Company and other defendants at various stages in the proceedings.

**Santa Clara County, California Proceeding.** The Santa Clara County, California proceeding was initiated in March 2000 in the Superior Court of the State of California, County of Santa Clara. After nearly twenty years of litigation, the Company and two other defendants (ConAgra Grocery Products Company and NL Industries, Inc.) reached an agreement in principle with the plaintiffs to resolve the litigation on July 17, 2019. The agreement provides that, in full and final satisfaction of any and all claims of the plaintiffs, the defendants collectively shall pay a total of \$305.0 million, with the defendants each paying approximately \$101.7 million as follows: (i) an initial payment of \$25.0 million within sixty days after the entry of a dismissal order and judgment; (ii) subsequent annual payments of \$12.0 million one year after the initial payment and for a period of four years thereafter; and (iii) a final payment of approximately \$16.7 million on the sixth anniversary of the initial payment. Should NL Industries fail to make any of its payments required under the agreement, the Company has agreed to backstop and pay on behalf of NL Industries a maximum amount of \$15.0 million. On July 24, 2019, the trial court approved the agreement, discharged the receiver, and granted a judgment of dismissal with prejudice in favor of the defendants. At December 31, 2021 and 2020, the Company had accruals for this agreement reported on the balance sheet of \$52.7 million and \$64.7 million, respectively, with \$12.0 million included in Current liabilities and the remaining \$40.7 million and \$52.7 million, respectively, included in Other long-term liabilities.

**Pennsylvania Proceedings.** Two proceedings in Pennsylvania were initiated in October 2018. The Pennsylvania counties of Montgomery and Lehigh filed complaints against the Company and several other former lead-based paint and lead pigment manufacturers in the Courts of Common Pleas of Montgomery County, Pennsylvania and Lehigh County, Pennsylvania, respectively. In both actions, the counties request declaratory relief establishing the existence of a public nuisance and the defendants' contribution to it, the abatement of an ongoing public nuisance arising from the presence of lead-based paint in housing throughout the applicable county, an injunction against future illicit conduct, and the costs of litigation and attorneys' fees. After the defendants removed the actions to federal court and the actions were remanded to state court, the defendants filed preliminary objections on December 21, 2020, seeking to dismiss the complaints with prejudice. The briefing associated with the preliminary objections concluded on February 23, 2021.

In the Lehigh County action, the trial court denied the defendants' preliminary objections on August 6, 2021. Defendants filed a motion to amend the order to allow an interlocutory appeal or, in the alternative, for reconsideration. The trial court denied the defendants' motion on September 13, 2021. On September 27, 2021, the Company answered the complaint, asserted new matter and affirmative defenses, alleged counterclaims against Lehigh County, and filed a third-party complaint against certain County officials, other owners of pre-1980 housing, and lead abatement contractors who have been cited for violating state or local laws. On October 13, 2021, the defendants filed with the Superior Court, one of Pennsylvania's intermediate appellate courts, a petition for permission to appeal the trial court's order denying the defendants' preliminary objections. On November 17, 2021, the Superior Court transferred the appeal to the Commonwealth Court, another one of Pennsylvania's intermediate appellate courts. Lehigh County filed its answer to defendants' petition for permission to appeal on January 7, 2022. All deadlines and discovery in the Lehigh County action will be held in abeyance pending the appellate court proceedings.

In the Montgomery County action, the trial court denied the defendants' preliminary objections on October 15, 2021. The defendants filed a motion to amend the order overruling their preliminary objections to allow an interlocutory appeal, which the trial court granted on November 9, 2021. On December 3, 2021, the defendants filed a petition for permission to appeal with the Commonwealth Court. On January 18, 2022, Montgomery County filed its answer to defendants' petition for permission to appeal. All deadlines and discovery in the Montgomery County action will be held in abeyance pending the appellate court proceedings.

**Litigation seeking damages from alleged personal injury.** The Company and other companies are defendants in a number of legal proceedings seeking monetary damages and other relief from alleged personal injuries. These proceedings include claims by children allegedly injured from ingestion of lead pigment or lead-containing paint and claims for damages allegedly incurred by the children's parents or guardians. These proceedings generally seek compensatory and punitive damages, and seek other relief including medical monitoring costs. These proceedings include purported claims by individuals, groups of individuals and class actions.

The plaintiff in *Thomas v. Lead Industries Association, et al.*, initiated an action in Wisconsin state court against the Company, other alleged former lead pigment manufacturers and the Lead Industries Association in September 1999. The claims against

the defendants included strict liability, negligence, negligent misrepresentation and omissions, fraudulent misrepresentation and omissions, concert of action, civil conspiracy and enterprise liability. Implicit within these claims is the theory of “risk contribution” liability (Wisconsin’s theory is similar to market share liability, except that liability can be joint and several) due to the plaintiff’s inability to identify the manufacturer of any product that allegedly injured the plaintiff. The case ultimately proceeded to trial and, on November 5, 2007, the jury returned a defense verdict, finding that the plaintiff had ingested white lead carbonate, but was not brain damaged or injured as a result. The plaintiff appealed, and on December 16, 2010, the Wisconsin Court of Appeals affirmed the final judgment in favor of the defendants.

Wisconsin is the only jurisdiction to date to apply a theory of liability with respect to alleged personal injury (i.e., risk contribution/market share liability) that does not require the plaintiff to identify the manufacturer of the product that allegedly injured the plaintiff in the lead pigment and lead-based paint litigation. Although the risk contribution liability theory was applied during the Thomas trial, the constitutionality of this theory as applied to the lead pigment cases has not been judicially determined by the Wisconsin state courts. However, in an unrelated action filed in the United States District Court for the Eastern District of Wisconsin, *Gibson v. American Cyanamid, et al.*, on November 15, 2010, the district court held that Wisconsin’s risk contribution theory as applied in that case violated the defendants’ right to substantive due process and is unconstitutionally retroactive. The district court’s decision in *Gibson v. American Cyanamid, et al.*, was appealed by the plaintiff to the United States Court of Appeals for the Seventh Circuit. On July 24, 2014, the Seventh Circuit reversed the judgment and remanded the case back to the district court for further proceedings. On January 16, 2015, the defendants filed a petition for certiorari in the United States Supreme Court seeking review of the Seventh Circuit’s decision, and on May 18, 2015, the United States Supreme Court denied the defendants’ petition. The case is currently pending in the district court.

The United States District Court for the Eastern District of Wisconsin consolidated three cases (*Ravon Owens v. American Cyanamid, et al.*, *Cesar Sifuentes v. American Cyanamid, et al.*, and *Glenn Burton, Jr. v. American Cyanamid, et al.*) for purposes of trial. A trial was held in May 2019 and resulted in a jury verdict for the three plaintiffs in the amount of \$2.0 million each for a total of \$6.0 million against the Company and two other defendants (*Armstrong Containers Inc.* and *E.I. du Pont de Nemours*). After post-trial motions resulted in the damages award to plaintiff Glenn Burton, Jr. being reduced to \$800,000, the Company filed a notice of appeal with the United States Court of Appeals for the Seventh Circuit. On April 15, 2021, the Seventh Circuit reversed the judgments and held that the Company was entitled to judgment as a matter of law on all claims filed by the three plaintiffs. The plaintiffs filed a petition with the Seventh Circuit on April 27, 2021, seeking a rehearing en banc and, in the alternative, a request for certification of questions to the Wisconsin Supreme Court. The plaintiffs’ petition was denied by the Seventh Circuit on May 12, 2021.

In *Maniya Allen, et al. v. American Cyanamid, et al.*, also pending in the United States District Court for the Eastern District of Wisconsin, cases involving six of the 146 plaintiffs were selected for discovery. In *Dijonae Trammell, et al. v. American Cyanamid, et al.*, also pending in the United States District Court for the Eastern District of Wisconsin, discovery for one of the three plaintiffs was consolidated with the six Allen cases referenced above. The parties selected four of the cases to proceed to expert discovery and to prepare for trial. The district court previously issued an order scheduling trial in the four cases to commence on June 15, 2020, but the trial date was continued due to the COVID-19 pandemic, and no new trial date has been scheduled.

On May 20, 2021, the Company and the three other defendants filed motions for summary judgment to dismiss the claims of all plaintiffs currently pending in the district court as a result of the Seventh Circuit’s decision in favor of the Company in the Owens, Sifuentes and Burton cases. The plaintiffs filed their briefs in opposition to the defendants’ motions for summary judgment on November 22, 2021. The defendants filed replies in support of their motions for summary judgment on December 22, 2021. The parties are awaiting the district court’s decision.

On August 24, 2021, the plaintiff in *Arrieona Beal v. Armstrong Containers, Inc., et al.* filed an amended complaint in Milwaukee County Circuit Court, naming the Company and other alleged former lead pigment manufacturers as defendants pursuant to the risk contribution liability theory. The defendants answered the plaintiff’s complaint on December 17, 2021. The Company intends to vigorously defend this litigation.

**Other lead-based paint and lead pigment litigation.** In *Mary Lewis v. Lead Industries Association, et al.* pending in the Circuit Court of Cook County, Illinois, parents seek to recover the cost of their children’s blood lead testing against the Company and three other defendants that made (or whose alleged corporate predecessors made) white lead pigments. The circuit court had certified a statewide class and a Chicago subclass of parents or legal guardians of children who lived in high-risk zip codes identified by the Illinois Department of Health and who were screened for lead toxicity between August 1995 and February 2008. Excluded from the class were those parents or guardians who have incurred no expense, liability or obligation to pay for the cost of their children’s blood lead testing. In 2017, the defendants moved for summary judgment on the grounds that the three named plaintiffs have not paid and have no obligation or liability to pay for their children’s blood lead testing because Medicaid paid for the children of two plaintiffs and private insurance paid for the third plaintiff without any evidence



of a co-pay or deductible. The circuit court granted the motion, but on September 7, 2018, the appellate court reversed with respect to the two plaintiffs for whom Medicaid paid for their children's testing. Defendants appealed to the Supreme Court of Illinois, and on May 21, 2020, the Supreme Court reversed the appellate court's judgment, affirmed the circuit court's summary judgment dismissing the claims of the two plaintiffs for whom Medicaid paid for their children's testing, and remanded the case for further proceedings consistent with the Supreme Court's decision. On August 19, 2020, the defendants filed their renewed motion for class decertification and entry of final judgment with the circuit court. The parties filed their respective briefs on the motion, and oral argument occurred on February 4, 2021.

On March 8, 2021, the Illinois Department of Healthcare and Family Services filed a petition to intervene and a proposed amended complaint, which would eliminate the class and all prior claims by individual plaintiffs and would propose a subrogation claim by the State agency to recover its expenditures for blood lead testing. Defendants opposed the petition to intervene, and briefing on the petition concluded. A hearing on the petition to intervene occurred on August 10, 2021.

On October 8, 2021, the circuit court entered an order granting the defendants' motion for decertification of the class, denying the petition to intervene by the Illinois Department of Healthcare and Family Services, and noting that an entry of final judgment in the defendants' favor was now appropriate. On October 19, 2021, the circuit court entered final judgment in favor of the defendants. On November 5, 2021, the Illinois Department of Healthcare and Family Services filed a Notice of Appeal with the Appellate Court of Illinois, First District.

**Insurance coverage litigation.** The Company and its liability insurers, including certain underwriters at Lloyd's of London, initiated legal proceedings against each other to determine, among other things, whether the costs and liabilities associated with the abatement of lead pigment are covered under certain insurance policies issued to the Company. The insurers' action, which was filed on February 23, 2006 in the Supreme Court of the State of New York, County of New York, has been dismissed.

The Company's action, filed on March 3, 2006 in the Common Pleas Court, Cuyahoga County, Ohio, previously was stayed and inactive. On January 9, 2019, the Company filed an unopposed motion to lift the stay with the trial court, which was granted, allowing the case to proceed. On June 28, 2019, the Company and its liability insurers each filed separate motions for summary judgment seeking various forms of relief. The trial court entered an order on December 4, 2020, granting the insurers' motion for summary judgment, denying the Company's motion, and entering final judgment in favor of the insurers. The trial court sided with the Company on all of the issues presented, except one. On December 21, 2020, the Company filed a notice of appeal to the Court of Appeals of Cuyahoga County, Ohio, Eighth Appellate District, and the insurers filed cross-appeals. Briefing on the issues concluded, and oral argument occurred on August 25, 2021. The insurers then filed on January 13, 2022, a motion for leave to file a supplemental brief to address the Eighth Appellate District's recent decision in *Cincinnati Ins. Co. v. Discount Drug Mart, Inc.* The Company filed a response to the insurers' motion on January 19, 2022. The parties are awaiting the appellate court's decision.

An ultimate loss in the insurance coverage litigation would mean that insurance proceeds could be unavailable under the policies at issue to mitigate any ultimate abatement related costs and liabilities. The Company has not recorded any assets related to these insurance policies or otherwise assumed that proceeds from these insurance policies would be received in estimating any contingent liability accrual. Therefore, an ultimate loss in the insurance coverage litigation without a determination of liability against the Company in the lead pigment or lead-based paint litigation will have no impact on the Company's results of operation, liquidity or financial condition. As previously stated, however, except with respect to the litigation in California discussed above, the Company has not accrued any amounts for the lead pigment or lead-based paint litigation and any significant liability ultimately determined to be attributable to the Company relating to such litigation may result in a material impact on the Company's results of operations, liquidity or financial condition for the annual or interim period during which such liability is accrued.

**Other litigation.** On December 18, 2019, the New Jersey Department of Environmental Protection, the Commissioner of the New Jersey Department of Environmental Protection, and the Administrator of the New Jersey Spill Compensation Fund filed a lawsuit against the Company in the Superior Court of New Jersey Law Division in Camden County, New Jersey. The plaintiffs seek to recover natural resource damages, punitive damages, and litigation fees and costs, as well as other costs, damages, declaratory relief, and penalties pursuant to New Jersey state statutes and common law theories in connection with the alleged discharge of hazardous substances and pollutants at the Company's Gibbsboro, New Jersey site, a former manufacturing plant and related facilities. On February 21, 2020, the Company filed a motion to dismiss. Briefing concluded, and a hearing on the motion to dismiss occurred. The trial court entered an order on August 26, 2021, granting and denying the Company's motion in part. On September 15, 2021, the Company filed a petition for leave to appeal the trial court's ruling regarding the refusal to dismiss plaintiffs' statutory penalty claims. On October 21, 2021, the Appellate Division of the Superior Court of New Jersey denied the petition. The Company also answered the plaintiffs' complaint on September 21, 2021.

## NOTE 11 – CAPITAL STOCK

During the first quarter of 2021, the Company's Board of Directors approved and declared a three-for-one stock split to shareholders of record at the close of business on March 23, 2021 (the Stock Split). The Stock Split was effected on March 31, 2021. All share and per share information herein has been retroactively adjusted to reflect the Stock Split.

At December 31, 2021, there were 900,000,000 shares of common stock and 90,000,000 shares of serial preferred stock authorized for issuance. Of the authorized serial preferred stock, 9,000,000 shares are designated as cumulative redeemable serial preferred and 3,000,000 shares are designated as convertible serial preferred stock.

Under the 2006 Equity and Performance Incentive Plan (2006 Employee Plan), 71,100,000 shares may be issued or transferred. An aggregate of 19,135,222, 21,007,911 and 24,776,304 shares of common stock at December 31, 2021, 2020 and 2019, respectively, were reserved for the exercise and future grants of option rights and future grants of restricted stock and restricted stock units. See Note 13 for additional information related to stock-based compensation.

Shares outstanding shown in the following table included 1,426,883, 1,469,712 and 1,469,349 shares of common stock held in a revocable trust at December 31, 2021, 2020 and 2019, respectively. The revocable trust is used to accumulate assets for the purpose of funding the ultimate obligation of certain non-qualified benefit plans. Transactions between the Company and the trust are accounted for in accordance with the Deferred Compensation – Rabbi Trusts Subtopic of the Compensation Topic of the ASC, which requires the assets held by the trust be consolidated with the Company's accounts.

	Shares in Treasury	Shares Outstanding
Balance at January 1, 2019	75,765,108	279,350,286
Shares issued for exercise of option rights		2,705,634
Shares tendered as payment for option rights exercised	11,514	(11,514)
Shares issued for vesting of restricted stock units		480,396
Shares tendered in connection with vesting of restricted stock units	165,285	(165,285)
Treasury stock purchased	5,025,000	(5,025,000)
Shares transferred from defined benefit pension plan <sup>(1)</sup>	900,000	(900,000)
Balance at December 31, 2019	81,866,907	276,434,517
Shares issued for exercise of option rights		2,873,646
Shares tendered as payment for option rights exercised	10,140	(10,140)
Shares issued for vesting of restricted stock units		386,685
Shares tendered in connection with vesting of restricted stock units	133,077	(133,077)
Treasury stock purchased	11,700,000	(11,700,000)
Treasury stock retired	(91,746,432)	
Shares sold <sup>(1)</sup>	(825,000)	825,000
Balance at December 31, 2020	1,138,692	268,676,631
Shares issued for exercise of option rights		2,365,168
Shares tendered as payment for option rights exercised	4,324	(4,324)
Shares issued for vesting of restricted stock units		276,948
Shares tendered in connection with vesting of restricted stock units	95,618	(95,618)
Treasury stock purchased	10,075,000	(10,075,000)
Balance at December 31, 2021	11,313,634	261,143,805

<sup>(1)</sup> During the year ended December 31, 2019, 900,000 shares were transferred from the Company's terminated domestic defined benefit pension plan surplus assets in connection with the plan's termination as described in Note 7. In accordance with ASC 715, the transferred shares are treated as treasury stock. During the year ended December 31, 2020, the Company received proceeds of \$182.4 million in conjunction with the issuance of 825,000 treasury shares to fund Company contributions to the domestic defined contribution plan.



## NOTE 12 – ESOP

As of December 31, 2021, 42,721 employees contributed to the Company’s ESOP, a voluntary defined contribution plan available to all eligible salaried employees. Participants are allowed to contribute, on a pretax or after-tax basis, up to the lesser of fifty percent of their annual compensation or the maximum dollar amount allowed under the Internal Revenue Code. The Company matches one hundred percent of all contributions up to six percent of eligible employee contributions. Such participant contributions may be invested in a variety of investment funds or a Company common stock fund and may be exchanged between investments as directed by the participant. Participants are permitted to diversify both future and prior Company matching contributions previously allocated to the Company common stock fund into a variety of investment funds.

The Company made contributions to the ESOP on behalf of participating employees, representing amounts authorized by employees to be withheld from their earnings, of \$224.3 million, \$196.5 million and \$180.5 million in 2021, 2020 and 2019, respectively. The Company’s matching contributions to the ESOP charged to operations were \$133.7 million, \$120.0 million and \$111.9 million for 2021, 2020 and 2019, respectively.

At December 31, 2021, there were 20,639,085 shares of the Company’s common stock being held by the ESOP, representing 7.9% of the total number of voting shares outstanding. Shares of Company common stock credited to each member’s account under the ESOP are voted by the trustee under instructions from each individual plan member. Shares for which no instructions are received are voted by the trustee in the same proportion as those for which instructions are received.

## NOTE 13 – STOCK-BASED COMPENSATION

The 2006 Employee Plan authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 71,100,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or canceled. The Company issues new shares upon exercise of option rights and vesting of restricted stock units (RSUs). The 2006 Employee Plan permits the granting of option rights, appreciation rights, restricted stock, RSUs, performance shares and performance units to eligible employees. At December 31, 2021, no appreciation rights, performance shares or performance units had been granted under the 2006 Employee Plan. Shares available for future grants under the 2006 Employee Plan were 9,923,164 at December 31, 2021.

The 2006 Stock Plan for Nonemployee Directors (Nonemployee Director Plan) authorizes the Board of Directors, or a committee of the Board of Directors, to issue or transfer up to an aggregate of 600,000 shares of common stock, plus any shares relating to awards that expire, are forfeited or canceled. The Nonemployee Director Plan permits the granting of option rights, appreciation rights, restricted stock and RSUs to members of the Board of Directors who are not employees of the Company. At December 31, 2021, no option rights or appreciation rights had been granted under the Nonemployee Director Plan. Shares available for future grants under the Nonemployee Director Plan were 229,123 at December 31, 2021.

The cost of the Company’s stock-based compensation is recorded in accordance with the Stock Compensation Topic of the ASC. At December 31, 2021, the Company had total unrecognized stock-based compensation expense of \$149.8 million that is expected to be recognized over a weighted-average period of 1.06 years. Stock-based compensation expense during 2021, 2020 and 2019 was \$97.7 million, \$95.9 million and \$101.7 million, respectively. The related tax benefit was \$24.1 million, \$23.6 million and \$25.1 million during 2021, 2020 and 2019, respectively. Excess tax benefits from share-based payments are recognized as an income tax benefit in the statement of consolidated income when options are exercised and RSUs vest. For the years ended December 31, 2021, 2020 and 2019, the Company’s excess tax benefit from options exercised and RSUs vested reduced the income tax provision by \$108.7 million, \$94.7 million, and \$65.2 million respectively.

### Option Rights

The fair value of the Company’s option rights was estimated at the date of grant using a Black-Scholes-Merton option-pricing model with the following weighted-average assumptions for all options granted:

	2021	2020	2019
Risk-free interest rate	1.11 %	.39 %	1.64 %
Expected life of option rights	5.05 years	5.05 years	5.05 years
Expected dividend yield of stock	.75 %	.88 %	.87 %
Expected volatility of stock	26.8 %	26.7 %	23.2 %

The risk-free interest rate is based upon the U.S. Treasury yield curve at the time of grant. The expected life of option rights was calculated using a scenario analysis model. Historical data was used to aggregate the holding period from actual exercises, post-vesting cancellations and hypothetical assumed exercises on all outstanding option rights. The expected dividend yield of stock is the Company's best estimate of the expected future dividend yield. Expected volatility of stock was calculated using historical and implied volatilities.

Grants of option rights for non-qualified and incentive stock options have been awarded to certain officers and key employees under the 2006 Employee Plan. The option rights generally become exercisable to the extent of one-third of the optioned shares for each full year following the date of grant and generally expire ten years after the date of grant. Unrecognized compensation expense with respect to option rights granted to eligible employees amounted to \$79.5 million at December 31, 2021. The unrecognized compensation expense is being amortized on a straight-line basis over the three-year vesting period, net of estimated forfeitures based on historical activity, and is expected to be recognized over a weighted-average period of 1.09 years.

The weighted-average per share grant date fair value of options granted during 2021, 2020 and 2019 was \$68.63, \$46.56 and \$38.80, respectively. The total intrinsic value of option rights exercised during 2021, 2020, and 2019 was \$485.8 million, \$407.9 million and \$285.8 million, respectively. The total fair value of options vested during 2021, 2020 and 2019 was \$53.2 million, \$51.0 million and \$43.2 million, respectively. There were no outstanding option rights for nonemployee directors at December 31, 2021, 2020 and 2019.

A summary of the Company's non-qualified and incentive stock option right activity is shown in the following table:

	2021			2020			2019		
	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in millions)	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in millions)	Optioned Shares	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in millions)
Outstanding at beginning of year	10,503,378	\$ 120.34		12,119,187	\$ 96.82		13,455,747	\$ 79.51	
Granted	972,575	292.15		1,373,793	213.39		1,496,658	183.11	
Exercised	(2,362,173)	82.50		(2,872,836)	63.63		(2,706,498)	57.12	
Forfeited	(124,967)	195.90		(113,715)	170.80		(120,936)	126.71	
Expired	(5,878)	141.27		(3,051)	139.55		(5,784)	115.23	
Outstanding at end of year	8,982,935	\$ 147.83	\$ 1,835.5	10,503,378	\$ 120.34	\$ 1,309.1	12,119,187	\$ 96.82	\$ 1,184.0
Exercisable at end of year	6,713,727	\$ 116.32	\$ 1,583.4	7,681,440	\$ 95.07	\$ 1,151.5	8,920,968	\$ 75.50	\$ 1,061.7

The weighted-average remaining term for options outstanding at the end of 2021, 2020 and 2019 was 6.09, 6.12 and 6.02 years, respectively. The weighted-average remaining term for options exercisable at the end of 2021, 2020 and 2019 was 5.12, 5.06 and 4.95 years, respectively.

#### RSUs

Grants of RSUs, which generally require three years of continuous employment from the date of grant before vesting and receiving the stock without restriction, have been awarded to certain officers and key employees under the 2006 Employee Plan. The February 2021, 2020 and 2019 grants consisted of performance-based awards that vest at the end of a three-year period based on the Company's achievement of specified financial and operating performance goals relating to earnings per share and return on net assets employed.

Unrecognized compensation expense with respect to grants of RSUs to eligible employees amounted to \$68.6 million at December 31, 2021 and is being amortized on a straight-line basis over the vesting period and is expected to be recognized over a weighted-average period of 0.91 years.

Grants of RSUs have been awarded to nonemployee directors under the Nonemployee Director Plan. These grants generally vest and stock is received without restriction to the extent of one-third of the RSUs for each year following the date of grant. Unrecognized compensation expense with respect to grants of RSUs to nonemployee directors amounted to \$1.7 million at December 31, 2021 and is being amortized on a straight-line basis over the three-year vesting period and is expected to be recognized over a weighted-average period of 0.94 years.

A summary of the Company's RSU activity for the years ended December 31 is shown in the following table:

	2021	2020	2019
Outstanding at beginning of year	625,383	744,516	871,206
Granted	196,526	287,919	393,825
Vested	(276,948)	(386,685)	(506,190)
Forfeited	(34,281)	(20,367)	(14,325)
Outstanding at end of year	510,680	625,383	744,516

The weighted-average per share fair value of RSUs granted during 2021, 2020 and 2019 was \$238.89, \$193.79 and \$144.18, respectively.

#### NOTE 14 – ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of AOCI, including the reclassification adjustments for items that were reclassified from AOCI to net income, are shown below.

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefits Adjustments	Unrealized Net Gains on Cash Flow Hedges	Total
Balance at January 1, 2019	\$ (607.6)	\$ (67.1)	\$ 44.8	\$ (629.9)
Reclassifications from AOCI to Retained earnings for adoption of ASU 2018-02		(19.3)	11.0	(8.3)
Amounts recognized in AOCI	(49.8)	(5.1)		(54.9)
Amounts reclassified from AOCI		22.3	(8.7)	13.6
Balance at December 31, 2019	(657.4)	(69.2)	47.1	(679.5)
Amounts recognized in AOCI	(14.1)	(19.4)		(33.5)
Amounts reclassified from AOCI		1.4	(6.7)	(5.3)
Balance at December 31, 2020	(671.5)	(87.2)	40.4	(718.3)
Amounts recognized in AOCI	(30.6)	48.7		18.1
Amounts reclassified from AOCI		6.3	(4.5)	1.8
Balance at December 31, 2021	\$ (702.1)	\$ (32.2)	\$ 35.9	\$ (698.4)

#### NOTE 15 – DERIVATIVES AND HEDGING

In February 2020, the Company entered into two U.S. Dollar to Euro cross currency swap contracts to hedge the Company's net investment in its European operations. The contracts, which were designated as net investment hedges, have a notional value of \$500.0 million and \$244.0 million, respectively, with maturity dates of June 1, 2024 and November 15, 2021, respectively. During the term of the \$500.0 million contract, the Company will pay fixed-rate interest in Euros and receive fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt. During the term of the \$244.0 million contract, the Company paid floating-rate interest in Euros and received floating-rate interest in U.S. Dollars. Prior to the maturity of the \$244.0 million floating-rate contract in November 2021, the Company entered into a new \$244.0 million U.S. Dollar to Euro cross currency swap contract with a maturity date of June 1, 2027 to effectively amend and extend the original contract. During the term of this \$244.0 million fixed-rate contract, which is designated as a net investment hedge, the Company will pay fixed-rate interest in Euros and receive fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt.

On May 9, 2019, the Company entered into a U.S. Dollar to Euro cross currency swap contract with a total notional amount of \$400.0 million to hedge the Company's net investment in its European operations. This contract was designated as a net investment hedge and had a maturity date of January 15, 2022. During the term of the contract, the Company paid fixed-rate interest in Euros and received fixed-rate interest in U.S. Dollars, thereby effectively converting a portion of the Company's U.S. Dollar denominated fixed-rate debt to Euro denominated fixed-rate debt. In February 2020, the Company settled its \$400.0 million U.S. Dollar to Euro cross currency swap contract. At the time of the settlement, an unrealized gain of \$11.8 million, net of tax, was recognized in AOCI.

The following table summarizes the balance sheet location of the cross currency swaps. See Note 16 for additional information on the fair value of these contracts.

	December 31, 2021	December 31, 2020	December 31, 2019
Other assets	\$ —	\$ —	\$ 1.5
Other accruals	—	31.0	—
Other long-term liabilities	36.5	54.8	—

The changes in fair value of the cross currency swap contracts are recognized in the foreign currency translation adjustments component of AOCI. The following table summarizes the unrealized gains (losses) for the years ended December 31:

	2021	2020	2019
Unrealized gain (loss)	\$ 49.3	\$ (71.7)	\$ 1.5
Tax effect	(12.2)	17.7	(0.4)
Unrealized gain (loss), net of taxes	\$ 37.1	\$ (54.0)	\$ 1.1

#### NOTE 16 – FAIR VALUE MEASUREMENTS

The Fair Value Measurements and Disclosures Topic of the ASC applies to the Company's financial and non-financial assets and liabilities. The guidance applies when other standards require or permit the fair value measurement of assets and liabilities. Under the guidance, assets and liabilities measured at fair value are categorized as follows:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

There were no assets and liabilities measured at fair value on a recurring basis classified as Level 3 at December 31, 2021, 2020 and 2019. Except for the acquisition and divestiture-related fair value measurements described in Note 3, there were no assets and liabilities measured at fair value on a nonrecurring basis. The following table summarizes the Company's assets and liabilities measured at fair value on a recurring basis, categorized using the fair value hierarchy.

	December 31, 2021			December 31, 2020			December 31, 2019		
	Total	Level 1	Level 2	Total	Level 1	Level 2	Total	Level 1	Level 2
<b>Assets:</b>									
Deferred compensation plan assets	\$ 80.4	\$ 43.1	\$ 37.3	\$ 69.2	\$ 37.9	\$ 31.3	\$ 61.1	\$ 29.9	\$ 31.2
Qualified Replacement Plan assets	98.8	98.8		161.5	161.5		46.6	46.6	
Net investment hedge asset	—			—			1.5		1.5
	<u>\$ 179.2</u>	<u>\$ 141.9</u>	<u>\$ 37.3</u>	<u>\$ 230.7</u>	<u>\$ 199.4</u>	<u>\$ 31.3</u>	<u>\$ 109.2</u>	<u>\$ 76.5</u>	<u>\$ 32.7</u>
<b>Liabilities:</b>									
Net investment hedge liability	<u>\$ 36.5</u>		<u>\$ 36.5</u>	<u>\$ 85.8</u>		<u>\$ 85.8</u>	<u>\$ —</u>		

The deferred compensation plan assets consist of the investment funds maintained for the future payments under the Company's executive deferred compensation plans, which are structured as rabbi trusts. The investments are marketable securities accounted for under the Debt and Equity Securities Topic of the ASC. The level 1 investments are valued using quoted market prices multiplied by the number of shares. The level 2 investments are valued based on vendor quotes. The cost basis of the investment funds was \$63.0 million, \$58.1 million, and \$54.8 million at December 31, 2021, 2020 and 2019, respectively.

The Qualified Replacement Plan assets consist of investment funds maintained for future contributions to the Company's domestic defined contribution plan. See Note 7. The investments are marketable securities accounted for under the Debt and Equity Securities Topic of the ASC. The investments are valued using quoted market prices multiplied by the number of shares. The cost basis of the investment funds was \$86.9 million, \$159.6 million and \$46.7 million at December 31, 2021, 2020 and 2019, respectively.

The net investment hedge liability is the fair value of the cross currency swaps (see Note 15). The fair value is based on a valuation model that uses observable inputs, including interest rate curves and foreign currency rate.

The carrying amounts reported for Cash and cash equivalents and Short-term borrowings approximate fair value.

The fair value of the Company's publicly traded debt is based on quoted market prices. The fair value of the Company's non-publicly traded debt is estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements. The Company's publicly traded debt and non-traded debt are classified as level 1 and level 2, respectively, in the fair value hierarchy. The following table summarizes the carrying amounts and fair values of the Company's publicly traded debt and non-traded debt.

	December 31,					
	2021		2020		2019	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	\$ 8,849.6	\$ 9,777.4	\$ 8,265.2	\$ 9,707.0	\$ 8,203.2	\$ 8,735.8
Non-traded debt	1.9	1.9	26.8	26.5	277.3	270.7

## NOTE 17 – REVENUE

The Company manufactures and sells paint, stains, supplies, equipment and floor covering through company-operated stores, branded and private label products through retailers, and a broad range of industrial coatings directly to global manufacturing customers through company-operated branches. A large portion of the Company's revenue is recognized at a point in time and made to customers who are not engaged in a long-term supply agreement or any form of contract with the Company. These sales are paid for at the time of sale in cash, credit card or on account with the vast majority of customers having terms between 30 and 60 days, not to exceed one year. Many customers who purchase on account take advantage of early payment discounts offered by paying within 30 days of being invoiced. The Company estimates variable consideration for these sales on the basis of both historical information and current trends to estimate the expected amount of discounts to which customers are likely to be entitled.

The remaining revenue is governed by long-term supply agreements and related purchase orders ("contracts") that specify shipping terms and aspects of the transaction price including rebates, discounts and other sales incentives, such as advertising support. Contracts are at standalone pricing. The performance obligation in these contracts is determined by each of the individual purchase orders and the respective stated quantities, with revenue being recognized at a point in time when obligations under the terms of the agreement are satisfied. This generally occurs with the transfer of control of our products to the customer. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue.

Refer to Note 21 for the Company's disaggregation of net sales by reportable segment. As the reportable segments are aligned by similar economic factors, trends and customers, this disaggregation best depicts how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Approximately 80% of the Company's net external sales are in the Company's North America region (which is comprised of the United States, Canada and the Caribbean region), slightly less than 10% in the EMEAI region (Europe, Middle East, Africa and India), with the remaining global regions accounting for the residual balance. No individual country outside of the United States is individually significant.

The Company has made payments or credits for rebates or incentives at the beginning of a long-term contract where future revenue is expected and before satisfaction of performance obligations. Under these circumstances, the Company recognizes a contract asset and amortizes these prepayments over the expected benefit life of the long-term contract typically on a straight-line basis.

The majority of variable consideration in the Company's contracts include a form of volume rebate, discounts, and other incentives, where the customer receives a retrospective percentage rebate based on the amount of their purchases. In these situations, the rebates are accrued as a fixed percentage of sales and recorded as a reduction of net sales until paid to the customer per the terms of the contract. Forms of variable consideration such as tiered rebates, whereby a customer receives a retrospective price decrease dependent on the volume of their purchases, are calculated using a forecasted percentage to determine the most likely amount to accrue. Management creates a baseline calculation using historical sales and then utilizing forecast information, estimates the anticipated sales volume each quarter to calculate the expected reduction to sales. The remainder of the transaction price is fixed as agreed upon with the customer, limiting estimation of revenues including constraints.

The Company's Accounts receivable and current and long-term contract assets and liabilities are summarized in the following table.

	Accounts Receivable, Less Allowance	Contract Assets (Current)	Contract Assets (Long-Term)	Contract Liabilities (Current)	Contract Liabilities (Long-Term)
<i>Balance sheet caption:</i>	<i>Accounts receivable</i>	<i>Other current assets</i>	<i>Other assets</i>	<i>Other accruals</i>	<i>Other liabilities</i>
Balance at December 31, 2020	\$ 2,078.1	\$ 52.0	\$ 170.7	\$ 266.3	\$ 8.2
Balance at December 31, 2021	<b>2,352.4</b>	<b>60.9</b>	<b>131.2</b>	<b>259.8</b>	<b>9.2</b>

The difference between the opening and closing balances of the Company's contract assets and contract liabilities primarily results from the timing difference between the Company's performance and the customer's payment.

Provisions for estimated returns are established and the expected costs continue to be recognized as contra-revenue per ASC 606 when the products are sold. The Company only offers an assurance type warranty on products sold, and there is no material service to the customer beyond fixing defects that existed at the time of sale and no warranties are sold separately.

Warranty liabilities are excluded from the table above. Amounts recognized during the year from deferred revenue were not material. The Company records a right of return liability within each of its operations to accrue for expected customer returns. Historical actual returns are used to estimate future returns as a percentage of current sales. Obligations for returns and refunds were not material individually or in the aggregate.

#### Allowance for Credit Losses

The Company's primary allowance for credit losses is the allowance for doubtful accounts. The allowance for doubtful accounts reduces the Accounts receivable balance to the estimated net realizable value. The Company reviews the collectibility of the Accounts receivable balance each reporting period and estimates the allowance based on historical bad debt experience, aging of accounts receivable, current creditworthiness of customers, current economic factors, as well as reasonable and supportable forward-looking information. Accounts receivable balances are written-off against the allowance if a final determination of uncollectibility is made. All provisions for allowances for doubtful accounts are included in Selling, general and administrative expenses.

The following table summarizes the movement in the Company's allowance for doubtful accounts:

	2021	2020	2019
Beginning balance	\$ 53.5	\$ 36.5	\$ 45.9
Adjustment upon adoption of ASU 2016-13 <sup>(1)</sup>		3.0	
Bad debt expense	33.8	56.8	53.1
Uncollectible accounts written off, net of recoveries	(38.4)	(42.8)	(62.5)
Ending balance	<u>\$ 48.9</u>	<u>\$ 53.5</u>	<u>\$ 36.5</u>

<sup>(1)</sup> The Company adopted ASU 2016-13 effective January 1, 2020, using the modified retrospective transition method, electing to not restate prior periods. Refer to Note 1 for additional detail.

## NOTE 18 – OTHER EXPENSE (INCOME)

### Other General Expense - Net

Included in Other general expense - net were the following:

	2021	2020	2019
Provisions for environmental matters - net	\$ (4.0)	\$ 37.1	\$ 23.0
Loss on divestiture (see Note 3)	111.9	—	—
(Gain) loss on sale or disposition of assets	(6.1)	(9.4)	16.1
Total	<u>\$ 101.8</u>	<u>\$ 27.7</u>	<u>\$ 39.1</u>

Provisions for environmental matters—net represent initial provisions for site-specific estimated costs of environmental investigation or remediation and increases or decreases to environmental-related accruals as information becomes available upon which more accurate costs can be reasonably estimated and as additional accounting guidelines are issued. See Note 9 for further details on the Company's environmental-related activities.

The (gain) loss on sale or disposition of assets represents the net realized (gain) loss associated with the sale or disposal of property, plant and equipment and intangible assets previously used in the conduct of the primary business of the Company.

### Other (Income) Expense - Net

Included in Other (income) expense - net were the following:

	2021	2020	2019
Investment and royalty income	\$ (30.4)	\$ (16.4)	\$ (12.0)
(Gain) loss on extinguishment of debt (see Note 6)	(1.4)	21.3	14.8
Net expense from banking activities	10.3	10.4	10.7
Foreign currency transaction related losses	12.0	7.2	19.7
Domestic pension plan settlement expense	—	—	32.4
Miscellaneous pension expense	4.4	4.9	8.0
Indirect tax credits	—	—	(38.7)
California litigation expense (see Note 10)	—	—	(34.7)
Other income	(29.0)	(44.7)	(32.8)
Other expense	14.6	22.6	14.6
Total	<u>\$ (19.5)</u>	<u>\$ 5.3</u>	<u>\$ (18.0)</u>

Foreign currency transaction related losses include the impact from foreign currency transactions and net realized (gains) losses from foreign currency option and forward contracts. There were no material foreign currency option and forward contracts outstanding at December 31, 2021, 2020 and 2019.

Miscellaneous pension expense consists of the non-service components of net pension costs. See Note 7 for information on the Domestic pension plan settlement expense and Miscellaneous pension expense.

Indirect tax credits includes a gain of \$33.5 million recognized by Sherwin-Williams do Brasil Industria e Comercio Ltda. (Sherwin-Williams Brazil) in the fourth quarter of 2019 related to the recovery of certain social contribution (PIS/COFINS) taxes paid over gross sales including ICMS receipts, a type of state level value-added tax in Brazil. In 2014, Sherwin-Williams Brazil filed a lawsuit against the Brazilian tax authorities to challenge the inclusion of ICMS on the PIS/COFINS tax base. During 2019, Sherwin-Williams Brazil received a favorable final, non-appealable decision against the Brazilian tax authorities. Upon clarification regarding monetization of the credits, the Company recognized the benefit.

Other income and Other expense included items of revenue, gains, expenses and losses that were unrelated to the primary business purpose of the Company. There were no items within Other income or Other expense that were individually significant in December 31, 2021, 2020 and 2019.

## NOTE 19 – INCOME TAXES

In response to the COVID-19 outbreak, global legislation concerning income taxes was passed throughout 2020. The Company assessed the applicability of the stimulus elements within the global legislation, and it did not have a material impact on the Company's consolidated financial statements in 2020 or 2021. The primary benefit to the Company was the delay of payment of U.S. federal and state income taxes as well as U.S. federal payroll withholding taxes until subsequent periods.

During 2019, the Company recorded an increase to the tax provision of \$74.3 million related to the reversal of all net tax benefits recognized in previous tax years from federal renewable energy tax credit funds with DC Solar Solutions, Inc. and certain of its affiliates. The facts relating to the Company's investments in the funds continue to be developed. There were no adjustments recognized in the Company's tax provision for this matter in 2020 or 2021.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using the enacted tax rates and laws that are currently in effect.

Significant components of the Company's deferred tax assets and liabilities as of December 31, 2021, 2020 and 2019 were as follows:

	2021	2020	2019
Deferred tax assets:			
Environmental and other similar items	\$ 73.2	\$ 82.9	\$ 83.5
Employee related and benefit items	170.3	166.6	129.3
Operating lease liabilities	463.1	448.9	430.6
Other items	192.0	232.8	204.0
Total deferred tax assets	898.6	931.2	847.4
Deferred tax liabilities:			
Intangible assets and Property, plant, and equipment	1,053.7	1,156.4	1,232.6
LIFO inventories	68.6	87.6	80.5
Operating lease right-of-use assets	448.4	434.0	417.8
Other items	33.3	31.7	28.1
Total deferred tax liabilities	1,604.0	1,709.7	1,759.0
Net deferred tax liabilities	\$ 705.4	\$ 778.5	\$ 911.6

As of December 31, 2021, the Company's net deferred income tax liability relates primarily to deferred tax liabilities recorded for intangible assets acquired through the Valspar acquisition.

Netted against the Company's other deferred tax assets were valuation allowances of \$97.2 million, \$104.6 million and \$84.6 million at December 31, 2021, 2020 and 2019, respectively. The decrease in the valuation allowance in 2021 is primarily due to the utilization of certain foreign tax credits during the year. The Company has \$17.6 million of domestic net operating loss carryforwards acquired through acquisitions that have expiration dates through the tax year 2037, foreign tax credits of \$15.3 million that expire in calendar years 2028 through 2031 and foreign net operating losses of \$327.5 million. The foreign net operating losses are related to various jurisdictions that provide for both indefinite carryforward periods and others with carryforward periods that range from the tax years 2021 to 2041.



Significant components of the provisions for income taxes were as follows:

	2021	2020	2019
Current:			
Federal	\$ 331.2	\$ 457.7	\$ 440.1
Foreign	86.5	92.0	71.1
State and local	46.8	84.4	60.4
Total current	464.5	634.1	571.6
Deferred:			
Federal	(36.5)	(102.7)	(83.7)
Foreign	(40.4)	(19.0)	(32.3)
State and local	(3.4)	(23.6)	(15.1)
Total deferred	(80.3)	(145.3)	(131.1)
Total provisions for income taxes	\$ 384.2	\$ 488.8	\$ 440.5

Under provisions of the Tax Cuts and Jobs Act (Tax Act), the Company received an income tax benefit of \$12.2 million, \$12.0 million and \$10.4 million in 2021, 2020 and 2019, respectively, related to foreign derived intangible income and incurred income tax expense of \$2.7 million, \$7.0 million and \$7.9 million in 2021, 2020 and 2019, respectively, related to Global Intangible Low Taxed Income (GILTI). The Company has made an accounting policy election to record GILTI as a period cost.

Significant components of income before income taxes as used for income tax purposes, were as follows:

	2021	2020	2019
Domestic	\$ 2,106.8	\$ 2,317.9	\$ 1,899.6
Foreign	141.8	201.3	82.2
	\$ 2,248.6	\$ 2,519.2	\$ 1,981.8

A reconciliation of the statutory federal income tax rate to the effective tax rate follows:

	2021	2020	2019
Statutory federal income tax rate	21.0 %	21.0 %	21.0 %
Effect of:			
State and local income taxes	2.2	2.5	2.3
Investment vehicles	(0.8)	(0.8)	(1.3)
Employee share-based payments	(4.8)	(3.8)	(3.3)
Research and development credits	(0.6)	(0.5)	(1.1)
Amended returns and refunds	0.2	0.3	0.1
Tax credit reversal	—	—	3.7
Other - net	(0.1)	0.7	0.8
Reported effective tax rate	17.1 %	19.4 %	22.2 %

The decrease in the effective tax rate for 2021 compared to 2020 was primarily due to an increase in tax benefits related to employee share-based payments and the net favorable impact of various other tax benefits received by the Company in 2021 compared to 2020.

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. The IRS is currently auditing the Company's 2013, 2014, 2015 and 2016 income tax returns. As a result of these audits, certain adjustments have been assessed. The Company has filed a protest, submitted additional information for consideration, and is currently in the appeals process with the IRS. The Company continues to evaluate the adjustments and believes that it is adequately reserved for any potential exposure. As of December 31, 2021, the U.S. federal statute of limitations has not expired for the 2013 through 2020 tax years.

As of December 31, 2021, the Company is subject to non-U.S. income tax examinations for the tax years of 2014 through 2020. In addition, the Company is subject to state and local income tax examinations for the tax years 1998 through 2021.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	2021	2020	2019
Balance at beginning of year	\$ 227.0	\$ 203.0	\$ 89.5
Additions based on tax positions related to the current year	14.0	13.8	14.9
Additions for tax positions of prior years	23.1	16.4	107.9
Reductions for tax positions of prior years	(22.1)	(3.3)	(3.6)
Settlements	(5.6)	(2.0)	—
Lapses of statutes of limitations	(7.9)	(0.9)	(5.7)
Balance at end of year	<u>\$ 228.5</u>	<u>\$ 227.0</u>	<u>\$ 203.0</u>

The increase in unrecognized tax benefits was primarily related to the reversal of benefits recognized in previous tax years from federal research and development credits, partially offset by a number of positions taken on prior year income tax returns filed in the U.S. and various foreign jurisdictions that were no longer deemed to be at risk. At December 31, 2021, 2020 and 2019, the total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate was \$218.9 million, \$216.3 million and \$195.3 million, respectively.

Included in the balance of unrecognized tax benefits at December 31, 2021 is \$13.7 million related to tax positions for which it is reasonably possible that the total amounts could significantly change during the next twelve months. This amount represents a decrease in unrecognized tax benefits comprised primarily of items related to federal audits of partnership investments and expiring statutes in federal, foreign and state jurisdictions.

The Company classifies all income tax related interest and penalties as income tax expense. During the year ended December 31, 2021, there was a decrease in income tax interest and penalties of \$2.7 million. During the years ended December 31, 2020 and 2019, there was an increase in income tax interest and penalties of \$4.0 million and \$1.6 million, respectively. The Company accrued \$26.4 million, \$30.3 million and \$26.2 million at December 31, 2021, 2020 and 2019, respectively, for the potential payment of interest and penalties.

#### NOTE 20 – NET INCOME PER SHARE

Basic and diluted net income per share are calculated using the treasury stock method.

(in millions, except per share data)

	2021	2020	2019
<b>Basic</b>			
Net income	\$ 1,864.4	\$ 2,030.4	\$ 1,541.3
Average shares outstanding	262.5	271.3	275.4
Basic net income per share	<u>\$ 7.10</u>	<u>\$ 7.48</u>	<u>\$ 5.60</u>
<b>Diluted</b>			
Net income	\$ 1,864.4	\$ 2,030.4	\$ 1,541.3
Average shares outstanding assuming dilution:			
Average shares outstanding	262.5	271.3	275.4
Stock options and other contingently issuable shares <sup>(1)</sup>	4.6	4.5	4.8
Non-vested restricted stock grants	—	—	0.1
Average shares outstanding assuming dilution	267.1	275.8	280.3
Diluted net income per share	<u>\$ 6.98</u>	<u>\$ 7.36</u>	<u>\$ 5.50</u>

<sup>(1)</sup> Stock options and other contingently issuable shares excludes 0.9 million, 1.0 million and 1.3 million shares at December 31, 2021, 2020 and 2019, respectively, due to their anti-dilutive effect.

## NOTE 21 – REPORTABLE SEGMENT INFORMATION

The Company reports its segment information in the same way that management internally organizes its business for assessing performance and making decisions regarding allocation of resources in accordance with the Segment Reporting Topic of the ASC. The Company has three reportable operating segments: The Americas Group, Consumer Brands Group and Performance Coatings Group (individually, a Reportable Segment and collectively, the Reportable Segments). Factors considered in determining the three Reportable Segments of the Company include the nature of business activities, the management structure directly accountable to the Company's chief operating decision maker (CODM) for operating and administrative activities, availability of discrete financial information and information presented to the Board of Directors. The Company reports all other business activities and immaterial operating segments that are not reportable in the Administrative segment.

The Company's CODM has been identified as the Chief Executive Officer because he has final authority over performance assessment and resource allocation decisions. Because of the diverse operations of the Company, the CODM regularly receives discrete financial information about each Reportable Segment as well as a significant amount of additional financial information about certain divisions, business units or subsidiaries of the Company. The CODM uses all such financial information for performance assessment and resource allocation decisions. The CODM evaluates the performance of and allocates resources to the Reportable Segments based on segment profit or loss and cash generated from operations. The accounting policies of the Reportable Segments are the same as those described in Note 1 of this report.

The Americas Group consisted of 4,859 company-operated specialty paint stores in the United States, Canada, Latin America and the Caribbean region at December 31, 2021. Each store in this segment is engaged in servicing the needs of architectural and industrial paint contractors and do-it-yourself homeowners. These stores market and sell Sherwin-Williams® and other controlled brand architectural paint and coatings, protective and marine products, OEM product finishes and related products. The majority of these products are produced by manufacturing facilities in the Consumer Brands Group. In addition, each store sells select purchased associated products. The Americas Group sells a variety of architectural paints, coatings and related products through dedicated dealers, home centers, distributors, hardware stores and other retailers throughout Latin America. The Americas Group meets regional customer demands through developing, licensing, manufacturing, distributing and selling a variety of architectural paints, coatings and related products in North and South America. The loss of any single customer would not have a material adverse effect on the business of this segment. At December 31, 2021, The Americas Group consisted of operations from subsidiaries in 10 foreign countries. During 2021, this segment opened 85 net new stores, consisting of 92 new stores opened (76 in the United States, 3 in Canada, 10 in Mexico and 3 in South America) and 7 stores closed (6 in the United States and 1 in South America). In 2020 and 2019, this segment opened 16 and 62 net new stores, respectively. The CODM uses discrete financial information about The Americas Group, supplemented with information by geographic region, product type and customer type, to assess performance of and allocate resources to The Americas Group as a whole. In accordance with ASC 280-10-50-9, The Americas Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Consumer Brands Group supplies a broad portfolio of branded and private-label architectural paint, stains, varnishes, industrial products, wood finishes products, wood preservatives, applicators, corrosion inhibitors, aerosols, caulks and adhesives to retailers and distributors throughout North America, as well as in China and Europe. The Consumer Brands Group also supports the Company's other businesses around the world with new product research and development, manufacturing, distribution and logistics. Approximately 62% of the total sales of the Consumer Brands Group in 2021 were intersegment transfers of products primarily sold through The Americas Group. At December 31, 2021, the Consumer Brands Group consisted of operations in the United States and subsidiaries in 5 foreign countries. Sales and marketing of certain controlled brand and private-label products is performed by a direct sales staff. The products distributed through third-party customers are intended for resale to the ultimate end-user of the product. The Consumer Brands Group had sales to certain customers that, individually, may be a significant portion of the sales and related profitability of the segment. This segment incurred most of the Company's capital expenditures related to operational efficiencies, capacity, health and safety at sites currently in operation. The CODM uses discrete financial information about the Consumer Brands Group, supplemented with information by product type and customer type, to assess performance of and allocate resources to the Consumer Brands Group as a whole. In accordance with ASC 280-10-50-9, the Consumer Brands Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Performance Coatings Group develops and sells industrial coatings for wood finishing and general industrial (metal and plastic) applications, automotive refinishing, protective and marine coatings, coil coatings, packaging coatings and performance-based resins and colorants worldwide. This segment licenses certain technology and trade names worldwide. Sherwin-Williams® and other controlled brand products are distributed through The Americas Group and this segment's 282 company-operated branches and by a direct sales staff and outside sales representatives to retailers, dealers, jobbers, licensees and other third-party distributors. The Performance Coatings Group had sales to certain customers that, individually, may be a significant portion of the sales of the segment. However, the loss of any single customer would not have a material adverse effect on the

overall profitability of the segment. During 2021, this segment opened 1 new branch and closed 1 branch for no net change in the number of branches operated. At December 31, 2021, the Performance Coatings Group consisted of operations in the United States and subsidiaries in 44 foreign countries. The CODM uses discrete financial information about the Performance Coatings Group, supplemented with information about geographic divisions, business units and subsidiaries, to assess performance of and allocate resources to the Performance Coatings Group as a whole. In accordance with ASC 280-10-50-9, the Performance Coatings Group as a whole is considered the operating segment, and because it meets the criteria in ASC 280-10-50-10, it is also considered a Reportable Segment.

The Administrative segment includes the administrative expenses of the Company's corporate headquarters site and the operations of a real estate management unit that is responsible for the ownership, management and leasing of non-retail properties held primarily for use by the Company, including the Company's headquarters site, and disposal of idle facilities. Also included in the Administrative segment was interest expense, interest and investment income, certain expenses related to closed facilities and environmental-related matters, and other expenses that were not directly associated with the Reportable Segments. In addition, the Administrative segment includes the \$111.9 million pre-tax loss on the Wattyl divestiture recognized during the year ended December 31, 2021. See Notes 3 and 18 for additional information on the Wattyl divestiture. Sales of this segment represented external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. The Administrative segment did not include any significant foreign operations. Gains and losses from the sale of property were not a significant operating factor in determining the performance of the Administrative segment.

Net external sales of all consolidated foreign subsidiaries were \$4.223 billion, \$3.581 billion and \$3.679 billion for 2021, 2020 and 2019, respectively.

Long-lived assets consisted of Property, plant and equipment, Goodwill, Intangible assets, Operating lease right-of-use assets, Deferred pension assets and Other assets. The aggregate total of long-lived assets for the Company was \$15.613 billion, \$15.810 billion and, \$15.865 billion at December 31, 2021, 2020 and 2019, respectively. Long-lived assets of consolidated foreign subsidiaries totaled \$2.785 billion, \$3.167 billion and \$3.211 billion at December 31, 2021, 2020 and 2019, respectively.

Total Assets of the Company were \$20.667 billion, \$20.402 billion and \$20.496 billion at December 31, 2021, 2020 and 2019, respectively. Total assets of consolidated foreign subsidiaries were \$4.653 billion, \$4.834 billion and \$4.829 billion, which represented 22.5%, 23.7% and 23.6% of the Company's total assets at December 31, 2021, 2020 and 2019, respectively.

No single geographic area outside the United States was significant relative to consolidated net external sales or consolidated long-lived assets. Export sales and sales to any individual customer were each less than 10 percent of consolidated sales to unaffiliated customers during all years presented.

In the reportable segment financial information that follows, Segment profit was total net sales and intersegment transfers less operating costs and expenses. Identifiable assets were those directly identified with each reportable segment. The Administrative segment assets consisted primarily of cash and cash equivalents, investments, deferred pension assets and headquarters property, plant and equipment. The margin for each reportable segment was based upon total net sales and intersegment transfers. Domestic intersegment transfers were primarily accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs for paint products. Non-paint domestic and all international intersegment transfers were accounted for at values comparable to normal unaffiliated customer sales. All intersegment transfers are eliminated within the Administrative segment.

	2021				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 11,217.0	\$ 2,721.6	\$ 6,003.8	\$ 2.2	\$ 19,944.6
Intersegment transfers	—	4,411.8	149.7	(4,561.5)	—
Total net sales and intersegment transfers	\$ 11,217.0	\$ 7,133.4	\$ 6,153.5	\$ (4,559.3)	\$ 19,944.6
Segment profit	\$ 2,239.1	\$ 358.4	\$ 486.2		\$ 3,083.7
Interest expense				\$ (334.7)	(334.7)
Administrative expenses and other				(500.4)	(500.4)
Income before income taxes	\$ 2,239.1	\$ 358.4	\$ 486.2	\$ (835.1)	\$ 2,248.6
% to net external sales	20.0 %	13.2 %	8.1 %		11.3 %
Identifiable assets	\$ 5,627.9	\$ 5,161.1	\$ 8,388.6	\$ 1,489.1	\$ 20,666.7
Capital expenditures	79.2	123.9	90.8	78.1	372.0
Depreciation	73.4	86.7	66.2	36.8	263.1
Amortization	3.7	83.7	218.9	3.2	309.5

	2020				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 10,383.2	\$ 3,053.4	\$ 4,922.4	\$ 2.7	\$ 18,361.7
Intersegment transfers	—	3,688.4	137.1	(3,825.5)	—
Total net sales and intersegment transfers	\$ 10,383.2	\$ 6,741.8	\$ 5,059.5	\$ (3,822.8)	\$ 18,361.7
Segment profit	\$ 2,294.1	\$ 579.6	\$ 500.1		\$ 3,373.8
Interest expense				\$ (340.4)	(340.4)
Administrative expenses and other				(514.2)	(514.2)
Income before income taxes	\$ 2,294.1	\$ 579.6	\$ 500.1	\$ (854.6)	\$ 2,519.2
% to net external sales	22.1 %	19.0 %	10.2 %		13.7 %
Identifiable assets	\$ 5,386.6	\$ 5,387.4	\$ 8,071.1	\$ 1,556.5	\$ 20,401.6
Capital expenditures	63.9	89.8	43.0	107.1	303.8
Depreciation	73.0	87.6	69.1	38.3	268.0
Amortization	4.5	90.0	213.9	5.0	313.4

	2019				
	The Americas Group	Consumer Brands Group	Performance Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 10,171.9	\$ 2,676.8	\$ 5,049.2	\$ 2.9	\$ 17,900.8
Intersegment transfers	—	3,607.0	116.2	(3,723.2)	—
Total net sales and intersegment transfers	\$ 10,171.9	\$ 6,283.8	\$ 5,165.4	\$ (3,720.3)	\$ 17,900.8
Segment profit	\$ 2,056.5	\$ 373.2	\$ 379.1		\$ 2,808.8
Interest expense				\$ (349.3)	(349.3)
Administrative expenses and other				(477.7)	(477.7)
Income before income taxes	\$ 2,056.5	\$ 373.2	\$ 379.1	\$ (827.0)	\$ 1,981.8
% to net external sales	20.2 %	13.9 %	7.5 %		11.1 %
Identifiable assets	\$ 5,399.1	\$ 5,600.8	\$ 8,175.6	\$ 1,320.7	\$ 20,496.2
Capital expenditures	73.3	133.4	84.2	38.0	328.9
Depreciation	72.2	81.1	70.9	37.9	262.1
Amortization	4.8	90.3	212.9	4.8	312.8

## NOTE 22 – SUMMARY OF QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following tables summarize the unaudited quarterly results of operations for the years ended December 31, 2021 and 2020.

	2021				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year <sup>(1)</sup>
Net sales	\$ 4,656.0	\$ 5,379.8	\$ 5,146.7	\$ 4,762.1	\$ 19,944.6
Gross profit	2,112.0	2,411.4	2,139.6	1,879.7	8,542.7
Net income	409.6	648.6	502.2	304.0	1,864.4
Net income per share:					
Basic	\$ 1.54	\$ 2.47	\$ 1.92	\$ 1.17	\$ 7.10
Diluted	\$ 1.51	\$ 2.42	\$ 1.88	\$ 1.15	\$ 6.98

	2020				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year <sup>(1)</sup>
Net sales	\$ 4,146.7	\$ 4,604.0	\$ 5,122.2	\$ 4,488.8	\$ 18,361.7
Gross profit	1,889.7	2,208.9	2,455.3	2,128.7	8,682.6
Net income	321.7	595.9	705.8	407.0	2,030.4
Net income per share:					
Basic	\$ 1.18	\$ 2.20	\$ 2.60	\$ 1.51	\$ 7.48
Diluted	\$ 1.15	\$ 2.16	\$ 2.55	\$ 1.49	\$ 7.36

<sup>(1)</sup> The sum of the quarterly earnings per share data may not equal the full year amount as the computations of the weighted average shares outstanding for each quarter and the full year are calculated independently.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our Chairman, President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 and Rule 15d-15 of the Securities Exchange Act of 1934, as amended (“Exchange Act”). Based upon that evaluation, our Chairman, President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms, and accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer and our Senior Vice President – Finance and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting

The “Report of Management on Internal Control over Financial Reporting” and the “Report of the Independent Registered Public Accounting Firm on Internal Control over Financial Reporting” are set forth in Item 8.

There were no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

**ITEM 9C. DISCLOSURE REGARDING JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

#### Directors

The information regarding our directors and director nominees is set forth in our Proxy Statement under the caption “Proposal 1 – Election of 11 Directors” and is incorporated herein by reference.

There were no material changes to the procedures by which security holders may recommend nominees to our Board of Directors during 2021. Please refer to the information set forth in our Proxy Statement under the caption “Board Committees,” which is incorporated herein by reference.

#### Executive Officers

The information regarding our executive officers is set forth under the caption “Information About Our Executive Officers” in Part I of this report, which is incorporated herein by reference.

#### Section 16(a) Beneficial Ownership Reporting Compliance

To the extent disclosure of any delinquent form under Section 16(a) of the Securities Exchange Act of 1934 is made by the Company, such disclosure will be set forth in our Proxy Statement under the caption “Delinquent Section 16(a) Reports” and is incorporated herein by reference.

#### Audit Committee

The information regarding the Audit Committee of our Board of Directors and audit committee financial experts is set forth in our Proxy Statement under the caption “Board Committees” and is incorporated herein by reference.

#### Code of Ethics

We have adopted a Code of Conduct, which applies to all directors and employees, including our executive officers, of Sherwin-Williams and our subsidiaries wherever located. Our Code of Conduct contains the general guidelines and principles for conducting Sherwin-Williams’ business consistent with the highest standards of business ethics.

Under our Code of Ethics for Senior Financial Management, our chief executive officer, chief financial officer and senior financial management are responsible for creating and maintaining a culture of high ethical standards and of 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, the treasurer, the principal financial/accounting personnel in our operating groups and divisions, and all other financial/accounting personnel within our corporate departments and operating groups and divisions with staff supervision responsibilities.

Please refer to the information set forth in our Proxy Statement under the caption “Code of Conduct,” which is incorporated herein by reference. Our Code of Conduct and Code of Ethics for Senior Financial Management are available on our Investor Relations website, [investors.sherwin-williams.com](http://investors.sherwin-williams.com).

We intend to disclose on our Investor Relations website, [investors.sherwin-williams.com](http://investors.sherwin-williams.com), any amendment to, or waiver from, a provision of our Code of Conduct or Code of Ethics for Senior Financial Management that applies to our directors and executive officers, including our principal executive officer, principal financial officer, principal accounting officer or controller, or any persons performing similar functions, and that is required to be publicly disclosed pursuant to the rules of the SEC.

### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is set forth in our Proxy Statement under the captions “2021 Director Compensation Table,” “Director Compensation Program,” “Executive Compensation” and “Executive Compensation Tables” and is incorporated herein by reference.



**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information regarding security ownership of certain beneficial owners and management is set forth in our Proxy Statement under the captions “Security Ownership of Management, Directors and Director Nominees” and “Security Ownership of Certain Beneficial Owners” and is incorporated herein by reference.

The information regarding securities authorized for issuance under the Company’s equity compensation plans is set forth in our Proxy Statement under the caption “Equity Compensation Plan Information” and is incorporated herein by reference.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is set forth in our Proxy Statement under the captions “Certain Relationships and Transactions with Related Persons” and “Director Independence” and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required by this item is set forth in our Proxy Statement under the caption “Matters Relating to the Independent Registered Public Accounting Firm” and is incorporated herein by reference.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (a)(1) Financial Statements

	Page Number in Form 10-K
Statements of Consolidated Income	<a href="#">46</a>
Statements of Consolidated Comprehensive Income	<a href="#">47</a>
Consolidated Balance Sheets	<a href="#">48</a>
Statements of Consolidated Cash Flows	<a href="#">49</a>
Statements of Consolidated Shareholders' Equity	<a href="#">50</a>
Notes to Consolidated Financial Statements	<a href="#">51</a>

#### (2) Financial Statement Schedule

Schedule II — Valuation and Qualifying Accounts and Reserves for the years ended December 31, 2021, 2020 and 2019 is set forth below. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

#### **Valuation and Qualifying Accounts and Reserves (Schedule II)**

Changes in deferred tax asset valuation allowances were as follows:

<i>(millions of dollars)</i>	<b>2021</b>	2020	2019
Beginning balance	\$ <b>104.6</b>	\$ 84.6	\$ 73.5
(Deductions) additions <sup>(1)</sup>	<b>(7.4)</b>	20.0	7.4
Acquired balances	—	—	3.7
Ending balance	<u><u>\$ <b>97.2</b></u></u>	<u><u>\$ 104.6</u></u>	<u><u>\$ 84.6</u></u>

<sup>(1)</sup> (Deductions) additions did not have a material impact on the Income Statement in 2021, 2020 or 2019.

(3) Exhibits

2. [Agreement and Plan of Merger, among the Company, Viking Merger Sub, Inc., and The Valspar Corporation, dated as of March 19, 2016, filed as Exhibit 2.1 to the Company's Current Report on Form 8-K dated March 19, 2016, and incorporated herein by reference.](#)
3.
  - (a) [Amended and Restated Articles of Incorporation of the Company, as amended through February 18, 2015, filed as Exhibit 3 to the Company's Current Report on Form 8-K dated February 18, 2015, and incorporated herein by reference.](#)
  - (b) [Amendment to the Amended and Restated Articles of Incorporation of the Company, as amended through February 18, 2015, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated March 3, 2021, and incorporated herein by reference.](#)
  - (c) [Regulations of the Company, as amended and restated October 17, 2018, filed as Exhibit 3.1 to the Company's Current Report on Form 8-K dated October 17, 2018, and incorporated herein by reference.](#)
4.
  - (a) [Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934 \(filed herewith\).](#)
  - (b) [Indenture between the Company and The Bank of New York Mellon \(as successor to Chemical Bank\), as trustee, dated as of February 1, 1996, filed as Exhibit 4\(a\) to Form S-3 Registration Statement Number 333-01093 dated February 20, 1996, and incorporated herein by reference.](#)
  - (c) [Second Supplemental Indenture by and between the Company and The Bank of New York Mellon, as trustee \(including Form of Note\), dated as of December 7, 2012, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 4, 2012, and incorporated herein by reference.](#)
  - (d) [Third Supplemental Indenture by and between the Company and The Bank of New York Mellon, as trustee \(including Form of Note\), dated as of December 7, 2012, filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated December 4, 2012, and incorporated herein by reference.](#)
  - (e) [Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.](#)
  - (f) [First Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.](#)
  - (g) [Second Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated July 31, 2015, \(including Form of Note\), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated July 28, 2015, and incorporated herein by reference.](#)
  - (h) [Third Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 \(including Form of Note\), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.](#)
  - (i) [Fourth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.](#)
  - (j) [Fifth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 \(including Form of Note\), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.](#)
  - (k) [Sixth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 \(including Form of Note\), filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.](#)
  - (l) [Seventh Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated May 16, 2017 \(including Form of Note\), filed as Exhibit 4.5 to the Company's Current Report on Form 8-K dated May 16, 2017, and incorporated herein by reference.](#)
  - (m) [Eighth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 \(including Form of Note\), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.](#)
  - (n) [Ninth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.](#)

- (o) [Tenth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 \(including Form of Note\), filed as Exhibit 4.3 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.](#)
- (p) [Eleventh Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 \(including Form of Note\), filed as Exhibit 4.4 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.](#)
- (q) [Twelfth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated June 2, 2017 \(including Form of Note\), filed as Exhibit 4.5 to the Company's Current Report on Form 8-K dated June 2, 2017, and incorporated herein by reference.](#)
- (r) [Thirteenth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated August 26, 2019 \(including Form of Note\), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 26, 2019, and incorporated herein by reference.](#)
- (s) [Fourteenth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated August 26, 2019 \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated August 26, 2019, and incorporated herein by reference.](#)
- (t) [Fifteenth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated March 17, 2020 \(including Form of Note\), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated March 17, 2020, and incorporated herein by reference.](#)
- (u) [Sixteenth Supplemental Indenture by and between the Company and Wells Fargo Bank, National Association, as trustee, dated March 17, 2020 \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated March 17, 2020, and incorporated herein by reference.](#)
- (v) [Seventeenth Supplemental Indenture by and between the Company and U.S. Bank National Association, as trustee, dated November 10, 2021 \(including Form of Note\), filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 10, 2021, and incorporated herein by reference.](#)
- (w) [Eighteenth Supplemental Indenture by and between the Company and U.S. Bank National Association, as Trustee, dated November 10, 2021 \(including Form of Note\), filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated November 10, 2021, and incorporated herein by reference.](#)
- (x) [Credit Agreement, dated as of June 29, 2021, by and among the Company, Sherwin-Williams Canada Inc. and Sherwin-Williams Luxembourg S.à r.l., as borrowers, the lenders party thereto, the issuing lenders party thereto and Citibank, N.A., as administrative agent, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 29, 2021, and incorporated herein by reference.](#)
- (y) [Credit Agreement, dated as of May 9, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 9, 2016, and incorporated herein by reference.](#)
- (z) [Agreement for Letter of Credit, dated as of May 9, 2016, by and between the Company and Citibank, N.A. filed as Exhibit 4.2 to the Company's Current Report on Form 8-K dated May 9, 2016, and incorporated herein by reference.](#)
- (aa) [Amendment No. 1 to the Credit Agreement, dated as of May 12, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 12, 2016, and incorporated herein by reference.](#)
- (bb) [Amendment No. 2 to the Credit Agreement, dated as of June 20, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated June 20, 2016, and incorporated herein by reference.](#)
- (cc) [Amendment No. 3 to the Credit Agreement, dated as of August 1, 2016, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 1, 2016, and incorporated herein by reference.](#)
- (dd) [Amendment No. 4 to the Credit Agreement, dated as of January 31, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated January 31, 2017, and incorporated herein by reference.](#)

- (ee) [Amendment No. 5 to the Credit Agreement, dated as of February 13, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 13, 2017, and incorporated herein by reference.](#)
- (ff) [Amendment No. 6 to the Credit Agreement, dated as of February 27, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 27, 2017, and incorporated herein by reference.](#)
- (gg) [Amendment No. 7 to the Credit Agreement, dated as of May 8, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 8, 2017, and incorporated herein by reference.](#)
- (hh) [Amendment No. 8 to the Credit Agreement, dated as of May 11, 2017, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 11, 2017, and incorporated herein by reference.](#)
- (ii) [Amendment No. 9 to the Credit Agreement, dated as of February 27, 2018, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 27, 2018, and incorporated herein by reference.](#)
- (jj) [Amendment No. 10 to the Credit Agreement, dated as of July 26, 2018, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated July 26, 2018, and incorporated herein by reference.](#)
- (kk) [Amendment No. 11 to the Credit Agreement, dated as of September 14, 2020, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated September 14, 2020, and incorporated herein by reference.](#)
- (ll) [Amendment No. 12 to the Credit Agreement, dated as of November 9, 2020, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 9, 2020, and incorporated herein by reference.](#)
- (mm) [Amendment No. 13 to the Credit Agreement, dated as of December 7, 2020, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated December 7, 2020, and incorporated herein by reference.](#)
- (nn) [Amendment No. 14 to the Credit Agreement, dated as of February 16, 2021, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated February 16, 2021, and incorporated herein by reference.](#)
- (oo) [Amendment No. 15 to the Credit Agreement, dated as of May 3, 2021, by and among the Company, Citicorp USA, Inc., as administrative agent and issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated May 3, 2021, and incorporated herein by reference.](#)
- (pp) [Amendment No. 1 to the Agreement for Letter of Credit, dated as of July 26, 2018, by and between the Company and Citibank, N.A., filed as Exhibit 4.4 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018, and incorporated herein by reference.](#)
- (qq) [Amended and Restated Credit Agreement, dated as of August 2, 2021, by and among the Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 2, 2021, and incorporated herein by reference.](#)
- (rr) [Amendment No. 1 to the Amended and Restated Credit Agreement, dated as of August 6, 2021, by and among the Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated August 6, 2021, and incorporated herein by reference.](#)

- (ss) [Amendment No. 2 to the Amended and Restated Credit Agreement, dated as of November 18, 2021, by and among the Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 18, 2021, and incorporated herein by reference.](#)
- (tt) [Amendment No. 3 to the Amended and Restated Credit Agreement, dated as of November 30, 2021, by and among the Company, Goldman Sachs Bank USA, as administrative agent, Goldman Sachs Mortgage Company, as issuing bank, and the lenders party thereto, filed as Exhibit 4.1 to the Company's Current Report on Form 8-K dated November 30, 2021, and incorporated herein by reference.](#)
10. **\*\***(a) [Forms of Amended and Restated Severance Agreements filed as Exhibit 10\(e\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and incorporated herein by reference.](#)
- \*\***(b) [Schedule of Executive Officers who are Parties to the Amended and Restated Severance Agreements in the forms referred to in Exhibit 10\(a\) above \(filed herewith\).](#)
- \*\***(c) [Amended and Restated Aircraft Time Sharing Agreement between the Company and John G. Morikis, dated October 1, 2019, filed as Exhibit 10\(c\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and incorporated herein by reference.](#)
- \*\***(d) [The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan \(Amended and Restated Effective as of January 1, 2016\) filed as Exhibit 10\(e\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and incorporated herein by reference.](#)
- \*\***(e) [The Sherwin-Williams Company 2005 Key Management Deferred Compensation Plan \(Amended and Restated Effective as of January 1, 2016\) filed as Exhibit 10\(f\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and incorporated herein by reference.](#)
- \*\***(f) [Adoption Agreement for The Valspar Corporation Nonqualified Deferred Compensation Plan filed as Exhibit 10.1 to The Valspar Corporation's Current Report on Form 8-K dated May 15, 2014, and incorporated herein by reference.](#)
- \*\***(g) [The Valspar Corporation Nonqualified Deferred Compensation Plan filed as Exhibit 10.2 to The Valspar Corporation's Current Report on Form 8-K dated May 15, 2014, and incorporated herein by reference.](#)
- \*\***(h) [Amendment to Valspar Corporation Nonqualified Deferred Compensation Plan and Adoption Agreement filed as Exhibit 10.1 to The Valspar Corporation's Current Report on Form 8-K dated September 27, 2016, and incorporated herein by reference.](#)
- \*\***(i) [The Sherwin-Williams Company 2005 Director Deferred Fee Plan \(Amended and Restated Effective as of January 1, 2019\) filed as Exhibit 10\(l\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and incorporated herein by reference.](#)
- \*\***(j) [The Sherwin-Williams Company Executive Disability Income Plan filed as Exhibit 10\(g\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 \(SEC File Number 001-04851\), and incorporated herein by reference.](#)
- \*\***(k) [Amendment Number One to The Sherwin-Williams Company Executive Disability Income Plan filed as Exhibit 10\(l\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.](#)
- \*\***(l) [Summary of The Sherwin-Williams Company Revised Executive Disability Plan filed as Exhibit 10\(o\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, and incorporated herein by reference.](#)
- \*\***(m) [The Sherwin-Williams Company 2008 Amended and Restated Executive Life Insurance Plan filed as Exhibit 10\(m\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and incorporated herein by reference.](#)
- \*\***(n) [The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan \(Amended and Restated as of April 19, 2017\) filed as Exhibit 10\(k\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.](#)
- \*\***(o) [Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(b\) to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2012, and incorporated herein by reference.](#)
- \*\***(p) [Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(z\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and incorporated herein by reference.](#)

- \*\*[\(q\) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(x\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, and incorporated herein by reference.](#)
- \*\*[\(r\) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2017, and incorporated herein by reference.](#)
- \*\*[\(s\) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(p\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.](#)
- \*\*[\(t\) Forms of Stock Option Award under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(x\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and incorporated herein by reference.](#)
- \*\*[\(u\) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(s\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.](#)
- \*\*[\(v\) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan filed as Exhibit 10\(aa\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and incorporated herein by reference.](#)
- \*\*[\(w\) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan \(filed herewith\).](#)
- \*\*[\(x\) The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors \(Amended and Restated as of April 20, 2016\) filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2016, and incorporated herein by reference.](#)
- \*\*[\(y\) Form of Restricted Stock Units Award Agreement under The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors filed as Exhibit 10\(gg\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, and incorporated herein by reference.](#)
- \*\*[\(z\) The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan \(Amended and Restated as of April 19, 2017\) filed as Exhibit 10\(w\) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, and incorporated herein by reference.](#)
- \*\*[\(aa\) The Sherwin-Williams Company Key Employee Separation Plan as Amended and Restated Effective March 1, 2022 \(filed herewith\).](#)
- 21. [Subsidiaries \(filed herewith\).](#)
- 23. [Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm \(filed herewith\).](#)
- 24. (a) [Powers of Attorney \(filed herewith\).](#)
- (b) [Certified Resolution Authorizing Signature by Power of Attorney \(filed herewith\).](#)
- 31. (a) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Executive Officer \(filed herewith\).](#)
- (b) [Rule 13a-14\(a\)/15d-14\(a\) Certification of Chief Financial Officer \(filed herewith\).](#)
- 32. (a) [Section 1350 Certification of Chief Executive Officer \(furnished herewith\).](#)
- (b) [Section 1350 Certification of Chief Financial Officer \(furnished herewith\).](#)

101.INS	Inline XBRL Instance Document - the instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from this Annual Report on Form 10-K for the fiscal year ended December 31, 2021, formatted in Inline XBRL and contained in Exhibit 101.
*	Certain exhibits and schedules have been omitted and the Company agrees to furnish supplementally to the Securities and Exchange Commission a copy of any omitted exhibits and schedules upon request.
**	Management contract or compensatory plan or arrangement.

## ITEM 16. FORM 10-K SUMMARY

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 17, 2022.

THE SHERWIN-WILLIAMS COMPANY

By: /S/ MARY L. GARCEAU  
Mary L. Garceau, Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on February 17, 2022.

* JOHN G. MORIKIS	Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)
John G. Morikis	
* ALLEN J. MISTYSYN	Senior Vice President – Finance and Chief Financial Officer (Principal Financial Officer)
Allen J. Mistysyn	
* JANE M. CRONIN	Senior Vice President – Corporate Controller (Principal Accounting Officer)
Jane M. Cronin	
* KERRII B. ANDERSON	Director
Kerrii B. Anderson	
* ARTHUR F. ANTON	Director
Arthur F. Anton	
* JEFF M. FETTIG	Director
Jeff M. Fettig	
* RICHARD J. KRAMER	Director
Richard J. Kramer	
* CHRISTINE A. POON	Director
Christine A. Poon	
* AARON M. POWELL	Director
Aaron M. Powell	
* MARTA R. STEWART	Director
Marta R. Stewart	
* MICHAEL H. THAMAN	Director
Michael H. Thaman	
* MATTHEW THORNTON III	Director
Matthew Thornton III	
* STEVEN H. WUNNING	Director
Steven H. Wunning	

\* The undersigned, by signing her name hereto, does sign this report on behalf of the designated officers and directors of the Company pursuant to powers of attorney executed on behalf of each such officer and director and filed as an exhibit to this report.

By: /S/ MARY L. GARCEAU February 17, 2022  
Mary L. Garceau, Attorney-in-fact

**DESCRIPTION OF SECURITIES**  
**Registered UNDER Section 12 of the**  
**Securities Exchange Act of 1934**

The authorized capital stock of The Sherwin-Williams Company, an Ohio corporation (the “Company”), consists of 900,000,000 shares of common stock, par value \$0.33-1/3 per share (“Common Stock”), and 30,000,000 shares of serial preferred stock, without par value (“Serial Preferred Stock”). The following description of capital stock of the Company is a summary and is qualified in its entirety by provisions of Ohio law and by reference to the terms and provisions of the Company’s articles of incorporation and regulations, which are incorporated herein by reference and attached as exhibits to the Company’s most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission.

**COMMON STOCK**

VOTING RIGHTS

Holders of shares of Common Stock are entitled to one vote per share on all matters presented to a vote of the Company’s shareholders. Except as otherwise provided in the Company’s articles of incorporation or as required by law, the holders of Serial Preferred Stock and the holders of Common Stock shall vote together as one class on all matters. The Company’s articles of incorporation prevent any shareholder from cumulating votes.

Except as outlined below or otherwise expressly required by statute, the vote of the holders of a majority of the voting power of the Company is required to approve matters submitted to a vote of the shareholders. Nominees for director are elected by a majority of the votes cast with respect to that nominee’s election at any meeting held for the election of directors at which a quorum is present, where 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” that nominee’s election; however, if the number of nominees for director exceeds the number of directors to be elected, the nominees receiving the greatest number of votes (up to the number of directors to be elected) shall be elected. Additionally, the affirmative vote (i) of the holders of shares entitling them to exercise two-thirds of the voting power of the Company and (ii) of the holders of two-thirds of the shares of Common Stock at the time outstanding, given in person or by proxy at a meeting called for the purpose at which the holders of Common Stock shall vote separately as a class, is necessary:

- To approve (i) the sale, exchange, lease, transfer or other disposition by the Company of all, or substantially all, of its assets or business to a related corporation or an affiliate of a related corporation, (ii) the consolidation of the Company with or its merger into a related corporation or an affiliate of a related corporation, (iii) the merger into the Company of a related corporation or an affiliate of a related corporation, or (iv) a combination or majority share acquisition in which the Company is the acquiring corporation and the Company’s voting shares are issued or transferred to a related corporation or an affiliate of a related corporation or to shareholders of a related corporation or an affiliate of a related corporation;
  - To approve any agreement, contract or other arrangement with a related corporation providing for any of the transactions described in the foregoing subparagraph; or
  - To effect any amendment of the Company’s articles of incorporation which changes the voting provisions described above.
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For the purpose of the above voting requirements: (i) a “related corporation” is any corporation which, together with its affiliates and associated persons, owns of record or beneficially, directly or indirectly, more than five percent (5%) of the shares of any outstanding class of stock of the Company entitled to vote upon such transaction, as of the record date used to determine the Company’s shareholders entitled to vote upon the transaction; (ii) an “affiliate” of a related corporation is any individual, joint venture, trust, partnership or corporation which, directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the related corporation; (iii) an “associated person” of a related corporation is any officer or director or any beneficial owner, directly or indirectly, of ten percent (10%) or more of any class of equity security, of such related corporation or any of its affiliates; and (iv) the terms “combination,” “majority share acquisition” and “acquiring corporation” have the same meaning as that contained in Section 1701.01 of the Ohio Revised Code or any similar provision hereafter enacted.

## DIVIDENDS

Subject to the rights of any series of Serial Preferred Stock, the holders of shares of Common Stock will be entitled to receive dividends on such Common Stock when, as and if authorized and declared by the Company’s Board of Directors (the “Board”). The payment of dividends on Common Stock will be a business decision to be made by the Board from time to time based upon the Company’s results of operations and financial condition and such other factors as the Board considers relevant.

So long as any Serial Preferred Stock is outstanding, no dividends, except a dividend payable in Common Stock or other shares ranking junior to Serial Preferred Stock, if any, may be paid or declared or any distribution be made, nor may any Common Stock or any other shares ranking junior to Serial Preferred Stock be purchased, retired or otherwise acquired by the Company (except out of the proceeds of the sale of Common Stock or other shares ranking junior to Serial Preferred Stock received by the Company subsequent to August 31, 1966) unless (i) all accrued and unpaid dividends on Serial Preferred Stock, including the full dividends for the current quarterly dividend period, shall have been declared and paid or a sum sufficient for payment thereof set apart and (ii) there shall be no arrearages with respect to the redemption of Serial Preferred Stock of any series from any sinking fund provided for shares of such series in accordance with the provisions of the Company’s articles of incorporation. Payment of dividends on Common Stock may be restricted by loan agreements, indentures, and other transactions entered into by the Company from time to time.

## LIQUIDATION RIGHTS

Upon the Company’s liquidation, dissolution or winding up, each holder of shares of Common Stock will be entitled to share ratably with the other holders of shares of Common Stock in all assets remaining after payments to all creditors and payments required to be made in respect of any outstanding Serial Preferred Stock (including amounts fixed as liquidating payments plus accrued and unpaid dividends thereon, if any).

## RIGHT TO ACQUIRE SHARES

The Company may from time to time, pursuant to authorization by the Board and without action by the Company’s shareholders, purchase or otherwise acquire any of the Company’s shares of any class or classes in such manner, upon such terms and in such amounts as the Board shall determine. The Company’s right to acquire its shares is subject, however, to such limitation or restriction, if any, as is contained in the express terms of any class of such shares outstanding at the time of the purchase or acquisition in question.

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## ABSENCE OF OTHER RIGHTS

Holders of Common Stock have no preferences, preemptive, conversion or exchange rights. The Common Stock is subject to the rights of any outstanding shares of any series of Serial Preferred Stock which the Company may issue from time to time.

## PREFERRED STOCK

The Company's articles of incorporation authorize the Board to designate and issue, from time to time, preferred shares in one or more series. The Board is authorized, to the extent permitted by applicable law, to fix and determine the relative rights and preferences of the shares of any series so established with respect to, among other things, dividend or distribution rights, the dates of payments of dividends or distributions and the dates from which they are cumulative, liquidation price, redemption rights and price, sinking fund requirements, conversion or exchange rights and certain other terms of the preferred shares. Because the rights and preferences set by the Board for a series of preferred shares could be superior to the rights and preferences of the Common Stock, the issuance of such series could adversely affect the rights of the holders of Common Stock.

While issuance of preferred shares could provide the Company with needed flexibility in connection with possible acquisitions and other corporate purposes, such issuance also could make it more difficult for a prospective acquiror to acquire a majority of the Company's outstanding voting shares and could discourage an attempt to gain control of the Company's voting shares. Such issuance also could adversely affect the market price of the Common Stock.

## CERTAIN PROVISIONS OF OHIO LAW CONCERNING TAKEOVERS

Ohio, the state of the Company's incorporation, has enacted Ohio Revised Code Section 1701.831, a "control share acquisition" statute. The statute specifies that, unless a corporation's articles of incorporation or regulations otherwise provide, any person acquiring shares of an "issuing public corporation" in any of the following three ownership ranges must seek and obtain shareholder approval prior to the acquisition transaction that first establishes such ownership within each such range: (1) 20% or more but less than 33 1/3%, (2) 33 1/3% or more but less than 50% and (3) more than 50%. The Company is an "issuing public corporation" for purposes of the statute. Neither the Company's articles of incorporation nor the Company's regulations contain a provision excluding the Company from the application of the statute.

Ohio also has enacted Ohio Revised Code Chapter 1704, the so-called "merger moratorium" statute. The statute specifies that, unless a corporation's articles of incorporation or regulations otherwise provide, an "issuing public corporation" may not engage in a "Chapter 1704 transaction" for three years following the date a person acquires more than 10% of the voting power in the election of directors of the "issuing public corporation," unless the "Chapter 1704 transaction" is approved by the corporation's board of directors prior to such acquisition. A person who acquires such voting power is an "interested shareholder," and "Chapter 1704 transactions" involve a broad range of transactions, including mergers, consolidations, combinations, liquidations, recapitalizations and other transactions between an "issuing public corporation" and an "interested shareholder," if such transactions involve 5% or more of the assets or shares of the "issuing public corporation" or 10% or more of its earning power. Chapter 1704 prohibits such transactions absent approval by disinterested shareholders or the transaction meeting certain statutorily defined fair price provisions. Neither the Company's articles of incorporation nor the Company's regulations contain a provision excluding it from the application of Chapter 1704.

Schedule of Executive Officers who are Parties  
to the Amended and Restated Severance Agreements in the Forms Filed as  
Exhibit 10(e) to the Company's Annual Report on Form 10-K  
For the Fiscal Year Ended December 31, 2010

Form A of Severance Agreement

John G. Morikis

Form B of Severance Agreement

None

Form C of Severance Agreement

Justin T. Binns  
Jane M. Cronin  
Mary L. Garceau  
Thomas P. Gilligan  
James R. Jaye  
Allen J. Mistysyn  
Heidi G. Petz  
Todd D. Rea  
Joseph F. Sladek  
Bryan J. Young

**THE SHERWIN-WILLIAMS COMPANY  
2006 EQUITY AND PERFORMANCE INCENTIVE PLAN  
(AMENDED AND RESTATED AS OF APRIL 19, 2017)**

**Restricted Stock Unit Award Agreement**

Grantee: Date of Grant:

Date of Vesting:

Number of Time-Based RSUs ("RSUs"):

1. **Grant of Restricted Stock Units.** The Compensation and Management Development Committee of the Board of Directors (the "Committee") of The Sherwin-Williams Company (the "Company") or its delegate has granted to you ("Grantee") the Restricted Stock Unit award set forth above in accordance with the terms of this Restricted Stock Unit Award Agreement (this "Agreement") and the terms of The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) (the "Plan"), the related Prospectus and any Prospectus Supplement, and such other rules and procedures as may be adopted by the Company. Capitalized terms used herein without definition or other identification shall have the meanings assigned to them in the Plan.
2. **Vesting of RSUs.** Subject to Section 3 hereof, provided Grantee is continuously employed with the Company or a Subsidiary from the Date of Grant through the Date of Vesting, inclusive (the "Restriction Period"), in Grantee's present position or in such other position that, as the Committee may determine, entitles Grantee to retain the rights under this grant (each such position being hereinafter referred to as a "Participating Position"), 100% of the RSUs shall become nonforfeitable ("Vested," "Vested RSUs" or similar terms) on the Date of Vesting and shall be settled in accordance with the terms of Section 4 hereof.
3. **Termination of Rights to RSUs; Acceleration of Vesting.** Notwithstanding anything herein to the contrary:
  - (A) On the date Grantee ceases to be continuously employed in any Participating Position(s) at any time during the Restriction Period, the RSUs shall be forfeited and Grantee shall forfeit and lose all rights to the RSUs that are not Vested as of such date, except as otherwise provided below or as otherwise provided in an agreement between the Grantee and the Company or a plan in which the Grantee is a participant:
    - (i) In the event such cessation of employment is due to the death of Grantee during the Restriction Period, 100% of the RSUs shall immediately be Vested upon Grantee's death.
    - (ii) In the event such cessation of employment is due to Grantee becoming "Disabled" during the Restriction Period, 100% of the RSUs shall immediately be Vested upon Grantee becoming Disabled. "Disabled" shall mean that Grantee (x) is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (y) is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of the Company.

(iii) Notwithstanding Section 2 above, in the event of a Change of Control, the RSUs shall Vest on fulfillment of the conditions specified in Section 12 of the Plan.

(B) In the event Grantee is transferred from a Participating Position, Grantee's rights hereunder shall continue. In such event, the other requirements for Vesting will continue to apply, including that Grantee remain continuously employed by the Company or a Subsidiary through the Date of Vesting, subject to earlier Vesting pursuant to Section 3(A). Any such Award will be settled in accordance with Section 4.

(C) In the event that Grantee knowingly or willfully engages in misconduct which is materially harmful to the interests of the Company or a Subsidiary, as may be determined by the Committee, in its sole discretion, or violates Section 14 or Section 15 of this Agreement, all rights of Grantee to the RSUs shall terminate.

#### **4. Settlement of RSUs.**

(A) General. Upon satisfaction of the Vesting requirements set forth in Sections 2 and/or 3 hereof, and as soon as administratively practicable following (but no later than thirty (30) days following) the Date of Vesting, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU.

(B) Other Payment Events for Vested RSUs. Notwithstanding Section 4(A), to the extent that prior to the Date of Vesting there are any Vested RSUs pursuant to Section 3 hereof, such Vested RSUs shall be settled prior to the date set forth under Section 4(A) as follows:

(i) Death. In the event of the death of the Grantee during the Restriction Period, the Company shall issue to Grantee's proper beneficiaries one share of Common Stock free and clear of any restrictions for each Vested RSU within thirty (30) days of the date of Grantee's death.

(ii) Disability. In the event that Grantee becomes Disabled during the Restriction Period, the Company shall issue Grantee one share of Common Stock free and clear of any restrictions for each Vested RSU within thirty (30) days of the date on which Grantee becomes Disabled.

(iii) Change of Control. In the event of a Change of Control during the Restriction Period, Vested RSUs shall be settled in accordance with Section 12 of the Plan. Notwithstanding any provision of this Agreement or the Plan to the contrary, if Section 409A of the Code applies to the payment and Grantee experiences a termination of employment after the Change of Control resulting in Vested RSUs under Section 12 of the Plan, Grantee is entitled to receive settlement of any Vested RSUs under Section 12 of the Plan on the date that would have otherwise applied pursuant to Sections 4(A), 4(B)(i) or 4(B)(ii) as though such Change of Control had not occurred. Notwithstanding any provision of this Agreement or the Plan to the contrary and to the extent required to comply with Section 409A, if any RSU is Assumed, any outstanding RSUs which at the time of the Change of Control are not subject to a "substantial risk of forfeiture" (within the meaning of Section 409A of the Code) will be deemed to be not Assumed and will be payable in accordance with Section 12(b) of the Plan.

#### **5. Dividend Equivalents; Other Rights.** From and after the Date of Grant and until the earlier of (A) the time when the RSUs Vest and are settled in accordance with Section 4 hereof or (B) the

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time when Grantee's rights to the RSUs are forfeited in accordance with Section 3 hereof, on the date that the Company pays a cash dividend (if any) to holders of Common Stock generally, Grantee shall be entitled to a deferred cash payment equal to the value of the product of (x) the dollar amount of the cash dividend paid per share of Common Stock on such date and (y) the full number of RSUs; however, such dividend equivalents (if any) shall be paid in cash only, and shall not be paid unless and until the Restriction Period has lapsed, and shall be subject to such other applicable terms and conditions (including payment or forfeitability) as the RSUs on which the dividend equivalents were credited. In this regard, the right to any such dividend equivalent payment shall Vest at the same time as the RSUs to which they relate and shall be distributed to Grantee concurrently with the RSUs, without regard to the number of shares of Common Stock withheld to pay any applicable withholding tax obligations. The obligations of the Company hereunder will be merely that of an unfunded and unsecured promise of the Company to deliver shares of Common Stock or cash, as the case may be, in the future, and the rights of Grantee will be no greater than that of an unsecured general creditor. No assets of the Company will be held or set aside as security for the obligations of the Company hereunder.

6. **No Shareholder/Voting Rights.** Grantee will not be a shareholder of record and shall have no voting rights with respect to shares of Common Stock underlying an RSU prior to the Company's issuance of such shares following the Date of Vesting or the otherwise applicable settlement date.
  7. **Transferability.** During the Restriction Period, Grantee shall not be permitted to sell, transfer, pledge, encumber, assign or dispose of the RSUs.
  8. **Withholding; Taxes.** If the Company shall be required to withhold (including required to account to any tax authority for) any federal, state, local or foreign taxes or other amounts in connection with the RSUs or the underlying shares of Common Stock, the Company shall automatically and mandatorily withhold a number of shares of Common Stock issuable hereunder equal to the Grantee's minimum statutory withholding tax obligation. Notwithstanding any other provision of this Agreement or the Plan, the Company shall not be obligated to guarantee any particular tax result for Grantee with respect to any payment provided to Grantee hereunder, and Grantee shall be responsible for any taxes imposed on Grantee with respect to any such payment.
  9. **No Right to Future Awards or Employment.** The grant is a voluntary, discretionary bonus being made on a one-time basis and it does not constitute a commitment to make any future awards. The grant and any related payments made to Grantee will not be considered salary or other compensation for purposes of any severance pay or similar allowance, except as otherwise required by law. Nothing contained herein will confer upon Grantee any right with respect to continuance of employment or other service with the Company or any Subsidiary, nor will it interfere in any way with any right the Company or any Subsidiary would otherwise have to terminate Grantee's employment or other service at any time.
  10. **Nature of Grant.** Grantee acknowledges that (A) the future value of the underlying shares of Common Stock is unknown and cannot be predicted with certainty and (B) in consideration of the grant of the RSUs, no claim or entitlement to compensation or damages shall arise from termination of the RSUs or diminution in value of the shares received upon settlement including (without limitation) any claim or entitlement resulting from termination of Grantee's active employment by the Company or a Subsidiary (for any reason whatsoever and whether or not in breach of local labor laws) and Grantee hereby releases the Company and its Subsidiaries from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to have arisen, then, by accepting the RSUs and this Agreement, Grantee shall be deemed irrevocably to have waived his entitlement to pursue such claim.
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11. **Severability.** If any provision of this grant or the application of any provision hereof to any person or circumstances is held invalid, unenforceable or otherwise illegal, the remainder of this grant and the application of such provision to any other person or circumstances shall not be affected, and the provisions so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary to make it enforceable, valid and legal.
12. **Governing Law.** This grant shall be governed by and construed with the internal substantive laws of the State of Ohio, without giving effect to any principle of law that would result in the application of the law of any other jurisdiction.
13. **Recapture/Recoupment Rights and Policies.** Grantee acknowledges and agrees that the terms and conditions set forth in The Sherwin-Williams Company Executive Compensation Adjustment and Recapture Policy ("Policy") are incorporated in this Agreement by reference. To the extent the Policy is applicable to Grantee, it creates additional rights for the Company with respect to Grantee's RSUs. Notwithstanding any provisions in this Agreement to the contrary, any RSU granted under this Agreement will be subject to mandatory repayment by the Grantee to the Company to the extent the Grantee is, or in the future becomes, subject to (A) any Company clawback or recoupment policy that is adopted to comply with the requirements of any applicable laws, rules or regulations, or otherwise, or (B) any applicable laws which impose mandatory recoupment, under circumstances set forth in such applicable laws, including as required by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, or other applicable law, regulation or stock exchange listing requirement, as may be in effect from time to time, and which may operate to create additional rights for the Company with respect to awards and recovery of amounts relating thereto. By accepting this grant of RSUs, Grantee agrees and acknowledges that Grantee is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup the grant of RSUs or amount paid under this grant subject to clawback pursuant to such law, government regulation, stock exchange listing requirement or Company policy. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup this grant or amounts paid hereunder from a Grantees' accounts, or pending or future compensation awards that may be made to Grantee.
14. **Ownership and Protection of Intellectual Property and Confidential Information.**
- (A) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by Grantee, individually or in conjunction with others, during Grantee's employment by the Company or any of its Subsidiaries, both before and after the Date of Grant (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its Subsidiaries (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information), and all writings or materials of any type embodying any of such items (collectively, "Work Product"), shall be the sole and exclusive property of the Company or a Subsidiary, as the case may be, and shall be treated as "work for hire." It is recognized that the Grantee is an experienced executive in the business of the Company and its Subsidiaries and
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through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 14.

(B) Grantee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its Subsidiaries' right, title and interest in such Work Product. Without limiting the generality of the foregoing, the Grantee agrees to assist the Company, at the Company's expense, to secure the Company's and its Subsidiaries' rights in the Work Product in any and all countries, including the execution by the Grantee of all applications and all other instruments and documents which the Company and/or its Subsidiaries shall deem necessary in order to apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its Subsidiaries the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Grantee's mental or physical incapacity or for any other reason (including Grantee's refusal to do so after request therefor is made by the Company) to secure Grantee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its Subsidiaries pursuant to Section 14(A) above, then the Grantee by this Agreement irrevocably designates and appoints the Company and its duly authorized officers and agents as Grantee's agent and attorney-in-fact to act for and in Grantee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if executed by Grantee. The Grantee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this Section 14 in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its Subsidiaries.

(C) Grantee acknowledges that the businesses of the Company and its Subsidiaries are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its Subsidiaries use in their business to obtain a competitive advantage over their competitors. The Grantee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its Subsidiaries in maintaining their competitive position. The Grantee acknowledges that by reason of the Grantee's duties to, and association with, the Company and its Subsidiaries, the Grantee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its Subsidiaries. The Grantee hereby agrees that the Grantee will not, at any time during or after his employment by the Company or its Subsidiaries, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its Subsidiaries, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. The Grantee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute

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resolution or other legal proceeding in which Grantee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that the Grantee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his intent to disclose any such confidential business information in such context so as to allow the Company or its Subsidiaries an opportunity (which the Grantee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its Subsidiaries would not be considered confidential to the Company and its Subsidiaries.

(D) All written materials, records, and other documents made by, or coming into the possession of, the Grantee during the period of Grantee's employment by the Company or its Subsidiaries which contain or disclose confidential business information or trade secrets of the Company or its Subsidiaries, or which relate to Grantee's Work Product described in Section 14(A) above, shall be and remain the property of the Company, or its Subsidiaries, as the case may be. Upon termination of Grantee's employment, for any reason, the Grantee promptly shall deliver the same, and all copies thereof, to the Company.

(E) Nothing in this Agreement shall prohibit or restrict the Grantee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. The Grantee does not need the prior authorization of the Company to engage in conduct protected by this Section 14, and the Grantee does not need to notify the Company that the Grantee has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

## **15. Covenant Not to Compete.**

(A) Grantee hereby agrees that during his employment with the Company or any of its Subsidiaries and for a period of two years following Grantee's termination of employment with the Company and its Subsidiaries (the "Non-Compete Period"), he will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material shareholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its Subsidiaries engages in or is planning to engage in during the term of Grantee's employment with the Company or any Subsidiary, including but not limited to, any business engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers (the "Business"). Such restriction shall cover Grantee's activities anywhere in the contiguous United States.

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(B) Grantee agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, directly or indirectly, on behalf of Grantee or any other person or entity, solicit, induce or attempt to solicit or induce any person who is or was employed by, or in a contractor relationship with, the Company or its Subsidiaries within the one (1) year period immediately preceding the date of solicitation or inducement, to (i) interfere with the activities or businesses of the Company or any of its Subsidiaries, (ii) discontinue employment or contractor status with the Company or any of its Subsidiaries, or (iii) interfere with, alter or modify their employment or contractor relationship with the Company or any of its Subsidiaries. Grantee also agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Grantee will not, on behalf of Grantee or any other person or entity, hire, attempt to hire, assist in any way with the hiring of, or otherwise employ or engage, or attempt to employ or engage, any person who is or was employed by or in a contractor relationship with the Company or its Subsidiaries within the one (1) year period immediately preceding the date of such hiring, assistance with hiring, employment or engagement.

(C) Grantee agrees that during the Non-Compete Period, the Grantee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its Subsidiaries to divert their business to any competitor of the Company or any of its Subsidiaries or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its Subsidiaries (including, without limitation, making any negative statements or communications about the Company and its Subsidiaries). During such Non-Compete Period, the Grantee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its Subsidiaries, prior to the Grantee's termination of employment with the Company and its Subsidiaries, has made an acquisition proposal relating to the possible acquisition of such business by the Company or any of its Subsidiaries, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its Subsidiaries.

(D) Grantee understands that the provisions of Section 14 and Section 15 hereof may limit his ability to earn a livelihood in a business in which he is involved, but as a member of the management group of the Company and its Subsidiaries he nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any of its Subsidiaries; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder is sufficient to compensate the Grantee for the restrictions contained in Section 14 and Section 15 hereof. In consideration of the foregoing and in light of the Grantee's education, skills and abilities, the Grantee agrees that he will not assert that, and it should not be considered that, any provisions of Section 14 and Section 15 otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(E) If, at the time of enforcement of Section 14 or Section 15 of this Agreement, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Grantee acknowledges that he is a member of the Company's and its Subsidiaries' management group with access to the Company's and its Subsidiaries' confidential business information and his

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services are unique to the Company and its Subsidiaries. The Grantee therefore agrees that the remedy at law for any breach by him of any of the covenants and agreements set forth in Section 14 or Section 15 hereof will be inadequate and that in the event of any such breach, the Company and its Subsidiaries may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting the Grantee (together with all those persons associated with him) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of this Agreement. In addition, in the event of a breach or violation by the Grantee of this Section 15, the Non-Compete Period set forth herein shall be tolled until such breach or violation has been cured.

(F) Each of the covenants of Section 14 and Section 15 hereof are given by the Grantee as part of the consideration for the RSUs granted hereunder and as an inducement to the Company to grant such RSUs and accept the obligations thereunder.

16. **Data Privacy.** Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Grantee's personal data as described in this document by and among, as applicable, Grantee's employer ("Employer") and the Company and its Subsidiaries, for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. Grantee understands that Employer and the Company and its Subsidiaries hold (but only process or transfer to the extent required or permitted by local law) the following personal information about Grantee: Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of Common Stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of Common Stock awarded, canceled, exercised, vested, unvested or outstanding in Grantee's favor, for the purpose of implementing, administering and managing the Plan (collectively, the "Data"). Grantee understands that Data may be transferred to third parties assisting in the implementation, administration and management of the Plan, including Fidelity Stock Plan Service LLC, that these recipients may be located in Grantee's country or elsewhere (including countries outside of the European Union or the European Economic Area, such as the United States of America), and that the recipient's country may have different data privacy laws and protections than those that apply in Grantee's country. Grantee understands that Grantee may request a list with the names and addresses of any potential recipients of the Data by contacting Grantee's local human resources representative. Grantee authorizes these recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing Grantee's participation in the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom Grantee may elect to deposit any shares acquired upon vesting or earning of the RSUs. Grantee understands that Data will be held only as long as is necessary to implement, administer and manage Grantee's participation in the Plan and in accordance with local law. Grantee understands that Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing Grantee's local human resources representative. Grantee understands, however, that refusing or withdrawing Grantee's consent may affect Grantee's ability to participate in the Plan. For more information on the consequences of Grantee's refusal to consent or withdrawal of consent, Grantee hereby understands that Grantee may contact his local human resources representative.
  17. **Electronic Delivery.** The Company may, in its sole discretion, deliver any documents related to the RSUs and Grantee's participation in the Plan, or future awards that may be granted under the Plan, by electronic means or request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if
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requested, agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

18. **Compliance with Section 409A of the Code.** The award covered by this Agreement is intended to be excepted from coverage under, or compliant with, the provisions of Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and other guidance promulgated thereunder ("Section 409A"). Notwithstanding the foregoing or any other provision of this Agreement or the Plan to the contrary, if the award is subject to the provisions of Section 409A (and not exempted therefrom), the provisions of this Agreement and the Plan shall be administered, interpreted and construed in a manner necessary to comply with Section 409A (or disregarded to the extent such provision cannot be so administered, interpreted or construed). If any payments or benefits hereunder may be deemed to constitute nonconforming deferred compensation subject to taxation under the provisions of Section 409A, Grantee agrees that the Company may, without the consent of Grantee, modify the Agreement to the extent and in the manner the Company deems necessary or advisable or take such other action or actions, including an amendment or action with retroactive effect, that the Company deems appropriate in order either to preclude any such payment or benefit from being deemed "deferred compensation" within the meaning of Section 409A or to provide such payments or benefits in a manner that complies with the provisions of Section 409A such that they will not be subject to the imposition of taxes and/or interest thereunder. If, at the time of Grantee's separation from service (within the meaning of Section 409A of the Code), (A) Grantee shall be a specified employee (within the meaning of Section 409A of the Code and using the identification methodology selected by the Company from time to time) and (B) the Company shall make a good faith determination that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A of the Code) the settlement of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A of the Code in order to avoid taxes or penalties under Section 409A of the Code, then the Company shall not settle such amount on the otherwise scheduled settlement date but shall instead settle it, without interest, on the first business day of the month after such six-month period. Notwithstanding the foregoing, the Company makes no representations and/or warranties with respect to compliance with Section 409A, and Grantee recognizes and acknowledges that Section 409A could potentially impose upon Grantee certain taxes and/or interest charges for which Participant is and shall remain solely responsible.
  19. **Construction.** This Agreement is made and granted pursuant to the Plan and is in all respects limited by and subject to the terms of the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.
  20. **Compliance with Laws and Regulations.** The issuance of shares of Common Stock pursuant to this Agreement shall be subject to compliance by Grantee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which Company's stock may be listed for trading at the time of such issuance.
  21. **Binding Effect; No Third Party Beneficiaries.** This Agreement shall be binding upon and inure to the benefit of the Company and Grantee and their respective heirs, representatives, successors and permitted assigns. This Agreement shall not confer any rights or remedies upon any person other than the Company and Grantee and their respective heirs, representatives, successors and permitted assigns.
  22. **Notice.** Any notice required to be given or delivered to the Company under the terms of this Agreement shall be in writing and addressed to the Company at its principal corporate office. Except to the extent electronic notice is authorized hereunder, any notice required to be given or delivered to Grantee shall be in writing and addressed to Grantee at Grantee's most recent address
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set forth in the Company's records. All notices shall be deemed effective upon personal delivery (or electronic delivery to the extent authorized hereunder) or upon deposit in the U.S. mail, postage, prepaid and properly addressed to the party to be notified.

**Plan Document  
and  
Summary Plan Description  
of  
The Sherwin-Williams Company  
Key Employee Separation Plan  
As Amended and Restated Effective March 1, 2022**

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# **THE SHERWIN-WILLIAMS COMPANY KEY EMPLOYEE SEPARATION PLAN**

## **ARTICLE 1. PURPOSE**

The purpose of The Sherwin-Williams Company Key Employee Separation Plan is to assist the Company to retain the services of key employees by providing eligible employees of the Company and its Affiliates with certain severance and welfare benefits in the event their employment is involuntarily terminated. This document is designed to serve as both the Plan document and the summary plan description for the Plan. The legal rights and obligations of any person having an interest in the Plan are determined solely by the provisions of the Plan as interpreted by the Committee. Unless otherwise defined elsewhere in the Plan, defined terms are set forth in Article 12 hereof.

## **ARTICLE 2. TERM**

The Plan shall generally be effective as of the Effective Date, but subject to amendment from time to time in accordance with Article 7 hereof. The Plan shall continue until terminated pursuant to Article 7 hereof.

## **ARTICLE 3. PARTICIPATION**

3.1 Employees of the Company or any Affiliate who are selected for participation by the Committee, in its sole and absolute discretion, as provided in Article 5 hereof, shall be eligible to participate in the Plan. Any such employee selected to participate in the Plan shall be referred to herein as a “Participant” and shall be expressly listed in a schedule maintained by the Committee (the “Participant Schedule”), with such severance benefits hereunder to be provided in accordance with the Participant’s designation level as set forth in the benefits schedule attached hereto as Exhibit A (the “Benefits Schedule”). The Participants and their respective participation levels (as described in Section 4.1) shall be selected and approved by the Committee, and communicated to the Participant by the Company. The Committee, in its discretion, may add Participants to the Plan and assign and approve for each of them their respective participation levels, from time to time, and shall periodically review and update the schedule or list of Participants. For purposes of clarity, a person is not a “Participant” in the Plan, unless expressly added as a “Participant” by the Committee.

3.2 Notwithstanding the foregoing and subject to Article 7 hereof, the Committee may terminate a Participant’s participation in the Plan at any time, in its sole and absolute discretion. Subject to Article 7 hereof, a termination of Participant’s employment with the Company and any Affiliate, except under the circumstances described in Section 4.1, shall automatically, with no further act on the part of the Company or any Affiliate, terminate any right of such Participant to participate, or receive any benefits under, the Plan.

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## ARTICLE 4. BENEFITS

### 4.1 Compensation and Benefits Upon Covered Termination.

Subject to Participant's timely execution and non-revocation of the Release described in Section 4.3, in the event of a Covered Termination, the Company shall pay and provide to the Participant after his or her Date of Termination:

(a) (i) any Base Pay earned, accrued or owing to him or her through the Date of Termination, (ii) any Annual Incentive Bonus not yet paid, but due and payable for year prior to the year of Participant's Date of Termination, (iii) reimbursement for all reasonable and customary expenses incurred by Participant in performing services for the Company prior to the Date of Termination, subject to receipt by the Company of appropriate documentation in accordance with policies established by the Company from time to time, and (iv) payment equal to the amount of accrued, but unused, vacation time in accordance with the Company's policies and practices with respect to vacation time, with any such amounts to be paid in a lump sum within 30 days following the Date of Termination or at such other time prescribed by any applicable plan or agreement.

(b) An aggregate amount, as set forth in the Benefits Schedule, and based upon a Participant's Sherwin-Williams Management Incentive Plan ("SWMIP") employee designation level (with such designation and the amount of Base Pay each as in effect on the Date of Termination).

(c) A pro rata share of any individual Annual Incentive Bonus for the year in which Participant's Date of Termination occurs based on the portion of such year that Participant was employed by the Company and any Affiliate; provided, however, that the payment of individual Annual Incentive Bonus will continue to be subject to the attainment of performance goals and paid in accordance with the terms as specified in the applicable plan.

(d) To the extent permitted by applicable law and the Benefit Plans, the Company shall maintain Participant's paid coverage for health insurance (through the payment of Participant's COBRA premiums) and other dental insurance benefits for the period corresponding with Participant's participation level as set forth in the Benefits Schedule, but ending upon the earlier to occur of: (a) Participant obtaining the age of 65, (b) the date Participant is eligible for similar benefits to the benefits provided by the Benefit Plans from another employer (and Participant must provide prompt notice of eligibility with respect thereto to the Company), or (c) the expiration of the COBRA Continuation Period (i.e., generally 18 months following the Date of Termination). During the applicable period of coverage described in the Benefits Schedule, to the extent permitted by applicable law and the Benefit Plans, Participant shall be entitled to benefits, on substantially the same basis as would have otherwise been provided had Participant not been terminated and the Company will have no obligation to pay any benefits to, or premiums on behalf of, Participant after such period ends. To the extent that such benefits are available under the Benefit Plans and Participant had such coverage immediately prior to the Date of Termination, such continuation of benefits for Participant shall also cover Participant's spouse and/or dependents for so long as Participant is receiving such benefits as provided in the Benefits Schedule. The COBRA Continuation Period for medical and dental insurance under this Section 4.1(d) shall be deemed to run concurrent with the

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continuation period federally mandated by COBRA, or any other legally mandated and applicable federal, state, or local coverage period for benefits provided to terminated employees under the health care plan.

(e) Payment of, or reimbursement for, the reasonable cost of appropriate outplacement assistance services actually used by Participant and other expenses actually incurred by Participant associated with seeking another employment position, in each case that are approved by the Committee in its discretion.

All payments to be made pursuant to Section 4.1(b) shall be made in equal installments in accordance with the Company's payroll procedures for the period corresponding with such Participant's participation level set forth in the Benefit Schedule, subject to the execution, delivery and non-revocation of the Release set forth in Section 4.3. All payments due under Sections 4.1(c), (d) and (e) shall be made as provided thereunder, in each case, subject to the execution, delivery and non-revocation of the Release set forth in Section 4.3.

4.2 Vesting of Equity. With respect to any equity awards or grants made by the Company or any Affiliate and notwithstanding any provision to the contrary in any applicable plan, program or award agreement, upon a Participant's Date of Termination pursuant to Section 4.1, all such equity awards or grants held by Participant will continue to vest for the period set forth in the Benefits Schedule after the Date of Termination as if Participant remained an employee of the Company in the same or in a Participating Position (as defined therein), if applicable, for such period (or for such longer period as may be provided in the applicable award agreement as measured and determined from the last day payments or benefits are provided under the Benefits Schedule), and all such stock options held by Participant shall remain exercisable until the expiration date of the applicable option term; provided, however, that the payment of performance-based awards will continue to be subject to the attainment of the performance goals as specified in the applicable plan or award agreement and will be paid, if at all, based on a Participant's service and additional deemed service (as provided in the Benefits Schedule or for such longer period as provided in the applicable award agreement as measured and determined from the last day payments or benefits are provided under the Benefits Schedule) for the applicable performance period.

4.3 Release. Notwithstanding any other provision of the Plan to the contrary, no payment or benefit otherwise provided for under or by virtue of Section 4.1 and/or Section 4.2 of the Plan shall be paid or otherwise made available unless and until the Participant executes and does not revoke a general release, non-disparagement and non-competition agreement, in a form provided by the Company and substantially as attached as Exhibit B hereto (modified as necessary to conform to then existing legal requirements or applicable law) (the "Release"). The Release must be executed, delivered and not revoked by the Participant or no amounts or benefits under Section 4.1 and/or Section 4.2 shall be or become payable.

4.4 WARN. Notwithstanding any other provision of the Plan to the contrary, payments made pursuant to the Plan are not intended to be in addition to pay-in-lieu-of notice under the Worker Adjustment and Retraining Notification Act ("WARN"), Labor Code Section 1400 et seq., or any other applicable federal, state or local law or regulation. Should benefits under any such law or regulation become payable, payment of any benefit payable hereunder to a Participant as a consequence of the Participant's Covered Termination shall be reduced

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accordingly or, alternatively, payments previously made under the Plan will be treated as having been paid to satisfy such other benefit obligations (other than state unemployment compensation if applicable).

4.5 Termination of Employment on Account of Disability, Cause or Death or New Job Position. Notwithstanding anything in this Plan to the contrary, if the Participant's employment with the Company and any Affiliate terminates on account of Disability, Cause or because of his or her death or the Participant assumes a New Job Position, the Participant shall not be considered to have terminated employment under Section 4.1 of this Plan and shall not receive benefits pursuant to Section 4.1 and/or Section 4.2. Notwithstanding, the Participant shall be entitled to receive disability benefits under any disability program then maintained by the Company or any Affiliate that covers the Participant as provided under the terms of such disability program.

## **ARTICLE 5. ADMINISTRATION**

5.1 The Plan shall be administered by the Committee. The Committee shall be the "administrator" and a "named fiduciary" under the Plan for purposes of ERISA.

5.2 The Committee shall have the full and absolute power, authority and sole discretion to construe, interpret and administer the Plan, to make factual determinations, to correct deficiencies therein, and to supply omissions, including resolving any ambiguity or uncertainty arising under or existing in the terms and provisions of the Plan, which determinations shall be final, conclusive, and binding on the Company, its Affiliates, the Participant and any and all interested parties.

5.3 The Committee may delegate any and all of its powers and responsibilities hereunder to other persons by formal resolution as provided in Article 6 hereof. Any such delegation may be rescinded at any time by written notice from the Committee to the person to whom delegation is made.

5.4 The Committee shall have the full and absolute authority to employ and rely on such legal counsel, actuaries and accountants (which may also be those of the Company and its Affiliates), and other agents, designees and delegates, as it may deem advisable to assist in the administration of the Plan.

## **ARTICLE 6. DELEGATION OF AUTHORITY.**

The Committee shall have the power and authority to allocate among themselves and to delegate any responsibility or power reserved to it hereunder to any person or persons, the Board or any committee of the Board, as it may, in its sole discretion, deems appropriate. Pursuant to this Article 6 hereof, the Senior Vice President – Human Resources of Sherwin-Williams shall be delegated authority by the Committee to conduct administrative functions with respect to the Plan and make changes to the Plan as he or she deems appropriate (including, without limitation, adding or removing Participants in the Plan); provided that, if such changes relate to amounts, or potential amounts, payable to the "officers" of Sherwin-Williams as defined under Rule 16a-1(f) of the Securities Exchange Act, approval of the Committee will be obtained. For the avoidance

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of doubt, any and all decisions of the Committee's designee(s) shall be governed by the provisions of the Plan as if they were made by the full Committee.

## **ARTICLE 7. AMENDMENT AND TERMINATION**

7.1 Subject to Section 7.2, the Committee shall have the right in its discretion at any time to amend the Plan in any respect or to terminate the Plan.

7.2 Notwithstanding any other provision of the Plan to the contrary, the Plan (including, without limitation, this Section 7.2) as applied to any particular Participant may not be amended or terminated at any time within the 90 day period immediately prior to the occurrence of a Change of Control in any manner adverse to the interests of such Participant, without the express written consent of such Participant, except in the event (a) of a termination of Participant's employment with the Company and its Affiliates under the circumstances described in Section 4.5 and/or (b) the Committee determines to amend the Plan in order to conform the provisions of the Plan with 409A, the regulations issued thereunder or an exception thereto, regardless of whether such modification, amendment, or termination of the Plan shall adversely affect the rights of a Participant under the Plan.

## **ARTICLE 8. EMPLOYMENT RIGHTS**

Nothing expressed or implied in the Plan will create any right or duty on the part of the Company, any Affiliate or the Participant to have the Participant remain in the employment of the Company or any Affiliate.

## **ARTICLE 9. CLAIMS PROCEDURE**

### **Adverse Benefit Determinations**

Each terminated Participant may contest the administration of the benefits (but not the level of benefits) by completing and filing a written claim for reconsideration with the Committee (which, for purposes of this Article 9 and Article 10, includes any designee(s) or delegatee(s) of the Committee pursuant to Article 6), within 90 days of the time that the Participant has knowledge of the relevant facts constituting the basis for the Participant's claim. If the Committee denies a claim in whole or in part, the Committee will provide notice to the Participant, in writing, within 90 days after the claim is filed, unless the Committee determines that an extension of time for processing is required. In the event that the Committee determines that such an extension is required, written notice of the extension shall be furnished to the Participant prior to the termination of the initial 90-day period. The extension shall not exceed a period of 90 days from the end of the initial period of time and the extension notice shall indicate the special circumstances requiring an extension of time and the date by which the Committee expects to render the benefit decision.

The written notice of a denial of a claim shall set forth, in a manner calculated to be understood by the terminated employee:

- the specific reason(s) for the denial;
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- specific reference to the specific Plan provisions on which the denial is based;
- a description of any additional material or information which must be submitted for the Participant to perfect the claim, and an explanation of why such material or information is necessary; and
- an explanation of the Plan's claims review procedure and the time limits applicable to such procedures, including a statement of the claimant's right to bring a civil action under section 502(a) of ERISA following an adverse benefit determination on appeal.

#### **Appeal of Adverse Benefit Determinations**

The Participant or the Participant's duly authorized representative shall have an opportunity to appeal a claim denial to the Committee for a full and fair review. The Participant or the Participant's duly authorized representative may:

1. request a review upon written notice to the Committee within 60 days after receipt of a notice of the denial of a claim for benefits;
2. submit written comments, documents, records, and other information relating to the claim for benefits; and
3. examine the Plan and obtain, upon request and without charge, copies of all documents, records, and other information relevant to the Participant's claim for benefits.

The Committee's review shall take into account all comments, documents, records, and other information submitted by the terminated employee relating to the claim, without regard to whether such information was submitted or considered by the Committee in the initial benefit determination. A determination on the review by the Committee will be made not later than 60 days after receipt of a request for review, unless the Committee determines that an extension of time for processing is required. In the event that the Committee determines that such an extension is required, written notice of the extension shall be furnished to the terminated employee prior to the termination of the initial 60-day period. The extension shall not exceed a period of 60 days from the end of the initial period and the extension notice shall indicate the special circumstances requiring an extension of time and the date on which the Committee expects to render the determination on review.

The written determination of the Committee shall set forth, in a manner calculated to be understood by the terminated employee:

1. the specific reason or reasons for the decision;
  2. specific reference to the specific Plan provisions on which the decision is based;
  3. the terminated employee's right to receive, upon request and without charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits; and
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4. a statement of the employee's right to bring a civil action under section 502(a) of ERISA.

*No person may bring an action for any alleged wrongful denial of Plan benefits in a court of law unless the claims and appeals procedures set forth above are exhausted and a final determination is made by the Committee. If the Participant or other interested person challenges a decision of the Committee, a review by the court of law will be limited to the facts, evidence and issues presented to the Committee during the claims and appeals procedure set forth above. Issues not raised with the Committee will be deemed waived. Any lawsuit claiming entitlement to benefits under the Plan, seeking clarification of any right to future benefits or alleging any other right or remedy derived from or related to the Plan shall be brought no later than six (6) months after the claims and appeals procedure has been exhausted.*

## **ARTICLE 10. STATEMENT OF ERISA RIGHTS**

As a Participant in the Plan, each Participant is entitled to certain rights and protections under ERISA. ERISA provides that all Participants shall be entitled to:

### **Receive Information About the Plan and Benefits**

Examine, without charge, at the Committee's office, all documents governing the Plan.

Obtain, upon written request to the Committee, copies of documents governing the operation of the Plan and an updated summary plan description. The Committee may make a reasonable charge for the copies.

### **Prudent Actions by Plan Fiduciaries**

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate the Plan, called "fiduciaries" of the Plan, have a duty to do so prudently and in the interest of you and other Plan Participants and beneficiaries. No one, including a Participant's employer or any other person, may fire such Participant or otherwise discriminate against a Participant in any way to prevent such Participant from obtaining a welfare benefit or exercising such Participant's rights under ERISA. However, this rule neither guarantees continued employment, nor affects the Company's right to terminate a Participant's employment for other reasons.

### **Enforce Participant Rights**

If a Participant's claim for a benefit is denied or ignored, in whole or in part, a Participant has a right to know why this was done, to obtain copies of documents relating to the decision without charge, and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps a Participant can take to enforce the above rights. For instance, if a Participant requests a copy of Plan documents and does not receive them within 30 days, such Participant may file suit in a Federal court. In such a case, the court may require the Committee to provide the materials and pay such Participant up to \$110 a day until Participant

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receives the materials, unless the materials were not sent because of reasons beyond the control of the Committee. If a Participant has a claim for benefits which is denied or ignored, in whole or in part, such Participant may file suit in a state or Federal court. If a Participant is discriminated against for asserting such Participant's rights, such Participant may seek assistance from the U.S. Department of Labor, or may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If a Participant is successful, the court may order the person such Participant has sued to pay these costs and fees. If a Participant loses, the court may order such Participant to pay these costs and fees, for example, if it finds such Participant's claim is frivolous.

#### **Assistance with Participant Question**

If a Participant has any questions about the Plan, such Participant should contact the Committee. If a Participant has any questions about this statement or about such Participant's rights under ERISA, or if a Participant needs assistance in obtaining documents from the Committee, such Participant should contact the nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in such Participant's telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue N.W., Washington, D.C. 20210. A Participant may also obtain certain publications about such Participant's rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

#### **ARTICLE 11. MISCELLANEOUS**

11.1 (a) The Company and its Affiliates shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company and its Affiliates (taken as a whole) expressly to assume and agree to perform under the terms of the Plan in the same manner and to the same extent that the Company and its Affiliates would be required to perform it if no such succession had taken place (provided that such a requirement to perform which arises by operation of law shall be deemed to satisfy the requirements for such an express assumption and agreement), and in such event the Company and its Affiliates (as constituted prior to such succession) shall have no further obligation under or with respect to the Plan. Failure of the Company and its Affiliates to obtain such assumption and agreement with respect to any particular Participant prior to the effectiveness of any such succession shall be a breach of the terms of the Plan with respect to such Participant. Effective upon a transfer or assignment of this Plan, the term "Company" shall mean any successor to the Company's business or assets as aforesaid which assumes and agrees (or is otherwise required) to perform the Plan.

(b) To the maximum extent permitted by law, the right of any Participant or other person to any amount under the Plan may not be subject to voluntary or involuntary anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment by creditors of the Participant or such other person.

(c) The terms of the Plan shall inure to the benefit of and be enforceable by the personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees of each Participant. If a Participant shall die while an amount would still

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be payable to the Participant hereunder if they had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to the Participant's devisee, legatee or other designee or, if there is no such designee, their estate.

11.2 Except as expressly provided in Section 4.1, Participants shall not be required to mitigate damages or the amount of any payment or benefit provided for under the Plan by seeking other employment or otherwise, nor will any payments or benefits hereunder be subject to offset in the event a Participant does mitigate.

11.3 Payments to be made under the Plan are intended to comply with, or be excepted from coverage under, 409A and shall be construed accordingly. Notwithstanding any provision of the Plan to the contrary, if any benefit provided under the Plan is subject to the provisions of 409A (and not excepted therefrom), the provisions of the Plan shall be administered, interpreted and construed in a manner necessary to comply with 409A, the regulations issued thereunder (or disregarded to the extent such provision cannot be so administered, interpreted, or construed). Accordingly, if a Participant is a "specified employee" for purposes of 409A (as such term is defined in 409A, and determined in accordance with the procedures established by the Company) and a payment subject to 409A to the Participant is due upon Separation from Service, such payment shall be delayed for a period of six (6) months after the date the Participant Separates from Service (or, if earlier, the death of the Participant). Each payment under the Plan shall be treated as a separate payment for purposes of 409A. In no event may a Participant directly or indirectly designate the calendar year of any payment to be made under the Plan. If the maximum period during which a Participant has the ability to consider and revoke a release hereunder would span two taxable years then, regardless of when the Participant signs the release and the revocation period expires, payment of the severance benefits hereunder that are subject to 409A will be made or commence no earlier than the beginning of the second of such taxable years. The Company reserves the right to accelerate, delay or modify distributions to the extent permitted under 409A, the regulations and other binding guidance promulgated thereunder. Notwithstanding any provision of this Plan to the contrary, the Company shall not be liable for, and nothing provided or contained in the Plan will be construed to obligate or cause the Company to be liable for, any tax, interest or penalties imposed on a Participant related to or arising with respect to any violation of 409A.

11.4 All notices under the Plan shall be in writing, and if to the Company or the Committee, shall be delivered to the General Counsel of Sherwin-Williams, or mailed to Sherwin-Williams' principal office, addressed to the attention of the General Counsel of Sherwin-Williams; and if to a Participant (or the estate or beneficiary thereof), shall be delivered personally or mailed to the Participant at the address appearing in the records of the Company and its Affiliates.

11.5 Unless otherwise determined by the Company in an applicable plan or arrangement, no amounts payable hereunder upon a Covered Termination, shall be deemed salary or compensation for the purpose of computing benefits under any employee benefit plan or other arrangement of the Company and/or any Affiliate for the benefit of employees unless the Company shall determine otherwise.

11.6 Participation in the Plan shall not limit any right of a Participant to receive any payments or benefits under any employee benefit or executive compensation plan of the

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Company and/or its Affiliates; provided that in no event shall any Participant be entitled to any payment or benefit under the Plan which provides for a payment or benefit received or receivable by the Participant that is otherwise provided to Participant under any severance or similar plan, agreement or policy of the Company and/or its Affiliates, including, without limitation, any change in control severance agreement and/or individual employment agreement. The total reduction to Plan payments or benefits as required by this Section 10.6 shall be first made against payments and/or benefits under the Plan that are exempt from 409A.

11.7 Any payments hereunder shall be made out of the general assets of the Company. Each Participant shall have the status of general unsecured creditors of the Company, and the Plan constitutes a mere promise by the Company to make payments under the Plan in the future as and to the extent provided herein.

11.8 The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

11.9 The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan which shall remain in full force and effect.

11.10 The use of captions in the Plan is for convenience. The captions are not intended to and do not provide substantive rights.

11.11 Except as otherwise preempted by the laws of the United States, the Plan shall be construed, administered and enforced according to the laws of the State of Ohio, without regard to principles of conflicts of law, and any action relating to this Plan must be brought in state and federal courts located in the State of Ohio.

## **ARTICLE 12. DEFINITIONS**

Except as may otherwise be specified, the following terms shall have the respective meanings set forth below whenever used herein:

(a) “Affiliate” shall mean any parent entities, affiliated Subsidiaries and/or groups or divisions of the Company.

(b) “Annual Incentive Bonus” shall mean annual incentive compensation granted to a Participant with a performance period of January 1 through December 31, and awarded under the Sherwin-Williams 2007 Executive Annual Performance Bonus Plan (and any successor thereof) for performance in a particular year.

(c) “Base Pay” shall mean the Participant’s annual base salary rate, exclusive of bonuses, commissions, employee benefits and other incentive and/or stock-based compensation, as in effect immediately preceding the Participant’s Date of Termination.

(d) “Benefit Plans” shall mean the insurance and health and welfare benefits plans and policies to which Participant is entitled to participate.

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(e) “Board” shall mean the Board of Directors of Sherwin-Williams.

(f) “Cause” shall mean that the Participant shall have:

(i) caused material injury to the reputation of Company;

(ii) committed fraud, embezzlement, or theft from the Company;

(iii) materially interfered with the business operations of the Company;

(iv) engaged in self-dealing or committed material violations of any policies of the Company, including, without limitation, its codes of ethics and conduct;

(v) repeatedly failed to perform assigned duties or willful misconduct in the performance of such duties; or

(vi) been charged, indicted or convicted of, or plead guilty or nolo contendere to, a felony, whether or not in connection with the performance by the Participant of his or her duties or obligations to the Company.

Determination as to whether or not Cause exists for termination of Participant’s employment will be made by the Committee in its sole discretion.

(g) “Change of Control” shall mean the first to occur, after the Effective Date, of any of the following:

(i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act) (a “Person”) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of Sherwin-Williams; provided, however, that:

(1) for purposes of this subsection (i), the following acquisitions will not constitute a Change of Control: (A) any acquisition of Voting Stock directly from Sherwin-Williams that is approved by a majority of the Incumbent Directors, (B) any acquisition of Voting Stock by Sherwin-Williams or any Subsidiary, (C) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any Benefit Plan (or related trust) sponsored or maintained by Sherwin-Williams or any Subsidiary, and (D) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (1), (2) and (3) of subsection (iii) below;

(2) if any Person is or becomes the beneficial owner of 30% or more of combined voting power of the then-outstanding Voting Stock as a result of a transaction described in clause (A) of subsection (i)(1) above and such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than in an acquisition directly from Sherwin-Williams that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend,

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stock split or similar transaction effected by Sherwin-Williams in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change of Control;

(3) a Change of Control will not be deemed to have occurred if a Person is or becomes the beneficial owner of 30% or more of the Voting Stock as a result of a reduction in the number of shares of Voting Stock outstanding pursuant to a transaction or series of transactions that is approved by a majority of the Incumbent Directors unless and until such Person thereafter becomes the beneficial owner of any additional shares of Voting Stock representing 1% or more of the then-outstanding Voting Stock, other than as a result of a stock dividend, stock split or similar transaction effected by Sherwin-Williams in which all holders of Voting Stock are treated equally; and

(4) if at least a majority of the Incumbent Directors determine in good faith that a Person has acquired beneficial ownership of 30% or more of the Voting Stock inadvertently, and such Person divests as promptly as practicable but no later than the date, if any, set by the Incumbent Directors a sufficient number of shares so that such Person beneficially owns less than 30% of the Voting Stock, then no Change of Control shall have occurred as a result of such Person's acquisition; or

(ii) a majority of the Board ceases to be comprised of Incumbent Directors; or

(iii) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of Sherwin-Williams or the acquisition of the stock or assets of another corporation, or other similar transaction (each, a "Business Transaction"), unless, in each case, immediately following such Business Transaction (1) the Voting Stock outstanding immediately prior to such Business Transaction continues to represent (either by remaining outstanding or by being converted into voting stock of the surviving entity or any parent thereof), more than 50% of the combined voting power of the then-outstanding shares of voting stock of the entity resulting from such Business Transaction (including, without limitation, an entity which as a result of such transaction owns Sherwin-Williams or all or substantially all of Sherwin-Williams assets either directly or through one or more subsidiaries), (2) no Person (other than Sherwin-Williams, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by Sherwin-Williams, any Subsidiary or such entity resulting from such Business Transaction) beneficially owns, directly or indirectly, 30% or more of the combined voting power of the then-outstanding shares of voting stock of the entity resulting from such Business Transaction, and (3) at least a majority of the members of the board of directors of the entity resulting from such Business Transaction were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Transaction; or

(iv) approval by the shareholders of Sherwin-Williams of a complete liquidation or dissolution of Sherwin-Williams, except pursuant to a Business Transaction that complies with clauses (1), (2) and (3) of subsection (iii).

For purposes of this section, the terms (A) "Incumbent Directors" shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board and any new director (other than a director initially elected or nominated as a director as a

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result of an actual or threatened election contest with respect to directors or any other actual or threatened solicitation of proxies by or on behalf of such director, including any director nominated or elected to the Board pursuant to any proxy access procedures included in Sherwin-Williams' organizational documents) whose election by the Board or nomination for election by Sherwin-Williams' shareholders was approved by a vote of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved and (B) "Voting Stock" shall mean the voting securities of Sherwin-Williams which have the right to vote on the election of members of the Board.

(h) "COBRA" means the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

(i) "COBRA Continuation Period" shall mean the continuation period for medical and dental insurance to be provided under the terms of the Plan which shall commence on the first day of the calendar month following the month in which the Date of Termination falls.

(j) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(k) "Committee" shall mean the Compensation and Management Development Committee of the Board, and/or any such person(s) to whom the Committee delegates its authority to pursuant to Article 6 hereof.

(l) "Company" shall mean Sherwin-Williams and its parent entities, Subsidiaries and Affiliates as may employ Participant from time to time; provided that a Subsidiary which ceases to be, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with Sherwin-Williams shall, automatically and without any further action, cease to be (or be a part of) the Company and its Affiliates for purposes hereof.

(m) "Covered Termination" shall mean, at any time prior to a Change of Control, the Participant's involuntary Separation from Service with the Company by the Company and any Affiliate for any reason other than (i) Cause, (ii) the Participant's death, or (iii) the Participant's Disability. For purposes of clarity, a "Covered Termination" shall not be deemed to have occurred if a Participant has entered into a severance agreement with Sherwin-Williams that provides for the payment of severance compensation relating to qualifying employment termination events in connection with a Change of Control and Participant is entitled to payment thereunder.

(n) "Date of Termination" shall mean the last day of active employment on or following the date on which a Covered Termination occurs; provided, however, that with respect to any benefits provided under the Plan that are subject to (and not excepted from) Section 409A of the Code and the regulations promulgated thereunder, Date of Termination for purposes of determining the date on which severance payments and/or benefits are to commence hereunder shall mean the date on which a Covered Termination occurs.

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(o) “Disability” shall mean the Participant’s physical or mental incapacity to perform his or her usual duties with such condition likely to remain continuously and permanently as determined by the Committee.

(p) “Effective Date” shall mean January 1, 2018.

(q) “New Job Position” shall mean a change in the Participant’s position, authority, duties or responsibilities with the Company or any Affiliate due to the Participant’s demonstrated inadequate or unsatisfactory performance, provided the Participant had been notified of such inadequate performance and had been given at least 30 days to cure such inadequate performance.

(r) “Notice of Termination” shall mean a notice given by the Company or Participant, as applicable, relating to the Participant’s termination of employment.

(s) “Participant” shall have the meaning ascribed by Article 3 hereof.

(t) “Plan” shall mean The Sherwin-Williams Company Key Employee Separation Plan, as it may be amended from time to time in accordance with Article 7 hereof.

(u) “Release” shall have the meaning ascribed by Section 4.3.

(v) “Securities Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

(w) “Separation from Service” shall mean a Participant’s termination of employment with the Company and all of its controlled group members within the meaning of Section 409A of the Code and the regulations promulgated thereunder (“409A”). The determination of controlled group members shall be made pursuant to the provisions of Section 414(b) and 414(c) of the Code; provided that the language “at least 50 percent” shall be used instead of “at least 80 percent” in each place it appears in Section 1563(a)(1),(2) and (3) of the Code and Treas. Reg. Sec. 1.414(c)-2; provided, further, where legitimate business reasons exist (within the meaning of Treas. Reg. Sec. 1.409A-1(h)(3)), the language “at least 20 percent” shall be used instead of “at least 80 percent” in each place it appears. Whether a Participant has Separated from Service will be determined based on all of the facts and circumstances and in accordance with the guidance issued under 409A. A Participant will be presumed to have experienced a Separation from Service when the level of bona fide services performed permanently decreases to a level less than twenty percent (20%) of the average level of bona fide services performed during the immediately preceding thirty-six (36)-month period or such other period as provided by regulation.

(x) “Sherwin-Williams” shall mean The Sherwin-Williams Company, an Ohio corporation, and its successors.

(y) “Stock” shall mean the common stock, par value \$1.00 per share, of Sherwin-Williams.

(z) “Subsidiary” shall mean any Company controlled entity.

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## ARTICLE 13. SUMMARY INFORMATION

The Plan is intended to be an “employee welfare benefit plan” within the meaning of Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), 29 U.S.C. Section 1002(1), and 29 C.F.R. Section 2510.3-2(b). The Plan is intended to be a “separation pay plan” under Section 409A of the Code in accordance with the regulations issued thereunder and related guidance, and shall be maintained, interpreted and administered accordingly. Please review Article 7 hereof entitled “Amendment and Termination” regarding the Company’s reservation of rights to amend and terminate the Plan.

**Name of Plan:** The name of the plan under which benefits are provided is The Sherwin-Williams Company Key Employee Separation Plan.

**Plan Number:** 502

**Plan Sponsor:** The Sponsor of the Plan is:

The Sherwin-Williams Company  
101 West Prospect Avenue  
Cleveland, Ohio 44115-1075

**Plan Administrator:** The plan administrator of the Plan is:

The Compensation and Management Development Committee  
of the Board of Directors of The Sherwin-Williams Company

Attention: Senior Vice President – Human Resources  
101 West Prospect Avenue  
Cleveland, Ohio 44115-1075

**Employer Identification Number:** The Employer Identification Number (EIN) assigned to the Plan Sponsor by the Internal Revenue Service is 34-0526850.

**Type of Plan:** Severance Pay Employee Welfare Benefit Plan.

**Type of Administration:** The Plan is self-administered.

**Funding:** Benefits payable under the Plan are provided from the general assets of the Company.

**Agent for Service of Legal Process:** For disputes arising under the Plan, service of legal process may be made upon the General Counsel of Plan Sponsor.

**Plan Year:** The Plan’s fiscal records are kept on a calendar year basis (January 1 to December 31).

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## **EXHIBIT A**

### **BENEFITS SCHEDULE**

**THE FOLLOWING BENEFITS SCHEDULE SHALL APPLY FOR ALL PARTICIPANTS IDENTIFIED BY THE COMMITTEE ON A PARTICIPANT SCHEDULE WHO HAVE 12 MONTHS OR MORE OF SERVICE WITH THE COMPANY (EXCEPT AS PROVIDED BELOW):**

<b>Participation Level</b>	<b>Severance Payment (Section 4.1(b))<sup>(1)</sup></b>	<b>COBRA, Benefit Coverage (Section 4.1(d))</b>	<b>Continued Equity Vesting (Section 4.2)</b>
Sherwin-Williams' Chief Executive Officer	2.0 x Base Pay plus Annual Incentive Bonus (Measured at Target for Year in which the Date of Termination Occurs)	18 months	24 months
SWMIP IV and above (other than Chief Executive Officer)	1.5 x Base Pay plus Annual Incentive Bonus (Measured at Target for Year in which the Date of Termination Occurs)	18 months	18 months
SWMIP III	1.0 x Base Pay plus Annual Incentive Bonus (Measured at Target for Year in which the Date of Termination Occurs)	12 months	12 months
SWMIP I & II	1.0 x Base Pay	12 months	12 months

**<sup>(1)</sup> SUBJECT TO THE TERMS OF THE PLAN, A SEVERANCE PAYMENT WILL BE PAID HEREUNDER TO A PARTICIPANT WITH LESS THAN 12 MONTHS OF SERVICE WITH THE COMPANY ON A PRORATED BASIS BASED UPON THE PARTICIPANT'S APPLICABLE PARTICIPATION/DESIGNATION LEVEL AND THE NUMBER OF FULL MONTHS OF SERVICE WITH THE COMPANY DURING THE 12 MONTH PERIOD, BUT IN NO EVENT SHALL THE SEVERANCE PAYMENT BE LESS THAN 50% OF THE APPLICABLE SEVERANCE PAYMENT ABOVE. FOR EXAMPLE, FOR A SWMIP III PARTICIPANT WHO EXPERIENCES A COVERED TERMINATION AFTER 7 FULL MONTHS OF SERVICE WITH THE COMPANY, SUCH PARTICIPANT SHALL BE ENTITLED TO 7/12THS OF THE APPLICABLE SEVERANCE PAYMENT AMOUNT.**

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## **EXHIBIT B**

### **GENERAL RELEASE, NON-DISPARAGEMENT AND NON-COMPETITION AGREEMENT**

THIS GENERAL RELEASE, NON-DISPARAGEMENT AND NON-COMPETITION AGREEMENT (the "Agreement") is made as of this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between \_\_\_\_\_ (the "Company") and \_\_\_\_\_ (the "Employee").

WHEREAS, the Employee formerly was employed by the Company;

WHEREAS, the Employee was designated by the Compensation and Management Development Committee of the Board of Directors (the "Board") of The Sherwin-Williams Company to receive certain severance benefits in the event of a termination of Employee's employment under the circumstances set forth in the Key Employee Separation Plan (the "Plan") and;

WHEREAS, an express condition of the Employee's entitlement to the payments and benefits under the Plan is the execution without revocation of this Agreement; and

WHEREAS, the Employee and the Company mutually desire to effectuate a full and final general release of all claims and rights the Employee may have against the Company to the fullest extent permitted by law, excepting only those rights and claims that cannot, as a matter of law, be released with this Agreement; and

WHEREAS, the Employee and the Company mutually desire to terminate the Employee's employment effective \_\_\_\_\_, \_\_\_\_\_ ("Date of Termination"); and

WHEREAS, the Company advises the Employee to consult with an attorney as to its effect before signing this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED by and between the Employee and the Company as follows:

1. (a) The Employee, for and in consideration of the commitments of the Company as set forth in paragraph 7 of this Agreement and the Plan, and intending to be legally bound, does hereby REMISE, RELEASE AND FOREVER DISCHARGE the Company, its affiliates, predecessors, subsidiaries and parents, and their present or former officers, directors, managers, stockholders, employees, members and agents, and its and their respective successors, assigns, heirs, executors, and administrators and the current and former trustees or administrators of any pension or other benefit plan applicable to the employees or former employees of the Company (collectively, "Releasees") from all causes of action, suits, debts, claims and demands whatsoever in law or in equity, which the Employee ever had, now has, or hereafter may have, whether known or unknown, or which the Employee's heirs, executors, or administrators may have, by reason of any matter, cause or thing whatsoever, from any time prior to the date of this Agreement, and particularly, but without limitation of the foregoing general terms, any claims arising from or relating in any way to the Employee's employment relationship with the

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Company, the terms and conditions of that employment relationship, and the termination of that employment relationship, including, but not limited to, any claims arising under the Age Discrimination in Employment Act, the Older Workers Benefit Protection Act, Title VII of the Americans with Disabilities Act, the Employee Retirement Income Security Act of 1974, the Civil Rights Act of 1991, the Genetic Information Non-Discrimination Act, the Family and Medical Leave Act, Section 1981 of U.S.C, Title VII of the Civil Rights Act, Ohio Fair Employment Practices Law/Civil Rights Act, Ohio Equal Pay Act, Ohio Whistleblower Law, Ohio Pregnancy Discrimination/Maternity Leave Act, Ohio Wage Payment Anti-Retaliation Law, Ohio Minimum Wage/Fair Standards Law, Ohio Miscellaneous Labor Provisions, Ohio Workers' Compensation Anti-Retaliation Statute, Ohio Constitution Art. II, §34 & 34a, as well as any claims for alleged wrongful discharge, discrimination or harassment, breach of an express or implied contract, breach of the implied covenant of good faith and fair dealing, defamation, intentional or negligent infliction of emotional distress, promissory estoppel, whistleblower retaliation, other personal injury, fraud or misrepresentation, invasion of privacy, negligence, retaliation, violation of public policy and any other claims under any federal, state or local common law, statutory, or regulatory provision, now or hereafter recognized, and any claims for attorneys' fees and costs. This Agreement is effective without regard to the legal nature of the claims raised and without regard to whether any such claims are based upon tort, equity, implied or express contract or discrimination of any sort. The Employee is not waiving Employee's right to vested benefits under the written terms of the Company's 401(k) Plan, claims for unemployment or workers' compensation benefits, any medical claim incurred during Employee's employment that is payable under applicable medical plans or an employer-insured liability plan, or claims that are not otherwise waivable under applicable law [**State specific release language, as required**].

(b) To the fullest extent permitted by law, and subject to the provisions of paragraph 12 and paragraph 14 below, the Employee represents and affirms that the Employee has not filed or caused to be filed on the Employee's behalf any charge, complaint or claim for relief against the Company or any Releasee and, to the best of the Employee's knowledge and belief, no outstanding charges, complaints or claims for relief have been filed or asserted against the Company or any Releasee on the Employee's behalf; and the Employee has not reported any improper, unethical or illegal conduct or activities to any supervisor, manager, department head, human resources representative, agent or other representative of the Company or any Releasee, to any member of the Company's or any Releasee's legal or compliance departments, or to the ethics hotline, and has no knowledge of any such improper, unethical or illegal conduct or activities. In the event that there is outstanding any such charge, complaint or claim for relief, the Employee agrees to seek its immediate withdrawal and dismissal with prejudice. In the event that for any reason said charge, complaint or claim for relief cannot be immediately withdrawn with prejudice, the Employee shall execute such other papers or documents as the Company's counsel determines may be necessary from time to time to have said charge, complaint or claim for relief dismissed with prejudice at the earliest appropriate time. Nothing herein shall prevent the Employee from testifying in any cause of action when required to do so by process of law. The Employee shall promptly inform the Company if called upon to testify on matters relating to the Company.

(c) Employee does not waive any right to file a charge with the Equal Employment Opportunity Commission ("**EEOC**") or participate in an investigation or proceeding conducted by the EEOC, but explicitly waives any right to file a personal lawsuit or receive

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monetary damages that the EEOC might recover if said charge results in an EEOC lawsuit against the Company or Releasees.

(d) Employee does not waive the right to challenge the validity of this Agreement as a release of claims arising under the federal Age Discrimination in Employment Act.

(e) Employee does not waive rights or claims that may arise after the date this Agreement is executed.

2. In consideration of the Company's agreements as set forth in paragraph 7 herein, the Employee agrees to comply with the limitations set forth in paragraphs 3 and 4 of this Agreement.

3. Ownership and Protection of Intellectual Property and Confidential Information.

(a) All information, ideas, concepts, improvements, innovations, developments, methods, processes, designs, analyses, drawings, reports, discoveries, and inventions, whether patentable or not or reduced to practice, which are conceived, made, developed or acquired by Employee, individually or in conjunction with others, during Employee's employment by the Company or any of its affiliates, both before and after the date hereof (whether during business hours or otherwise and whether on the Company's premises or otherwise) which relate to the business, products or services of the Company or its affiliates (including, without limitation, all such information relating to corporate opportunities, research, financial and sales data, pricing and trading terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or their requirements, the identity of key contacts within the customer's organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names, marks, and any copyrightable work, trade mark, trade secret or other intellectual property rights (whether or not composing confidential information), and all writings or materials of any type embodying any of such items (collectively, "Work Product"), shall be the sole and exclusive property of the Company or a Company affiliate, as the case may be, and shall be treated as "work for hire." It is recognized that the Employee is an experienced executive in the business of the Company and its affiliates and through several decades of prior work in the industry acquired and retains knowledge, contacts, and information which are not bound by this Section 3.

(b) Employee shall promptly and fully disclose all Work Product to the Company and shall cooperate and perform all actions reasonably requested by the Company (whether during or after the term of employment) to establish, confirm and protect the Company's and/or its affiliates' right, title and interest in such Work Product. Without limiting the generality of the foregoing, the Employee agrees to assist the Company, at the Company's expense, to secure the Company's and its affiliates' rights in the Work Product in any and all countries, including the execution by the Employee of all applications and all other instruments and documents which the Company and/or its affiliates shall deem necessary in order to apply for and obtain rights in such Work Product and in order to assign and convey to the Company and/or its affiliates the sole and exclusive right, title and interest in and to such Work Product. If the Company is unable because of Employee's mental or physical incapacity or for any other reason (including Employee's refusal to do so after request therefor is made by the Company) to

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secure Employee's signature to apply for or to pursue any application for any United States or foreign patents or copyright registrations covering Work Product belonging to or assigned to the Company and/or its affiliates pursuant to Section 3(a) above, then the Employee by this Agreement irrevocably designates and appoints the Company and its duly authorized officers and agents as Employee's agent and attorney-in-fact to act for and in Employee's behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of patents or copyright registrations thereon with the same legal force and effect as if executed by Employee. The Employee agrees not to apply for or pursue any application for any United States or foreign patents or copyright registrations covering any Work Product other than pursuant to this paragraph in circumstances where such patents or copyright registrations are or have been or are required to be assigned to the Company or any of its affiliates.

(c) Employee acknowledges that the businesses of the Company and its affiliates are highly competitive and that their strategies, methods, books, records, and documents, their technical information concerning their products, equipment, services, and processes, procurement procedures and pricing techniques, the names of and other information (such as credit and financial data) concerning their former, present or prospective customers and business affiliates, all comprise confidential business information and trade secrets which are valuable, special, and unique assets which the Company and/or its affiliates use in their business to obtain a competitive advantage over their competitors. The Employee further acknowledges that protection of such confidential business information and trade secrets against unauthorized disclosure and use is of critical importance to the Company and its affiliates in maintaining their competitive position. The Employee acknowledges that by reason of the Employee's duties to, and association with, the Company and its affiliates, the Employee has had and will have access to, and has and will become informed of, confidential business information which is a competitive asset of the Company and its affiliates. The Employee hereby agrees that the Employee will not, at any time during or after his or her employment by the Company, make any unauthorized disclosure of any confidential business information or trade secrets of the Company or its affiliates, or make any use thereof, except in the carrying out of his employment responsibilities hereunder. The Employee shall take all necessary and appropriate steps to safeguard confidential business information and protect it against disclosure, misappropriation, misuse, loss and theft. Confidential business information shall not include information in the public domain (but only if the same becomes part of the public domain through a means other than a disclosure prohibited hereunder). The above notwithstanding, a disclosure shall not be unauthorized if (i) it is required by law or by a court of competent jurisdiction or (ii) it is in connection with any judicial, arbitration, dispute resolution or other legal proceeding in which Employee's legal rights and obligations as an employee or under this Agreement are at issue; provided, however, that the Employee shall, to the extent practicable and lawful in any such events, give prior notice to the Company of his or her intent to disclose any such confidential business information in such context so as to allow the Company or its affiliates an opportunity (which the Employee will not oppose) to obtain such protective orders or similar relief with respect thereto as may be deemed appropriate. Any information not specifically related to the Company and its affiliates would not be considered confidential to the Company and its affiliates.

(d) All written materials, records, and other documents made by, or coming into the possession of, the Employee during the period of Employee's employment by the

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Company which contain or disclose confidential business information or trade secrets of the Company or its affiliates, or which relate to Employee's Work Product described in paragraph 3(a) above, shall be and remain the property of the Company, or its affiliates, as the case may be. Upon termination of Employee's employment, for any reason, the Employee promptly shall deliver the same, and all copies thereof, to the Company.

#### 4. Covenant Not To Compete.

In the event of the Employee's Covered Termination (as defined in the Plan), the Company's obligations to provide the payments and benefits set forth in Sections 4.1 and 4.2 of the Plan shall be expressly conditioned upon the Employee's covenants of confidentiality, not to compete and not to solicit as provided herein. In the event the Employee breaches his obligations to the Company as provided herein, the Company's obligations to provide the payments and benefits set forth in Sections 4.1 and 4.2 of the Plan shall cease without prejudice to any other remedies that may be available to the Company.

(a) If the Employee is entitled to receive or is receiving payment and benefits under Sections 4.1 and 4.2 of the Plan, the Employee agrees that, for a period of **[two years] [18 months] [one year]** following Employee's Date of Termination (the "Non-Compete Period"), he or she will not, in association with or as an officer, principal, manager, member, advisor, agent, partner, director, material stockholder, employee or consultant of any corporation (or sub-unit, in the case of a diversified business) or other enterprise, entity or association, work on the acquisition or development of, or engage in any line of business, property or project which is, directly or indirectly, competitive with any business that the Company or any of its affiliates engages in or is planning to engage in during the term of Employee's employment with the Company or any affiliate of the Company, including but not limited to, any business engaged in the development, manufacture, distribution and sale of paint, coatings and related products to professional, industrial, commercial and retail customers (the "Business"). Such restriction shall cover Employee's activities anywhere in the contiguous United States.

(b) If the Employee is entitled to receive or is receiving payments and benefits under Sections 4.1 and 4.2 of the Plan, the Employee agrees that during the Non-Compete Period and for a one (1) year period thereafter, the Employee will not solicit or induce any person who is or was employed by any of the Company or its affiliates at any time during such term or period (i) to interfere with the activities or businesses of the Company or any of its affiliates or (ii) to discontinue his or her employment with the Company or any of its affiliates.

(c) If the Employee is entitled to receive or is receiving payments and benefits under Section 4.1 and Section 4.2 of the Plan, the Employee agrees that during the Non-Compete Period, the Employee will not, directly or indirectly, influence or attempt to influence any customers, distributors or suppliers of the Company or any of its affiliates to divert their business to any competitor of the Company or any of its affiliates or in any way interfere with the relationship between any such customer, distributor or supplier and the Company and/or any of its affiliates (including, without limitation, making any negative statements or communications about the Company and its affiliates). During such Non-Compete Period, the Employee will not, directly or indirectly, acquire or attempt to acquire any business in the contiguous United States to which the Company or any of its affiliates, prior to the Employee's Date of Termination, has made an acquisition proposal relating to the possible acquisition of such business by the

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Company or any of its affiliates, or has planned, discussed or contemplated making such an acquisition proposal (such business, an "Acquisition Target"), or take any action to induce or attempt to induce any Acquisition Target to consummate any acquisition, investment or other similar transaction with any person other than the Company or any of its affiliates.

(d) Employee understands that the provisions of paragraphs 4(a), 4(b) and 4(c) hereof may limit his or her ability to earn a livelihood in a business in which he or she is involved, but as a member of the management group of the Company and its affiliates he or she nevertheless agrees and hereby acknowledges that: (i) such provisions do not impose a greater restraint than is necessary to protect the goodwill or other business interests of the Company and any its affiliates; (ii) such provisions contain reasonable limitations as to time, scope of activity, and geographical area to be restrained; and (iii) the consideration provided hereunder, including without limitation, any amounts or benefits provided under Section 4.1 and Section 4.2 of the Plan, is sufficient to compensate the Employee for the restrictions contained in paragraphs 4(a), 4(b) and 4(c) hereof. In consideration of the foregoing and in light of the Employee's education, skills and abilities, the Employee agrees that he or she will not assert that, and it should not be considered that, any provisions of paragraphs 4(a), 4(b) and 4(c) otherwise are void, voidable or unenforceable or should be voided or held unenforceable.

(e) If, at the time of enforcement of paragraphs 3 or 4 of this Agreement, a court shall hold that the duration, scope, or area restrictions stated herein are unreasonable under circumstances then existing, the parties hereto agree that the maximum period, scope or geographical area reasonable under such circumstances shall be substituted for the stated period, scope or area and that the court shall be allowed and directed to revise the restrictions contained herein to cover the maximum period, scope and area permitted by law. The Employee acknowledges that he or she is a member of the Company's and its affiliates' management group with access to the Company's and its affiliates' confidential business information and his services are unique to the Company and its affiliates. The Employee therefore agrees that the remedy at law for any breach by him of any of the covenants and agreements set forth in paragraphs 3 and 4 will be inadequate and that in the event of any such breach, the Company and its affiliates may, in addition to the other remedies which may be available to them at law, apply to any court of competent jurisdiction to obtain specific performance and/or injunctive relief prohibiting the Employee (together with all those persons associated with him or her) from the breach of such covenants and agreements and to enforce, or prevent any violations of, the provisions of this Agreement. In addition, in the event of a breach or violation by the Employee of this paragraph 4, the Non-Compete Period set forth in this paragraph shall be tolled until such breach or violation has been cured.

(f) Each of the covenants of paragraphs 3 and 4 are given by the Employee as part of the consideration for the benefits to be received by the Employee under the Plan and as an inducement to the Company to grant such benefits under the Plan and accept the obligations thereunder.

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(g) Provisions of paragraph 4 shall not be binding on the Employee if the Company fails to materially perform any material obligation under the Plan, including, without limitation, the failure of the Company to make timely payments of monies due to the Employee under Section 4.1 and Section 4.2 of the Plan; provided, that (i) the Employee has notified the Company in writing within 30 days of the date of the failure of the Company to perform such material obligation and (ii) such failure remains uncorrected and/or uncontested by the Company for 15 days following the date of such notice.

5. To the extent that the Company, in its reasonable judgment, determines that Employee possess information relevant to litigation, potential litigation, investigations by government agencies, potential investigations by government agencies, internal investigations conducted by the Company, contract negotiations or matters arising therefrom, or otherwise, which relates to activities that occurred during his or her employment with the Company, or thereafter, and about which he or she has or may have knowledge, Employee agrees to make himself or herself available at the Company's request to provide information and assistance, including, but not limited to, interviews, deposition testimony, pretrial preparation and trial testimony, to respond to requests for information from the Company's counsel, government authorities and otherwise. In the event that Employee elects not to be represented by counsel chosen by the Company, Employee shall have the right to be represented in any such matters by counsel of his choosing and at his or her sole cost and expense. Nothing in this Agreement is to be construed as prohibiting Employee from providing any truthful information or testimony to a state or federal agency or court when requested or required to do so by such agency or court.

6. The Employee further agrees that the Employee will not disparage or subvert the Company or any Releasee, or make any statement reflecting negatively on the Company, its affiliated corporations or entities, or any of their officers, directors, managers, members, employees, agents or representatives, including, but not limited to, any matters relating to the operation or management of the Company or any Releasee, the Employee's employment and the termination of the Employee's employment, irrespective of the truthfulness or falsity of such statement.

7. In consideration for the Employee's promises, as set forth herein, the Company agrees to pay or provide to or for the Employee the payments and benefits described in the Plan, the provisions of which are incorporated herein by reference. Except as set forth in this Agreement, it is expressly agreed and understood that Releasees do not have, and will not have, any obligations to provide the Employee at any time in the future with any payments, benefits or considerations other than those recited in this paragraph, or those required by law, other than under the terms of any benefit plans which provide benefits or payments to former employees according to their terms.

8. The Employee understands and agrees that the payments, benefits and agreements provided in this Agreement are being provided to him or her in consideration for the Employee's acceptance and execution of, and in reliance upon the Employee's representations in, this Agreement. The Employee acknowledges that if the Employee had not executed this Agreement containing a release of all claims against the Releasees, including, without limitation, the covenants relating to confidentiality, non-competition and non-disparagement, the Employee would not have been entitled to the payments and benefits set forth in the Plan.

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9. The Employee acknowledges and agrees that this Agreement and the Plan supersede any other agreement the Employee has with the Company or any Releasee as to the subjects set forth in this Agreement. To the extent the Employee has entered into any other enforceable written agreement with the Company or any Releasee that contains provisions that are outside the scope of this Agreement and the Plan and are not in direct conflict with the provisions in this Agreement or the Plan, the terms in this Agreement and the Plan shall not supersede, but shall be in addition to, any other such agreement. Except as set forth expressly herein, no promises or representations have been made to the Employee in connection with the termination of the Employee's employment agreement, if any, or offer letter, if any, with the Company, or the terms of this Agreement or the Plan.

10. The Employee agrees not to disclose the terms of this Agreement or the Plan to anyone, except the Employee's spouse, attorney and, as necessary, tax/financial advisor. It is expressly understood that any violation of the confidentiality obligation imposed hereunder constitutes a material breach of this Agreement.

11. The Employee represents that the Employee does not, without the Company's prior written consent, presently have in the Employee's possession any records and business documents, whether on computer or hard copy, and other materials (including but not limited to computer disks and tapes, computer programs and software, office keys, correspondence, files, customer lists, technical information, customer information, pricing information, business strategies and plans, sales records and all copies thereof) (collectively, the "Corporate Records") provided by the Company and/or its predecessors, subsidiaries or affiliates or obtained as a result of the Employee's prior employment with the Company and/or its predecessors, subsidiaries or affiliates, or created by the Employee while employed by or rendering services to the Company and/or its predecessors, subsidiaries or affiliates. The Employee acknowledges that all such Corporate Records are the property of the Company. In addition, the Employee shall promptly return in good condition any and all Company owned equipment or property, including, but not limited to, automobiles, personal data assistants, facsimile machines, copy machines, pagers, credit cards, cellular telephone equipment, business cards, laptops, computers, and any other items requested by the Company. As of the Date of Termination, the Company will make arrangements to remove, terminate or transfer any and all business communication lines including network access, cellular phone, fax line and other business numbers.

12. Nothing in this Agreement, including the release clauses, shall prohibit or restrict the Employee from initiating communications directly with, responding to any inquiries from, providing testimony before, providing confidential information to, reporting possible violations of law or regulation to, or from filing a claim or assisting with an investigation directly with a self-regulatory authority or a government agency or entity, including the U.S. Equal Employment Opportunity Commission, the Department of Labor, the National Labor Relations Board, the Department of Justice, the Securities and Exchange Commission, the Congress, and any agency Inspector General (collectively, the "Regulators"), or from making other disclosures that are protected under the whistleblower provisions of state or federal law or regulation. However, to the maximum extent permitted by law, the Employee is waiving his or her right to receive any individual monetary relief from Employer or any others covered by the release of claims resulting from such claims or conduct, regardless of whether the Employee or another party has filed them, and in the event the Employee obtains such monetary relief, Employer will be entitled to an offset for the payments made pursuant to this Agreement. This Agreement does not limit

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Employee's right to receive an award from any Regulator that provides awards for providing information relating to a potential violation of law. The Employee does not need the prior authorization of Employer to engage in conduct protected by this paragraph, and the Employee does not need to notify Employer that the Employee has engaged in such conduct. Please take notice that federal law provides criminal and civil immunity to federal and state claims for trade secret misappropriation to individuals who disclose a trade secret to their attorney, a court, or a government official in certain, confidential circumstances that are set forth at 18 U.S.C. §§ 1833(b)(1) and 1833(b)(2), related to the reporting or investigation of a suspected violation of the law, or in connection with a lawsuit for retaliation for reporting a suspected violation of the law.

13. The Employee agrees and acknowledges that the agreement by the Company described herein, and the settlement and termination of any asserted or unasserted claims against the Releasees, are not and shall not be construed to be an admission of any violation of any federal, state or local statute or regulation, or of any duty owed by any of the Releasees to the Employee.

14. The Employee agrees and recognizes that should the Employee breach any of the obligations or covenants set forth in this Agreement, the Company will have no further obligation to provide the Employee with the consideration set forth herein, and will have the right to seek repayment of all consideration paid up to the time of any such breach. Further, the Employee acknowledges in the event of a breach of this Agreement, Releasees may seek any and all appropriate relief for any such breach, including equitable relief and/or money damages, attorneys' fees and costs.

15. The Employee further agrees that the Company shall be entitled to preliminary and permanent injunctive relief, without the necessity of proving actual damages, as well as to an equitable accounting of all earnings, profits and other benefits arising from any violations of this Agreement, which rights shall be cumulative and in addition to any other rights or remedies to which the Company may be entitled.

16. This Agreement and the obligations of the parties hereunder shall be construed, interpreted and enforced in accordance with the laws of the State of Ohio.

17. The parties agree that this Agreement shall be deemed to have been made and entered into in Cleveland, Ohio. Jurisdiction and venue in any proceeding by the Company or the Employee to enforce their rights hereunder is specifically limited to any court geographically located in Cuyahoga County, Ohio.

18. The Employee certifies and acknowledges as follows:

(a) That the Employee has read the terms of this Agreement, and that the Employee understands its terms and effects, including the fact that the Employee has agreed to RELEASE AND FOREVER DISCHARGE the Releasees from any legal action arising out of the Employee's employment relationship with the Company and the termination of that employment relationship; and

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(b) That the Employee has signed this Agreement voluntarily and knowingly in exchange for the consideration described herein, which the Employee acknowledges is adequate and satisfactory to him and which the Employee acknowledges is in addition to any other benefits to which the Employee is otherwise entitled; and

(c) That the Company advises the Employee (in writing) to consult with an attorney before signing this Agreement; and

(d) That the Employee does not waive rights or claims that may arise after the date this Agreement is executed; and

(e) That the Company has provided the Employee with a period of **[forty-five (45)]** days within which to consider this Agreement, and that the Employee has signed on the date indicated below after concluding that this General Release, Non-Disparagement and Non-Competition Agreement is satisfactory to Employee; and

(f) The Employee acknowledges that this Agreement may be revoked by him within seven (7) days after execution, and it shall not become effective until the expiration of such seven (7) day revocation period. In the event of a timely revocation by the Employee, this Agreement will be deemed null and void and the Company will have no obligations hereunder.

***[SIGNATURE PAGE FOLLOWS]***

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Intending to be legally bound hereby, the Employee and the Company executed the foregoing General Release, Non-Disparagement and Non-Competition Agreement this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

\_\_\_\_\_

EMPLOYEE

Witness:

\_\_\_\_\_

[COMPANY]

By:

\_\_\_\_\_

Name:

\_\_\_\_\_

Title:

\_\_\_\_\_

Witness:

\_\_\_\_\_

**The Sherwin-Williams Company  
Operating Subsidiaries  
December 31, 2021**

**Domestic**

<b><u>Subsidiary</u></b>	<b><u>State of Incorporation</u></b>
Acquire Sourcing, LLC	DE
Comex North America, Inc.	DE
Contract Transportation Systems Co.	DE
CTS National Corporation	DE
Omega Specialty Products & Services LLC	OH
Plasti-Kote Co., Inc.	OH
Sherwin-Williams Realty Holdings, Inc.	IL
SWIMC LLC	DE
Specialty Polymers, Inc.	OR
The Sherwin-Williams Acceptance Corporation	NV
The Sherwin-Williams Headquarters Company	OH
The Sherwin-Williams Manufacturing Company	OH
The Sherwin-Williams US Licensing Company	DE
Valspar Specialty Paints, LLC	DE

**Foreign**

<b><u>Subsidiary</u></b>	<b><u>Country of Incorporation</u></b>
Compania Sherwin-Williams, S.A. de C.V.	Mexico
Dongguan Lilly Paint Industries Ltd	China
EPS B.V.	Netherlands
EPS (Shanghai) Trading Co., Ltd.	China
Guangdong Valspar Paints Manufacturing Co Ltd.	China
Invercolor Bologna Srl	Italy
Invercolor Ltd	UK
Invercolor Roma Srl	Italy
Invercolor Torino Srl	Italy
Invercolor Toscana Srl	Italy
Inver East Med S.A.	Greece
Inver France SAS	France
Inver GmbH	Germany
Inver Industrial Coating SRL	Romania
Inver Polska Spółka Z O.O	Poland

Inver Spa	Italy
Isocoat Tintas e Vernizes Ltda	Brazil
Isva Vernici Srl	Italy
Oy Sherwin-Williams Finland Ab	Finland
Pinturas Condor S.A.	Ecuador
Pinturas Industriales S.A.	Uruguay
Plasti-kote Limited	UK
Productos Quimicos y Pinturas, S.A. de C.V.	Mexico
PT Sherwin-Williams Indonesia	Indonesia
PT Valspar Indonesia	Indonesia
Quest Automotive Products UK Limited	UK
Quetzal Pinturas, S.A. de C.V.	Mexico
Ronseal (Ireland) Limited	Ireland
Sherwin-Williams Argentina I.y C.S.A.	Argentina
Sherwin-Williams Aruba VBA	Aruba
Sherwin-Williams (Australia) Pty. Ltd.	AU
Sherwin-Williams Balkan S.R.L.	Romania
Sherwin-Williams Bel Unitary Enterprise	Belarus
Sherwin-Williams (Belize) Limited	Belize
Sherwin-Williams Benelux NV	Belgium
Sherwin-Williams Canada Inc.	Canada
Sherwin-Williams (Caribbean) N.V.	Curacao
Sherwin-Williams Cayman Islands Limited	Grand Cayman
Sherwin-Williams Chile S.A.	Chile
Sherwin-Williams Coatings India Private Limited	India
Sherwin-Williams Coatings S.a r.l.	Luxembourg
Sherwin Williams Colombia S.A.S.	Columbia
Sherwin-Williams Czech Republic spol. s r.o	Czech Republic
Sherwin-Williams Denmark A/S	Denmark
Sherwin-Williams Deutschland GmbH	Germany
Sherwin-Williams UK Limited	UK
Sherwin-Williams do Brasil Industria e Comercio Ltda.	Brazil
Sherwin-Williams France Finishes SAS	France
Sherwin-Williams (Ireland) Limited	Ireland
Sherwin-Williams Italy S.r.l.	Italy
Sherwin-Williams (Malaysia) Sdn. Bhd.	Malaysia
Sherwin-Williams (Nantong) Company Limited	China
Sherwin-Williams (Nantong) Coatings Technology Co., Ltd.	China
Sherwin-Williams Norway AS	Norway
Sherwin-Williams Paints Limited Liability Company	Russia
Sherwin-Williams Peru S.R.L.	Peru

Sherwin-Williams Pinturas de Venezuela S.A.	Venezuela
Sherwin-Williams Poland Sp. z o.o	Poland
Sherwin-Williams Protective & Marine Coatings	UK
Sherwin-Williams Services (Malaysia) Sdn. Bhd.	Malaysia
Sherwin-Williams (Shanghai) Limited	China
Sherwin-Williams Spain Coatings S.L.	Spain
Piton Paints Limited	St. Lucia
Sherwin-Williams Sweden AB	Sweden
Sherwin-Williams (Thailand) Co., Ltd.	Thailand
Sherwin-Williams UK Coatings Limited	UK
Sherwin-Williams (Vietnam) Limited	Vietnam
Sherwin-Williams (West Indies) Limited	Jamaica
Spanyc Paints Joint Stock Company	Vietnam
SWIPCO – Sherwin Williams do Brasil Propriedade Intelectual Ltda	Brazil
Syntema I Vaggeryd AB	Sweden
Taiwan Valspar Co., Ltd.	Taiwan
The Valspar (Asia) Corporation Limited	Hong Kong
The Valspar (Australia) Corporation Pty. Ltd.	Australia
The Valspar Corporation Limitada	Brazil
The Valspar (Finland) Corporation Oy	Finland
The Valspar (France) Corporation S.A.S.	France
The Valspar (France) Research Corporation SAS	France
The Valspar (Malaysia) Corporation Sdn Bhd	Malaysia
The Valspar (Nantes) Corporation S.A.S.	France
The Valspar (Singapore) Corporation Pte. Ltd	Singapore
The Valspar (South Africa) Corporation (Pty) Ltd	South Africa
The Valspar (Switzerland) Corporation AG	Switzerland
The Valspar (Thailand) Corporation Ltd.	Thailand
The Valspar (UK) Corporation Limited	UK
The Valspar (Vietnam) Corporation Ltd.	Vietnam
UAB Sherwin-Williams Baltic	Lithuania
Valspar Aries Coatings, S. de R.L. de C.V.	Mexico
Valspar Automotive Australia Pty Limited	Australia
Valspar Automotive (UK) Corporation Limited	UK
Valspar B.V.	Netherlands
Valspar Coatings (Guangdong) Co., Ltd.	China
Valspar Coatings (Shanghai) Co. Ltd.	China
Valspar Coatings (Tianjin) Co., Ltd	China
Valspar D.o.o Beograd	Serbia
Valspar (India) Coatings Corporation Private Limited	India

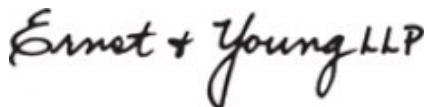
Valspar Industries GmbH	Germany
Valspar Industries (Ireland) Ltd.	Ireland
Valspar Industries (Italy) S.r.l.	Italy
Valspar LLC	Russia
Valspar Mexicana, S.A. de C.V.	Mexico
Valspar Powder Coatings Limited	UK
Valspar Rock Company Limited (Japan)	Japan
Valspar (Shanghai) Management Co., Ltd.	China
Valspar (Uruguay) Corporation S.A.	Uruguay
Valspar (WPC) Pty Ltd	Australia
ZAO Sherwin-Williams	Russia

## Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

Registration Number	Description
333-253288	The Sherwin-Williams Company 2005 Key Management Deferred Compensation Plan (Amended and Restated Effective as of January 1, 2016) Form S-8 Registration Statement
333-233215	The Sherwin-Williams Company Form S-3 Registration Statement
333-217457	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) Form S-8 Registration Statement
333-218406	The Valspar Corporation Amended and Restated 2015 Omnibus Equity Plan Form S-8 Registration Statement
333-219654	The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan, (Amended and Restated Effective as of January 1, 2016) Form S-8 Registration Statement
333-166365	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (as Amended and Restated as of February 17, 2015) Form S-8 Registration Statement
333-152443	The Sherwin-Williams Company Employee Stock Purchase and Savings Plan Form S-8 Registration Statement
333-133419	The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan and The Sherwin-Williams Company 2006 Stock Plan for Nonemployee Directors Form S-8 Registration Statement
333-129582	The Sherwin-Williams Company 2005 Deferred Compensation Savings and Pension Equalization Plan, The Sherwin-Williams 2005 Key Management Deferred Compensation Plan and The Sherwin-Williams Company 2005 Director Deferred Fee Plan Form S-8 Registration Statement
333-105211	The Sherwin-Williams Company Employee Stock Purchase and Savings Plan Form S-8 Registration Statement
333-66295	The Sherwin-Williams Company Deferred Compensation Savings Plan, The Sherwin-Williams Company Key Management Deferred Compensation Plan and The Sherwin-Williams Company Director Deferred Fee Plan Form S-8 Registration Statement

of our reports dated February 17, 2022, with respect to the consolidated financial statements and the effectiveness of internal control over financial reporting of The Sherwin-Williams Company included in this Annual Report (Form 10-K) of The Sherwin-Williams Company for the year ended December 31, 2021.



Cleveland, Ohio  
February 17, 2022



**POWER OF ATTORNEY****THE SHERWIN-WILLIAMS COMPANY**

KNOW ALL BY THESE PRESENTS, that each of the undersigned directors and/or officers of The Sherwin-Williams Company, an Ohio corporation (the “Company”), hereby constitutes and appoints each of John G. Morikis, Allen J. Mistysyn and Mary L. Garceau, with full power of substitution and resubstitution, as the true and lawful attorney-in-fact or attorneys-in-fact of the undersigned to execute and file with the Securities and Exchange Commission under the Securities Exchange Act of 1934 the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2021, with any and all amendments, supplements and exhibits thereto, and any and all other documents in connection therewith, with full power and authority to do and perform any and all acts and things necessary, appropriate or desirable to be done in the premises, or in the name, place and stead of the undersigned, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and approving all that said attorneys-in-fact or any of them and any substitute therefor may lawfully do or cause to be done by virtue thereof.

This Power of Attorney may be executed in multiple counterparts, each of which shall be deemed an original with respect to the person executing it.

Executed as of this 17th day of February, 2022.

SignatureTitle

/s/ John G. Morikis

John G. Morikis

Chairman, President and Chief Executive Officer, Director (Principal Executive Officer)

/s/ Jane M. Cronin

Jane M. Cronin

Senior Vice President – Corporate Controller  
(Principal Accounting Officer)

/s/ Allen J. Mistysyn

Allen J. Mistysyn

Senior Vice President – Finance and Chief  
Financial Officer (Principal Financial Officer)

/s/ Kerri B. Anderson

Kerri B. Anderson

Director

/s/ Arthur F. Anton

Arthur F. Anton

Director

/s/ Jeff M. Fetting

Jeff M. Fetting

Director

/s/ Richard J. Kramer

Richard J. Kramer

Director

<u>/s/ Christine A. Poon</u> Christine A. Poon	Director
<u>/s/ Aaron M. Powell</u> Aaron M. Powell	Director
<u>/s/ Marta R. Stewart</u> Marta R. Stewart	Director
<u>/s/ Michael H. Thaman</u> Michael H. Thaman	Director
<u>/s/ Matthew Thornton III</u> Matthew Thornton III	Director
<u>/s/ Steven H. Wunning</u> Steven H. Wunning	Director

CERTIFICATE

I, the undersigned, Secretary of The Sherwin-Williams Company (the “Company”), hereby certify that attached hereto is a true and complete copy of a resolution of the Board of Directors of the Company, duly adopted at a meeting held on February 15-16, 2022, and that such resolution is in full force and effect and has not been amended, modified, revoked or rescinded as of the date hereof.

IN WITNESS WHEREOF, I have executed this certificate as of this 17th day of February, 2022.

/s/ Mary L. Garceau  
Mary L. Garceau  
Secretary

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RESOLVED, that the appropriate officers of the Company are each authorized to execute and deliver a power of attorney appointing John G. Morikis, Allen J. Mistysyn and Mary L. Garceau, or any of them, with full power of substitution and resubstitution, to act as attorneys-in-fact for the Company and for such officers for the purpose of executing and filing with the Securities and Exchange Commission and any national securities exchange, on behalf of the Company the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 and any and all amendments, exhibits and other documents in connection therewith, and to take any other actions deemed necessary and appropriate to effect the filing of such Annual Report on Form 10-K and any and all such amendments, exhibits and other documents in connection therewith.

**CERTIFICATION**

I, John G. Morikis, certify that:

1. I have reviewed this annual report on Form 10-K of The Sherwin-Williams Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2022

/s/ John G. Morikis

John G. Morikis

Chairman, President and Chief Executive Officer

**CERTIFICATION**

I, Allen J. Mistysyn, certify that:

1. I have reviewed this annual report on Form 10-K of The Sherwin-Williams Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2022

/s/ Allen J. Mistysyn

Allen J. Mistysyn

Senior Vice President - Finance and

Chief Financial Officer

**SECTION 1350 CERTIFICATION**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of The Sherwin-Williams Company (the “Company”) for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John G. Morikis, Chairman, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 17, 2022

/s/ John G. Morikis

John G. Morikis

Chairman, President and Chief Executive Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.

**SECTION 1350 CERTIFICATION**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of The Sherwin-Williams Company (the “Company”) for the fiscal year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Allen J. Mistysyn, Senior Vice President - Finance and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: February 17, 2022

/s/ Allen J. Mistysyn

\_\_\_\_\_  
Allen J. Mistysyn

Senior Vice President - Finance and Chief  
Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to The Sherwin-Williams Company and will be retained by The Sherwin-Williams Company and furnished to the Securities and Exchange Commission or its staff upon request.