

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549**

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**FORM 10-Q**

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**(Mark One)**

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

**For the Period Ended March 31, 2017**

**or**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-04851**

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**THE SHERWIN-WILLIAMS COMPANY**

**(Exact name of registrant as specified in its charter)**

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**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)**

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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. (Check one:)

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date.

Common Stock, \$1.00 Par Value – 93,128,304 shares as of March 31, 2017 .

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**

**STATEMENTS OF CONSOLIDATED INCOME AND COMPREHENSIVE INCOME (UNAUDITED)**

Thousands of dollars, except per share data

	Three Months Ended March 31,	
	2017	2016 <sup>(1)</sup>
Net sales	\$ 2,761,387	\$ 2,574,024
Cost of goods sold	1,418,247	1,312,279
Gross profit	1,343,140	1,261,745
<i>Percent to net sales</i>	<i>48.6%</i>	<i>49.0%</i>
Selling, general and administrative expenses	1,016,211	1,002,355
<i>Percent to net sales</i>	<i>36.8%</i>	<i>38.9%</i>
Other general expense - net	276	17,554
Interest expense	25,695	25,732
Interest and net investment income	(1,280)	(487)
Other (income) expense - net	(4,367)	226
Income before income taxes	306,605	216,365
Income taxes	67,453	51,489
Net income	\$ 239,152	\$ 164,876
Net income per common share:		
Basic	\$ 2.58	\$ 1.80
Diluted	\$ 2.53	\$ 1.75
Average shares outstanding - basic	92,550,559	91,475,860
Average shares and equivalents outstanding - diluted	94,541,859	94,114,114
Comprehensive income	\$ 230,090	\$ 183,886

<sup>(1)</sup> First quarter 2016 income taxes, net income, basic and diluted net income per common share and diluted average shares and equivalents outstanding are restated due to the adoption of ASU No. 2016-09 in the second quarter of 2016.

*See notes to condensed consolidated financial statements.*

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

Thousands of dollars

	March 31, 2017	December 31, 2016	March 31, 2016
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 1,017,808	\$ 889,793	\$ 70,548
Accounts receivable, less allowance	1,356,851	1,230,987	1,290,749
Inventories:			
Finished goods	1,069,673	898,627	972,037
Work in process and raw materials	178,015	169,699	175,324
	<u>1,247,688</u>	<u>1,068,326</u>	<u>1,147,361</u>
Deferred income taxes	—	57,162	97,562
Other current assets	254,317	381,030	282,405
Total current assets	<u>3,876,664</u>	<u>3,627,298</u>	<u>2,888,625</u>
Goodwill	1,129,783	1,126,892	1,147,047
Intangible assets	252,934	255,010	250,574
Deferred pension assets	224,212	225,529	246,035
Other assets	442,215	421,904	449,003
Property, plant and equipment:			
Land	116,077	115,555	120,568
Buildings	721,469	714,815	704,594
Machinery and equipment	2,205,706	2,153,437	2,071,637
Construction in progress	70,895	117,126	89,839
	<u>3,114,147</u>	<u>3,100,933</u>	<u>2,986,638</u>
Less allowances for depreciation	2,051,052	2,005,045	1,929,613
	<u>1,063,095</u>	<u>1,095,888</u>	<u>1,057,025</u>
Total Assets	<u>\$ 6,988,903</u>	<u>\$ 6,752,521</u>	<u>\$ 6,038,309</u>
<b>Liabilities and Shareholders' Equity</b>			
Current liabilities:			
Short-term borrowings	\$ 41,909	\$ 40,739	\$ 128,675
Accounts payable	1,221,778	1,034,608	1,152,923
Compensation and taxes withheld	296,176	398,045	284,860
Accrued taxes	158,587	76,765	115,403
Current portion of long-term debt	700,786	700,475	2,179
Other accruals	519,766	578,547	578,521
Total current liabilities	<u>2,939,002</u>	<u>2,829,179</u>	<u>2,262,561</u>
Long-term debt	1,211,512	1,211,326	1,908,774
Postretirement benefits other than pensions	252,031	250,397	250,168
Other long-term liabilities	521,008	583,178	615,983
Shareholders' equity:			
Common stock—\$1.00 par value:			
93,128,304, 93,013,031 and 92,495,113 shares outstanding			
at March 31, 2017, December 31, 2016 and March 31, 2016, respective ly	116,775	116,563	116,043
Other capital	2,547,621	2,488,564	2,372,641
Retained earnings	4,209,198	4,049,497	3,316,018
Treasury stock, at cost	(4,258,831)	(4,235,832)	(4,235,794)
Cumulative other comprehensive loss	(549,413)	(540,351)	(568,085)
Total shareholders' equity	<u>2,065,350</u>	<u>1,878,441</u>	<u>1,000,823</u>
Total Liabilities and Shareholders' Equity	<u>\$ 6,988,903</u>	<u>\$ 6,752,521</u>	<u>\$ 6,038,309</u>

See notes to condensed consolidated financial statements.



**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS (UNAUDITED)**

Thousands of dollars

	Three Months Ended	
	March 31, 2017	March 31, 2016
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 239,152	\$ 164,876
Adjustments to reconcile net income to net operating cash:		
Depreciation	44,595	42,895
Amortization of intangible assets	6,182	5,782
Stock-based compensation expense	17,321	15,765
Amortization of credit facility and debt issuance costs	984	6,656
Provisions for qualified exit costs	2,856	1,126
Provisions for environmental-related matters	519	18,029
Defined benefit pension plans net cost	5,155	6,992
Net increase in postretirement liability	1,910	961
Other	(37,379)	(147)
Change in working capital accounts - net	(58,402)	(298,341)
Costs incurred for environmental-related matters	(3,372)	(5,036)
Costs incurred for qualified exit costs	(996)	(2,868)
Other	13,291	(18,749)
Net operating cash	231,816	(62,059)
<b>INVESTING ACTIVITIES</b>		
Capital expenditures	(41,479)	(51,999)
Proceeds from sale of assets	34,762	988
Increase in other investments	(23,194)	(10,526)
Net investing cash	(29,911)	(61,537)
<b>FINANCING ACTIVITIES</b>		
Net increase in short-term borrowings	326	85,770
Payments of long-term debt	(71)	—
Payments for credit facility and debt issuance costs	(7)	(41,850)
Payments of cash dividends	(79,450)	(77,734)
Proceeds from stock options exercised	41,762	19,717
Other	(22,702)	(9,583)
Net financing cash	(60,142)	(23,680)
Effect of exchange rate changes on cash	(13,748)	12,080
Net increase (decrease) in cash and cash equivalents	128,015	(135,196)
Cash and cash equivalents at beginning of year	889,793	205,744
Cash and cash equivalents at end of period	\$ 1,017,808	\$ 70,548
Income taxes paid	\$ 8,675	\$ 23,155
Interest paid	30,841	30,552

See notes to condensed consolidated financial statements.

**THE SHERWIN-WILLIAMS COMPANY AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

Periods ended March 31, 2017 and 2016

**NOTE 1—BASIS OF PRESENTATION**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included.

There have been no significant changes in critical accounting policies since December 31, 2016. Accounting estimates were revised as necessary during the first three months of 2017 based on new information and changes in facts and circumstances. Certain amounts in the 2016 condensed consolidated financial statements have been reclassified to conform to the 2017 presentation.

The Company primarily uses the last-in, first-out (LIFO) method of valuing inventory. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations are based on management's estimates of expected year-end inventory levels and costs are subject to the final year-end LIFO inventory valuation. In addition, interim inventory levels include management's estimates of annual inventory losses due to shrinkage and other factors. The final year-end valuation of inventory is based on an annual physical inventory count performed during the fourth quarter. For further information on inventory valuations and other matters, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-K for the year ended December 31, 2016.

The consolidated results for the three months ended March 31, 2017 are not necessarily indicative of the results to be expected for the year ending December 31, 2017.

**NOTE 2—IMPACT OF RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

Effective January 1, 2017, the Company adopted the Accounting Standard Update (ASU) No. 2015-17, "Balance Sheet Classification of Deferred Taxes," which eliminates the requirement for separate presentation of current and non-current portions of deferred tax. Subsequent to adoption, all deferred tax assets and deferred tax liabilities are presented as non-current on the balance sheet. The changes have been applied prospectively as permitted by the ASU and prior years have not been restated. The adoption of this ASU does not have a material effect on the Company's results of operations, financial condition or liquidity.

In March 2017, the Financial Accounting Standards Board (FASB) issued ASU No. 2017-07, "Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Costs." The standard requires the service component of pension and other postretirement benefit expense to be presented in the same income statement lines as other employee compensation costs, however, the other components will be presented outside of operating income. In addition, only the service cost component will be eligible for capitalization in assets. The standard is effective starting in 2018, with early adoption permitted. Retrospective application is required for the guidance on the income statement presentation. Prospective application is required for the guidance on the cost capitalization in assets. The Company is in the process of evaluating the impact of the standard.

In January 2017, the FASB issued ASU No. 2017-04, "Simplifying the Test for Goodwill Impairment." This standard simplifies the accounting for goodwill impairment by eliminating the Step 2 requirement to calculate the implied fair value of goodwill. Instead, if a reporting unit's carrying amount exceeds its fair value, an impairment charge will be recorded based on that difference. The impairment charge will be limited to the amount of goodwill allocated to that reporting unit. The standard will be applied prospectively and is effective for impairment tests performed after December 15, 2019, with early adoption permitted. The standard is not expected to have a material effect on the Company's results of operations, financial condition or liquidity.

In February 2016, the FASB issued ASU No. 2016-02, "Leases," which consists of a comprehensive lease accounting standard. Under the new standard, assets and liabilities arising from most leases will be recognized on the balance sheet. Leases will be classified as either operating or financing, and the lease classification will determine whether expense is recognized on a straight line basis (operating leases) or based on an effective interest method (financing leases). The new standard is effective for interim and annual periods starting in 2019. A modified retrospective transition approach is required with certain practical

expedients available. The Company has made significant progress with its assessment process, and anticipates this standard will have a material impact on its consolidated balance sheet. While the Company continues to assess all potential impacts of the standard, it currently believes the most significant impact relates to recording lease assets and related liabilities on the balance sheet for the Paint Store Group's retail operations.

In January 2016, the FASB issued ASU No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which amends the guidance for certain aspects of recognition, measurement and disclosure of financial instruments. The standard is effective for interim and annual periods starting in 2018, and early adoption is not permitted. Although the Company continues to assess the potential impacts of the standard, it currently believes that the main impact will be that changes in fair value of marketable securities currently classified as available-for-sale will be recognized in earnings rather than in other comprehensive income. The standard is not expected to have a material effect on the Company's results of operations, financial condition or liquidity.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers," which consists of a comprehensive revenue recognition standard that will supersede nearly all existing revenue recognition guidance under U.S. GAAP. The issuance of ASU No. 2015-14 in August 2015 delays the effective date of the standard to interim and annual periods beginning after December 15, 2017. Either full retrospective adoption or modified retrospective adoption is permitted. In addition to expanded disclosures regarding revenue, this pronouncement may impact timing of recognition in some arrangements with variable consideration or contracts for the sale of goods or services. The Company has made significant progress with its assessment process. In addition, the Company is currently developing plans for enhancements to its information systems and internal controls in response to the new rule requirements. The Company plans to adopt the standard using the full retrospective method of adoption, which requires the restatement of prior periods presented. The Company expects to have expanded disclosures in the consolidated financial statements and is in process of evaluating the impact on the results of operations, financial condition and liquidity.

### NOTE 3—DIVIDENDS

Dividends paid on common stock during the first quarter of 2017 and 2016 were \$.85 per common share and \$.84 per common share, respectively.

### NOTE 4—CHANGES IN CUMULATIVE OTHER COMPREHENSIVE LOSS

The following tables summarize the changes in Cumulative other comprehensive loss for the three months ended March 31, 2017 and 2016 :

(Thousands of dollars)

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefit Adjustments	Unrealized Net Gains on Available- for-Sale Securities	Unrealized Net Gains (Losses) on Cash Flow Hedges	Total Cumulative Other Comprehensive (Loss) Income
Balance at December 31, 2016	\$ (501,277)	\$ (125,096)	\$ 1,015	\$ 85,007	\$ (540,351)
Amounts recognized in Other comprehensive loss <sup>(1)</sup>	20,778		630	(30,754)	(9,346)
Amounts reclassified from Other comprehensive loss <sup>(2)</sup>		279	5		284
Net change	20,778	279	635	(30,754)	(9,062)
Balance at March 31, 2017	\$ (480,499)	\$ (124,817)	\$ 1,650	\$ 54,253	\$ (549,413)

<sup>(1)</sup> Net of taxes of \$(389) for unrealized net gains on available-for-sale securities and \$18,895 for unrealized net losses on cash flow hedges.

<sup>(2)</sup> Net of taxes of \$(142) for pension and other postretirement benefit adjustments and \$(3) for realized losses on the sale of available-for-sale securities.

(Thousands of dollars)

	Foreign Currency Translation Adjustments	Pension and Other Postretirement Benefit Adjustments	Unrealized Net (Losses) Gains on Available-for-Sale Securities	Unrealized Net Losses on Cash Flow Hedges	Total Cumulative Other Comprehensive (Loss) Income
Balance at December 31, 2015	\$ (482,629)	\$ (104,346)	\$ (120)		\$ (587,095)
Amounts recognized in Other comprehensive loss <sup>(3)</sup>	33,546		(42)	\$ (14,682)	18,822
Amounts reclassified from Other comprehensive loss <sup>(4)</sup>		168	20		188
Net change	33,546	168	(22)	(14,682)	19,010
Balance at March 31, 2016	\$ (449,083)	\$ (104,178)	\$ (142)	\$ (14,682)	\$ (568,085)

<sup>(3)</sup> Net of taxes of \$25 for unrealized net losses on available-for-sale securities and \$9,075 for unrealized net losses on cash flow hedges.

<sup>(4)</sup> Net of taxes of \$(3) for pension and other postretirement benefit adjustments and \$(12) for realized losses on the sale of available-for-sale securities.

#### NOTE 5—PRODUCT WARRANTIES

Changes in the Company's accrual for product warranty claims during the first three months of 2017 and 2016, including customer satisfaction settlements, were as follows:

(Thousands of dollars)

	2017	2016
Balance at January 1	\$ 34,419	\$ 31,878
Charges to expense	6,076	5,541
Settlements	(7,508)	(5,135)
Balance at March 31	\$ 32,987	\$ 32,284

For further details on the Company's accrual for product warranty claims, see Note 1 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

## NOTE 6—EXIT OR DISPOSAL ACTIVITIES

Liabilities associated with exit or disposal activities are recognized as incurred in accordance with the Exit or Disposal Cost Obligations Topic of the ASC. Qualified exit costs primarily include post-closure rent expenses, incremental post-closure costs and costs of employee terminations. Adjustments may be made to liabilities accrued for qualified exit costs if information becomes available upon which more accurate amounts can be reasonably estimated. Concurrently, property, plant and equipment is tested for impairment in accordance with the Property, Plant and Equipment Topic of the ASC, and if impairment exists, the carrying value of the related assets is reduced to estimated fair value. Additional impairment may be recorded for subsequent revisions in estimated fair value.

In the three months ended March 31, 2017, three stores in the Paint Stores Group and one branch in the Global Finishes Group were closed due to lower demand or redundancy.

The following table summarizes the activity and remaining liabilities associated with qualified exit costs at March 31, 2017:

(Thousands of dollars)

Exit Plan	Balance at December 31, 2016	Provisions in Cost of goods sold or SG&A	Actual expenditures charged to accrual	Balance at March 31, 2017
<b>Consumer Group facilities shutdown in 2016:</b>				
Severance and related costs	\$ 907	\$ 2,756		\$ 3,663
<b>Global Finishes Group stores shutdown in 2016:</b>				
Severance and related costs	136		\$ (95)	41
Other qualified exit costs	269	97	(74)	292
<b>Paint Stores Group stores shutdown in 2015:</b>				
Other qualified exit costs	195	3	(20)	178
<b>Global Finishes Group exit of a business in 2015:</b>				
Other qualified exit costs	433		(383)	50
<b>Severance and other qualified exit costs for facilities shutdown prior to 2015</b>				
	1,908		(424)	1,484
<b>Totals</b>	<b>\$ 3,848</b>	<b>\$ 2,856</b>	<b>\$ (996)</b>	<b>\$ 5,708</b>

For further details on the Company's exit or disposal activities, see Note 5 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016.

## NOTE 7 — HEALTH CARE, PENSION AND OTHER BENEFITS

Shown below are the components of the Company's net periodic benefit cost (credit) for domestic defined benefit pension plans, foreign defined benefit pension plans and postretirement benefits other than pensions:

(Thousands of dollars)

	Domestic Defined Benefit Pension Plans		Foreign Defined Benefit Pension Plans		Postretirement Benefits Other than Pensions	
	2017	2016	2017	2016	2017	2016
<b>Three Months Ended March 31:</b>						
Net periodic benefit cost:						
Service cost	\$ 5,313	\$ 5,489	\$ 1,918	\$ 1,341	\$ 543	\$ 561
Interest cost	6,410	6,643	1,638	2,080	2,643	2,752
Expected return on assets	(10,309)	(12,567)	(1,764)	(1,846)		
Amortization of:						
Prior service cost (credit)	341	301			(1,645)	(1,645)
Actuarial loss	1,661	1,152	(53)	361	11	
Settlement costs				4,038		
Net periodic benefit cost	<u>\$ 3,416</u>	<u>\$ 1,018</u>	<u>\$ 1,739</u>	<u>\$ 5,974</u>	<u>\$ 1,552</u>	<u>\$ 1,668</u>

The settlement charge recognized in the first quarter of 2016 relates to the wind up of an acquired Canada plan. For further details on the Company's health care, pension and other benefits, see Note 6 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 .

#### **NOTE 8—OTHER LONG-TERM LIABILITIES**

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 are determined based on currently available facts regarding each site. If the best estimate of 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. At March 31, 2017 , the unaccrued maximum of the estimated range of possible outcomes is \$86.6 million higher than the minimum.

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 these 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.

Included in Other long-term liabilities at March 31, 2017 and 2016 were accruals for extended environmental-related activities of \$161.6 million and \$143.4 million , respectively. Estimated costs of current investigation and remediation activities of \$20.0 million and \$22.5 million are included in Other accruals at March 31, 2017 and 2016 , respectively.

Three of the Company's currently and formerly owned manufacturing sites account for the majority of the accrual for environmental-related activities and the unaccrued maximum of the estimated range of possible outcomes at March 31, 2017 . At March 31, 2017 , \$151.4 million , or 83.4 percent of the total accrual, related directly to these three sites. In the aggregate unaccrued maximum of \$86.6 million at March 31, 2017 , \$70.5 million , or 81.4 percent , related to the three manufacturing sites. 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.

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. 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. 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 period 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 indefinite amount of time to conduct investigation activities at any site, the indefinite amount of time to obtain environmental agency approval, as necessary, with respect to investigation and remediation activities, and the indefinite amount of time necessary to conduct remediation activities.

For further details on the Company's Other long-term liabilities, see Note 8 to the Consolidated Financial Statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 .

#### **NOTE 9 – 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 has not settled any material lead pigment or lead-based paint 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.

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. The Company has not accrued any amounts for such litigation. With respect to such litigation, including the public nuisance litigation, the Company does not believe that it is probable that a loss has occurred, and it is not possible to estimate the range of potential losses as there is no prior history of a loss of this nature and 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. In the event any significant liability is determined to be attributable to the Company relating to such litigation, 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 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, 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 and the County of Santa Clara, California and other public entities in the State of California. Except for the Santa Clara County, California proceeding, all of these legal proceedings have been concluded in favor of the Company and other defendants at various stages in the proceedings.

The proceedings initiated by the State of Rhode Island included two jury trials. At the conclusion of the second trial, the jury returned a verdict finding that (i) the cumulative presence of lead pigment in paints and coatings on buildings in the State of Rhode Island constitutes a public nuisance, (ii) the Company, along with two other defendants, caused or substantially contributed to the creation of the public nuisance and (iii) the Company and two other defendants should be ordered to abate the public nuisance. The Company and two other defendants appealed and, on July 1, 2008, the Rhode Island Supreme Court,

among other determinations, reversed the judgment of abatement with respect to the Company and two other defendants. The Rhode Island Supreme Court's decision reversed the public nuisance liability judgment against the Company on the basis that the complaint failed to state a public nuisance claim as a matter of law.

The Santa Clara County, California proceeding was initiated in March 2000 in the Superior Court of the State of California, County of Santa Clara. In the original complaint, the plaintiffs asserted various claims including fraud and concealment, strict product liability/failure to warn, strict product liability/design defect, negligence, negligent breach of a special duty, public nuisance, private nuisance, and violations of California's Business and Professions Code. A number of the asserted claims were resolved in favor of the defendants through pre-trial proceedings. The named plaintiffs in the Fourth Amended Complaint, filed on March 16, 2011, are the Counties of Santa Clara, Alameda, Los Angeles, Monterey, San Mateo, Solano and Ventura, the Cities of Oakland and San Diego and the City and County of San Francisco. The Fourth Amended Complaint asserted a sole claim for public nuisance, alleging that the presence of lead pigments for use in paint and coatings in, on and around residences in the plaintiffs' jurisdictions constitutes a public nuisance. The plaintiffs sought the abatement of the alleged public nuisance that exists within the plaintiffs' jurisdictions. A trial commenced on July 15, 2013 and ended on August 22, 2013. The court entered final judgment on January 27, 2014, finding in favor of the plaintiffs and against the Company and two other defendants (ConAgra Grocery Products Company and NL Industries, Inc.). The final judgment held the Company jointly and severally liable with the other two defendants to pay \$1.15 billion into a fund to abate the public nuisance. The Company strongly disagrees with the judgment. On February 18, 2014, the Company filed a motion for new trial and a motion to vacate the judgment. The court denied these motions on March 24, 2014. On March 28, 2014, the Company filed a notice of appeal to the Sixth District Court of Appeal for the State of California. The filing of the notice of appeal effects an automatic stay of the judgment without the requirement to post a bond. The appeal is fully briefed, and the parties are waiting for the Sixth District Court of Appeal to set a date for oral argument. The date for oral argument is at the discretion of the Sixth District Court of Appeal. The Company expects the Sixth District Court of Appeal to issue its ruling within 90 days following oral argument. The Company believes that the judgment conflicts with established principles of law and is unsupported by the evidence. The Company has had a favorable history with respect to lead pigment and lead-based paint litigation, particularly other public nuisance litigation, and accordingly, the Company believes that it is not probable that a loss has occurred and it is not possible to estimate the range of potential loss with respect to the case.

*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 state court against the Company, other alleged former lead pigment manufacturers and the Lead Industries Association in September 1999. The claims against the Company and the other 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 which 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 Company and other 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 United States Court of Appeals for 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 that Court's 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. Three cases also currently pending in the United States District Court for the Eastern

District of Wisconsin (Ravon Owens v. American Cyanamid, et al., Cesar Sifuentes v. American Cyanamid, et al., and Glenn Burton, Jr. v. American Cyanamid, et al.) are being prepared for trial, although no trial dates have been set by the District Court.

In Yasmine Clark v. The Sherwin-Williams Company, et al., the Wisconsin Circuit Court, Milwaukee County, on March 25, 2014, held that the application to a pending case of Section 895.046 of the Wisconsin Statutes (which clarifies the application of the risk contribution theory) is unconstitutional as a violation of the plaintiff's right to due process of law under the Wisconsin Constitution. On August 21, 2014, the Wisconsin Court of Appeals granted defendants' petition to hear the issue as an interlocutory appeal. On September 29, 2015, the Wisconsin Court of Appeals certified the appeal to the Wisconsin Supreme Court for its determination. Oral argument before the Wisconsin Supreme Court occurred on April 5, 2016. On April 15, 2016, the Wisconsin Supreme Court published its decision, deciding in a 3 to 3 split decision to remand the case back to the Wisconsin Court of Appeals for its consideration. The Wisconsin Court of Appeals dismissed the appeal on September 20, 2016 and remanded the case back to the Wisconsin Circuit Court for further proceedings. The previously scheduled trial date of October 2017 in the Wisconsin Circuit Court has been vacated, and the Court has not set a new trial date.

*Insurance coverage litigation.* The Company and its liability insurers, including certain underwriters at Lloyd's of London, initiated legal proceedings against each other to primarily 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 Company's action, filed on March 3, 2006 in the Common Pleas Court, Cuyahoga County, Ohio, is currently stayed and inactive. The liability 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. 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, 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.

#### NOTE 10—OTHER

##### *Other general expense - net*

Included in Other general expense - net were the following:

(Thousands of dollars)	Three Months Ended March 31,	
	2017	2016
Provisions for environmental matters - net	\$ 519	\$ 18,029
Gain on sale or disposition of assets	(243)	(475)
Total	\$ 276	\$ 17,554

Provisions for environmental matters - net represent site-specific 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. Environmental-related accruals are not recorded net of insurance proceeds in accordance with the Offsetting Subtopic of the Balance Sheet Topic of the ASC. See Note 8 for further details on the Company's environmental-related activities.

The gain on disposition of assets represents net realized gains associated with the sale or disposal of fixed 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:

(Thousands of dollars)	Three Months Ended March 31,	
	2017	2016
Dividend and royalty income	\$ (1,844)	\$ (1,166)
Net expense from banking activities	2,472	2,263
Foreign currency transaction related (gains) losses	(3,586)	1,690
Other income	(4,960)	(4,880)
Other expense	3,551	2,319
Total	\$ (4,367)	\$ 226

Foreign currency transaction related (gains) losses represent net realized (gains) losses on U.S. dollar-denominated liabilities of foreign subsidiaries and net realized and unrealized (gains) losses from foreign currency option and forward contracts. There were no material foreign currency option and forward contracts outstanding at March 31, 2017 and 2016 .

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 other items within the other income or other expense caption that were individually significant.

**NOTE 11—INCOME TAXES**

The effective tax rate was 22.0 percent for the first quarter of 2017 compared to 23.8 percent for the first quarter of 2016 (as restated for the retrospective adoption of ASU No. 2016-09 in 2016). The decrease in the effective tax rate was primarily due to the Company's adoption of ASU No. 2016-09. Excluding the impact of ASU No. 2016-09, the effective tax rate was 32.8 percent and 32.0 percent for the first quarter of 2017 and 2016 , respectively.

At December 31, 2016 , the Company had \$32.8 million in unrecognized tax benefits, the recognition of which would have an effect of \$27.7 million on the effective tax rate. Included in the balance of unrecognized tax benefits at December 31, 2016 was \$2.6 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. At December 31, 2016 , the Company had accrued \$9.3 million for the potential payment of income tax interest and penalties.

There were no significant changes to any of the balances of unrecognized tax benefits at December 31, 2016 during the first three months of 2017 .

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. As of March 31, 2017 , there were no examinations being conducted by the IRS, however, the statute of limitations has not expired for the 2013, 2014 and 2015 tax years.

As of March 31, 2017 , the Company is subject to non-U.S. income tax examinations for the tax years of 2010 through 2016. In addition, the Company is subject to state and local income tax examinations for the tax years 2003 through 2016.

**NOTE 12—NET INCOME PER COMMON SHARE**

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

(Thousands of dollars except per share data)

	Three Months Ended March 31,	
	2017	2016 <sup>(2)</sup>
<b>Basic</b>		
Average common shares outstanding	92,550,559	91,475,860
Net income	\$ 239,152	\$ 164,876
Basic net income per common share	\$ 2.58	\$ 1.80
<b>Diluted</b>		
Average common shares outstanding	92,550,559	91,475,860
Stock options and other contingently issuable shares <sup>(1)</sup>	1,931,574	2,083,367
Non-vested restricted stock grants	59,726	554,887
Average common shares outstanding assuming dilution	94,541,859	94,114,114
Net income	\$ 239,152	\$ 164,876
Diluted net income per common share	\$ 2.53	\$ 1.75

<sup>(1)</sup> Stock options and other contingently issuable shares excludes 40,074 and 34,208 shares due to their anti-dilutive effect for the three months ended March 31, 2017 and March 31, 2016, respectively.

<sup>(2)</sup> First quarter 2016 is restated due to the adoption of ASU No. 2016-09 in the second quarter of 2016.

**NOTE 13—REPORTABLE SEGMENT INFORMATION**

The Company reports 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 Disclosures Topic of the ASC. The Company has determined that it has four reportable operating segments: Paint Stores Group, Consumer Group, Global Finishes Group and Latin America Coatings Group (individually, a "Reportable Segment" and collectively, the "Reportable Segments").

(Thousands of dollars)

	Three Months Ended March 31, 2017					
	Paint Stores Group	Consumer Group	Global Finishes Group	Latin America Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 1,810,357	\$ 337,484	\$ 470,336	\$ 141,389	\$ 1,821	\$ 2,761,387
Intersegment transfers		695,838	3,799	2,340	(701,977)	
Total net sales and intersegment transfers	\$ 1,810,357	\$ 1,033,322	\$ 474,135	\$ 143,729	\$ (700,156)	\$ 2,761,387
Segment profit	\$ 304,053	\$ 60,591	\$ 52,435	\$ 1,171		\$ 418,250
Interest expense					\$ (25,695)	(25,695)
Administrative expenses and other					(85,950)	(85,950)
Income before income taxes	\$ 304,053	\$ 60,591	\$ 52,435	\$ 1,171	\$ (111,645)	\$ 306,605

Three Months Ended March 31, 2016

	Paint Stores Group	Consumer Group	Global Finishes Group	Latin America Coatings Group	Administrative	Consolidated Totals
Net external sales	\$ 1,615,307	\$ 378,086	\$ 454,166	\$ 125,187	\$ 1,278	\$ 2,574,024
Intersegment transfers		613,630	1,956	8,693	(624,279)	
Total net sales and intersegment transfers	\$ 1,615,307	\$ 991,716	\$ 456,122	\$ 133,880	\$ (623,001)	\$ 2,574,024
Segment profit	\$ 253,534	\$ 63,964	\$ 48,582	\$ (928)		\$ 365,152
Interest expense					\$ (25,732)	(25,732)
Administrative expenses and other					(123,055)	(123,055)
Income before income taxes	\$ 253,534	\$ 63,964	\$ 48,582	\$ (928)	\$ (148,787)	\$ 216,365

In the reportable segment financial information, Segment profit was total net sales and intersegment transfers less operating costs and expenses. Domestic intersegment transfers were accounted for at the approximate fully absorbed manufactured cost, based on normal capacity volumes, plus customary distribution costs. International intersegment transfers were accounted for at values comparable to normal unaffiliated customer sales. The Administrative segment includes the administrative expenses of the Company's corporate headquarters site. 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 which were not directly associated with the Reportable Segments. The Administrative segment did not include any significant foreign operations. Also included in the Administrative segment was 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 represented external leasing revenue of excess headquarters space or leasing of facilities no longer used by the Company in its primary businesses. 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 and segment profit of all consolidated foreign subsidiaries were \$419.0 million and \$13.8 million, respectively, for the first quarter of 2017, and \$400.7 million and \$10.2 million, respectively, for the first quarter of 2016. Long-lived assets of these subsidiaries totaled \$497.1 million and \$509.8 million at March 31, 2017 and March 31, 2016, respectively. Domestic operations accounted for the remaining net external sales, segment profits and long-lived assets. No single geographic area outside the United States was significant relative to consolidated net external sales, income before taxes, 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 periods presented.

#### NOTE 14 — 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. The Company did not have any fair value measurements for its non-financial assets and liabilities during the first quarter. The following table presents the Company's financial assets and liabilities that are measured at fair value on a recurring basis, categorized using the fair value hierarchy:

(Thousands of dollars)

	Fair Value at March 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Deferred compensation plan asset <sup>(1)</sup>	\$ 28,941	\$ 4,189	\$ 24,752	
Liabilities:				
Deferred compensation plan liability <sup>(2)</sup>	\$ 37,719	\$ 37,719		

<sup>(1)</sup> The deferred compensation plan asset consists of the investment funds maintained for the future payments under the Company's executive deferred compensation plan, which is structured as a rabbi trust. 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 or broker models. The cost basis of the investment funds is \$26,843.

<sup>(2)</sup> The deferred compensation plan liability is the Company's liability under its executive deferred compensation plan. The liability represents the fair value of the participant shadow accounts, and the value is based on quoted market prices.

#### NOTE 15 — DEBT

The table below summarizes the carrying amount and fair value of the Company's publicly traded debt and non-publicly traded debt in accordance with the Fair Value Measurements and Disclosures Topic of the ASC. The fair values of the Company's publicly traded debt are based on quoted market prices. The fair values of the Company's non-traded debt are 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.

(Thousands of dollars)

	March 31, 2017		March 31, 2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Publicly traded debt	\$ 1,908,209	\$ 1,925,031	\$ 1,906,160	\$ 1,943,160
Non-traded debt	4,089	3,770	4,793	4,476

In April 2016, the Company entered into a \$7.3 billion Bridge Loan and a \$2.0 billion Term Loan as committed financing for the Valspar acquisition. See Note 17. No balances were drawn against these facilities as of March 31, 2017.

As previously disclosed, during the first six months of 2016, in anticipation of a probable issuance of new long-term fixed rate debt within the next twelve months, the Company entered into a series of interest rate lock agreements (collectively, the interest rate locks) on a combined notional amount of \$3.6 billion. The objective of the interest rate locks was to hedge the variability in the future semi-annual payments on the anticipated debt attributable to changes in the benchmark interest rate (U.S. Treasury) during the hedge periods. The future semi-annual interest payments are exposed to interest rate risk due to changes in the benchmark interest rate from the inception of the hedge to the time of issuance. The interest rate locks were evaluated for hedge accounting treatment and were designated as cash flow hedges. The interest rate locks were settled in March 2017. The resulting pretax gain of \$87.6 million was recognized in Cumulative other comprehensive loss as the Company expects to issue the new long-term fixed rate debt during the second quarter. There was no material ineffectiveness as of March 31, 2017. The unrealized gain recognized in Cumulative other comprehensive loss will be reclassified to Interest expense in periods following

the issuance of the new debt. The Company expects to amortize unrealized gains of \$6.9 million from Cumulative other comprehensive loss as a reduction to Interest expense during the next twelve months.

During the first three months of 2017, the Company amended the five -year credit agreement entered into in May 2016 to increase the aggregate availability to \$350.0 million . The credit agreement will be used for general corporate purposes. There were no borrowings outstanding under this credit agreement at March 31, 2017.

#### **NOTE 16 — NON-TRADED INVESTMENTS**

The Company has invested in the U.S. affordable housing and historic renovation real estate markets. These non-traded investments 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 No. 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 No. 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 amount of the affordable housing and historic renovation investments, included in Other assets, was \$197.6 million and \$202.8 million at March 31, 2017 and 2016 , respectively. The liability for estimated future capital contributions to the investments was \$166.0 million and \$178.9 million at March 31, 2017 and 2016 , respectively.

#### **NOTE 17 — ACQUISITIONS**

On March 19, 2016, the Company and The Valspar Corporation (Valspar) entered into a definitive agreement under which the Company will acquire Valspar for \$113 per share in an all cash transaction, or a value of approximately \$9.5 billion and assumption of Valspar debt. The acquisition will expand Sherwin-Williams' diversified array of brands and technologies, expand its global platform and add new capabilities in the packaging and coil segments. The transaction is subject to certain conditions and regulatory approvals. If in connection with obtaining the required regulatory approvals, the parties are required to divest assets of Valspar or the Company representing, in the aggregate, more than \$650 million of Valspar's 2015 revenues, then the per share consideration will be \$105 in cash. The Company is not required to consummate the acquisition if regulatory authorities require the divestiture of assets of Valspar or the Company representing, in the aggregate, more than \$1.5 billion . Valspar's architectural coatings assets in Australia are excluded from the calculation of the \$650 million and/or \$1.5 billion threshold if such assets are required to be divested.

On March 20, 2017, the end date of the definitive agreement was extended from the original end date of March 21, 2017 to June 21, 2017. On April 11, 2017, Sherwin-Williams and Valspar entered into a definitive agreement with Axalta Coating Systems Ltd. to divest the assets related to Valspar's North American industrial wood coatings business for approximately \$420 million . The planned divestiture represents annual revenues below the \$650 million threshold. Therefore, the acquisition is expected to be completed at a price of \$113 per share. The completion of the acquisition remains subject to customary conditions, including the receipt of antitrust approvals.

During the three months ended March 31, 2017 and 2016 , the Company incurred SG&A of \$5.0 million and \$31.1 million , respectively, and interest expense of \$5.0 million and \$5.9 million , respectively, related to the anticipated acquisition of Valspar.

## **Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **SUMMARY**

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, Europe and Asia. The Company is structured into four reportable segments—Paint Stores Group, Consumer Group, Global Finishes Group and Latin America 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 pages 8 through 17 and Note 18, on pages 72 through 75, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information concerning the Reportable Segments.

The Company's financial condition, liquidity and cash flow continued to be strong through the first three months of 2017 primarily due to improved operating results in our Paint Stores and Global Finishes Groups and lower expenses in the Administrative segment. Net working capital increased \$311.6 million at March 31, 2017 compared to the end of the first quarter of 2016 due to a significant increase in cash and other current assets partially offset by a significant increase in current liabilities. Cash and cash equivalents increased \$947.3 million primarily from cash generated from operations while current portion of long-term debt increased \$698.6 million resulting from 1.35% senior notes becoming due in 2017. The Company has been able to arrange sufficient short-term borrowing capacity at reasonable rates, and the Company continues to have sufficient total available borrowing capacity to fund its current operating needs. Net operating cash improved \$293.9 million in the first three months of 2017 to a cash source of \$231.8 million from a cash usage of \$62.1 million in 2016 primarily due to decreased cash used for working capital accounts and other assets and liabilities along with cash generated from increased net income.

Consolidated net sales increased 7.3 percent in the first quarter of 2017 to \$2.761 billion from \$2.574 billion in the first quarter of 2016. The increase was due primarily to higher paint sales volume in our Paint Stores Group and the impact of a change in revenue classification beginning in the third quarter 2016 related to grossing up third-party service revenue and related costs which were previously netted and immaterial in prior periods. Consolidated gross profit as a percent of consolidated net sales decreased in the first quarter of 2017 to 48.6 percent compared to 2016 at 49.0 percent due primarily to the impact of the change in revenue classification and higher raw material costs partially offset by increased paint volume. Selling, general and administrative expenses (SG&A) decreased as a percent of consolidated net sales to 36.8 percent from 38.9 percent in the first quarter of 2016 primarily due to reduced SG&A costs associated with the anticipated acquisition of Valspar (Acquisition costs) of \$5.0 million in the first quarter of 2017 versus \$31.1 million in first quarter of 2016.

Interest expense was essentially flat in the first quarter of 2017 versus 2016 due to comparable amortization of credit facility costs incurred in early 2016 and stable debt levels. The effective income tax rate for the first quarter of 2017 was 22.0 percent compared to 23.8 percent in 2016. The decrease in the effective tax rate for the first quarter of 2017 compared to 2016 was primarily due to a larger tax benefit from the Company's adoption of ASU No. 2016-09. Excluding the impact of ASU No. 2016-09, the effective income tax rate was 32.8 percent and 32.0 percent for the first quarter of 2017 and 2016, respectively. Diluted net income per common share in the quarter increased to \$2.53 per share from \$1.75 per share in 2016, as restated due to the adoption of ASU No. 2016-09. First quarter diluted net income per common share includes an increase of \$.34 per share related to the adoption of ASU No. 2016-09 partially offset by an \$.08 per share charge from Acquisition costs. First quarter diluted net income per common share in 2016 included a \$.24 per share charge from Acquisition costs partially offset by an increase of \$.18 per share related to the adoption of ASU No. 2016-09.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

The preparation and fair presentation of the consolidated unaudited interim financial statements and accompanying notes included in this report are the responsibility of management. The financial statements and footnotes have been prepared in accordance with U.S. generally accepted accounting principles for interim financial statements and contain certain amounts that were based upon management's best estimates, judgments and assumptions that were believed to be reasonable under the circumstances. Management considered the impact of the uncertain economic environment and utilized certain outside sources of economic information when developing the basis for their estimates and assumptions. The impact of the global economic conditions on the estimates and assumptions used by management was believed to be reasonable under the circumstances. Management used assumptions based on historical results, considering the current economic trends, and other assumptions to form the basis for determining appropriate carrying values of assets and liabilities that were not readily available from other sources. Actual results could differ from those estimates. Also, materially different amounts may result under materially different conditions, materially different economic trends or from using materially different assumptions. However, management believes that any materially different amounts resulting from materially different conditions or material changes in

facts or circumstances are unlikely to significantly impact the current valuation of assets and liabilities that were not readily available from other sources.

A comprehensive discussion of the Company's critical accounting policies and management estimates and significant accounting policies followed in the preparation of the financial statements is included in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Note 1, on pages 44 through 48, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016. There have been no significant changes in critical accounting policies, management estimates or accounting policies followed since the year ended December 31, 2016.

## **FINANCIAL CONDITION, LIQUIDITY AND CASH FLOW**

### ***Overview***

The Company's financial condition, liquidity and cash flow continued to be strong through the first three months of 2017 primarily due to improved operating results in our Paint Stores and Global Finishes Groups and lower expenses in the Administrative segment. Net working capital increased \$311.6 million at March 31, 2017 compared to the end of the first quarter of 2016 due to a significant increase in cash and other current assets partially offset by a significant increase in current liabilities. Cash and cash equivalents increased \$947.3 million from cash generated from operations, accounts receivable increased \$66.1 million, and inventories increased \$100.3 million. Accounts payable increased \$68.9 million while other accruals decreased \$58.8 million, primarily due to Acquisition cost accruals, from March 31, 2016. Accrued taxes and compensation and taxes withheld liabilities both increased primarily due to timing. Short-term borrowings decreased \$86.8 million and current portion of long-term debt increased \$698.6 million resulting from 1.35% senior notes becoming due in 2017. In April 2016, the Company entered into a \$7.3 billion bridge credit agreement (Bridge Loan) and a \$2.0 billion term loan credit agreement (Term Loan) as committed financing for the Valspar acquisition (Valspar) as disclosed in Note 17. No balances were drawn against these facilities as of March 31, 2017. Debt issuance costs of \$65.1 million related to these facilities were substantially amortized and included in Interest expense in the year ended December 31, 2016. The Company continues to maintain sufficient short-term borrowing capacity at reasonable rates, and the Company has sufficient cash on hand and total available borrowing capacity to fund its current operating needs. In the first three months of 2017, cash and cash equivalents increased \$128.0 million, accounts receivable increased \$125.9 million and inventories increased \$179.4 million when normal seasonal trends typically require significant growth in these categories. Accounts payable increased \$187.2 million and other accruals decreased \$58.8 million, primarily due to Acquisition cost accruals. Short-term borrowings increased \$1.2 million. Accrued taxes increased \$81.8 million and compensation and taxes withheld liabilities decreased \$101.9 million both primarily due to timing of payments. Total debt at March 31, 2017 decreased \$85.4 million to \$1.954 billion from \$2.040 billion at March 31, 2016 and decreased as a percentage of total capitalization to 48.6 percent from 67.1 percent at the end of the first quarter last year. Total debt increased \$1.7 million from December 31, 2016 and decreased as a percentage of total capitalization from 51.0 percent to 48.6 percent. At March 31, 2017, the Company had remaining short-term borrowing ability of \$1.934 billion. Net operating cash improved \$293.9 million in the first three months of 2017 to a cash source of \$231.8 million from a cash usage of \$62.1 million in 2016. In the twelve month period from April 1, 2016 through March 31, 2017, the Company generated net operating cash of \$1.602 billion.

### ***Net Working Capital, Debt and Other Long-Term Assets and Liabilities***

Cash and cash equivalents increased \$128.0 million during the first three months of 2017. Cash and cash equivalents on hand funded cash requirements for increased sales and normal seasonal increases in working capital, capital expenditures of \$41.5 million, and payments of cash dividends of \$79.5 million. At March 31, 2017, the Company's current ratio was 1.32 compared to 1.28 at December 31, 2016 and 1.28 a year ago. The increase from a year ago resulted primarily from the increase in cash and cash equivalents.

Goodwill and intangible assets increased \$0.8 million from December 31, 2016 and decreased \$14.9 million from March 31, 2016. The net increase during the first three months of 2017 was primarily due to capitalized software additions of \$2.5 million and foreign currency translation of \$4.5 million partially offset by amortization of \$6.2 million. The net decrease over the twelve month period from March 31, 2016 was primarily due to amortization of \$26.0 million, goodwill impairment of \$10.7 million and foreign currency translation of \$10.7 million partially offset by capitalized software additions of \$24.2 million. See Note 4, on pages 49 and 50, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information concerning goodwill and intangible assets.

Deferred pension assets decreased \$1.3 million during the first three months of 2017 and decreased \$21.8 million from March 31, 2016. The decrease in the last twelve months was due to increased pension benefit obligations, primarily due to changes in actuarial assumptions, and a decrease in the fair value of plan assets. See Note 6, on pages 54 through 59, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information concerning the Company's benefit plan assets.

Other assets at March 31, 2017 increased \$20.3 million in the first three months of 2017 primarily due to the reclass of current deferred tax assets to non-current due to the adoption of ASU No. 2015-17. See Note 2. Other assets decreased \$6.8 million from a year ago primarily due to decreased long-term deposits partially offset by the reclass of current deferred tax assets to non-current.

Net property, plant and equipment decreased \$32.8 million in the first three months of 2017 and increased \$6.1 million in the twelve months since March 31, 2016. The decrease in the first three months was primarily due to depreciation expense of \$44.6 million and sale or disposition of fixed assets of \$34.5 million partially offset by capital expenditures of \$41.5 million and changes in currency translation rates of \$4.9 million. Since March 31, 2016, capital expenditures of \$228.5 million were partially offset by depreciation expense of \$173.8 million, dispositions or sale of assets with remaining net book value of \$41.9 million and changes in currency translation rates of \$6.5 million. Capital expenditures during the first three months of 2017 primarily represented expenditures associated with improvements and normal equipment replacement in manufacturing and distribution facilities in the Consumer Group, normal equipment replacement in the Paint Stores and Global Finishes Groups, and information systems hardware in the Administrative Segment.

At March 31, 2017, there were no borrowings outstanding under the commercial paper program and short-term borrowings under the Company's global five-year \$1.350 billion credit agreement were \$16.0 million with a weighted average interest rate of 0.9 percent. Short-term borrowings under various other foreign programs were \$25.9 million with a weighted average interest rate of 13.1 percent. The Company had unused capacity of \$1.334 billion at March 31, 2017 under the credit agreement. In April 2016, the Company entered into a \$7.3 billion Bridge Loan and a \$2.0 billion Term Loan as committed financing for the Valspar acquisition as disclosed in Note 17. No balances were drawn against these facilities as of March 31, 2017. During the first six months of 2016, in anticipation of a probable issuance of new long-term fixed rate debt within the next twelve months, the Company entered into a series of interest rate lock agreements (collectively, the interest rate locks) on a combined notional amount of \$3.6 billion. The objective of the interest rate locks was to hedge the variability in the future semi-annual payments on the anticipated debt attributable to changes in the benchmark interest rate (U.S. Treasury) during the hedge periods. The future semi-annual interest payments are exposed to interest rate risk due to changes in the benchmark interest rate from the inception of the hedge to the time of issuance. The interest rate locks were evaluated for hedge accounting treatment and were designated as cash flow hedges. The interest rate locks were settled in March 2017. The resulting pretax gain of \$87.6 million was recognized in Cumulative other comprehensive loss as the Company expects to issue the new long-term fixed rate debt during the second quarter. There was no material ineffectiveness as of March 31, 2017. The unrealized gain recognized in Cumulative other comprehensive loss will be reclassified to Interest expense in periods following the issuance of the new debt. The Company expects to amortize unrealized gains of \$6.9 million from Cumulative other comprehensive loss to Interest expense during the next twelve months.

In May 2016 and subsequently amended in 2017, the Company entered into a five-year \$350.0 million credit agreement. The credit agreement will be used for general corporate purposes. There were no borrowings outstanding under this credit agreement at March 31, 2017. See Note 7, on pages 60 and 61, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information concerning the Company's debt.

Long-term liabilities for postretirement benefits other than pensions did not change significantly from December 31, 2016 and from March 31, 2016. See Note 6, on pages 54 through 59, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information concerning the Company's benefit plan obligations.

Other long-term liabilities at March 31, 2017 decreased \$62.2 million in the first three months of 2017 primarily due to a decrease in non-current deferred tax liabilities, and decreased \$95.0 million from a year ago primarily due to decreased non-current deferred tax liabilities offset by an increase in accruals for extended environmental-related liabilities.

#### ***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 the first three months of 2017. 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 2017 . See Note 8 for further information on environmental-related long-term liabilities.

#### ***Contractual Obligations, Commercial Commitments and Warranties***

Short-term borrowings increased \$1.2 million to \$41.9 million at March 31, 2017 from \$40.7 million at December 31, 2016 . Total long-term debt increased \$0.5 million to \$1.912 billion at March 31, 2017 from \$1.912 billion at December 31, 2016 , and increased \$1.3 million from \$1.911 billion at March 31, 2016 . On March 19, 2016, the Company and Valspar entered into a definitive agreement under which the Company will acquire Valspar for \$113 per share in an all cash transaction. The transaction is subject to certain conditions and regulatory approvals. On March 20, 2017, the end date of the definitive agreement was extended from the original end date of March 21, 2017 to June 21, 2017. On April 11, 2017, Sherwin-Williams and Valspar entered into a definitive agreement with Axalta Coating Systems Ltd. to divest the assets related to Valspar's North American industrial wood coatings business for approximately \$420 million . The planned divestiture represents annual revenues below the \$650 million threshold. Therefore, the acquisition is expected to be completed at a price of \$113 per share. The completion of the acquisition remains subject to customary conditions, including the receipt of antitrust approvals. See Note 17 for more information. During the first six months of 2016, in anticipation of a probable issuance of new long-term fixed rate debt, the Company entered into a series of interest rate lock agreements on a combined notional amount of \$3.6 billion . The interest rate locks were settled in March 2017. See Note 15 for more information. There have been no other significant changes to the Company's contractual obligations and commercial commitments in the first quarter of 2017 as summarized in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 .

Changes to the Company's accrual for product warranty claims in the first three months of 2017 are disclosed in Note 5.

#### ***Litigation***

See Note 9 for information concerning litigation.

#### ***Shareholders' Equity***

Shareholders' equity increased \$186.9 million to \$2.065 billion at March 31, 2017 from \$1.878 billion at December 31, 2016 and increased \$1.065 billion from \$1.001 billion at March 31, 2016 . The increase in Shareholders' equity for the first three months of 2017 resulted primarily from net income of \$239.2 million , an increase in Other capital of \$59.1 million , resulting primarily from stock option exercises, partially offset by cash dividends paid on common stock of \$79.5 million and an increase in Cumulative other comprehensive loss of \$9.1 million . Since March 31, 2016 , net income of \$1.207 billion , an increase in Other capital of \$175.0 million , and a decrease in Cumulative other comprehensive loss of \$18.7 million more than offset cash dividends paid on common stock of \$313.8 million in twelve months. During the first three months of 2017 and fiscal year 2016, the Company did not purchase any shares of its common stock for treasury purposes through open market purchases due to cash being accumulated in anticipation of the Valspar acquisition closing. The Company acquires its common stock for general corporate purposes, and depending on its cash position and market conditions, it may acquire additional shares in the future. The Company had remaining authorization at March 31, 2017 to purchase 11.65 million shares of its common stock. In February 2017, the Board of Directors increased the quarterly cash dividend from \$.84 per common share to \$.85 per common share. This quarterly dividend will result in an annual dividend for 2017 of \$3.40 per common share or a 28.4 percent payout of 2016 diluted net income per common share.

#### ***Cash Flow***

Net operating cash improved \$293.9 million in the first three months of 2017 to a cash source of \$231.8 million from a cash usage of \$62.1 million in 2016 primarily due to decreased cash used for working capital accounts and other assets and liabilities along with cash generated from increased net income and cash received of \$87.6 million for the settlement of the interest rate lock agreements. Net investing cash usage decreased \$31.6 million in the first three months of 2017 to a usage of \$29.9 million from a usage of \$61.5 million in 2016 primarily due to decreased cash used for capital expenditures and increased proceeds from sale of assets. Land and building of a Company owned distribution center was sold at approximately net book value during the first three months of 2017 . Net financing cash usage increased \$36.5 million to a usage of \$60.1 million in the first three months of 2017 from a usage of \$23.7 million in 2016 primarily due to decreased net proceeds from short-term borrowings partially offset by cash used for debt issuance costs of \$43.7 million in the first three months of 2016. In the twelve month period from April 1, 2016 through March 31, 2017 , the Company generated net operating cash of \$1.602 billion , used \$272.1 million in investing activities and used \$343.8 million in financing activities. In that same period, the Company invested \$228.5 million in capital additions and improvements, paid \$313.8 million in cash dividends to its shareholders of common stock, and decreased short-term borrowings by \$86.3 million .

### 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 the first six months of 2016, the Company entered into forward currency exchange contracts with maturity dates of less than twelve months to hedge against value changes in foreign currency. 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 3.50 to 1.00 (or 5.25 to 1.00 after pending acquisition close). 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 twelve month period ended on the same date. Refer to the "Results of Operations" caption below for a reconciliation of EBITDA to Net income. At March 31, 2017, the Company was in compliance with the covenant. The Company's Notes, Debentures and revolving credit agreements 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 7, on pages 60 and 61, in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 for more information concerning the Company's debt and related covenant.

## RESULTS OF OPERATIONS

Shown below are net sales and income before taxes by segment for the first quarter :

(Thousands of dollars)

	Three Months Ended March 31,		Change
	2017	2016	
<b>Net Sales:</b>			
Paint Stores Group	\$ 1,810,357	\$ 1,615,307	12.1 %
Consumer Group	337,484	378,086	-10.7 %
Global Finishes Group	470,336	454,166	3.6 %
Latin America Coatings Group	141,389	125,187	12.9 %
Administrative	1,821	1,278	42.5 %
Total	\$ 2,761,387	\$ 2,574,024	7.3 %

(Thousands of dollars)

	Three Months Ended March 31,		Change
	2017	2016	
<b>Income Before Income Taxes:</b>			
Paint Stores Group	\$ 304,053	\$ 253,534	19.9 %
Consumer Group	60,591	63,964	-5.3 %
Global Finishes Group	52,435	48,582	7.9 %
Latin America Coatings Group	1,171	(928)	226.2 %
Administrative	(111,645)	(148,787)	25.0 %
Total	\$ 306,605	\$ 216,365	41.7 %

Consolidated net sales increased in the first quarter of 2017 due primarily to higher paint sales volume in our Paint Stores Group and the impact of a change in revenue classification beginning in the third quarter of 2016 related to grossing up third-party service revenue and related costs which were previously netted and immaterial in prior periods. The change in revenue classification increased consolidated net sales in the quarter 2.2 percent. This prospective change primarily impacts the Paint Stores and Global Finishes Groups. This change had no impact on operating profit, but reduced the operating margins of the affected Groups. Currency translation rate changes did not have a material impact on consolidated net sales in the quarter.

Net sales of all consolidated foreign subsidiaries were up 4.6 percent to \$419.0 million in the quarter versus \$400.7 million in the same period last year. The increase in net sales for all consolidated foreign subsidiaries in the quarter was due primarily to price increases while foreign translation rate changes did not have a material impact. Net sales of all operations other than consolidated foreign subsidiaries were up 7.8 percent to \$2.342 billion in the quarter as compared to \$2.173 billion in the same period last year.

Net sales in the Paint Stores Group increased in the first quarter due primarily to higher architectural paint sales volume and the impact of the change in revenue classification. Net sales from stores open for more than twelve calendar months, excluding the change in revenue classification, increased 7.5 percent in the quarter compared to last year's comparable period. Sales of non-paint products, excluding the change in revenue classification, increased by 6.1 percent over last year's first quarter. 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 Group decreased in the first quarter primarily due to lower volume sales to most of the Group's retail and commercial customers. Net sales in the Global Finishes Group stated in U.S. dollars increased in the first quarter due primarily to higher paint sales volume and selling price increases. Net sales in the Latin America Coatings Group stated in U.S. dollars increased in the first quarter primarily due to selling price increases and favorable foreign currency translation rate changes partially offset by volume declines. Currency translation rate changes increased net sales by 5.7 percent in the quarter. Net sales in the Administrative segment, which primarily consist of external leasing revenue of excess headquarters space and leasing of facilities no longer used by the Company in its primary business, were essentially flat in the first quarter.

Consolidated gross profit increased \$81.4 million in the first quarter of 2017 compared to the same period in 2016 primarily due to increased paint sales volume partially offset by higher raw material costs. Consolidated gross profit as a percent of consolidated net sales decreased in the first quarter of 2017 to 48.6 percent compared to 2016 at 49.0 percent due primarily to the impact of the change in revenue classification and higher raw material costs partially offset by increased paint volume.

The Paint Stores Group's gross profit was higher than last year by \$82.5 million in the first quarter due to higher paint sales volume. The Paint Stores Group's gross profit margins decreased in the quarter, primarily due to the impact of the change in revenue classification and increased raw material costs only partially offset by increased paint sales volume. The Consumer Group's gross profit decreased by \$10.2 million in the quarter compared to the same period last year primarily due to lower sales and increased raw material costs. The Consumer Group's gross profit margins were up as a percent of sales in the quarter compared to the same period last year due primarily to manufacturing efficiencies. The Global Finishes Group's gross profit increased \$6.6 million in the first quarter compared to the same period last year, when stated in U.S. dollars, primarily due to selling price increases and sales volume partially offset by higher raw material costs. The Global Finishes Group's gross profit margins were up as a percent of sales in the quarter compared to the same period last year due primarily to those same reasons. The Latin America Coatings Group's gross profit increased by \$4.9 million in the first quarter from the same period in the prior year, when stated in U.S. dollars, primarily due to selling price increases and favorable foreign currency translation rate changes partially offset by volume declines. The Administrative segment's gross profit decreased by \$2.4 million in the first quarter compared to the same period last year.

Selling, general and administrative expenses (SG&A) increased \$13.9 million in the first quarter of 2017 versus last year due primarily to increased expenses to support higher sales levels and net new store openings partially offset by lower expenses associated with the anticipated acquisition of Valspar. In the first quarter of 2017, expenses associated with the upcoming acquisition of Valspar were \$5.0 million compared to \$31.1 million in 2016. As a percent of sales, consolidated SG&A decreased slightly to 36.8 percent in the quarter of 2017 from 38.9 percent in the first quarter of 2016.

The Paint Stores Group's SG&A increased \$31.6 million in the first quarter due primarily to net new store openings and general comparable store expenses to support higher sales levels. The Consumer Group's SG&A decreased \$6.3 million in the quarter compared to the same period last year primarily due to good cost control. The Global Finishes Group's SG&A increased \$3.6 million in the quarter primarily due to supporting increased sales. The Latin America Coatings Group's SG&A increased \$5.5 million in the first quarter due to currency translation rate changes and timing of spending. The Administrative segment's SG&A decreased \$20.6 million in the first quarter primarily due to decreased costs associated with the anticipated acquisition of Valspar.

Interest expense was essentially flat in the first quarter of 2017 versus 2016 due to comparable amortization of credit facility costs incurred in early 2016 and stable debt levels.

Other general expense—net decreased \$17.3 million in the first quarter due to decreased provisions for environmental expenses in the Administrative segment.

Other expense (income)—net improved \$4.6 million in the first quarter as compared to 2016 primarily due to foreign currency transaction related gains in both Global Finishes and Latin America Coatings Groups in 2017.

Consolidated income before income taxes increased \$90.2 million in the first quarter , primarily due to higher segment profits in the Paint Stores and Global Finishes Groups and lower expenses in the Administrative segment. The Administrative segment incurred the costs associated with the anticipated acquisition of Valspar and amortization of credit facility costs incurred in 2016 and related servicing fees totaling \$13.0 million and \$37.1 million for the first quarter in 2017 and 2016 , respectively.

The effective income tax rate for the first quarter of 2017 was 22.0 percent compared to 23.8 percent in 2016 . The decrease in the effective tax rate for the first quarter of 2017 compared to 2016 was primarily due to a larger tax benefit from the Company's adoption of ASU No. 2016-09. Excluding the impact of ASU No. 2016-09, the effective income tax rate was 32.8 percent and 32.0 percent for the first quarter of 2017 and 2016 .

Diluted net income per common share in the quarter increased to \$2.53 per share from \$1.75 per share in 2016, as restated due to the adoption of ASU No. 2016-09. First quarter diluted net income per common share includes an increase of \$.34 per share related to the adoption of ASU No. 2016-09 partially offset by an \$.08 per share charge from Acquisition costs. First quarter diluted net income per common share in 2016 included a \$.24 per share charge from Acquisition costs partially offset by an increase of \$.18 per share related to the adoption of ASU No. 2016-09.

Management considers a measurement that is not in accordance with U.S. generally accepted accounting principles a useful measurement of the operational profitability of the Company. Some investment professionals also utilize such a measurement as an indicator of the value of profits and cash that are generated strictly from operating activities, putting aside working capital and certain other balance sheet changes. For this measurement, management increases net income for significant non-operating and non-cash expense items to arrive at an amount known as “Earnings Before Interest, Taxes, Depreciation and Amortization” (EBITDA). The reader is cautioned that the following value for EBITDA should not be compared to other entities unknowingly. EBITDA should not be considered an alternative to net income or cash flows from operating activities as an indicator of operating performance or as a measure of liquidity. The reader should refer to the determination of net income and cash flows from operating activities in accordance with U.S. generally accepted accounting principles disclosed in the Statements of Consolidated Income and Comprehensive Income and Statements of Consolidated Cash Flows. EBITDA as used by management is calculated as follows:

(Thousands of dollars)

	Three Months Ended March 31,	
	2017	2016
Net income	\$ 239,152	\$ 164,876
Interest expense	25,695	25,732
Income taxes	67,453	51,489
Depreciation	44,595	42,895
Amortization	6,182	5,782
EBITDA	\$ 383,077	\$ 290,774

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report constitute “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements are based upon management’s current expectations, 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,” “potential,” “seek,” “intend” 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 and experience. These risks, uncertainties and other factors include such things as:

- general business conditions, strengths of retail and manufacturing economies and the growth in the coatings industry;
- legal, regulatory and other matters that may affect the timing of our ability to complete the planned acquisition of The Valspar Corporation, or Valspar, if at all, including the potential for regulatory authorities to require divestitures in connection with the proposed transaction;
- our ability to successfully integrate past and future acquisitions into our existing operations, including Valspar, as well as the performance of the businesses acquired;
- risks inherent in the achievement of cost synergies and the timing thereof for the planned acquisition of Valspar;
- competitive factors, including pricing pressures and product innovation and quality;
- changes in raw material and energy supplies and pricing;
- changes in our relationships with customers and suppliers;
- our ability to attain cost savings from productivity initiatives;
- changes in general domestic 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;
- 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 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; and
- unusual weather conditions.

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.

### **Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT 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. The Company enters into option and forward currency exchange contracts and commodity swaps to hedge against value changes in foreign currency and commodities. The Company believes it may experience continuing losses from foreign currency translation and commodity price fluctuations. However, the Company does not expect currency translation, transaction, commodity price fluctuations or hedging contract losses to have a material adverse effect on the Company's financial condition, results of operations or cash flows. There were no material changes in the Company's exposure to market risk since the disclosure included in Management's Discussion and Analysis of Financial Condition and Results of Operations in the Company's Annual Report on Form 10-K for the year ended December 31, 2016 .

#### **Item 4. 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.

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.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings.

For information with respect to certain environmental-related matters and legal proceedings, see the information included under the captions entitled “Environmental-Related Liabilities” and “Litigation” of “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Notes 8 and 9 of the “Notes to Condensed Consolidated Financial Statements,” which is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

A summary of the repurchase activity for the Company's first quarter is as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of a Publicly Announced Plan	Number of Shares That May Yet Be Purchased Under the Plan
<b>January 1 - January 31</b>				
Share repurchase program <sup>(1)</sup>				11,650,000
Employee transactions <sup>(2)</sup>	1,329	\$ 300.12		NA
<b>February 1 - February 28</b>				
Employee transactions <sup>(2)</sup>	72,484	\$ 311.37		NA
<b>March 1 - March 31</b>				
Employee transactions <sup>(2)</sup>	460	311.12		NA
<b>Total</b>				
Share repurchase program <sup>(1)</sup>				11,650,000
Employee transactions <sup>(2)</sup>	74,273	\$ 311.17		NA

<sup>(1)</sup> All shares were purchased through the Company's publicly announced share repurchase program. There is no expiration date specified for the program. The Company had remaining authorization at March 31, 2017 to purchase 11,650,000 shares.

<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.

Item 5. Other Information.

During the three months ended March 31, 2017, the Audit Committee of the Board of Directors of the Company approved permitted non-audit services to be performed by Ernst & Young LLP, the Company's independent registered public accounting firm. These non-audit services were approved within categories related to domestic advisory tax and tax compliance services and international tax compliance.

Item 6. Exhibits.

- 4.1 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.
- 4.2 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.
- 4.3 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.
- 10.1 The Sherwin-Williams Company 2005 Director Deferred Fee Plan (Amended and Restated Effective as of April 18, 2017) (filed herewith).
- 10.2 The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan (Amended and Restated as of April 19, 2017) (filed herewith).
- 10.3 The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) (filed herewith).
- 31(a) Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer (filed herewith).
- 31(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).
- 32(b) Section 1350 Certification of Chief Financial Officer (furnished herewith).
- 101.INS XBRL Instance Document
- 101.SCH XBRL Taxonomy Extension Schema Document
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document

**Signatures**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE SHERWIN-WILLIAMS COMPANY

April 21, 2017

By:

/s/ Jane M. Cronin

Jane M. Cronin

Senior Vice President-Corporate Controller

April 21, 2017

By:

/s/ Catherine M. Kilbane

Catherine M. Kilbane

Senior Vice President, General

Counsel and Secretary

## INDEX TO EXHIBITS

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101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

**THE SHERWIN-WILLIAMS COMPANY 2005  
DIRECTOR DEFERRED FEE PLAN  
(Amended and Restated Effective as of April 18, 2017)**

1. PURPOSE. The purpose of The Sherwin-Williams Company 2005 Director Deferred Fee Plan (the "Plan") is to provide non-employee Directors of the Company with the opportunity to defer taxation of all or a portion of such Director's Board Retainer and/or Meeting Fees and to help build loyalty to the Company through increased opportunity to invest in Company Common Stock. The terms of this Plan, amended and restated as set forth herein, apply to amounts deferred under this Plan after April 17, 2017.

Notwithstanding anything to the contrary contained herein, amounts deferred under this Plan on or before April 17, 2017 shall be governed by the terms of this Plan effective at the time of deferral, provided that, all amounts that were deferred and vested under this Plan prior to January 1, 2005 and any additional amounts that are not subject to Section 409A of the Code shall continue to be subject solely to the terms of the separate Plan in effect on October 3, 2004.

2. DEFINITIONS. The following terms when used herein with initial capital letters shall have the following respective meanings unless the text clearly indicates otherwise:

- (a) Board of Directors. "Board of Directors" means the Board of Directors of the Company.
- (b) Board Retainer. "Board Retainer" means the compensation payable monthly to Directors.
- (c) Code. "Code" means the Internal Revenue Code of 1986, as amended.
- (d) Committee. "Committee" means the Compensation and Management Development Committee of the Board of Directors, or a sub-committee of that Committee.
- (e) Common Stock. "Common Stock" means the common stock of the Company or any security into which such Common Stock may be changed by reason of: (i) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (ii) any merger, consolidation, separation, reorganization or partial or complete liquidation, or (iii) any other corporate transaction or event having an effect similar to any of the foregoing.
- (f) Common Stock Account. "Common Stock Account" means the bookkeeping account established and maintained under this Plan which is credited with Common Stock in accordance with Section 5(b).
- (g) Company. "Company" means The Sherwin-Williams Company, an Ohio corporation or its successor(s) in interest.
- (h) Deferred Cash Account. "Deferred Cash Account" means the bookkeeping account established and maintained under this Plan which is valued in accordance with Section 5(a).

- (i) Deferred Compensation. "Deferred Compensation" means the amount of the Board Retainer and/or Meeting Fee of the Participant deferred pursuant to this Plan.
- (j) Director. "Director" means a member of the Board of Directors.
- (k) Eligible Director. "Eligible Director" means a Director who is not an employee of the Company or a Subsidiary.
- (l) Fair Market Value. "Fair Market Value" of Common Stock means the average between the highest and the lowest quoted selling price per share of the Company's Common Stock on the New York Stock Exchange or any successor exchange.
- (m) Fees. "Fees" means the compensation payable to Directors for their services as a director, including the Board Retainer and Meeting Fee.
- (n) Meeting Fee. "Meeting Fee" means the compensation payable at the time of a meeting to a Director for each meeting of the Board of Directors or committee of the Board of Directors that such Director attends and/or chairs.
- (o) Participant. "Participant" means an Eligible Director who has elected to participate in this Plan.
- (p) Payment Date. "Payment Date" means, with respect to the payment of any Deferred Compensation, the first Friday after the first business day of each calendar quarter.
- (q) Plan. "Plan" means this plan set forth in this instrument, and known as "The Sherwin-Williams Company 2005 Director Deferred Fee Plan", amended and restated effective as of April 18, 2017.
- (r) Plan Year. "Plan Year" means a calendar year.
- (s) Shadow Stock. "Shadow Stock" means a unit of interest equivalent to a share of Common Stock that is paid in cash.
- (t) Shadow Stock Account. "Shadow Stock Account" means the bookkeeping account established and maintained under this Plan credited with Shadow Stock in accordance with Section 5(c).
- (u) Subsidiary. "Subsidiary" means a corporation, company or other entity (i) at least 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but at least 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company.
- (v) Trust. "Trust" means one or more trust funds established for the purpose of (i) providing a source from which to pay benefits under this Plan and (ii) purchasing and holding assets, including shares of Common Stock. Any such trust funds shall be subject to the claims of the Company's creditors in the event of the Company's insolvency, though such trust funds may not necessarily hold sufficient assets to satisfy all of the benefits to be provided under this Plan.
- (w) Unforeseeable Emergency. "Unforeseeable Emergency" means a severe financial hardship arising from (i) the illness or accident of the Participant, the Participant's spouse, or the Participant's dependent (as defined in Section 152(a) of the Code),

(ii) loss of the Participant's property due to casualty, or (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. The determination of whether a Participant has incurred an Unforeseeable Emergency shall be made by the Committee, in its sole discretion, in accordance with Section 409A of the Code and Treasury Regulations thereunder.

3. ELIGIBILITY. An Eligible Director shall become a Participant upon completion of an Election (as defined in Section 4) or as otherwise provided in Section 4.
4. ELECTION PROCEDURE. An Eligible Director wishing to participate in this Plan must file a written notice on the Notice of Election form electing to defer payment for a Plan Year of all or a portion of his or her Fees as a Director ("Election"). Any such Election must be filed prior to the first day of the Plan Year in which the Director's annual service period begins and shall be effective only with respect to Fees earned after the end of the Plan Year in which the Election is filed. If, however, the Election is with respect to the first year a Director is eligible to participate in this Plan, the Committee may permit a Director to make the Election within 30 days after the date on which the Director is first eligible; provided, however, any such Election will only apply with respect to Fees earned after the effective date of the Election. Any such Election will continue in effect until the Director modifies or terminates such Election effective as of the beginning of a subsequent Plan Year. An effective Election may be terminated or modified for any subsequent Plan Year by filing either a new Notice of Election form to effect modifications, or a Notice of Termination form to effect terminations, on or before the December 31st immediately preceding the Plan Year for which such modification or termination is to become effective. An Election shall not be effective until receipt of the fully and properly completed Notice of Election form by the Secretary of the Company. A fully and properly completed Notice of Election form must indicate: (i) the percentage of Fees to be deferred; (ii) manner of payment upon distribution; (iii) payment commencement date; and (iv) deemed investment election. Once effective for a Plan Year, an Election is irrevocable and may not be changed for that Plan Year. No subsequent election may change the manner of payment, the payment commencement date or the deemed investment of the Fees previously deferred. An Election shall apply to Fees payable with respect to each subsequent Plan Year, unless terminated or modified as described herein. A person for whom an effective Election is terminated may thereafter file a new Notice of Election form, in the manner described above, for future Plan Years for which he or she is eligible to participate in this Plan.
5. INVESTMENT ACCOUNTS. The amount of a Participant's Deferred Compensation pursuant to an Election shall be deemed credited to the investment options specified in this Section 5 in the manner elected by the Participant. A Participant's election as to the investment options in which his or her Deferred Compensation for a Plan Year shall be deemed to be invested shall be irrevocable by the Participant with respect to Deferred Compensation and deemed earnings thereon, and Deferred Compensation and deemed earnings thereon cannot be transferred between investment accounts. A Participant may elect to credit no less than twenty-five percent (25%) of his or her Deferred

Compensation for a Plan Year (the "Minimum Election") to any particular investment option. Any amounts in excess of the Minimum Election shall be made in five percent (5%) increments. If a Participant fails to direct the investment of any Deferred Compensation, all such Deferred Compensation will be credited to the Participant's Deferred Cash Account. A Participant may elect to have his or her Deferred Compensation deemed to be invested in one or more of the following investment accounts:

- (a) DEFERRED CASH ACCOUNT. Each Participant's Deferred Cash Account shall accrue interest computed using the Fidelity Government Money Market Fund. The interest shall be computed on the actual balance in each Participant's Deferred Cash Account during the previous calendar quarter.
- (b) COMMON STOCK ACCOUNT. The Participant's Common Stock Account shall be credited with that quantity of Common Stock equal to the number of full and fractional shares (to the nearest thousandths) which could have been purchased by the Trust with the portion of Deferred Compensation a Participant has elected to allocate to the Common Stock Account based on the Fair Market Value of such Common Stock on each Payment Date. There will be credited to each Participant's Common Stock Account amounts equal to the cash dividends, and other distributions, paid on shares of issued and outstanding Common Stock represented by the Participant's Common Stock Account which the Participant would have received had he or she been a record owner of shares of Common Stock equal to the amount of Common Stock in his or her Common Stock Account at the time of payment of such cash dividends or other distributions. The Participant's Common Stock Account shall be credited with a quantity of shares of Common Stock and fractions thereof (to the nearest thousandths) that could have been purchased with the dividends or other distributions based on the Fair Market Value of Common Stock on the date of payment of such dividends or other distributions.
- (c) SHADOW STOCK ACCOUNT. The Participant's Shadow Stock Account shall be credited with a quantity of Shadow Stock units and fractions thereof (to the nearest thousandths) equal to the value of Common Stock that could have been purchased with the portion of the Deferred Compensation credited to the Shadow Stock Account on each Payment Date based on the Fair Market Value of Common Stock on such Payment Date. There will be credited to each Participant's Shadow Stock Account amounts equal to the cash dividends, and other distributions, paid on shares of issued and outstanding Common Stock represented by the Participant's Shadow Stock Account which the Participant would have received had he or she been a record owner of a number of shares of Common Stock equal to the amount of Shadow Stock in his or her Shadow Stock Account at the time of payment of such cash dividends or other distributions. The Participant's Shadow Stock Account shall be credited with a quantity of Shadow Stock units and fractions thereof (to the nearest thousandths) that could have been purchased with the dividends or other distributions based on the Fair Market Value of Common Stock on the date of payment of such dividends or other distributions.

6. DEPOSITS TO THE TRUST. The Company shall deposit into the Trust the following cash amounts : (i) all accrued interest on Participants' Deferred Cash Accounts and (ii) an amount equal to cash dividends and other distributions paid on shares of Common Stock represented by units of Shadow Stock and shares of Common Stock credited to Participants' Shadow Stock Accounts and Common Stock Accounts, respectively.. Notwithstanding the foregoing, the Trust shall not be funded if the funding thereof would result in taxable income to a Participant (i) due to the assets of the Trust being located or transferred outside of the United States; (ii) due to the assets of the Trust being restricted to the provision of benefits under this Plan in connection with a change in the Company's financial health; (iii) due to the assets being set aside, reserved or transferred to the Trust during any restricted period (as defined in Section 409A(b)(3)(B) of the Code); or (iv) as otherwise provided pursuant to Section 409A(b) of the Code.

7. PAYMENT OF DEFERRED COMPENSATION.

- (a) Amount of Payment. The benefit that a Participant will receive from the Company in accordance with this Plan shall be: (i) the number of full shares of Common Stock credited to the Participant's Common Stock Account; and (ii) cash equal to the sum of (I) the cash amount credited to the Participant's Deferred Cash Account; (II) the Fair Market Value, in cash, of the fractional shares (to the nearest thousandths) of Common Stock on the date such fractional shares were credited to the Participant's Common Stock Account; and (III) the cash value of the Shadow Stock units and fractions thereof (to the nearest thousandths) credited to the Participant's Shadow Stock Account. The value of a Participant's Deferred Cash Account, fractional shares of Common Stock and Shadow Stock Account shall be determined by the Company on the last business day of the calendar quarter immediately preceding the calendar quarter in which a Participant is entitled to a distribution hereunder in accordance with Section 7(c) below. Notwithstanding the preceding sentence to the contrary, in the event of a Change of Control or termination and liquidation of this Plan as provided in Sections 9 and 13, respectively, the value of a Participant's Deferred Cash Account, Shadow Stock Account and Common Stock Account shall be determined by the Company immediately following such an event.
- (b) Manner of Payment. A Participant's Deferred Compensation, as adjusted for deemed earnings or losses thereon, will be paid by the Company to him or her or, in the event of his or her death, to the Participant's beneficiary in a lump sum, unless the Participant makes a timely election in accordance with Section 4, to have the benefits paid in substantially equal annual cash installments over a period not exceeding ten (10) years. To the extent that benefits are payable in the form of annual installments pursuant to this Section 7(b), annual payments will be made commencing on the payment commencement date determined pursuant to Section 7(c) and shall continue on each anniversary thereof until the number of annual installments specified in the Participant's timely election has been paid. The amount of each such installment payment shall be determined by dividing the sum of the balances of the Participant's Deferred Cash Account and Shadow

Stock Account, determined on the last business day of the calendar quarter preceding the first installment payment date, by the number of installment payments, without regard to anticipated earnings. Notwithstanding the foregoing, a Participant's Deferred Compensation invested in the Common Stock Account shall only be distributed to the Participant, in kind, in a lump sum. Amounts credited to a Participant's Deferred Cash Account held pending distribution pursuant to this Section 7(b) shall continue to be credited with interest in accordance with the provisions of Section 5(a) above.

- (c) Payment Commencement Date. Payments of Deferred Compensation and earnings thereon shall commence within two (2) business days following the first business day of the first calendar quarter beginning after the earlier of the date the Participant elected to receive payment in accordance with Section 4 or the date the Participant ceases to be a Director. Notwithstanding a Participant's manner of payment election hereunder, if a Participant ceases to be a Director as a result of the Participant's death, the Company shall pay to the Participant's beneficiary or beneficiaries a lump sum on the first business day of the first calendar quarter beginning after the Participant's death.
  - (d) Unforeseeable Emergency. In the event a Participant has elected to receive distribution from this Plan in the form of installment payments, the Committee may, nonetheless, upon request of the Participant, in its sole discretion, accelerate payment of all or any portion of the Participant's remaining account under this Plan, if the Committee determines that the Participant has experienced an Unforeseeable Emergency. The amount of any such accelerated payment shall be limited to the amount necessary to alleviate the Unforeseeable Emergency.
8. BENEFICIARIES. A Participant may, by executing and delivering to the Secretary of the Company prior to the Participant's death a Beneficiary Election form, designate a beneficiary or beneficiaries to whom distribution of his or her interest under this Plan shall be made in the event of his or her death prior to the full receipt of his or her interest under this Plan, and he or she may designate the portions to be distributed to each such designated beneficiary if there is more than one. Any such designation may be revoked or changed by the Participant at any time and from time to time by filing, prior to the Participant's death, with the Secretary of the Company an executed Beneficiary Election form. If there is no such designated beneficiary living upon the death of the Participant, or if all such designated beneficiaries die prior to the full distribution of the Participant's interest, then any remaining unpaid amounts shall be paid to the estate of the Participant or Participant's beneficiaries.
9. CHANGE OF CONTROL. In the event of a Change of Control, the amounts to which Participants are entitled under this Plan shall be immediately distributed in a lump sum cash payment to Participants within ninety (90) days following the date of such Change of Control. For purposes of this Plan, a Change of Control shall be deemed to occur on the date of any of the following events:
- (a) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange

Act”) (a “Person”) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock (as defined below) of the Company; provided, however, that:

- (i) the following acquisitions will not constitute a Change of Control: (1) any acquisition of Voting Stock directly from the Company that is approved by a majority of the Incumbent Directors (as defined below), (2) any acquisition of Voting Stock by the Company or any Subsidiary, (3) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, and (4) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (i), (ii) and (iii) of Section 9(c) below;
  - (ii) 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 (1) of Section 9(a)(i) 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 the Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change of Control;
  - (iii) 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 the Company in which all holders of Voting Stock are treated equally; and
  - (iv) 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
- (b) a majority of the Board of Directors ceases to be comprised of Incumbent Directors; or

- (c) the consummation of a reorganization, merger or consolidation, or sale or other disposition of all or substantially all of the assets of the Company 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 (i) 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 the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (ii) no Person (other than the Company, such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Company, 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 (iii) 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 of Directors providing for such Business Transaction; or
  - (d) the consummation of the liquidation or dissolution of the Company, except pursuant to a Business Transaction that complies with clauses (i), (ii) and (iii) of Section 9(c); or
  - (e) For purposes of this Section 9, the terms (i) “Incumbent Directors” shall mean, during any period of two consecutive years, individuals who at the beginning of such period constituted the Board of Directors and any new Director (other than a Director initially elected or nominated as a Director as a 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 of Directors pursuant to any proxy access procedures included in the Company’s organizational documents) whose election by the Board of Directors or nomination for election by the Company's 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 the Company which have the right to vote on the election of members of the Board of Directors.
10. NON-ASSIGNABILITY. Neither a Participant nor any beneficiary designated by him shall have any right to, directly or indirectly, alienate, assign or encumber any amount that is or may be payable hereunder.
11. ADMINISTRATION OF PLAN. Full discretionary power and authority to construe, interpret and administer this Plan shall be vested in the Committee. 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 or any committee of the Board of Directors, as it may, in its sole discretion, deem appropriate. Pursuant to this Section 11, the Senior Vice President - Human Resources of the Company shall be delegated authority by the Committee to conduct administrative functions with respect to this Plan and make changes to this Plan as he deems appropriate, provided that such changes do not impact the investment options and any amounts payable or benefits granted under this Plan without first obtaining the approval of the Committee. Decisions of the Committee or its designee shall be final, conclusive and binding upon all persons affected thereby.

12. GOVERNING LAW. To the extent not preempted by federal law, the provisions of this Plan shall be interpreted and construed in accordance with the laws of the State of Ohio (without giving effect to the conflict of law provisions thereof).

13. AMENDMENT/TERMINATION.

(a) Amendment and Termination in General. The Committee may amend, suspend or terminate this Plan at any time; provided that no such amendment, suspension or termination shall adversely affect the amounts in any then-existing account. Further, no amendment, suspension or termination of this Plan may result in the acceleration of payment of any benefits to any Participant, beneficiary or other person, except as may be permitted under Section 409A of the Code.

(b) Payment of Benefits Following Termination. In the event that this Plan is terminated, a Participant's benefits shall be distributed to the Participant or beneficiary on the dates on which the Participant or beneficiary would otherwise receive benefits hereunder without regard to the termination of this Plan. Notwithstanding the preceding sentence, and to the extent permitted under Section 409A of the Code, the Committee may terminate this Plan and accelerate the payment of Participants' benefits subject to the following conditions:

(i) Company's Discretion. The termination does not occur "proximate to a downturn in the financial health" of the Company (within the meaning of Treasury Regulation §1.409A-3(j)(4)(ix)), and all other arrangements required to be aggregated with this Plan under Section 409A of the Code are also terminated and liquidated. In such event, the entire benefits of all Participants shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no earlier than twelve (12) months, and no later than twenty-four (24) months, after the date the Committee irrevocably approves the termination of this Plan. Notwithstanding the foregoing, any payment that would otherwise be paid pursuant to the terms of this Plan prior to the twelve (12) month anniversary of the date that the Board of Directors irrevocably approves the termination of this Plan shall continue to be paid in accordance with the terms of this Plan. If this Plan is terminated pursuant to this Section 13(b)(i), the Company shall be prohibited from adopting a

new plan or arrangement that would be aggregated with this Plan under Section 409A of the Code within three (3) years following the date that the Committee irrevocably approves the termination and liquidation of this Plan.

- (ii) Change of Control. The termination occurs pursuant to an irrevocable action of the Committee that is taken within the thirty (30) days preceding or the twelve (12) months following a Change of Control (as defined in Section 9), and all other plans sponsored by the Company (determined immediately after the Change of Control) that are required to be aggregated with this Plan under Section 409A of the Code are also terminated with respect to each participant therein who experienced the Change of Control (each a "Change of Control Participant"). In such event, the entire benefits of each Participant under this Plan and each Change of Control Participant under all aggregated plans shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made no later than twelve (12) months after the date that the Committee irrevocably approves the termination.
- (iii) Dissolution; Bankruptcy Court Order. The termination occurs within twelve (12) months after a corporate dissolution taxed under Section 331 of the Code, or with the approval of a bankruptcy court pursuant to 11 U.S.C. §503(b)(1)(A). In such event, the entire benefits of each Participant shall be paid at the time and pursuant to the schedule specified by the Company, so long as all payments are required to be made by the latest of: (A) the end of the calendar year in which this Plan termination occurs, (B) the first calendar year in which the amount is no longer subject to a substantial risk of forfeiture, or (C) the first calendar year in which payment is administratively practicable.
- (iv) Other Events. The termination occurs upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance published in the Internal Revenue Bulletin.

The provisions of subsections (i), (ii), (iii) and (iv) of this Section 13(b) are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j)(4)(ix) and shall be interpreted and administered accordingly. The term "Company" as used in subsections (i) and (ii) of this Section 13(b) shall include the Company and any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code.

#### 14. SECTION 409A OF THE CODE.

- (a) It is intended that this Plan comply with the provisions of Section 409A of the Code, so as to prevent the inclusion in gross income of any amounts deferred hereunder in a taxable year that is prior to the taxable year or years in which such

amounts would otherwise actually be paid or made available to Participants or beneficiaries. This Plan shall be construed, administered and governed in a manner that effects such intent. In furtherance of that intent, to the extent necessary to comply with Section 409A of the Code: (i) a Participant will be deemed to cease to be a Director on the date of the Participant's "separation from service" (within the meaning of Section 409A of the Code); and (ii) notwithstanding any other provision of this Plan to the contrary other than Sections 14(b)(i) and 14(b)(ii), in the event that a Participant is a "specified employee" (within the meaning of Section 409A of the Code), any payment that would otherwise be made or commence as a result of such separation from service shall be paid or commence on the first business day which is no less than six (6) months after the Participant's separation from service.

- (b) Discretionary Acceleration of Payments. To the extent permitted by Section 409A of the Code, the Committee may, in its sole discretion, accelerate the time or schedule of a payment under this Plan as provided in this Section. The provisions of this Section are intended to comply with the exception to accelerated payments under Treasury Regulation §1.409A-3(j) and shall be interpreted and administered accordingly.
- (i) *Domestic Relations Orders*. The Committee may, in its sole discretion, accelerate the time or schedule of a payment under this Plan to an individual other than the Participant as may be necessary to fulfill a domestic relations order (as defined in Section 414(p)(1)(B) of the Code).
  - (ii) *Conflicts of Interest*. The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan to the extent necessary for any federal officer or employee in the executive branch to comply with an ethics agreement with the federal government. Additionally, the Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan to the extent reasonably necessary to avoid the violation of an applicable federal, state, local, or foreign ethics law or conflicts of interest law (including where such payment is reasonably necessary to permit the Participant to participate in activities in the normal course of his or her position in which the Participant would otherwise not be able to participate under an applicable rule).
  - (iii) *Limited Cash-Outs*. The Committee may, in its sole discretion, require a mandatory lump sum payment of amounts deferred under this Plan that do not exceed the applicable dollar amount under Section 402(g)(1)(B) of the Code, provided that the payment results in the termination and liquidation of the entirety of the Participant's interest under this Plan, including all agreements, methods, programs or other arrangements that are aggregated with this Plan pursuant to Treasury Regulation § 1.409A-1(c).

- (iv) *Payment Upon Income Inclusion Under Section 409A.* The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan at any time this Plan fails to meet the requirements of Section 409A of the Code. The payment may not exceed the amount required to be included in income as a result of the failure to comply with the requirements of Section 409A of the Code.
- (v) *Cancellation of Deferral Election Due to Unforeseeable Emergency .* The Committee may, in its sole discretion, cancel a Participant's deferral election due an Unforeseeable Emergency.
- (vi) *Certain Payments to Avoid a Nonallocation Year under Section 409(p).* The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan to prevent the occurrence of a nonallocation year (within the meaning of Section 409(p)(3) of the Code) in the plan year of an employee stock ownership plan next following the plan year in which such payment is made, provided that the amount paid may not exceed 125 percent of the minimum amount of payment necessary to avoid the occurrence of a nonallocation year.
- (vii) *Payment of State, Local, or Foreign Taxes.* The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan to reflect payment of state, local, or foreign tax obligations arising from participation in this Plan that apply to an amount deferred under this Plan before the amount is paid or made available to the Participant (the state, local, or foreign tax amount). Such payment may not exceed the amount of such taxes due as a result of participation in this Plan. The payment may be made in the form of withholding pursuant to provisions of applicable state, local, or foreign law or by payment directly to the Participant.
- (viii) *Cancellation of Deferral Election Due to Disability .* The Committee may, in its sole discretion, cancel a Participant's deferral election in the event that a Participant incurs a disability, provided that such cancellation occurs by the later of the end of the calendar year in which the Participant incurs a disability or the 15th day of the third month following the dated the Participant incurs a disability. For purposes of this Section 14(b)(viii), a disability refers to any medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position, where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six (6) months.
- (ix) *Certain Offsets.* The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan as

satisfaction of a debt of the Participant to the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code), where such debt is incurred in the ordinary course of the service relationship between the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) and the Participant, the entire amount of reduction in any of the taxable years of the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) does not exceed \$5,000, and the reduction is made at the same time and in the same amount as the debt otherwise would have been due and collected from the Participant.

- (x) *Bona Fide Disputes as to a Right to a Payment.* The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan where such payment occurs as part of a settlement between the Participant and the Company (or any entity which would be considered to be a single employer with the Company under Sections 414(b) or 414(c) of the Code) of an arm's length, bona fide dispute as to the Participant's right to the deferred amount.
- (xi) *Plan Terminations and Liquidations.* The Committee may, in its sole discretion, provide for the acceleration of the time or schedule of a payment under this Plan as provided in Section 13(b) hereof.
- (xii) *Other Events and Conditions.* A payment may be accelerated upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

Except as otherwise specifically provided in this Plan, including but not limited to Section 7(d), Section 13(b) and this Section 14(b) hereof, the Committee may not accelerate the time or schedule of any payment or amount scheduled to be paid under this Plan within the meaning of Code Section 409A.

- (c) Delay of Payments . To the extent permitted under Section 409A of the Code, the Committee may, in its sole discretion, delay payment under any of the following circumstances, provided that the Committee treats all payments to similarly situated Participants on a reasonably consistent basis:
  - (i) *Federal Securities Laws or Other Applicable Law* . A payment may be delayed where the Committee reasonably anticipates that the making of the payment will violate federal securities laws or other applicable law; provided that the delayed payment is made at the earliest date at which the Committee reasonably anticipates that the making of the payment will not cause such violation. For purposes of the preceding sentence, the making of a payment that would cause inclusion in gross income or the application

of any penalty provision or other provision of the Code is not treated as a violation of applicable law.

- (ii) *Other Events and Conditions* . A payment may be delayed upon such other events and conditions as the Internal Revenue Service may prescribe in generally applicable guidance.

**THE SHERWIN-WILLIAMS COMPANY**  
**2007 Executive Annual Performance Bonus Plan**  
**(Amended and Restated as of April 19, 2017)**

1. **Purpose.** The purpose of The Sherwin-Williams Company 2007 Executive Annual Performance Bonus Plan (As Amended and Restated Effective April 19, 2017) (formerly known as The Sherwin-Williams Company 2007 Executive Performance Bonus Plan) (the “Plan”) is to attract and retain executives and other key employees for The Sherwin-Williams Company, an Ohio corporation (the “Company”), and its Subsidiaries (as hereinafter defined) and to incent such persons for superior performance in producing results that increase shareholder value, as well as to encourage individual and team behavior that helps the Company achieve both short- and long-term corporate objectives. This Plan is intended to provide performance-based compensation to certain individuals as further described herein that is fully deductible by the Company under federal tax law and is to be interpreted and operated accordingly.
2. **Definitions.**
  - (a) “162(m) Participant” means an eligible individual who is, or who the Committee determines is, likely to become a “Covered Employee” within the meaning of Section 162(m) with respect to an Award made under this Plan, in each case, as designated by the Committee.
  - (b) “Award” means, with respect to each Participant, the award determined pursuant to Section 8 for a Plan Year. Each Award is determined by a Payout Formula(e) for the applicable Plan Year, subject to the Committee’s authority to adjust the Award otherwise payable.
  - (c) “Base Salary” means, as to any Plan Year, the Participant’s actual salary paid during the Plan Year. Such Base Salary shall be determined before both (i) deductions for taxes or benefits, and (ii) deferrals of compensation pursuant to Company-sponsored plans.
  - (d) “Board” means the Board of Directors of the Company.
  - (e) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
  - (f) “Committee” means the Compensation and Management Development Committee of the Board, or a sub-committee of that Committee, which shall, with respect to payments hereunder intended to qualify as Performance-Based Compensation, consist solely of two or more members of the Board who are not employees of the Company and who otherwise qualify as “outside directors” within the meaning of Section 162(m).
  - (g) “Determination Date” means the date which is 90 days after the commencement of the Plan Year (or such earlier or later date as may be required or permitted under applicable regulations under Section 162(m)).
  - (h) “Maximum Award” means, as to any Participant for any particular Plan Year, \$7.5 Million and 00/100 Dollars (\$7,500,000.00) paid under this Plan for that year.
  - (i) “Participant” means an eligible executive or other key employee of the Company or a Subsidiary participating in this Plan for a particular Plan Year as determined pursuant to Section 4.
  - (j) “Payout Formula(e)” means as to any Plan Year, the formula(e), or payout matrix or matrices established by the Committee pursuant to Section 7 in order to determine the Awards (if any) to be paid to Participants. The formula(e), matrix or matrices may differ from Participant to Participant.
  - (k) “Performance-Based Compensation” means compensation that is intended to qualify as “performance-based compensation” within the meaning of Section 162(m).
  - (l) “Performance Goals” means the goal(s) (or combined goal(s)) determined by the Committee (in its discretion) to be applicable to a Participant with respect to an Award. As determined by

the Committee, the Performance Goals applicable to an Award may be described in terms of Company-wide objectives and/or objectives that are related to the performance of an individual Participant or of a Subsidiary, division, department or function within the Company or Subsidiary in which the Participant is employed. Performance Goals may differ from Participant to Participant and from Award to Award.

- (m) “Plan Year” means the Company’s fiscal year.
- (n) “Section 162(m)” means Section 162(m) of the Code, or any successor to Section 162(m), as that Section may be interpreted from time to time by the Internal Revenue Service, whether by regulations, notice or otherwise.
- (o) “Section 162(m) Performance Measurement(s)” means Performance Goal(s) determined by the Committee that are intended to qualify an Award to a 162(m) Participant as Performance-Based Compensation, and that is based upon measurements with respect to any of the following: appreciation in value of shares; shareholder return (including, without limitation, total shareholder return and absolute shareholder return); earnings per share; book value per share; operating income; net income; earnings (including, without limitation, pretax earnings, retained earnings, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization); pro forma net income; return on equity; return on assets (including, without limitation, designated assets); return on net assets employed; return on capital; return on sales; sales; sales per employee; revenues; expenses; cash flow (including, without limitation, operating cash flow and free cash flow); cash flow return on investment; operating profit margin or net profit margin; cost of capital; total debt to capitalization; gallon growth; interest coverage; inventory management; profit after tax; reduction of fixed costs; working capital; return on equity; enterprise value; any of the above criteria as compared to the performance of a published or a special index deemed applicable by the Committee, including, but not limited to, the Standard & Poor’s 500 Stock Index; or any other objective goals established by the Committee. Where more specific metrics are listed within the categories herein, they are intended to be illustrative and are not to be construed as limitations on the more generic metrics.

To the extent consistent with Section 162(m), on or prior to the Determination Date, the Committee may determine that certain adjustments to the Section 162(m) Performance Measurement(s) shall apply, in whole or in part, in such manner as specified by the Committee, to exclude or include the effect of specified events that occur during a Plan Year, including the following: the impairment of tangible or intangible assets; asset write-downs; litigation or claim judgments or settlements; acquisitions or divestitures; gains or losses on the sale of assets; severance, contract termination and other costs relating to certain business activities; gains or losses from the disposition of businesses or assets or from the early extinguishment of debt; foreign exchange gains and/or losses; changes in tax law, accounting principles, accounting estimates or other such laws or provisions affecting reported results; changes in regulations that directly impact the business; the effect of any statements issued by the Financial Accounting Standards Board or its committees; business combinations, reorganizations and/or restructuring programs, including, but not limited to, reductions in force and early retirement incentives; currency fluctuations; any unusual, infrequent or non-recurring items, including, but not limited to, such items described in management’s discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company’s annual report for the applicable period; and expenses related to goodwill and other intangible assets, stock offerings, stock repurchases and loan loss provisions.

Section 162(m) Performance Measurement(s) applicable to an Award may be described in terms of Company-wide objectives or objectives that are related to the performance of an individual Participant or of a Subsidiary, division, department or function within the Company or Subsidiary in which the Participant is employed. Section 162(m) Performance

Measurement(s) may also differ from Participant to Participant and from Award to Award. Section 162(m) Performance Measurement(s) must be substantially uncertain at the time they are established by the Committee.

- (p) “Subsidiary” means a corporation, partnership, joint venture, unincorporated association or other entity in which the Company has a direct or indirect ownership or other equity interest.
- (q) “Target Award” means the target award payable under this Plan to a Participant for a Plan Year, expressed as a percentage of his or her Base Salary or a specific dollar amount, as may be determined by the Committee in accordance with Section 6.

**3. Administration.**

- (a) The Committee shall be responsible for the general administration and interpretation of this Plan and for carrying out its provisions. The Committee may adopt, amend and rescind such rules and regulations as it deems necessary, desirable or appropriate in administering this Plan, and the Committee may act at a meeting or in a written action without a meeting.
- (b) Subject to the requirements for qualifying compensation as Performance-Based Compensation:
  - (i) the Committee may delegate specific tasks, responsibilities and authority to the Company’s Chief Executive Officer, the Company’s and/or its Subsidiaries’ employees or others as it deems appropriate in accordance with this Plan and applicable law and regulations; and, in connection therewith, all references to the Committee in this Plan shall be deemed references to the Company’s Chief Executive Officer or such employee(s) as it relates to those aspects of this Plan that have been so delegated; and
  - (ii) except as the Committee may otherwise delegate to Company and Subsidiary employees, the Committee shall, based on recommendations by the Chief Executive Officer:
    1. select from the employees of the Company or a Subsidiary, those employees who shall be Participants;
    2. make Awards in the forms and amounts as the Committee shall determine;
    3. impose such limitations, restrictions and conditions upon such Awards as the Committee shall deem appropriate;
    4. interpret this Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to this Plan;
    5. correct any defect or omission or reconcile any inconsistency in this Plan or in any Award granted hereunder; and
    6. make all other necessary determinations and take all other actions as the Committee deems necessary or advisable for the implementation and administration of this Plan.
- (c) Any rule or decision by the Committee (including its delegates) that is not inconsistent with the provisions of this Plan shall be final, conclusive and binding on all persons, and shall be given the maximum deference permitted by law.

- 4. Eligibility.** The employees eligible to participate in this Plan for a given Plan Year shall be executives and other key employees of the Company or a Subsidiary as are designated by the Committee; provided, however that such Committee designation shall take into consideration recommendations made by the Chief Executive Officer. No person shall be automatically entitled to participate in this Plan. Subject to Section 9, an employee who becomes eligible after the beginning of a Plan Year may participate in this Plan for that Plan Year.

**5. Performance Goal Determination.**

- (a) Subject to Section 9, the Chief Executive Officer shall recommend, subject to the approval of the Committee, the process for measuring performance and results. Such recommendation may

include, but shall not be limited to: (i) the organizational level of performance measurement, e.g. corporate, business unit, division, product line, function, individual or another level, either singly or in combination; (ii) specific measures of performance for each organizational level; and (iii) specific Performance Goals for each organizational level.

- (b) If the Committee, after consulting with the Chief Executive Officer, determines that external changes or other unanticipated business conditions make it appropriate to modify or adjust Performance Goals, in its sole discretion, then adjustments may be made to the Performance Goals (either up or down).

The Committee (including its delegates), in its sole discretion, may also establish such additional restrictions or conditions that must be satisfied as conditions precedent to the payment of all or a portion of any Awards. Such additional restrictions or conditions need not be performance-based and may include, among other things, the receipt by a Participant of a specified annual performance rating, the continued employment by the Participant and/or the achievement of specified Performance Goals by the Company, business unit or Participant. Furthermore, and notwithstanding any provision of this Plan to the contrary, the Committee (including its delegates), in its sole discretion, may retain the discretion to increase or reduce the amount of any Award to a Participant if it concludes that such increase or reduction is necessary or appropriate based upon: (i) an evaluation of such Participant's performance; (ii) comparisons with compensation received by other similarly situated individuals working within the Company's industry or peer group; (iii) the Company's financial results and conditions; or (iv) such other factors or conditions that the Committee (and its delegates) deems relevant; provided, however, the Committee shall not use its discretionary authority to increase any Award above the Maximum Award and, for 162(m) Participants, above the amount that would be payable upon satisfaction of the Section 162(m) Performance Measurement(s).

Notwithstanding the foregoing, for Awards that are intended to be Performance-Based Compensation, the Section 162(m) Performance Measurement(s) shall be set forth in writing prior to the Determination Date and such Performance Measurement(s), as specified (including with related adjustments) prior to the Determination Date, shall not be subject to modification thereafter.

6. **Target Award Determination.** Subject to Section 9, the Chief Executive Officer may recommend, subject to the approval of the Committee in its sole discretion, each Participant's Target Award.
7. **Determination of Payout Formula(e).** The Committee, in its sole discretion, shall establish a Payout Formula(e) for purposes of determining the Award (if any) payable to each Participant. The portion of the Payout Formula(e) that establishes the maximum amount that would be payable to each 162(m) Participant upon satisfaction of the Section 162(m) Performance Measurement(s) shall (a) be set forth in writing prior to the Determination Date, (b) be based on a comparison of actual performance to the Section 162(m) Performance Measurement(s), and (c) provide an objective method for computing the amount of compensation payable to each 162(m) Participant based on the level of achievement of the Section 162(m) Performance Measurement(s), subject to the Committee's discretion to reduce (but not increase) the amount payable to any 162(m) Participant through the application of an additional Payout Formula(e) or otherwise.
8. **Determination of Awards; Award Payment.**
- (a) **Determination and Certification.** After the end of each Plan Year, and prior to March 15 of the immediately following calendar year, the Committee shall determine and certify in writing the extent to which the Section 162(m) Performance Measurement(s) and other Performance Goals applicable to each 162(m) Participant for the Plan Year were achieved or exceeded and the resulting amount of the Award (if any) payable to each 162(m) Participant pursuant to the Payout Formula(e), including any application of the Committee's discretionary authority described herein. For purposes of this provision, and for so long as the Code permits, the

minutes of the Committee meeting in which the certification is made may be treated as written certification.

- (b) **Adjustment of Determination.** Except as provided in Section 9, if Performance Goals are not achieved, the Chief Executive Officer may recommend, subject to approval of the Committee, payment of awards on a discretionary basis.
  - (c) **Right to Receive Payment.** Participants must be actively employed by the Company or a Subsidiary on the last day of the Plan Year to receive an Award for that Plan Year; provided, however, that, subject to Section 9, a Participant who is not employed on the last day of the Plan Year as a result of the Participant's death, disability, retirement, a reduction in force (in the case of disability, retirement and a reduction in force, as determined in the sole discretion of the Committee) directly affecting the Participant or the Participant's transfer to a non-included Subsidiary during the Plan Year, shall nonetheless be eligible to receive the Award, which Award shall be determined solely with respect to amounts of Base Salary earned by the Participant during the period of the Plan Year in which he/she was a Participant. Each Award under this Plan shall be paid solely from the general assets of the Company. Nothing in this Plan shall be construed to create a trust or to establish or evidence any Participant's claim of any right to payment of an Award other than as an unsecured general creditor with respect to any payment to which he or she may be entitled.
  - (d) **Form of Payments.** Payments of Awards, to the extent earned under the terms of this Plan, shall be made by the Company to the Participants in the form of cash.
  - (e) **Timing of Payments.** The Company shall pay any amounts payable to Participants as soon as is practicable following the determination and written certification of the Award for a Plan Year, but in no event later than two and one-half months after the end of the applicable Plan Year.
  - (f) **Deferral of Awards.** If applicable, a Participant may defer any or all of an amount otherwise payable in connection with an Award in accordance with the provisions of a deferred compensation plan maintained by the Company, if any, provided that: (i) the Participant makes such election by delivering to the Company written notice of such election, at such time and in such form as the Committee may from time to time prescribe in accordance with the deferral requirements set forth in Section 409A; (ii) such election is irrevocable; (iii) such deferred payment will be made in accordance with the provisions of such deferred compensation plan; and (iv) the terms of the deferred compensation plan and the election to defer under this Plan comply with Section 409A.
9. **Additional Restrictions with Respect to Performance-Based Compensation.**
- (a) Notwithstanding anything contained herein to the contrary, the provisions of this Section 9 shall only apply to 162(m) Participants and only to Section 162(m) Performance Measurement(s) that are intended to qualify a 162(m) Participant's Award as Performance-Based Compensation. In the event of any inconsistencies between this Section 9 and any other provisions of this Plan, the provisions of this Section 9 shall control.
  - (b) A 162(m) Participant who becomes eligible after the beginning of a Plan Year may participate in this Plan beginning with the succeeding Plan Year, unless such Participant becomes eligible and is approved by the Committee for participation during the first 90 days of the current Plan Year (or such longer or shorter period as may be permitted or required by the regulations promulgated under Section 162(m)).
  - (c) The Committee shall determine the Section 162(m) Performance Measurement(s) and the portion of the Payout Formula(e) that establishes the maximum amount that would be payable to each 162(m) Participant upon satisfaction of the Section 162(m) Performance Measurement(s) for the Plan Year in writing no later than 90 days after the beginning of the Plan Year (or such longer or shorter period as may be permitted or required by the regulations promulgated under Section 162(m)).

- (d) Once established, Section 162(m) Performance Measurement(s) that are intended to qualify the Award as Performance-Based Compensation shall not be changed during the Plan Year, except as approved by the Committee in accordance with Section 2(o). 162(m) Participants shall not receive any payout pursuant to this Section 9 if the Section 162(m) Performance Measurement(s) intended to qualify the Award as Performance-Based Compensation established by the Committee under the Payout Formula(e) are not met.
  - (e) The Committee may not increase the amount payable under the Payout Formula(e) (or portion thereof) that is established to qualify the Award as Performance-Based Compensation, but retains the discretionary authority to reduce such amount or Award through the application of an additional Payout Formula(e) or otherwise. The Committee may establish factors to take into consideration in implementing its discretion, including, but not limited to, corporate, business unit and individual objectives, and other factors.
  - (f) Notwithstanding anything to the contrary in this Section 9, in no event shall a Participant's Award for any Plan Year exceed the Maximum Award.
10. **Amendment and Termination.** The Committee may amend, modify, suspend or terminate this Plan, in whole or in part, at any time; provided, however, that no amendment, modification, suspension or termination shall be made which would materially impair any payments to Participants made prior to such amendment, modification, suspension or termination, unless the Committee has made a determination that such amendment or modification is in the best interests of all persons to whom Awards have theretofore been granted; provided further, however, that in no event with respect to 162(m) Participants, may such amendment or modification cause compensation that is, or may become, payable hereunder to fail to qualify as Performance-Based Compensation. If necessary under applicable law, including Section 162(m), Plan amendments shall be subject to shareholder approval. At no time before the actual payment of Awards to Participants under this Plan shall any Participant accrue any vested interest or right whatsoever under this Plan except as otherwise stated in this Plan.
11. **Withholding.** Payments pursuant to this Plan shall be subject to all applicable federal, state, local and other tax and withholding requirements.
12. **At-Will Employment.** No statement in this Plan should be construed to grant any employee an employment contract of fixed duration or any other contractual rights, nor should this Plan be interpreted as creating an implied or an expressed contract of employment or any other contractual rights between the Company or a Subsidiary and its employees. The employment relationship between the Company or a Subsidiary and its employees is terminable at will. This means that an employee or the Company or a Subsidiary may terminate the employment relationship at any time and for any reason or no reason.
13. **Successors.** All obligations of the Company under this Plan, with respect to Awards granted hereunder, shall be binding on any successor to the Company, whether the existence of such successor is the result of a direct or indirect purchase, merger, consolidation, or otherwise, of all or substantially all of the business or assets of the Company.
14. **Nonassignment.** The rights of a Participant under this Plan shall not be assignable or transferable by the Participant except by will or the laws of intestacy.
15. **Governing Law.** This Plan shall be governed by the laws of the State of Ohio, without giving effect to its conflict of law provisions.
16. **Compliance with Section 162(m).** It is intended that this Plan comply with the provisions of Section 162(m) with respect to Performance-Based Compensation awarded hereunder. In this regard, this Plan shall be administered in a manner consistent with this intent with respect to the 162(m) Participants. Notwithstanding the foregoing, the Committee and the Company reserve the right to make Performance Goal, Target Award and Payment Formula(e) determinations under this Plan with respect to a 162(m) Participant that would result in such Participant receiving an Award that does not qualify as Performance-Based Compensation, notwithstanding the lack of deductibility with respect to such Award.

17. **Section 409A.** The benefits provided under this Plan are intended to be excepted from coverage under Section 409A of the Code and the regulations promulgated thereunder (“Section 409A”) and shall be administered and construed accordingly. Notwithstanding any provision of this Plan to the contrary, (a) if any benefit provided under this Plan is subject to the provisions of Section 409A (and not excepted therefrom), the provisions of this 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), and (b) the Company shall be permitted at any time to make any amendment necessary or desirable to further the intent that this Plan be excepted from coverage under Section 409A or to comply with Section 409A (which amendment may be retroactive to the extent permitted by Section 409A and may be made by the Company without the consent of the Participant).
18. **Recapture Provisions.** An Award (or any part thereof) may provide for the cancellation or forfeiture of an Award or the forfeiture and repayment to the Company of any gain related to an Award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Board in accordance with the Company’s Executive Adjustment and Recapture Policy, as may be amended from time to time, any successor policy or otherwise, 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 Awards under this Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amount paid under this Plan 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 any Award or amounts paid under this Plan from a Participant’s accounts, or pending or future compensation or Awards.
19. **Effective Date.** The Sherwin-Williams Company 2007 Executive Performance Bonus Plan was originally effective January 1, 2007, and amended and restated on January 1, 2012. This amended and restated Plan shall become effective April 19, 2017, upon its approval by the Company’s shareholders at its Annual Meeting of Shareholders to be held on April 19, 2017 (or if the vote on this Plan is postponed, such other date on which a shareholders’ meeting to vote to approve this Plan occurs) and shall remain in effect until such time the Company may decide to terminate this Plan. If this Plan, as amended and restated, is not so approved, then this Plan, as in effect immediately prior to such Annual Meeting, shall remain in effect. Notwithstanding the foregoing, the provisions of this Plan with respect to Section 162(m) Performance Measurement(s) are intended to comply with Section 162(m), and shall only become effective upon approval by the Company’s shareholders, and shall remain effective until the first shareholders’ meeting in 2022, subject to any further shareholder approvals (or re-approvals) mandated for Performance-Based Compensation under Section 162(m), and further subject to the right of the Committee to terminate this Plan as provided in Section 10.

**THE SHERWIN-WILLIAMS COMPANY**  
**2006 Equity and Performance Incentive Plan**  
**(Amended and Restated as of April 19, 2017)**

1. **Purpose.** The purpose of this 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) is to attract and retain officers and other employees of The Sherwin-Williams Company and its Subsidiaries, to help align the economic interests between such persons and the shareholders of the Company, and to provide to such persons incentives and rewards for performance.
2. **Definitions.** As used in this Plan, and except as otherwise provided in an Evidence of Award:
  - (a) “Appreciation Right” means a right granted pursuant to Section 5, and includes both Free-Standing Appreciation Rights and Tandem Appreciation Rights.
  - (b) “Assumed” has the meaning provided in Section 12.
  - (c) “Base Pay” has the meaning provided in Section 12.
  - (d) “Base Price” means the price to be used as the basis for determining the Spread upon the exercise of a Free-Standing Appreciation Right or a Tandem Appreciation Right.
  - (e) “Board” means the Board of Directors of the Company and, to the extent of any delegation by the Board to a committee (or subcommittee thereof) pursuant to Section 10, such committee (or subcommittee). In addition, to the extent deemed necessary or appropriate by the Board, such committee shall be comprised of not less than two individuals who are (i) “non-employee directors” within the meaning of Section 16 of the Exchange Act, and (ii) “outside directors” within the meaning of Section 162(m) of the Code and the regulations promulgated thereunder (“Section 162(m)”).
  - (f) “Cause” has the meaning provided in Section 12.
  - (g) “Change of Control” has the meaning provided in Section 12.
  - (h) “Code” means the Internal Revenue Code of 1986, as amended from time to time.
  - (i) “Common Stock” means Common Stock, par value \$1.00 per share, of the Company or any security into which such shares of Common Stock may be changed by reason of any transaction or event of the type referred to in Section 11.
  - (j) “Company” means The Sherwin-Williams Company, an Ohio corporation, and its successors.
  - (k) “Covered Employee” means a Participant who is, or is determined by the Board to be likely to become, a “covered employee” within the meaning of Section 162(m) (or any successor provision).
  - (l) “Date of Grant” means the date specified by the Board on which a grant of Option Rights, Appreciation Rights, Performance Shares, Performance Units or Other Awards, or a grant or sale of Restricted Stock, Restricted Stock Units or Other Awards, will become effective (which date will not be earlier than the date on which the Board takes action with respect thereto).
  - (m) “Director” means a member of the Board of Directors of the Company.
  - (n) “Effective Date” means April 19, 2017.
  - (o) “Employee Benefits” has the meaning provided in Section 12.
  - (p) “Evidence of Award” means an agreement, certificate, resolution or other type or form of writing or other evidence approved by the Board that sets forth the terms and conditions of Option Rights, Appreciation Rights, Performance Shares, Performance Units or Other Awards granted, or a grant or sale of Restricted Stock, Restricted Stock Units or Other Awards. An Evidence of Award may be in an electronic medium, may be limited to notation on the books and records of the Company

and, unless otherwise determined by the Board, need not be signed by a representative of the Company or a Participant.

- (q) “Exchange Act” means the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, as such law, rules and regulations may be amended from time to time.
- (r) “Free-Standing Appreciation Right” means an Appreciation Right granted pursuant to Section 5 that is not granted in tandem with an Option Right.
- (s) “Good Reason” has the meaning provided in Section 12.
- (t) “Incentive Pay” has the meaning provided in Section 12.
- (u) “Incentive Stock Options” means Option Rights that are intended to qualify as “incentive stock options” under Section 422 of the Code or any successor provision.
- (v) “Management Objectives” means the measurable performance objective or objectives established pursuant to this Plan for Participants who have received grants of Performance Shares or Performance Units, Option Rights, Appreciation Rights, Restricted Stock, Restricted Stock Units, Other Awards or dividend equivalents pursuant to this Plan. Management Objectives may be described in terms of Company-wide objectives or objectives that are related to the performance of the individual Participant or of the Subsidiary, division, department, or function within the Company or Subsidiary in which the Participant is employed. The Management Objectives may be made relative to the performance of one or more other companies or subsidiaries, divisions, departments, regions or functions within such other companies, and may be made relative to an index or one or more of the performance criteria themselves. The Board may grant awards subject to Management Objectives that are either Qualified Performance-Based Awards or are not Qualified Performance-Based Awards. The Management Objectives applicable to any Qualified Performance-Based Award to a Covered Employee will be based on one or more, or a combination, of the following criteria: appreciation in value of shares; shareholder return (including, without limitation, total shareholder return and absolute shareholder return); earnings per share; book value per share; operating income; net income; earnings (including, without limitation, pretax earnings, retained earnings, earnings before interest and taxes, and earnings before interest, taxes, depreciation and amortization); pro forma net income; return on equity; return on assets (including, without limitation, designated assets); return on net assets employed; return on capital; return on sales; sales; sales per dollar of assets; sales per employee; economic value added; revenues; expenses; cash flow (including, without limitation, operating cash flow and free cash flow); cash flow return on investment; operating profit margin or net profit margin; cost of capital; cost reductions; debt reduction; debt leverage; total debt to capitalization; facilities open; gallon growth; interest coverage; inventory management; productivity improvement; profit after tax; reduction of fixed costs; working capital; enterprise value; asset management; environmental, health and/or safety goals; regulatory achievements; recruiting or maintaining personnel; customer growth; research and development achievements; strategic sustainability metrics; accomplishment of, or goals related to, mergers, acquisitions, dispositions, public offerings, or similar business transactions; achievement of business or operational goals such as market share, business development and/or customer objectives; manufacturing achievements; joint venture or other similar arrangements; any of the above criteria as compared to the performance of a published or a special index deemed applicable by the Board, including, but not limited to, the Standard & Poor’s 500 Stock Index; or any other objective goals established by the Board. Where more specific metrics are listed within the categories herein, they are intended to be illustrative and are not to be construed as limitations on the more generic metrics.

The Board may specify that the Management Objectives may include adjustments to include or exclude the effects of certain events, including any of the following events: the impairment of tangible or intangible assets; asset write-downs; litigation or claim judgments or settlements; acquisitions or divestitures; gains or losses on the sale of assets; severance, contract termination

and other costs relating to certain business activities; gains or losses from the disposition of businesses or assets or from the early extinguishment of debt; foreign exchange gains and/or losses; changes in tax law, accounting principles, accounting estimates or other such laws or provisions affecting reported results; changes in regulations that directly impact the business; the effect of any statements issued by the Financial Accounting Standards Board or its committees; business combinations, reorganizations and/or restructuring programs, including, but not limited to reductions in force and early retirement incentives; currency fluctuations; any unusual, infrequent or non-recurring items, including, but not limited to, such items described in management's discussion and analysis of financial condition and results of operations or the financial statements and/or notes thereto appearing in the Company's annual report for the applicable period; and expenses related to goodwill and other intangible assets, stock offerings, stock repurchases and loan loss provisions. In addition, if the Board determines that a change in the business, operations, corporate structure or capital structure of the Company, or the manner in which it conducts its business, or other events or circumstances render the Management Objectives unsuitable, the Board may in its discretion modify such Management Objectives or the related level or levels of achievement, in whole or in part, as the Board deems appropriate and equitable, except in the case of a Qualified Performance-Based Award (other than in connection with a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m), except as otherwise permitted under Section 18.

- (w) "Market Value Per Share" means, as of any particular date, the average of the highest and lowest reported sales prices of the Common Stock during normal trading hours on the New York Stock Exchange Composite Tape or, if not listed on such exchange, on any other principal securities exchange on which the Common Stock is listed. If there is no regular public trading market for such Common Stock, the Market Value Per Share of the Common Stock shall be determined by the Board. The Board is authorized to adopt another fair market value pricing method, provided such method is stated in the Evidence of Award, and is in compliance with the fair market value pricing rules set forth in Section 409A of the Code and the regulations promulgated thereunder ("Section 409A"). Notwithstanding any other provision of this Section 2(w) or any other provision of this Plan, the "Market Value Per Share" will be such price per share of Common Stock, rounded to two decimal points (provided, however, that such rounding is in compliance with the fair market value pricing rules set forth in Section 409A), as shall be provided to the Company by the Company's third-party equity plan administrator, as applicable.
- (x) "Optionee" means the optionee named in an Evidence of Award evidencing an outstanding Option Right.
- (y) "Option Price" means the purchase price payable upon exercise of an Option Right.
- (z) "Option Right" means the right to purchase shares of Common Stock upon exercise of an option granted pursuant to Section 4.
- (aa) "Other Award" means an award granted pursuant to Section 9.
- (bb) "Participant" means a person who is selected by the Board to receive benefits under this Plan and who is at the time an officer or other employee of the Company or any one or more of its Subsidiaries, or who has agreed to commence serving in any of such capacities within 90 days of the Date of Grant. The term "Participant" shall also include any person who provides services to the Company or a Subsidiary that are substantially equivalent to those typically provided by an employee.
- (cc) "Performance Period" means, in respect of a Performance Share or Performance Unit, a period of time established pursuant to Section 8 within which the Management Objectives relating to such Performance Share or Performance Unit are to be achieved.
- (dd) "Performance Share" means a bookkeeping entry that records the equivalent of one share of Common Stock awarded pursuant to Section 8.

- (ee) “Performance Unit” means a bookkeeping entry awarded pursuant to Section 8 that records a unit equivalent to \$1.00 or such other value as determined by the Board.
- (ff) “Plan” means The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan, as may be amended or amended and restated from time to time.
- (gg) “Post-CIC Period” has the meaning provided in Section 12.
- (hh) “Qualified Performance-Based Award” means any award of Performance Shares, Performance Units, Restricted Stock, Restricted Stock Units or Other Awards, or portion of such award, to a Covered Employee that is intended to satisfy the requirements for “qualified performance-based compensation” under Section 162(m).
- (ii) “Restricted Stock” means shares of Common Stock granted or sold pursuant to Section 6 as to which neither the substantial risk of forfeiture nor the prohibition on transfer has expired.
- (jj) “Restriction Period” means the period of time during which Restricted Stock Units are subject to restrictions, as provided in Section 7.
- (kk) “Restricted Stock Unit” means an award made pursuant to Section 7 of the right to receive shares of Common Stock or cash at the end of a specified period.
- (ll) “Spread” means the excess of the Market Value Per Share on the date when an Appreciation Right is exercised over the Option Price or Base Price provided for in the related Option Right or Free-Standing Appreciation Right, respectively.
- (mm) “Subsidiary” means a corporation, company or other entity (i) at least 50 percent of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or (ii) which does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but at least 50 percent of whose ownership interest representing the right generally to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company except that for purposes of determining whether any person may be a Participant for purposes of any grant of Incentive Stock Options, “Subsidiary” means any corporation in which at the time the Company owns or controls, directly or indirectly, at least 50 percent of the total combined voting power represented by all classes of stock issued by such corporation.
- (nn) “Tandem Appreciation Right” means an Appreciation Right granted pursuant to Section 5 that is granted in tandem with an Option Right.
- (oo) “10% Shareholder” means an employee of the Company or its Subsidiary who, as of the date on which an Incentive Stock Option is granted to such employee, owns more than ten percent (10%) of the total combined voting power of all classes of shares of Common Stock then issued by the Company or any of its Subsidiaries.

### 3. **Shares Subject to this Plan.**

- (a) Maximum Shares Available Under Plan.
  - (i) Subject to adjustment as provided in Section 11, the number of shares of Common Stock that may be issued or transferred (A) upon the exercise of Option Rights or Appreciation Rights; (B) as Restricted Stock and released from substantial risks of forfeiture thereof; (C) in payment of Restricted Stock Units; (D) in payment of Performance Shares or Performance Units that have been earned; (E) as Other Awards or in payment of Other Awards, or (F) in payment of dividend equivalents paid with respect to awards made under this Plan will not exceed in the aggregate 23,700,000 shares of Common Stock (representing 19,200,000 previously authorized shares, plus 4,500,000 newly authorized shares as of the Effective Date), plus any shares of Common Stock relating to awards that expire or are forfeited or are cancelled under this Plan. Such shares may be shares of original issuance or treasury shares or a combination of the foregoing.

- (ii) Each share of Common Stock issued or transferred pursuant to an award of Option Rights or Appreciation Rights will reduce the aggregate plan limit described above in Section 3(a)(i) by one share of Common Stock. Each share of Common Stock issued or transferred (and in the case of Restricted Shares, released from all substantial risk of forfeiture) pursuant to an award other than Option Rights or Appreciation Rights shall reduce the aggregate plan limit described above in Section 3(a)(i) by (A) two (2) shares of Common Stock if issued or transferred pursuant to an award granted prior to April 19, 2017 and (B) three (3) shares of Common Stock if issued or transferred pursuant to an award granted on or after April 19, 2017; provided, however, that any award (or any portion) designated to be settled, or that is paid, in cash will not be counted against, or have any effect upon, the number of shares of Common Stock available for issuance under this Plan. Any shares of Common Stock that again become available for issuance pursuant to this Section 3 shall be added back to the aggregate plan limit in the same manner such shares were originally deducted from the aggregate plan limit pursuant to this Section 3(a)(ii).
  - (iii) Shares of Common Stock covered by an award granted under this Plan shall not be counted as used unless and until they are actually issued and delivered to a Participant and, therefore, the total number of shares available under this Plan as of a given date shall not be reduced by any shares relating to prior awards that have expired or have been forfeited or cancelled; provided, however, that shares of Common Stock: (A) tendered or otherwise used in payment of the Option Price of an Option Right or the Base Price of an Appreciation Right, as applicable; (B) not issued upon the settlement of Appreciation Rights; (C) tendered to or withheld by the Company to satisfy applicable tax withholding obligations; or (D) repurchased by the Company using proceeds from Option Right exercises, shall be considered issued or transferred, and shall not become available again for issuance, under this Plan. If, under this Plan, a Participant has elected to give up the right to receive compensation in exchange for shares of Common Stock based on fair market value, such shares of Common Stock shall not count against the aggregate plan limit described above. Shares of Common Stock issued under Awards granted in assumption, substitution or exchange for previously granted awards of a company acquired by the Company or its Subsidiaries shall not reduce the shares of Common Stock available under this Plan, and available shares under a shareholder approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for awards under this Plan and shall not reduce this Plan's share reserve (unless otherwise required by any applicable stock exchange listing requirements).
- (b) Incentive Stock Option Limit. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 11, the aggregate number of shares of Common Stock actually issued or transferred by the Company upon the exercise of Incentive Stock Options shall not exceed 23,700,000.
- (c) Individual Participant Limits. Notwithstanding anything in this Section 3, or elsewhere in this Plan, to the contrary and subject to adjustment pursuant to Section 11:
- (i) No Participant shall be granted Option Rights or Appreciation Rights, in the aggregate, in excess of 500,000 shares of Common Stock during any calendar year under this Plan.
  - (ii) No Participant shall be granted Qualified Performance-Based Awards of (A) Restricted Stock, (B) Restricted Stock Units, (C) Performance Shares or (D) in the form of Other Awards payable in Common Stock, in the aggregate, in excess of 200,000 shares of Common Stock (measured based upon a maximum award level on each Date of Grant) during any calendar year under this Plan.
  - (iii) No Participant shall be granted Qualified Performance-Based Awards of Performance Units having an aggregate value in excess of \$7,500,000 (measured based upon a maximum award level determined on each Date of Grant) during any calendar year under this Plan.

- (iv) No Participant shall be granted Qualified Performance-Based Awards in the form of Other Awards payable in cash under Section 9(b) having an aggregate value in excess of \$7,500,000 (measured based upon a maximum award level determined on each Date of Grant) during any calendar year under this Plan.
  - (d) Exclusion from Certain Restrictions. Notwithstanding anything in this Plan to the contrary, up to 5% of the maximum number of shares of Common Stock provided for in Section 3(a)(i) above may be used for awards granted under Sections 6 through 9 that do not comply with the three-year requirements set forth in Sections 6(c), 7(c) and 9(d) and the one-year requirements of Sections 4(e), 5(b), 6(e), 7(a), 8(b) and 9(d).
4. **Option Rights.** The Board may, from time to time and upon such terms and conditions as it may determine, authorize the granting to Participants of options to purchase shares of Common Stock. Each such grant will be subject to all of the following provisions:
- (a) Each grant will specify the number of shares of Common Stock to which it pertains subject to the limitations set forth in Section 3.
  - (b) Each grant will specify an Option Price per share, which may not be less than the Market Value Per Share on the Date of Grant (or less than 110% of the Market Value Per Share in the case of an Incentive Stock Option granted to a 10% Shareholder).
  - (c) Each grant will specify whether the Option Price will be payable (i) in cash or by check acceptable to the Company or by wire transfer of immediately available funds, (ii) by the actual or constructive transfer to the Company of shares of Common Stock owned by the Optionee having a value at the time of exercise equal to the total Option Price, (iii) by a combination of such methods of payment, or (iv) by such other methods as may be approved by the Board.
  - (d) Successive grants may be made to the same Participant whether or not any Option Rights previously granted to such Participant remain unexercised; provided, however, that no Option Rights will be granted with automatic reload features.
  - (e) Each grant will specify the period or periods of continuous service by the Optionee with the Company or any Subsidiary that is necessary before the Option Rights or installments thereof will become vested and exercisable. A grant of Option Rights may provide for the earlier vesting and exercise of such Option Rights in the event of death or disability of the Participant or a Change of Control and shall have an initial vesting schedule of no less than one year.
  - (f) Any grant of Option Rights may specify Management Objectives that must be achieved as a condition to the exercise of such rights. The grant of such Option Rights will specify that, before the exercise of such rights, the Board must determine that the Management Objectives have been satisfied.
  - (g) Option Rights may be (i) options, including, without limitation, Incentive Stock Options that are intended to qualify under particular provisions of the Code, (ii) options that are not intended so to qualify, or (iii) combinations of the foregoing. Incentive Stock Options may only be granted to Participants who meet the definition of “employees” under Section 3401(c) of the Code. The terms of any Incentive Stock Option shall be subject in all respects to the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder.
  - (h) The exercise of an Option Right will result in the cancellation on a share-for-share basis of any Tandem Appreciation Right authorized under Section 5.
  - (i) No Option Right will be exercisable more than 10 years from the Date of Grant (or five years in the case of an Incentive Stock Option granted to a 10% Shareholder).
  - (j) Each grant of Option Rights will be evidenced by an Evidence of Award. Each Evidence of Award shall be subject to this Plan and shall contain such terms and provisions, consistent with this Plan, as the Board may approve. Until the shares of Common Stock relating to Option Rights have been issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized

transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the shares of Common Stock relating to the Option Rights, notwithstanding the exercise of the Option Rights.

#### 5. **Appreciation Rights.**

- (a) The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the granting (i) to any Optionee, of Tandem Appreciation Rights in respect of Option Rights granted hereunder, and (ii) to any Participant, of Free-Standing Appreciation Rights. A Tandem Appreciation Right will be a right of the Optionee, exercisable by surrender of the related Option Right, to receive from the Company an amount determined by the Board, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise. Tandem Appreciation Rights may be granted at any time prior to the exercise or termination of the related Option Rights; provided, however, that a Tandem Appreciation Right awarded in relation to an Incentive Stock Option must be granted concurrently with such Incentive Stock Option. A Free-Standing Appreciation Right will be a right of the Participant to receive from the Company an amount determined by the Board, which will be expressed as a percentage of the Spread (not exceeding 100%) at the time of exercise.
- (b) Each grant of Appreciation Rights will be subject to all of the following provisions:
  - (i) Any grant may specify that the amount payable on exercise of an Appreciation Right may be paid in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.
  - (ii) Any grant may specify that the amount payable on exercise of an Appreciation Right may not exceed a maximum specified by the Board at the Date of Grant.
  - (iii) Any grant may specify waiting periods before exercise and permissible exercise dates or periods.
  - (iv) Any grant may specify that such Appreciation Right may be vested and exercised earlier in the event of death or disability of the Participant or a Change of Control and shall have an initial vesting schedule of no less than one year.
  - (v) Any grant of Appreciation Rights may specify Management Objectives that must be achieved as a condition of the vesting and exercise of such Appreciation Rights. The grant of such Appreciation Rights will specify that, before the exercise of such Appreciation Rights, the Board must determine that the Management Objectives have been satisfied.
  - (vi) Each grant of Appreciation Rights will be evidenced by an Evidence of Award, which Evidence of Award will describe such Appreciation Rights, identify the related Option Rights (if applicable), and contain such other terms and provisions, consistent with this Plan, as the Board may approve. Until the shares of Common Stock relating to Appreciation Rights have been issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the shares of Common Stock relating to the Appreciation Rights, notwithstanding the exercise of the Appreciation Rights.
- (c) Any grant of Tandem Appreciation Rights will provide that such Tandem Appreciation Rights may be exercised only at a time when the related Option Right is also exercisable and at a time when the Spread is positive, and by surrender of the related Option Right for cancellation. Successive grants of Tandem Appreciation Rights may be made to the same Participant regardless of whether any Tandem Appreciation Rights previously granted to the Participant remain unexercised.

- (d) Regarding Free-Standing Appreciation Rights only:
  - (i) Each grant will specify in respect of each Free-Standing Appreciation Right a Base Price, which may not be less than the Market Value Per Share on the Date of Grant;
  - (ii) Successive grants may be made to the same Participant regardless of whether any Free-Standing Appreciation Rights previously granted to the Participant remain unexercised; provided, however, that no Free-Standing Appreciation Rights will be granted with automatic reload features; and
  - (iii) No Free-Standing Appreciation Right may be exercised more than 10 years from the Date of Grant.
- 6. **Restricted Stock.** The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the grant or sale of Restricted Stock to Participants. Each such grant or sale will be subject to all of the following provisions:
  - (a) Each such grant or sale will constitute an immediate transfer of the ownership of shares of Common Stock to the Participant, entitling such Participant to voting, dividend and other ownership rights, but subject to the substantial risk of forfeiture and restrictions on transfer hereinafter referred to.
  - (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value Per Share at the Date of Grant.
  - (c) If the elimination of restrictions is based only on the passage of time rather than the achievement of Management Objectives, the period of time will be no shorter than three years, except that the restrictions may be removed no sooner than ratably on an annual basis (but not earlier than the first anniversary of the Date of Grant) during the three-year period as determined by the Board at the Date of Grant.
  - (d) Each such grant or sale will provide that during or after the period for which such substantial risk of forfeiture is to continue, the transferability of the Restricted Stock will be prohibited or restricted in the manner and to the extent prescribed by the Board at the Date of Grant (which restrictions may include, without limitation, rights of repurchase or first refusal in the Company or provisions subjecting the Restricted Stock to a continuing substantial risk of forfeiture in the hands of any transferee).
  - (e) Any grant of Restricted Stock may specify Management Objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such Restricted Stock; provided, however, that restrictions relating to Restricted Stock that vests upon the achievement of Management Objectives may not terminate sooner than one year. Each grant may specify in respect of such Management Objectives a minimum acceptable level of achievement and may set forth a formula for determining the number of shares of Restricted Stock on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives. The grant of Restricted Stock will specify that, before the termination or early termination of the restrictions applicable to such Restricted Stock, the Board must determine that the Management Objectives have been satisfied.
  - (f) Notwithstanding anything to the contrary contained in this Plan, subject to any applicable limitations contained in Section 18, any grant or sale of Restricted Stock may provide for the earlier lapse of the substantial risk of forfeiture for such Restricted Stock in the event of the death or disability of the Participant or a Change of Control.
  - (g) Any such grant or sale of Restricted Stock requires that any or all dividends or other distributions paid thereon during the period of such restrictions be automatically deferred and reinvested in additional shares of Restricted Stock, which will be subject to the same restrictions as the underlying award; provided, further, that dividends or other distributions on Restricted Stock subject to restrictions that lapse as a result of the achievement of Management Objectives shall not be paid unless and until achievement of the applicable Management Objectives.

- (h) Each grant or sale of Restricted Stock will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Board may approve. Unless otherwise directed by the Board, (i) all certificates representing shares of Restricted Stock will be held in custody by the Company until all restrictions thereon will have lapsed, together with a stock power or powers executed by the Participant in whose name such certificates are registered, endorsed in blank and covering such Shares, or (ii) all shares of Restricted Stock shall be held at the Company's transfer agent in book entry form with appropriate restrictions relating to the transfer of such shares of Restricted Stock.
  - (i) If a Participant makes an election pursuant to Section 83(b) of the Code with respect to a share of Restricted Stock, such Participant shall file, within 30 days following the Date of Grant, a copy of such election with the Company and with the Internal Revenue Service in accordance with the regulations under Section 83(b) of the Code. The Board may provide in an Evidence of Award that the Restricted Stock award is conditioned upon the Participant's making or refraining from making an election with respect to such award under Section 83(b).
7. **Restricted Stock Units.** The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the granting or sale of Restricted Stock Units to Participants. Each such grant or sale will be subject to all of the following provisions:
- (a) Each such grant or sale will constitute the agreement by the Company to deliver shares of Common Stock or cash to the Participant in the future, but subject to the fulfillment of such conditions (which may include the achievement of Management Objectives) during the Restriction Period as the Board may specify. If a grant of Restricted Stock Units specifies that the Restriction Period will terminate upon the achievement of Management Objectives, such Restriction Period may not terminate sooner than one year. Each grant may specify in respect of such Management Objectives a minimum acceptable level of achievement and may set forth a formula for determining the number of Restricted Stock Units on which restrictions will terminate if performance is at or above the minimum level, but falls short of full achievement of the specified Management Objectives. The grant of such Restricted Stock Units will specify that, before the termination or early termination of the restrictions applicable to such Restricted Stock Units, the Board must determine that the Management Objectives have been satisfied.
  - (b) Each such grant or sale may be made without additional consideration or in consideration of a payment by such Participant that is less than the Market Value Per Share at the Date of Grant.
  - (c) If the Restriction Period lapses only by the passage of time rather than the achievement of Management Objectives, each such grant or sale will be subject to a Restriction Period of not less than three years, except that a grant or sale may provide that the Restriction Period shall expire not sooner than ratably on an annual basis (but not earlier than the first anniversary of the Date of Grant) during the three-year period as determined by the Board at the Date of Grant.
  - (d) Notwithstanding anything to the contrary contained in this Plan, and subject to any applicable limitations contained in Section 18, any grant or sale of Restricted Stock Units may provide for the earlier lapse or other modification of the Restriction Period in the event of the death or disability of the Participant or a Change of Control.
  - (e) During the Restriction Period, the Participant will have no right to transfer any rights under his or her award and will have no rights of ownership in the shares of Common Stock deliverable upon payment of the Restricted Stock Units and shall have no right to vote them, but the Board may at the Date of Grant, authorize the payment of dividend equivalents on such Restricted Stock Units, either in cash or in additional shares of Common Stock, which dividend equivalents will not be paid unless and until the applicable Restriction Period has lapsed or the Management Objectives have been achieved.
  - (f) Each grant or sale will specify the time and manner of payment of Restricted Stock Units that have been earned. Any grant or sale may specify that the amount payable with respect thereto may be

paid by the Company in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.

- (g) Each grant or sale of Restricted Stock Units will be evidenced by an Evidence of Award and will contain such terms and provisions, consistent with this Plan, as the Board may approve.

8. **Performance Shares and Performance Units.** The Board may also, from time to time and upon such terms and conditions as it may determine, authorize the granting of Performance Shares and Performance Units that will become payable to a Participant upon achievement of specified Management Objectives during the Performance Period. Each such grant will be subject to all of the following provisions:

- (a) Each grant will specify the number of Performance Shares or Performance Units to which it pertains, which number may be subject to adjustment to reflect changes in compensation or other factors; provided, however, that no such adjustment will be made in the case of a Qualified Performance-Based Award (other than in connection with the death or disability of the Participant or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m).
- (b) The Performance Period with respect to each Performance Share or Performance Unit will be such period of time (not less than one year) as will be determined by the Board at the time of grant which may, subject to any applicable limitations contained in Section 18, be subject to earlier lapse or other modification in the event of the death or disability of the Participant or a Change of Control.
- (c) Any grant of Performance Shares or Performance Units will specify Management Objectives which, if achieved, will result in payment or early payment of the award, and each grant may specify in respect of such specified Management Objectives a minimum acceptable level or levels of achievement and will set forth a formula for determining the number of Performance Shares or Performance Units that will be earned if performance is at or above the level(s), but falls short of full achievement of the specified Management Objectives. The grant of Performance Shares or Performance Units will specify that, before the Performance Shares or Performance Units will be earned and paid, the Board must determine that the Management Objectives have been satisfied.
- (d) Each grant will specify the time and manner of payment of Performance Shares or Performance Units that have been earned. Any grant may specify that the amount payable with respect thereto may be paid by the Company in cash, in shares of Common Stock or in any combination thereof and may either grant to the Participant or retain in the Board the right to elect among those alternatives.
- (e) Any grant of Performance Shares or Performance Units may specify that the amount payable with respect thereto may not exceed a maximum specified by the Board at the Date of Grant. Any grant of Performance Units may specify that the amount payable or the number of shares of Common Stock issued with respect thereto may not exceed maximums specified by the Board at the Date of Grant.
- (f) The Board may at the Date of Grant of Performance Shares or Performance Units, provide for the payment of dividend equivalents to the holder thereof, either in cash or in additional shares of Common Stock, on a deferred basis contingent upon the achievement of the applicable Management Objectives.
- (g) Each grant of Performance Shares or Performance Units will be evidenced by an Evidence of Award and will contain such other terms and provisions, consistent with this Plan, as the Board may approve.

9. **Other Awards.**

- (a) The Board may, subject to limitations under applicable law, grant to any Participant such other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares of Common Stock or factors that may influence the value of such shares, including, without limitation, convertible or exchangeable debt securities, other

rights convertible or exchangeable into shares of Common Stock, purchase rights for shares of Common Stock, awards with value and payment contingent upon performance of the Company or specified Subsidiaries, affiliates or other business units thereof or any other factors designated by the Board, and awards valued by reference to the book value of shares of Common Stock or the value of securities of, or the performance of specified Subsidiaries or affiliates or other business units of the Company. The Board shall determine the terms and conditions of such awards. Shares of Common Stock delivered pursuant to an award in the nature of a purchase right granted under this Section 9 shall be purchased for such consideration, paid for at such time, by such methods, and in such forms, including, without limitation, cash, shares of Common Stock, other awards, notes or other property, as the Board shall determine.

- (b) Cash awards may also be granted pursuant to this Section 9.
- (c) The Board may grant shares of Common Stock as a bonus, or may grant other awards in lieu of obligations of the Company or a Subsidiary to pay cash or deliver other property under this Plan or under other plans or compensatory arrangements, subject to such terms as shall be determined by the Board.
- (d) If the earning or vesting of, or elimination of restrictions applicable to, Other Awards is based only on the passage of time rather than the achievement of Management Objectives, the period of time shall be no shorter than three years, except that the restrictions may be removed no sooner than ratably on an annual basis during the three-year period as determined by the Board at the Date of Grant. If the earning or vesting of, or elimination of restrictions applicable to, Other Awards is based on the achievement of Management Objectives, the earning, vesting or restriction period may not terminate sooner than after one year. Notwithstanding anything to the contrary contained in this Plan, subject to any applicable limitations contained in Section 18, any grant of Other Awards may provide for the earlier lapse of the substantial risk of forfeiture in the event of the death or disability of the Participant or a Change of Control.
- (e) The Board may at the Date of Grant of Other Awards provide for the payment of dividends or dividend equivalents, as applicable, to the holder thereof, either in cash or in additional shares of Common Stock, that will be paid contingent on the lapse of the substantial risk of forfeiture or other restrictions and/or achievement of the applicable Management Objectives.

#### 10. Administration.

- (a) This Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under this Plan to the Compensation and Management Development Committee or any other committee of the Board (or a subcommittee thereof), as constituted from time to time. To the extent of any such delegation, references in this Plan to the Board will be deemed to be references to such committee or subcommittee. Notwithstanding the foregoing, or anything contained in this Plan to the contrary, as further described in Section 18, Qualified Performance-Based Awards shall be granted and administered, to the extent necessary, by a committee that consists solely of two or more “outside directors” within the meaning of Section 162(m).
- (b) The interpretation and construction by the Board (or the delegates) of any provision of this Plan or of any agreement, notification or document evidencing the grant of Option Rights, Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units or Other Awards and any determination by the Board (or the delegates) pursuant to any provision of this Plan or of any such agreement, notification or document will be final, binding and conclusive upon all persons. The Board may adopt, amend and rescind such rules and regulations as it deems necessary, desirable or appropriate in administering this Plan, and the Board may act at a meeting, in a written action without a meeting or by having actions otherwise taken pursuant to a delegation of duties by the Board.
- (c) The Board, a committee and/or subcommittee, as applicable, may, from time to time, delegate to one or more officers of the Company the authority of the Board or such committee or

subcommittee to grant and determine the terms and conditions of awards granted under this Plan to the extent in compliance with applicable law and regulations.

11. **Adjustments.** The Board shall make or provide for such adjustments in the numbers and/or type of shares of Common Stock covered by outstanding Option Rights, Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares, Performance Units and, if applicable, in (a) the number and/or type of shares of Common Stock (or other securities or property) covered by outstanding Other Awards granted hereunder or which may be made the subject of awards under Section 3, or (b) the Option Price and Base Price provided in outstanding Option Rights and Appreciation Rights, or, if the Board deems it appropriate, making provision for a cash payment to the holder of an outstanding award, in each case, as the Board, in its sole discretion, shall determine is equitably required to prevent dilution or enlargement of the rights of Participants or Optionees that otherwise would result from (x) any stock dividend, stock split, combination of shares, recapitalization or other change in the capital structure of the Company, (y) any merger, consolidation, spin-off, split-off, spin-out, split-up, reorganization, partial or complete liquidation or other distribution of assets, issuance of rights or warrants to purchase securities, or (z) any other corporate transaction or event having an effect similar to any of the foregoing. Moreover, in the event of any such transaction or event, the Board, in its discretion, shall provide in substitution for any or all outstanding awards under this Plan such alternative consideration (including cash), if any, as it shall determine to be equitable in the circumstances and may require in connection therewith the surrender of all awards so replaced in a manner that complies with Section 409A. In addition, for each Option Right or Appreciation Right with an Option Price or Base Price greater than the consideration offered in connection with any such transaction or event or change of control, the Company shall not be required to make any payment to the person holding such Option Right or Appreciation Right upon surrender of such Option Right or Appreciation Right, and may cancel such Option Right or Appreciation Right for no consideration. Such surrender shall take place as of the date of the transaction or event or change of control or such other date as the Board may specify. The Board shall also make or provide for such adjustments in the numbers of shares specified in Section 3 as the Board in its sole discretion shall determine is appropriate to reflect any transaction or event described in this Section 11; provided, however, that any such adjustment to the number specified in Section 3(b) will be made only if and to the extent that such adjustment would not cause any option intended to qualify as an Incentive Stock Option to fail to so qualify.
12. **Change of Control.** Notwithstanding anything to the contrary in this Plan, the following provisions shall apply in connection with a Change of Control (as defined in Section 12(c)):
- (a) Awards Assumed by Successor
- (i) Upon the occurrence of a Change of Control, any awards made under this Plan that are Assumed (as defined in Section 12(a)(v)) by the entity effecting the Change of Control shall continue to vest and become exercisable in accordance with the terms of the original grant unless, during the three-year period commencing on the date of the Change of Control (“Post-CIC Period”):
- (A) the Participant is involuntarily terminated for reasons other than for Cause (as defined in Section 12(a)(iii)); or
- (B) the Participant terminates his or her employment for Good Reason (as defined in Section 12(a)(iv)).
- (ii) If a Participant’s employment is terminated as described in Section 12(a)(i), any outstanding Option Rights and Appreciation Rights shall become fully vested and exercisable, any restrictions that apply to awards made pursuant to this Plan shall lapse, and awards made pursuant to this Plan that are subject to Management Objectives shall immediately be earned or vest and shall become immediately payable in accordance with their terms as if 100% of the Management Objectives have been achieved, on the date of termination; provided, that any Participant who terminates his or her employment for Good Reason must:

- (A) provide the Company with a written notice of his or her intent to terminate employment for Good Reason within 60 days after the Participant becomes aware of the circumstances giving rise to Good Reason; and
  - (B) allow the Company 30 days to remedy such circumstances to the extent curable.
- (iii) Solely for purposes of this Section 12(a), “Cause” shall mean that the Participant shall have:
- (A) been convicted of a criminal violation involving, in each case, fraud, embezzlement or theft in connection with Participant’s duties or in the course of Participant’s employment with the Company or any subsidiary;
  - (B) committed intentional wrongful damage to property of the Company or any Subsidiary; or
  - (C) committed intentional wrongful disclosure of secret processes or confidential information of the Company or any Subsidiary;

and any such act shall have been demonstrably and materially harmful to the Company. For purposes of this Plan, no act or failure to act on the part of Participant will be deemed “intentional” if it was due primarily to an error in judgment or negligence, but will be deemed “intentional” only if done or omitted to be done by Participant not in good faith and without reasonable belief that Participant’s action or omission was in the best interest of the Company.

- (iv) Solely for purposes of this Section 12(a), “Good Reason” shall mean the occurrence, during the Post-CIC Period, of any of the following events without the Participant’s written consent:
- (A) failure to elect or re-elect or otherwise to maintain Participant in the office or the position, or a substantially equivalent or better office or position, of or with the Company and/or a Subsidiary (or any successor thereto by operation of law or otherwise), as the case may be, which Participant held immediately prior to a Change of Control, or the removal of Participant as a Director of the Company and/or a Subsidiary (or any successor thereto) if Participant shall have been a Director of the Company and/or a Subsidiary immediately prior to the Change of Control;
  - (B) failure of the Company to remedy any of the following within 10 calendar days after receipt by the Company of written notice thereof from Participant: (1) a significant adverse change in the nature or scope of the authorities, powers, functions, responsibilities or duties attached to the position with the Company and any Subsidiary which Participant held immediately prior to the Change of Control, (2) a reduction in Participant’s Base Pay received from the Company and any Subsidiary, (3) a reduction in Participant’s Incentive Pay opportunity as compared with the Incentive Pay opportunity most recently paid prior to the Change of Control, or (4) the termination or denial of Participant’s rights to Employee Benefits or a reduction in the scope or value thereof;
  - (C) the liquidation, dissolution, merger, consolidation or reorganization of the Company or the transfer of all or substantially all of its business and/or assets, unless the successor (by liquidation, merger, consolidation, reorganization, transfer or otherwise) to which all or substantially all of its business and/or assets have been transferred (by operation of law or otherwise) assumed all duties and obligations of the Company hereunder; or
  - (D) the Company requires Participant to have Participant’s principal location of work changed to any location that is in excess of 30 miles from the location thereof immediately prior to the Change of Control, or requires Participant to travel away from Participant’s office in the course of discharging Participant’s responsibilities or duties hereunder at least 20% more (in terms of aggregate days in any calendar

year or in any calendar quarter when annualized for purposes of comparison to any prior year) than was required of Participant in any of the three full years immediately prior to the Change of Control.

(E) Definitions. As used in this Section 12(a),

- (1) “Base Pay” means Participant’s annual base salary rate as in effect from time to time.
- (2) “Incentive Pay” means an annual bonus, incentive or other payment of compensation, in addition to Base Pay, made or to be made in regard to services rendered in any year pursuant to any bonus, incentive, profit-sharing, performance, discretionary pay or similar agreement, policy, plan, program or arrangement (whether or not funded) of the Company or a Subsidiary, or any successor thereto. “Incentive Pay” does not include any stock option, stock appreciation, stock purchase, restricted stock, private equity, long-term incentive or similar plan, program, arrangement or grant, whether or not provided under a plan, program or arrangement described in the preceding sentence.
- (3) “Employee Benefits” means the perquisites, benefits and service credit for benefits as provided under any and all employee retirement income and welfare benefit policies, plans, programs or arrangements in which the Participant is entitled to participate, including without limitation any stock option, performance share, performance unit, stock purchase, stock appreciation, savings, pension, supplemental executive retirement, or other retirement income or welfare benefit, deferred compensation, incentive compensation, group or other life, health, medical/hospital or other insurance (whether funded by actual insurance or self-insured by the Company or a Subsidiary), disability, salary continuation, expense reimbursement and other employee benefit policies, plans, programs or arrangements that may now exist or any equivalent successor policies, plans, programs or arrangements that may be adopted hereafter by the Company or a Subsidiary, providing benefits and service credit for benefits at least as great in the aggregate as are payable thereunder immediately prior to a Change of Control.

(v) For purposes of this Section 12(a), an award shall be considered assumed (“Assumed”) if each of the following conditions are met:

- (A) Option Rights, Appreciation Rights and Other Awards (to the extent such Other Awards are payable in cash and not subject to Management Objectives) are converted into replacement awards in a manner that complies with Section 409A;
- (B) Restricted Stock Unit and Restricted Stock awards that are not subject to Management Objectives are converted into replacement awards covering a number of shares of the entity effecting the Change of Control (or a successor or parent corporation), as determined in a manner substantially similar to the treatment of an equal number of shares of Common Stock covered by the awards; provided, that to the extent that any portion of the consideration received by holders of shares of Common Stock in the Change of Control transaction is not in the form of the common stock of such entity (or a successor or parent corporation), the number of shares covered by the replacement awards shall be based on the average of the high and low selling prices of the common stock of such entity (or a successor or parent corporation) on the established stock exchange on the trading day immediately preceding the date of the Change of Control;

- (C) Performance Shares, Performance Units and all other awards subject to Management Objectives are converted into replacement awards that preserve the value of such awards at the time of the Change of Control;
  - (D) the replacement awards contain provisions for scheduled vesting and treatment on termination of employment (including the definition of Cause and Good Reason) that are no less favorable to the Participant than the underlying awards being replaced, and all other terms of the replacement awards (other than the security and number of shares represented by the replacement awards) are substantially similar to, or more favorable to the Participant than, the terms of the underlying awards; and
  - (E) the security represented by the replacement awards, if any, is of a class that is publicly held and widely traded on an established stock exchange.
- (b) Awards Not Assumed by Successor
- (i) Upon the occurrence of a Change of Control, any awards made under this Plan that are not Assumed by the entity effecting the Change of Control shall become fully vested and exercisable on the date of the Change of Control or shall immediately vest and become immediately payable in accordance with their terms as if 100% of the applicable Management Objectives have been achieved, and any restrictions that apply to such awards shall lapse.
  - (ii) For each Option Right and Appreciation Right, the Participant shall receive a payment equal to the difference between the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) received by holders of Common Stock in the Change of Control transaction and the exercise price of the applicable Option Right or Appreciation Right, if such difference is positive. Such payment shall be made in the same form as the consideration received by holders of Common Stock. Any Option Rights or Appreciation Rights with an exercise price that is higher than the per share consideration received by holders of Common Stock in connection with the Change of Control shall be cancelled for no additional consideration.
  - (iii) The Participant shall receive the consideration (consisting of cash or other property (including securities of a successor or parent corporation)) that such Participant would have received in the Change of Control transaction had he or she been, immediately prior to such transaction, a holder of the number of shares of Common Stock equal to the number of Restricted Stock Units, Other Awards, and/or shares of Restricted Stock covered by the award and the number of shares of Common Stock payable under Section 12(b)(i) for awards subject to Management Objectives.
  - (iv) The payments contemplated by Sections 12(b)(ii) and 12(b)(iii) shall be made at the same time as consideration is paid to the holders of the Common Stock in connection with the Change of Control.
  - (v) Notwithstanding anything to the contrary in this Plan, if the Change of Control does not constitute a 409A Change in Control (as defined in Section 17(d)) and the payment or benefit constitutes a deferral of compensation under Section 409A, then to the extent necessary to comply with Section 409A payment or delivery shall be made on the date of payment or delivery originally provided for such payment or benefit.
- (c) “Change of Control” shall mean, except as otherwise provided in an Evidence of Award, the occurrence of any of the following events:

- (i) any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) (a “Person”) is or becomes the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of the combined voting power of the then-outstanding Voting Stock of the Company; provided, however, that:
  - (A) for purposes of this Section 12(c)(i), the following acquisitions will not constitute a Change of Control: (1) any acquisition of Voting Stock directly from the Company that is approved by a majority of the Incumbent Directors, (2) any acquisition of Voting Stock by the Company or any Subsidiary, (3) any acquisition of Voting Stock by the trustee or other fiduciary holding securities under any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, and (4) any acquisition of Voting Stock by any Person pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 12(c)(iii) below;
  - (B) 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 (1) of Section 12(c)(i)(A) 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 the Company that is approved by a majority of the Incumbent Directors or other than as a result of a stock dividend, stock split or similar transaction effected by the Company in which all holders of Voting Stock are treated equally, such subsequent acquisition shall be treated as a Change of Control;
  - (C) 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 the Company in which all holders of Voting Stock are treated equally; and
  - (D) 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 the Company 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 (A) 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 the Company or all or substantially all of the Company’s assets either directly or through one or more subsidiaries), (B) no Person (other than the Company,

such entity resulting from such Business Transaction, or any employee benefit plan (or related trust) sponsored or maintained by the Company, 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 (C) 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) the consummation of the liquidation or dissolution of the Company, except pursuant to a Business Transaction that complies with clauses (A), (B) and (C) of Section 12(c)(iii).
- (v) For purposes of this Section 12(c), 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 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 the Company’s organizational documents) whose election by the Board or nomination for election by the Company’s 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 the Company which have the right to vote on the election of members of the Board.

13. **Recapture Provisions.** Any Evidence of Award (or any part thereof) may provide for the cancellation or forfeiture of an award or the forfeiture and repayment to the Company of any gain related to an award, or other provisions intended to have a similar effect, upon such terms and conditions as may be determined by the Board in accordance with the Company’s Executive Adjustment and Recapture Policy, as may be amended from time to time, any successor policy or otherwise, 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 awards under this Plan, Participants agree and acknowledge that they are obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any award or amount paid under this Plan 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 any award or amounts paid under this Plan from a Participant’s accounts, or pending or future compensation awards.
14. **Non U.S. Participants.** In order to facilitate the making of any grant or combination of grants under this Plan, the Board may provide for such special terms for awards to Participants who are foreign nationals or who are employed by the Company or any Subsidiary outside of the United States of America or who provide services to the Company under an agreement with a foreign nation or agency, as the Board may consider necessary or appropriate to accommodate differences in local law, tax policy or custom, to comply with applicable foreign laws or facilitate the offering and administration of the Plan in view of such foreign laws and to allow for tax-preferred treatment of awards. Moreover, the Board may approve such supplements to or amendments, restatements or alternative versions of this Plan (including, without limitation, sub-plans) and modify exercise procedures, and other terms and procedures, as it may consider necessary or appropriate for such purposes, without thereby affecting the terms of this Plan as in effect for any other purpose, and the Secretary or other appropriate officer of the Company may certify any such document as having been approved and adopted in the same manner as this Plan. No such special terms, supplements, amendments, restatements, sub-plans or modifications, however, will include

any provisions that are inconsistent with the terms of this Plan as then in effect unless this Plan could have been amended to eliminate such inconsistency without further approval by the shareholders of the Company.

**15. Transferability.**

- (a) No award granted under this Plan shall be transferable by the Participant except by will or the laws of descent and distribution, and in no event shall any award granted under this Plan be transferred for value. Except as otherwise determined by the Board, Option Rights and Appreciation Rights will be exercisable during the Participant's lifetime only by him or her or, in the event of the Participant's legal incapacity to do so, by his or her guardian or legal representative acting on behalf of the Participant in a fiduciary capacity under state law and / or court supervision.
- (b) The Board may specify at the Date of Grant that part or all of the shares of Common Stock that are (i) to be issued or transferred by the Company upon the exercise of Option Rights or Appreciation Rights, upon the termination of the Restriction Period applicable to Restricted Stock Units or upon payment under any grant of Performance Shares, Performance Units or Other Awards or (ii) no longer subject to the substantial risk of forfeiture and restrictions on transfer referred to in Section 6, will be subject to further restrictions on transfer.

**16. Withholding Taxes.** To the extent that the Company is required to withhold (including required to account to any tax authorities for) federal, state, local or foreign taxes or other amounts in connection with any payment made or benefit realized by a Participant or other person under this Plan, and the amounts available to the Company for such withholding are insufficient, it will be a condition to the receipt of such payment or the realization of such benefit that the Participant or such other person make arrangements satisfactory to the Company for payment of the balance of such taxes and other amounts required to be withheld, which arrangements (in the discretion of the Board) may include relinquishment of a portion of such benefit. If a Participant's benefit is to be received in the form of Common Stock, and such Participant fails to make arrangements for the payment of tax and other amounts, the Company shall withhold such shares of Common Stock having a value equal to the amount required to be withheld. Notwithstanding the foregoing, unless otherwise provided by the Board, when a Participant is required to pay the Company an amount required to be withheld under applicable income and employment tax and other laws and regulations, the Participant may elect to satisfy the obligation, in whole or in part, by electing to have withheld, from the shares required to be delivered to the Participant, shares of Common Stock having a value equal to the amount required to be withheld (except in the case of Restricted Stock where an election under Section 83(b) of the Code has been made), or by delivering to the Company other shares of Common Stock held by such Participant. The shares used for tax withholding will be valued at an amount equal to the real-time fair market value per share of such Common Stock at the time of exercise or vesting or when the benefit is to be included in Participant's income. In no event shall the fair market value of the shares of Common Stock to be withheld and/or delivered pursuant to this Section to satisfy applicable withholding taxes or other amounts in connection with the benefit exceed the minimum amount of taxes or other amounts required to be withheld (except as otherwise approved by the Board, in its discretion). Participants shall also make such arrangements as the Company may require for the payment of any withholding tax or other obligation that may arise in connection with the disposition of shares of Common Stock acquired upon the exercise of Option Rights, Appreciation Rights or any other award.

**17. Compliance with Section 409A.**

- (a) To the extent applicable, it is intended that this Plan and any grants made hereunder comply with the provisions of Section 409A of the Code and the regulations promulgated thereunder ("Section 409A"), so that the income inclusion provisions of Section 409A(a)(1) do not apply to the Participants. This Plan and any grants made hereunder shall be construed and administered in a manner such that the grant either (i) qualifies for an exemption from the requirements of Section 409A or (ii) satisfies the requirements of Section 409A. If a grant under this Plan is subject to Section 409A, then (i) distributions shall only be made in a manner and upon an event permitted

under Section 409A, (ii) payments to be made upon termination of employment shall only be made upon a “separation from service” under Section 409A, (iii) unless the grant agreement specifies otherwise, each installment payment shall be treated as a separate payment for purposes of Section 409A, and (iv) in no event shall a Participant, directly or indirectly, designate the calendar year in which a distribution is made except as permitted in accordance with Section 409A. Any reference in this Plan to Section 409A will also include any regulations or any other formal guidance promulgated with respect to such Section by the U.S. Department of the Treasury or the Internal Revenue Service.

- (b) Neither a Participant nor any of a Participant’s creditors or beneficiaries shall have the right to subject any deferred compensation (within the meaning of Section 409A) payable under this Plan and grants of deferred compensation hereunder to any anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, attachment or garnishment. Except as permitted under Section 409A, any deferred compensation (within the meaning of Section 409A) payable to a Participant or for a Participant’s benefit under this Plan and grants of deferred compensation hereunder may not be reduced by, or offset against, any amount owing by a Participant to the Company or any of its affiliates.
- (c) If, at the time of a Participant’s separation from service (within the meaning of Section 409A), (i) the Participant shall be a specified employee (within the meaning of Section 409A and using the identification methodology selected by the Company from time to time) and (ii) the Company determines that an amount payable hereunder constitutes deferred compensation (within the meaning of Section 409A) and the payment of which is required to be delayed pursuant to the six-month delay rule set forth in Section 409A in order to avoid taxes or penalties under Section 409A, then the Company shall not pay such amount on the otherwise scheduled payment date but shall instead pay it, without interest, on the tenth business day of the month after such six-month period.
- (d) For purposes of this Plan and its underlying agreements, a “409A Change in Control” means the date on which any one of the following occurs: (i) any one person, or more than one person acting as a group (as determined under Section 409A and the regulations promulgated thereunder), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 30% or more of the total voting power of the stock of the Company; or (ii) a majority of the members of the Board is replaced during any 12-month period by Directors whose appointment or election is not endorsed by a majority of the members of the Board before the date of such appointment or election; or (iii) any one person, or more than one person acting as a group (as determined under Section 409A and the regulations promulgated thereunder), acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company; or (iv) any one person, or more than one person acting as a group (as determined under Section 409A and the regulations thereunder), acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 40% of the total gross fair market value of all of the assets of the Company before such acquisition or acquisitions. For this purpose, “gross fair market value” means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.
- (e) Notwithstanding any provision of this Plan and grants hereunder to the contrary, in light of the uncertainty with respect to the proper application of Section 409A, the Company reserves the right to make amendments to this Plan and grants hereunder as the Company deems necessary or desirable to avoid the imposition of taxes or penalties under Section 409A. In any case, a Participant shall be solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on a Participant or for a Participant’s account in connection with this Plan and grants hereunder (including any taxes, interest and/or penalties under Section 409A), and neither

the Company nor any of its affiliates shall have any obligation to indemnify or otherwise hold a Participant harmless from any or all of such taxes, interest and/or penalties.

**18. Additional Restrictions with Respect to Qualified Performance-Based Awards.** Notwithstanding anything contained in this Plan to the contrary:

- (a) Qualified Performance-Based Awards shall be granted by a committee, which may be the Compensation and Management Development Committee or any other committee of the Board (or a subcommittee thereof), provided that such committee consists solely of two or more “outside directors” within the meaning of Section 162(m).
- (b) To the extent that a Qualified Performance-Based Award shall be based on achievement of Management Objectives, the committee shall establish and approve in writing (i) the applicable Participants and performance period, (ii) the Management Objectives, (iii) the maximum amounts that may be paid if the Management Objectives are met, and (iv) any other conditions that the committee deems appropriate and consistent with this Plan and the requirements of Section 162(m) for “qualified performance-based compensation.” The establishment and approval of such items shall be made within the earlier of (i) 90 days after the commencement of the relevant performance cycle and (ii) the first 25% of such performance cycle (or such other date as may be required or permitted under applicable regulations under Section 162(m)), and while the attainment of the Management Objectives remains substantially uncertain.
- (c) Other than in connection with the Participant’s death or disability, or a Change of Control, the terms of a Qualified Performance-Based Award may not be amended where such action would result in the loss of the otherwise available exemption of the award under Section 162(m).
- (d) In no event shall a Participant’s Qualified Performance-Based Awards exceed the Individual Participant Limits described in Section 3(c).
- (e) Qualified Performance-Based Awards are intended to satisfy the requirements for “qualified performance-based compensation” under Section 162(m) and the terms relating to such awards are to be interpreted and operated accordingly.
- (f) The Committee will certify the results and amounts to be paid, if any, for the applicable performance period under a Qualified Performance-Based Award to all affected Participants after it determines whether and to what extent the Management Objectives have been satisfied.

**19. Effective Date.** The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan first became effective on April 20, 2006, the date immediately following the date it was approved by shareholders, and was subsequently amended and restated effective April 21, 2010 and February 17, 2015. The Sherwin-Williams Company 2006 Equity and Performance Incentive Plan (Amended and Restated as of April 19, 2017) shall be effective upon its approval by the Company’s shareholders at its Annual Meeting of Shareholders to be held on April 19, 2017 (or, if the vote on this Plan is postponed, such other date on which a shareholders’ meeting to vote to approve this Plan occurs). If this Plan, as amended and restated, is not so approved, then the Plan, as in effect immediately prior to such Annual Meeting, shall remain in effect.

**20. Amendments.**

- (a) The Board may at any time and from time to time amend this Plan in whole or in part; provided, however, that if an amendment to this Plan (i) would materially increase the benefits accruing to Participants under this Plan, (ii) would materially increase the number of securities which may be issued under this Plan, (iii) would materially modify the requirements for participation in this Plan or (iv) must otherwise be approved by the shareholders of the Company in order to comply with applicable law or the rules of the New York Stock Exchange or, if the shares of Common Stock are not traded on the New York Stock Exchange, the principal national securities exchange upon which the shares of Common Stock are traded or quoted, then, such amendment will be subject to shareholder approval and will not be effective unless and until such approval has been obtained.

- (b) Except in connection with a corporate transaction or event described in Sections 11 or 12, the Board may not, without obtaining shareholder approval, (i) amend the terms of outstanding Option Rights or Appreciation Rights to reduce the Option Price or Base Price, as applicable, of such outstanding Option Rights or Appreciation Rights; (ii) cancel outstanding Option Rights or Appreciation Rights in exchange for Option Rights or Appreciation Rights with an Option Price or Base Price, as applicable, that is less than the Option Price or Base Price, as applicable, of the original Option Rights or Appreciation Rights; or (iii) cancel outstanding Option Rights or Appreciation Rights with an Option Price or Base Price, as applicable, above the current Common Stock price in exchange for cash or other securities. This Section 20(b) is intended to prohibit the repricing of “underwater” Option Rights and/or Appreciation Rights and will not be construed to prohibit the adjustments provided for in Section 11 or Section 12. Notwithstanding any provision of this Plan to the contrary, this Section 20(b) may not be amended without shareholder approval.
- (c) If permitted by Section 409A, but subject to the paragraph that follows, in case of termination of employment by reason of death or disability of a Participant who holds an Option Right or Appreciation Right not immediately exercisable in full, or any shares of Restricted Stock as to which the substantial risk of forfeiture or the prohibition or restriction on transfer has not lapsed, or any Restricted Stock Units as to which the Restriction Period has not been completed, or any Performance Shares or Performance Units which have not been fully earned, or any Other Awards that have not been fully earned or that are subject to any vesting schedule or transfer restriction, or who holds shares of Common Stock subject to any transfer restriction imposed pursuant to Section 15, the Board may, in its sole discretion, accelerate the time at which such Option Right, Appreciation Right or other award may be exercised or the time at which such substantial risk of forfeiture or prohibition or restriction on transfer will lapse or the time when such Restriction Period will end or the time at which such Performance Shares or Performance Units will be deemed to have been fully earned or the time when such Other Awards shall be deemed to have been fully earned or vested or that such transfer restriction will terminate or may waive any other limitation or requirement under any such award, except as otherwise provided in Section 12.

Subject to Section 20(b), the Board may amend the terms of any award theretofore granted under this Plan prospectively or retroactively, except in the case of a Qualified Performance-Based Award (other than in connection with the Participant’s death or disability, or a Change of Control) where such action would result in the loss of the otherwise available exemption of the award under Section 162(m). In such case, the Board will not make any modification of the Management Objectives or the level or levels of achievement with respect to such Qualified Performance-Based Award. Subject to Section 11, no such amendment shall materially impair the rights of any Participant without his or her consent. The Board may, in its discretion, terminate this Plan at any time. Termination of this Plan will not affect the rights of Participants or their successors under any awards outstanding hereunder and not exercised in full on the date of termination.

- 21. **Termination.** No grant will be made under this Plan more than 10 years after the date on which this amended and restated Plan is approved by the shareholders of the Company, but all grants made on or prior to such date will continue in effect thereafter subject to the terms thereof and of this Plan.
- 22. **Governing Law.** This Plan and all grants and awards and actions taken thereunder shall be governed by and construed in accordance with the internal substantive laws of the State of Ohio, without giving effect to the conflict of law provisions thereof.
- 23. **Miscellaneous Provisions.**
  - (a) The Company will not be required to issue any fractional shares of Common Stock pursuant to this Plan. The Board may provide for the elimination of fractions or for the settlement of fractions in cash.
  - (b) Neither this Plan nor a grant of an award under this Plan will confer upon any Participant 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 such Participant's employment or other service at any time.

- (c) To the extent that any provision of this Plan would prevent any Option Right that was intended to qualify as an Incentive Stock Option from qualifying as such, that provision will be null and void with respect to such Option Right. Such provision, however, will remain in effect for other Option Rights and there will be no further effect on any provision of this Plan.
- (d) No award under this Plan may be exercised by the holder thereof if such exercise, and the receipt of cash or stock thereunder, would be, in the opinion of counsel selected by the Board, contrary to law or the regulations of any duly constituted authority having jurisdiction over this Plan.
- (e) No Participant shall have any rights as a shareholder with respect to any shares subject to awards granted to him or her under this Plan prior to the date as of which he or she is actually recorded as the holder of such shares upon the stock records of the Company.
- (f) The Board may condition the grant of any award or combination of awards authorized under this Plan on the surrender or deferral by the Participant of his or her right to receive a cash bonus or other compensation otherwise payable by the Company or a Subsidiary to the Participant.
- (g) Participants shall provide the Company with a written election form setting forth the name and contact information of the person who will have beneficial ownership rights upon the death of the Participant.
- (h) If any provision of this Plan is or becomes invalid, illegal or unenforceable in any jurisdiction, or would disqualify this Plan or any award under any law deemed applicable by the Board, such provision shall be construed or deemed amended or limited in scope to conform to applicable laws or, in the discretion of the Board, it shall be stricken and the remainder of this Plan shall remain in full force and effect.

CERTIFICATION

I, John G. Morikis, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: April 21, 2017

/s/ John G. Morikis

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John G. Morikis

Chairman, President and Chief Executive Officer

CERTIFICATION

I, Allen J. Mistysyn, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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: April 21, 2017

/s/ Allen J. Mistysyn

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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 Quarterly Report on Form 10-Q of The Sherwin-Williams Company (the "Company") for the period ended March 31, 2017 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: April 21, 2017

/s/ John G. Morikis

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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 Quarterly Report on Form 10-Q of The Sherwin-Williams Company (the "Company") for the period ended March 31, 2017 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: April 21, 2017

/s/ Allen J. Mistysyn

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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.