

Fortune Brands Home & Security, Inc.  
Form DEF 14A  
March 14, 2018  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**

**(Amendment No. )**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Fortune Brands Home & Security, Inc.**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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

Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

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

- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:
  
  
  
  
  
  
  
  
  
  
- (3) Filing Party:
  
  
  
  
  
  
  
  
  
  
- (4) Date Filed:



**Table of Contents**

520 Lake Cook Road, Deerfield, Illinois 60015

***NOTICE OF ANNUAL MEETING***

***AND PROXY STATEMENT***

March 14, 2018

Dear Fellow Stockholders:

We are pleased to invite you to the 2018 Annual Meeting of Stockholders ( Annual Meeting ) of Fortune Brands Home & Security, Inc. on Tuesday, May 1, 2018 at 8:00 a.m. (CDT) at the Renaissance Chicago North Shore Hotel, 933 Skokie Boulevard, Northbrook, Illinois. The following matters will be considered at the Annual Meeting:

- Proposal 1:* Election of the three director nominees identified in this Proxy Statement for a three year term expiring at the 2021 Annual Meeting of Stockholders (see pages 6-9);
- Proposal 2:* Ratification of the appointment by the Company s Audit Committee of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2018 (see page 45);
- Proposal 3:* Advisory vote to approve the compensation paid to the Company s named executive officers (see page 46);
- Proposal 4:* Advisory vote to approve the frequency of voting on the compensation paid to the Company s named executive officers (see page 47); and

such other business as may properly come before the Annual Meeting.

Stockholders of record at the close of business on March 2, 2018, the record date for the Annual Meeting, are entitled to vote. ***Stockholders who wish to attend the Annual Meeting in person should review the instructions beginning on page 1.***

***YOUR VOTE IS VERY IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, PLEASE SUBMIT YOUR PROXY OR VOTING INSTRUCTIONS AS SOON AS POSSIBLE. See pages 1-5 for voting instructions.***

*This Proxy Statement and accompanying proxy are first being distributed on or about March 14, 2018.*

Robert K. Biggart  
Senior Vice President, General Counsel and Secretary

***Important Notice Regarding the Availability of Proxy Materials***

***for the 2018 Annual Meeting of Stockholders to be Held on Tuesday, May 1, 2018.***

This Notice of Annual Meeting and Proxy Statement and the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 ( Form 10-K ) are available at [www.proxyvote.com](http://www.proxyvote.com).

**Table of Contents***TABLE OF CONTENTS*

<b><u>FREQUENTLY ASKED QUESTIONS</u></b>	1
<b><u>PROPOSAL 1 ELECTION OF DIRECTORS</u></b>	6
<b><u>CORPORATE GOVERNANCE</u></b>	10
<u>Corporate Governance Principles</u>	10
<u>Director Independence</u>	10
<u>Policies with Respect to Transactions with Related Persons</u>	10
<u>Certain Relationships and Related Transactions</u>	11
<u>Director Nomination Process</u>	11
<u>Communication with the Board</u>	11
<u>Board Leadership Structure</u>	12
<u>Executive Sessions</u>	12
<u>Meeting Attendance</u>	12
<u>Risk Management</u>	12
<u>Compensation Risks</u>	13
<u>Board Committees</u>	14
<u>Audit Committee</u>	14
<u>Compensation Committee</u>	14
<u>Compensation Committee Interlocks and Insider Participation</u>	15
<u>Compensation Committee Procedures</u>	15
<u>Compensation Committee Consultant</u>	15
<u>Executive Committee</u>	16
<u>Nominating and Corporate Governance Committee</u>	16
<u>Other Corporate Governance Resources</u>	16
<b><u>DIRECTOR COMPENSATION</u></b>	17
<u>Cash Fees</u>	17
<u>Stock Awards</u>	17
<u>Director Stock Ownership Guidelines</u>	17
<u>Anti-Hedging and Anti-Pledging</u>	17
<u>2017 Director Compensation Table</u>	18
<b><u>COMPENSATION DISCUSSION AND ANALYSIS</u></b>	19
<u>Executive Summary</u>	19
<u>2017 Business &amp; Financial Highlights</u>	19
<u>2017 Compensation Highlights</u>	22
<u>Results of the 2017 Say-on-Pay Vote</u>	23
<u>Philosophy and Process for Awarding NEO Compensation</u>	24
<u>Types and Amounts of NEO Compensation Awarded in 2017</u>	26
<u>Compensation Committee Report</u>	32
<b><u>2017 EXECUTIVE COMPENSATION</u></b>	33
<u>2017 Summary Compensation Table</u>	33
<u>2017 Grants of Plan-Based Awards</u>	34
<u>Outstanding Equity Awards at 2017 Fiscal Year-End</u>	35
<u>2017 Option Exercises and Stock Vested</u>	37
<u>Retirement and Post-Retirement Benefits</u>	37
<u>2017 Nonqualified Deferred Compensation</u>	39
<u>Potential Payments Upon Termination or Change in Control</u>	40
<b><u>CEO PAY RATIO</u></b>	42
<b><u>EQUITY COMPENSATION PLAN INFORMATION</u></b>	43
<b><u>AUDIT COMMITTEE MATTERS</u></b>	44
<u>Report of the Audit Committee</u>	44
<u>Fees of Independent Registered Public Accounting Firm</u>	45
<u>Approval of Audit and Non-Audit Services</u>	45
<b><u>PROPOSAL 2 RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	45
<b><u>PROPOSAL 3 ADVISORY VOTE ON NAMED EXECUTIVE OFFICER COMPENSATION</u></b>	46
<b><u>PROPOSAL 4 ADVISORY VOTE ON THE FREQUENCY OF VOTING ON NAMED EXECUTIVE OFFICER COMPENSATION</u></b>	47

<b><u>CERTAIN INFORMATION REGARDING SECURITY HOLDINGS</u></b>	48
<b><u>Section 16(a) Beneficial Ownership Reporting Compliance</u></b>	49
<b><u>APPENDIX A RECONCILIATIONS</u></b>	A-1

## **Table of Contents**

### *Why did I receive these materials?*

These materials were provided to you in connection with the solicitation by the Board of Directors (the Board) of Fortune Brands Home & Security, Inc. ( Fortune Brands or the Company ) of proxies to be voted at our Annual Meeting and at any adjournment or postponement of the Annual Meeting. The Annual Meeting will take place on May 1, 2018 at 8:00 a.m. (CDT) at the Renaissance Chicago North Shore Hotel, 933 Skokie Boulevard, Northbrook, Illinois. This Proxy Statement describes the matters on which you, as a stockholder, are entitled to vote and gives you the information that you need to make an informed decision on these matters.

### *Why did I receive a Notice of Internet Availability of Proxy Materials instead of printed proxy materials?*

Companies are permitted to provide stockholders with access to proxy materials over the Internet instead of mailing a printed copy. Unless we were instructed otherwise, we mailed a Notice of Internet Availability of Proxy Materials (the Notice) to stockholders. The Notice contains instructions on how to access the proxy materials on the Internet, how to vote and how to request a printed set of proxy materials. This approach reduces the environmental impact and our costs of printing and distributing the proxy materials, while providing a convenient method of accessing the materials and voting.

The Company will make its Annual Report on Form 10-K for the last fiscal year, including any financial statements or schedules, available to stockholders without charge, upon written request to the Secretary, Fortune Brands Home & Security, Inc., 520 Lake Cook Road, Deerfield, Illinois 60015. The Company will furnish exhibits to Form 10-K to each stockholder requesting them upon payment of a \$.10 per page fee to cover the Company's cost.

### *Can I get electronic access to the proxy materials if I received printed materials?*

Yes. If you received printed proxy materials, you can also access them online at [www.proxyvote.com](http://www.proxyvote.com) before voting your shares. The Company's proxy materials are also available on our website at <http://ir.fbhs.com/annuals-proxies.cfm>. Stockholders are encouraged to elect to receive future proxy materials electronically. If you opt to receive our future proxy materials electronically, you will receive an email next year with instructions containing a link to view those proxy materials and a link to the proxy voting website. Your election to receive proxy materials by email will remain in effect until you terminate it or for as long as the email address provided by you is valid. Stockholders of record who wish to participate can enroll at <http://enroll.icsdelivery.com/fbhs>. If your shares are held in an account by a bank, broker or other nominees, you should check with your bank, broker or other nominee regarding the availability of this service.

### *What is the difference between being a stockholder of record and a beneficial owner?*

If your shares are registered directly in your name with EQ Shareholder Services, the Company's transfer agent, you are the stockholder of record. If your shares are held in an account by a bank, broker or other nominee, you hold your shares in street name and are a beneficial owner of those shares. The majority of stockholders are beneficial owners. For such shares, a bank, broker or other nominee is considered the stockholder of record for purposes of voting at the Annual Meeting. Beneficial owners have the right to direct their bank, broker or other nominee on how to vote the shares held in their account by using the voting instructions provided by the bank, broker or other nominee.

### *Who is entitled to vote?*

Only stockholders who owned the Company's common stock of record at the close of business on March 2, 2018 (the Record Date) are entitled to vote. Each holder of common stock is entitled to one vote per share. There were 148,018,012 shares of common stock outstanding on the Record Date.

## Table of Contents

### *Who can attend the Annual Meeting?*

Only stockholders who owned Fortune Brands common stock as of the close of business on the Record Date, or their authorized representatives, may attend the Annual Meeting. At the entrance to the meeting, stockholders will be asked to present valid photo identification to determine stock ownership on the Record Date. If you are acting as a proxy, you will need to submit a valid written legal proxy signed by the owner of the common stock. ***You must bring such evidence with you to be admitted to the Annual Meeting.***

Stockholders who own their shares in street name will be required to submit proof of ownership at the entrance to the meeting. Either your voting instruction card or brokerage statement reflecting your stock ownership as of the Record Date may be used as proof of ownership.

### *What matters will be voted on at the Annual Meeting?*

Four matters will be considered at the Annual Meeting, which are:

election of three Class I directors identified in this Proxy Statement (*Proposal 1*);

ratification of the appointment of our independent registered public accounting firm (*Proposal 2*);

advisory vote to approve the compensation paid to the Company's named executive officers (*Proposal 3*); and

advisory vote to approve the frequency of voting on the compensation paid to the Company's named executive officers (*Proposal 4*).

### *How do I vote?*

If you received a Notice in the mail, you can either vote by (i) Internet ([www.proxyvote.com](http://www.proxyvote.com)) or (ii) in person at the Annual Meeting. Voting instructions are provided on the Notice. You may also request to receive printed proxy materials in the mail.

Stockholders who received printed proxy materials in the mail can vote by (i) filling out the proxy card and returning it in the postage paid return envelope, (ii) telephone (800-690-6903), (iii) Internet ([www.proxyvote.com](http://www.proxyvote.com)), or (iv) in person at the Annual Meeting. Voting instructions are provided on the proxy card.

Stockholders who received proxy materials electronically can vote by (i) Internet ([www.proxyvote.com](http://www.proxyvote.com)), (ii) telephone (800-690-6903), or (iii) in person at the Annual Meeting.

If you are not the stockholder of record, but are a beneficial owner of our shares, you must vote by giving instructions to your bank, broker or other nominee. You should follow the voting instructions on the form that you receive from your bank, broker or other nominee, which will include details on available voting methods. ***To be able to vote in person at the Annual Meeting, you must obtain a legal proxy from your bank, broker or other nominee in advance and present it to the Inspector of Election with your completed ballot at the Annual Meeting.***

### *How will my proxy be voted?*

Your proxy card, when properly signed and returned to us, or processed by telephone or via the Internet, and not revoked, will be voted in accordance with your instructions. If any matter is properly presented other than the four proposals described above, the persons named in the enclosed proxy card or, if applicable, their substitutes, will have discretion to vote your shares in their best judgment.





## Table of Contents

*What if I don't mark the boxes on my proxy or voting instruction card?*

Unless you give other instructions on your proxy card or your voting instruction card, or unless you give other instructions when you cast your vote by telephone or the Internet, the persons named in the enclosed proxy card will vote your shares in accordance with the recommendations of the Board, which are **FOR** the election of each director named in Proposal 1, **FOR** Proposals 2 and 3 and **ONE YEAR** for the frequency of the advisory vote to approve the compensation of the Company's named executive officers (Proposal 4).

If you hold shares beneficially and you have not provided voting instructions, your bank, broker or other nominee is only permitted to use its discretion and vote your shares on certain routine matters (Proposal 2). If you have not provided voting instructions to your bank, broker or other nominee on non-routine matters (Proposals 1, 3 and 4), your bank, broker or other nominee is not permitted to use discretion and vote your shares. **Therefore, we urge you to give voting instructions to your bank, broker or other nominee on all four proposals.** Shares that are not permitted to be voted by your bank, broker or other nominee with respect to any matter are called broker non-votes. Broker non-votes are not considered votes for or against a proposal and will have no direct impact on the voting results, but will be counted for the purposes of establishing a quorum at the Annual Meeting.

*How many votes are needed to approve a proposal?*

The nominees for director, in non-contested elections, must receive a majority of the votes cast at the Annual Meeting, in person or by proxy, to be elected. A proxy card marked to abstain on the election of a director and any broker non-votes will not be counted as a vote cast with respect to that director.

Under the Company's majority vote Bylaw provision relating to the election of directors, if the number of votes cast for a director nominee does not exceed the number of votes cast against the director nominee, then the director must tender his or her resignation from the Board promptly after the certification of the stockholder vote. The Board (excluding the nominee in question) will decide within 90 days of that certification, through a process managed by the Nominating and Corporate Governance Committee, whether to accept the resignation. The Board's explanation of its decision will be promptly disclosed in a filing with the Securities and Exchange Commission (SEC).

The affirmative vote of shares representing a majority in voting power of the common stock, present in person or represented by proxy at the Annual Meeting, and entitled to vote is necessary for the approval of Proposals 2 and 3.

For Proposal 4, stockholders may vote in favor of holding the vote to approve the compensation paid to the Company's named executive officers every one year, every two years or every three years and they may also choose to abstain. The option of every one year, every two years or every three years that receives the highest number of votes cast by stockholders will be considered by the Board as the stockholders' recommendation as to the frequency of future advisory votes on executive compensation.

Proxy cards marked to abstain on Proposals 2 and 3 will have the effect of a negative vote. Proxy cards marked to abstain on Proposal 4 will have no effect on the outcome. Broker non-votes are not applicable to Proposal 2 because your bank, broker or other nominee will be permitted to use discretion to vote your shares on this proposal. Broker non-votes will have no impact on Proposals 1, 3 and 4.

*How can I revoke my proxy or change my vote?*

You may revoke your proxy by giving written notice to the Secretary of the Company or by delivering a later dated proxy at any time before it is actually voted. If you voted on the Internet or by telephone, you may change your vote by voting again. Your last vote is the vote that will be counted. Attendance at the Annual Meeting does not revoke your proxy unless you vote at the Annual Meeting.

**Table of Contents**

*Will my vote be public?*

As a matter of policy, proxies, ballots and tabulations that identify individual stockholders are not publicly disclosed, but are available to the independent Inspector of Election and certain employees of the Company.

*What constitutes a quorum?*

The presence at the Annual Meeting, in person or by proxy, of the holders of a majority in voting power of the issued and outstanding shares of common stock entitled to vote will constitute a quorum. Proxies received but marked as abstentions or without any voting instructions will be included in the calculation of the number of shares considered to be present at the Annual Meeting.

Our Board is soliciting this proxy. The Company will bear the expense of soliciting proxies for this Annual Meeting, including mailing costs. To ensure that there is sufficient representation at the Annual Meeting, our employees may solicit proxies by telephone, facsimile or in person.

*What if I am a participant in the Fortune Brands Home & Security Retirement Savings Plan or the Fortune Brands Home & Security Hourly Employee Retirement Savings Plan?*

Participants who invest in the Fortune Brands Stock Fund through the Fortune Brands Home & Security Retirement Savings Plan and the Fortune Brands Home & Security Hourly Employee Retirement Savings Plan (collectively, the Savings Plans ) were mailed a Notice. The Trustee of the Savings Plans, as record holder of the Fortune Brands common stock held in the Savings Plans, will vote whole shares attributable to your interest in the Fortune Brands Stock Fund in accordance with your directions. Follow the voting instructions provided in the Notice to allow the Trustee to vote the whole shares attributable to your interest in accordance with your instructions. If the Trustee does not receive timely voting instructions with respect to the voting of your shares held in the Fortune Brands Stock Fund, the Trustee will vote such shares in the same manner and in the same proportion as the shares for which the Trustee did receive voting instructions.

*How can I eliminate multiple mailings to the same address?*

If you and other residents at your mailing address are registered stockholders and you receive more than one copy of the Notice, but you wish to eliminate the duplicate mailings, you must submit a written request to the Company's transfer agent, EQ Shareowner Services. To request the elimination of duplicate copies, please write to EQ Shareowner Services, 1110 Centre Pointe Curve, Suite 101, Mendota Heights, Minnesota 55120.

If you and other residents at your mailing address own shares in street name, your broker, bank or other nominee may have sent you a notice that your household will receive only one Notice or one set of proxy materials for each company in which you hold stock through that broker, bank or other nominee. This practice, known as householding, is designed to reduce our printing and postage costs. If you did not respond, the bank, broker or other nominee will assume that you have consented, and will send only one copy of the Notice to your address. You may revoke your consent to householding at any time by sending your name, the name of your brokerage firm, and your account number to Broadridge, Household Department, 51 Mercedes Way, Edgewood, New York 11717. The revocation of your consent to householding will be effective 30 days following its receipt. In any event, if you did not receive an individual copy of the Notice or proxy materials, or if you wish to receive individual copies of such documents for future meetings, we will send an individual copy to you if you call Shareholder Services at (847) 484-4538, or write to the Secretary of Fortune Brands Home & Security, Inc., 520 Lake Cook Road, Deerfield, Illinois 60015.

**Table of Contents**

*How can I submit a stockholder proposal or nomination next year?*

Our Bylaws provide that in order for a stockholder to (i) nominate a candidate for election to our Board at the 2019 Annual Meeting of Stockholders, or (ii) propose business for consideration at the 2019 Annual Meeting of Stockholders, written notice containing the information required by the Bylaws must be delivered to the Secretary of the Company no less than 90 days nor more than 120 days before the anniversary of the prior year's Annual Meeting, that is, after January 1, 2019 but no later than January 31, 2019 for the 2019 Annual Meeting.

Under SEC rules, if a stockholder wishes to submit a proposal for possible inclusion in the Company's 2019 proxy statement pursuant to Rule 14a-8 of the Securities Exchange Act of 1934, as amended ( "Exchange Act" ), we must receive it on or before November 14, 2018.

The person presiding at the Annual Meeting is authorized to determine if a proposed matter is properly brought before the Annual Meeting or if a nomination is properly made.

Copies of our Restated Certificate of Incorporation and Bylaws are available upon written request to the Secretary, Fortune Brands Home & Security, Inc., 520 Lake Cook Road, Deerfield, Illinois 60015.

## **Table of Contents**

### *Summary of Qualification of Directors*

The Board believes that all directors must possess a considerable amount of education and business management experience. The Board also believes that it is necessary for each of the Company's directors to possess certain general qualities, while there are other skills and experiences that should be represented on the Board as a whole, but not necessarily by each individual director.

General qualities for all directors:

- Extensive executive leadership experience
- Excellent business judgment
- High level of integrity and ethics
- Original thinking
- Strong commitment to the Company's goal of maximizing stockholder value

Specific experiences, qualifications, and backgrounds to be represented on the Board as a whole:

- Financial and/or accounting expertise
- Consumer products expertise
- Knowledge of international markets
- Chief executive officer/chief operating officer/chief financial officer experience
- Extensive board experience
- Diversity of skill, background and viewpoint

The process used by the Nominating and Corporate Governance Committee in recommending qualified director candidates is described below under Corporate Governance – Director Nomination Process (see page 6 of this Proxy Statement).

### *Election of Class I Directors*

The Board consists of eight members and is divided into three classes, each having three year terms that expire in successive years. The term of the Class I directors expires at the 2018 Annual Meeting of Stockholders. The Board has nominated Ms. Ann F. Hackett, Mr. John G. Morikis and Mr. Ronald V. Waters, III, each of whom is currently serving as a Class I director, for re-election for a new term of three years expiring at the 2021 Annual Meeting of Stockholders and until their successors are duly elected and qualified. Shares cannot be voted for more than the number of nominees proposed for re-election.

Each of the nominees has consented to be named as a nominee and to serve as a director, if elected. If any of them should become unavailable to serve as a director (which is not now expected), the Board may designate a substitute nominee. In that case, the persons named in the enclosed proxy card will vote for the substitute nominee designated by the Board.

The names of the nominees and the current Class II and Class III directors, along with their present positions, their principal occupations and employment during the last five years, any directorships held with other public companies during the past five years, their ages and the year first elected as a director of the Company, are set forth below. Individual qualifications and experiences of our directors that contribute to the Board's effectiveness as a whole are also described in the following paragraphs.

**Table of Contents**

<i>Name</i>	<i>Present positions and offices with the Company, principal occupations and other directorships during the past five years</i>	<i>Age</i>	<i>Year first elected director</i>
-------------	---	------------	--

**NOMINEES FOR DIRECTOR CLASS I DIRECTORS TERM EXPIRING 2021**

Ann F. Hackett	Partner and co-founder of Personal Pathways, LLC, a company providing web-based enterprise collaboration platforms, since 2015. Prior to that, President of Horizon Consulting Group, LLC, a strategic and human resource consulting firm founded by Ms. Hackett in 1996. Currently also a director of Capital One Financial Corporation. Formerly a director of Beam Inc.	64	2011
----------------	--	----	------

Ms. Hackett has extensive experience in leading companies that provide strategic, organizational and human resource consulting services to boards of directors and senior management teams. She has experience leading change initiatives, risk management, talent management and succession planning and in creating performance-based compensation programs, as well as significant international experience and technology experience.

Ms. Hackett also has extensive board experience and currently serves as the lead independent director of Capital One Financial Corporation.

John G. Morikis	President and Chief Executive Officer since January 2016 and Chairman since January 2017 of The Sherwin-Williams Company, a manufacturer of paint and coatings products. President and Chief Operating Officer from 2006 to January 2016. Currently a director of The Sherwin-Williams Company.	54	2011
-----------------	---	----	------

Mr. Morikis' experience as a Chief Executive Officer and as a Chief Operating Officer of The Sherwin-Williams Company, and his more than 30 years of experience with a consumer home products company, brings to our Board the perspective of a leader who faces similar external economic issues that face our Company.

Ronald V. Waters, III	Retired since May 2010; President and Chief Executive Officer of LoJack Corporation, a provider of tracking and recovery systems, from January 2009 to May 2010. Currently also a director of HNI Corporation and Paylocity Holding Corporation. Formerly a director of Chiquita Brands International, Inc.	65	2011
-----------------------	---	----	------

Mr. Waters has considerable executive leadership and financial management experience. He served as Chief Executive Officer and Chief Operating Officer at LoJack Corporation, a premier technology company, and as Chief Operating Officer and Chief Financial Officer at Wm. Wrigley Jr. Company, a leading confectionary manufacturing company. Mr. Waters also has extensive board experience.

**The Board of Directors recommends that you vote FOR the election of each nominee named above.**

Table of Contents

<i>Name</i>	<i>Present positions and offices with the Company, principal occupations and other directorships during the past five years</i>	<i>Age</i>	<i>Year first elected director</i>
<b>CLASS II DIRECTORS TERM EXPIRING 2019</b>			
Susan S. Kilsby	Retired since May 2014; Senior Advisor at Credit Suisse AG, an investment banking firm, from 2009 to May 2014; Managing Director of European Mergers and Acquisitions of Credit Suisse prior thereto. Currently also a director of Shire Plc, BBA Aviation PLC and Goldman Sachs International. Formerly a director of Keurig Green Mountain, Inc., and Coca-Cola HBC AG.	59	2015
Christopher J. Klein	Chief Executive Officer of the Company since January 2010. President and Chief Operating Officer prior thereto. Currently also a director of Thor Industries, Inc.	54	2010

Ms. Kilsby has a distinguished global career in investment banking and brings extensive mergers and acquisitions and international business experience to the Board. In addition to her experience at Credit Suisse, she held a variety of senior positions with The First Boston Corporation, Bankers Trust and Barclays de Zoete Wedd. Ms. Kilsby also has extensive board experience and currently serves as the non-executive Chair of Shire Plc.

Mr. Klein's leadership as Chief Executive Officer of the Company and his significant corporate strategy, business development and operational experience provide him with intimate knowledge of our operations and the challenges faced by the Company. Mr. Klein led the Company through the spin-off from Fortune Brands, Inc. in 2011. Prior to the Company's spin-off, he held several leadership positions at Fortune Brands, Inc., helping to reshape the business through acquisitions and divestitures. Prior to joining Fortune Brands, Mr. Klein held key strategy and operating positions at Bank One Corporation and also served as a partner at McKinsey & Company, a global management consulting firm.

**Table of Contents**

<i>Name</i>	<i>Present positions and offices with the Company, principal occupations and other directorships during the past five years</i>	<i>Age</i>	<i>Year first elected director</i>
-------------	---	------------	--

**CLASS III DIRECTORS TERM EXPIRING 2020**

A.D. David Mackay	Retired since January 2011; President and Chief Executive Officer of Kellogg Company, a packaged foods manufacturer, prior thereto. Currently also a director of The Clorox Company. Formerly a director of Keurig Green Mountain, Inc., McGrath Limited, Woolworths Limited and Beam Inc.	62	2011
-------------------	--	----	------

Mr. Mackay held various key executive positions with Kellogg Company including Chief Executive Officer and Chief Operating Officer, bringing to our Board the perspective of a leader who faced a similar set of external economic, social and governance issues to those that face our Company. Mr. Mackay also has significant international business experience, as well as extensive board experience.

David M. Thomas	Retired since March 2006; Chairman of the Board and Chief Executive Officer of IMS Health Incorporated, a provider of information services to the pharmaceutical and healthcare industries, prior thereto. Currently also a director of The Interpublic Group of Companies, Inc. and a member of the Fidelity Investments Board of Trustees.	68	2011
-----------------	--	----	------

Mr. Thomas' experience as a Chief Executive Officer of IMS Health Incorporated and his management experience at premier global technology companies, including as Senior Vice President and Group Executive of IBM, helps the Board address the challenges the Company faces due to rapid changes in IT capabilities and communications and global distribution strategies. Mr. Thomas also has extensive board experience.

Norman H. Wesley	Retired since October 2008; Chairman of the Board and Chief Executive Officer of Fortune Brands, Inc. prior thereto. Currently also a director of Acuity Brands, Inc. and Acushnet Holdings Corp. Formerly a director of Keurig Green Mountain, Inc. and ACCO Brands Corporation.	68	2011
------------------	---	----	------

Mr. Wesley's experience as Chief Executive Officer of a consumer products conglomerate gives him unique insights into the Company's challenges, opportunities and operations. Mr. Wesley also has extensive board experience.



## **Table of Contents**

Fortune Brands is committed to maintaining strong corporate governance practices that are good for our stockholders and our business. We are dedicated to maintaining these practices and upholding high standards of conduct.

### ***Corporate Governance Principles***

The Board adopted a set of Corporate Governance Principles which describe our corporate governance practices and address corporate governance issues such as Board composition and responsibilities, Board meeting procedures, the establishment of Board committees, management succession planning process and review of risks. The Corporate Governance Principles are available at <http://ir.fbhs.com/corporate-governance.cfm>.

### ***Director Independence***

The Company's Corporate Governance Principles provide that a majority of the members of the Board shall be independent directors. New York Stock Exchange requirements, as well as the Company's committee charters, require that each member of the Audit, Compensation and Nominating and Corporate Governance Committees be independent. The Board applies the definition of independence found in the New York Stock Exchange Listed Company Manual in determining which directors are independent. When determining each director's independence, the Board also considered charitable contributions made by the Company to organizations with which each director is affiliated.

Applying that definition, Messrs. Mackay, Morikis, Thomas, Wesley and Waters and Ms.

Hackett and Kilsby were affirmatively determined by the Board to be independent. Due to Mr. Klein's employment with the Company, he is not considered independent.

None of the non-employee directors has any material relationship with the Company other than being a director and stockholder. Also, none of the non-employee directors have participated in any transaction or arrangement that interferes with such director's independence.

### ***Policies with Respect to Transactions with Related Persons***

The Board has adopted a Code of Business Conduct & Ethics which sets forth various policies and procedures intended to promote the ethical behavior of all of the Company's employees, officers and directors (the Code of Conduct). The Code of Conduct describes the Company's policy on conflicts of interest. The Board has established a Compliance Committee (comprised of management) which is responsible for administering and monitoring compliance with the Code of Conduct. The Compliance Committee periodically reports on the Company's compliance efforts to the Audit Committee and to the Board.

The Board has also established a Conflicts of Interest Committee (comprised of management) which is responsible for administering, interpreting and applying the Company's Conflicts of Interest Policy, which describes the types of relationships that may constitute a conflict of interest with the Company. Under the Conflicts of Interest Policy, directors and executive officers are responsible for reporting any potential related person transaction (as defined in Item 404 of Regulation S-K) to the Conflicts of Interest Committee in advance of commencing a potential transaction. The Conflicts of Interest Committee will present to the Audit Committee any potential related party transaction. The Audit Committee will evaluate the transaction, determine whether the interest of the related person is material and approve or ratify, as the case may be, the transaction. In addition, the Company's executive officers and directors annually complete a questionnaire on which they are required to disclose any related person transactions and potential conflicts of interest. The General Counsel reviews the responses to the questionnaires and, if a related person transaction is reported by a director or executive officer, submits the transaction for review by the Audit Committee. The Conflicts of Interest Committee also reviews potential conflicts of interest and reports findings involving any director of the Company to the Nominating and Corporate Governance Committee (the Nominating Committee). The Nominating Committee will review any potential conflict of interest involving a member of the Board to determine whether such potential conflict would affect that director's independence.

## **Table of Contents**

### *Certain Relationships and Related Transactions*

Since January 1, 2017, the Company did not participate in any transactions in which any of its directors, executive officers, any immediate family member of a director or executive officer or any beneficial owner of more than 5% of the Company's common stock had a direct or indirect material interest.

### *Director Nomination Process*

The Nominating Committee is responsible for, among other things, screening potential director candidates, recommending qualified candidates to the Board for nomination and assessing director independence.

When identifying director candidates, the Nominating Committee determines whether there are any evolving needs that require an expert in a particular field or other specific skills or experiences. When evaluating director candidates, the Nominating Committee first considers a candidate's management experience and then considers issues of judgment, background, stature, conflicts of interest, integrity, ethics and commitment to the goal of maximizing stockholder value. The Nominating Committee also focuses on issues of diversity, such as diversity of gender, race and national origin, education, professional experience and differences in viewpoints and skills. The Nominating Committee does not have a formal policy with respect to diversity; however, the Board and the Nominating Committee believe that it is essential that the Board members represent diverse viewpoints. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual's contributions to the Board are also considered. For the purpose of this Annual Meeting, the Nominating Committee recommended the nomination of Ms. Hackett and Messrs. Morikis and Waters as Class I directors.

In connection with future director elections, or at any time there is a vacancy on the Board, the Nominating Committee may retain a third-party search firm to assist in locating qualified candidates that meet the needs of the Board at that time.

It is the Nominating Committee's policy to consider director candidates recommended by stockholders, if such recommendations are properly submitted to the Company. Stockholders that wish to recommend an individual as a director candidate for consideration by the Nominating Committee can do so by writing to the Secretary of Fortune Brands Home & Security, Inc. at 520 Lake Cook Road, Deerfield, Illinois 60015. Recommendations must include the proposed nominee's name, biographical data and qualifications, as well as other information that would be required if the stockholder were actually nominating the recommended candidate pursuant to the procedures for such nominations provided in our Bylaws. The Nominating Committee will consider the candidate and the candidate's qualifications in the same manner in which it evaluates nominees identified by the Nominating Committee. The Nominating Committee may contact the stockholder making the nomination to discuss the qualifications of the candidate and the stockholder's reasons for making the nomination. Members of the Nominating Committee may then interview the candidate if the committee deems the candidate to be appropriate. The Nominating Committee may use the services of a third-party search firm to provide additional information about the candidate prior to making a recommendation to the Board.

The nomination process is designed to ensure that the Nominating Committee fulfills its responsibility to recommend candidates that are properly qualified to serve the Company for the benefit of all of its stockholders, consistent with the standards established under the Company's Corporate Governance Principles.

### *Communication with the Board*

The Board and management encourage communication from the Company's stockholders. Stockholders who wish to communicate with the Company's management should direct their communication to the Chief Executive Officer or the Secretary of Fortune Brands Home & Security, Inc. at 520 Lake Cook Road, Deerfield,

## **Table of Contents**

Illinois 60015. Stockholders, or other interested parties, who wish to communicate with the non-management directors or any individual director should direct their communication c/o the Secretary at the address above. The Secretary will forward communications intended for the Board to the Chairman of the Board, or, if intended for an individual director, to that director. If multiple communications are received on a similar topic, the Secretary may, in his or her discretion, forward only representative correspondence. Any communications that are abusive, in bad taste or present safety or security concerns may be handled differently.

### ***Board Leadership Structure***

Mr. Thomas serves as the Company's non-executive, independent Chairman. The Board determined that having an independent director serve as Chairman of the Board is in the best interests of our stockholders at this time. This leadership structure aids the Board's oversight of management and allows our Chief Executive Officer to focus primarily on his management responsibilities. The non-executive Chairman has the responsibility of presiding at all meetings of the Board, consulting with the Chief Executive Officer on Board meeting agendas, acting as a liaison between management and the non-management directors, including maintaining frequent contact with the Chief Executive Officer and advising him or her on the efficiency of the Board meetings, facilitating teamwork and communication between the non-management directors and management, as well as additional responsibilities that are more fully described in the Company's Corporate Governance Principles. In addition, the Company's non-executive Chairman facilitates the Board's annual performance assessment of the Chief Executive Officer.

The Board does not believe that a single leadership structure is right at all times, so the Board periodically reviews its leadership structure to determine, based on the circumstances at the time, whether other leadership structures might be appropriate for the Company. The Board has been and remains committed to maintaining strong corporate governance and appropriate independent oversight of management. Given that each of the members of the Board, other than Mr. Klein, is independent we believe that the leadership structure currently utilized by the Board provides effective independent Board leadership and oversight.

### ***Executive Sessions***

Pursuant to the Company's Corporate Governance Principles, non-management directors of the Board are required to meet on a regularly scheduled basis without the presence of management. The non-executive Chairman of the Board leads these sessions. In addition, Board Committees also meet regularly in executive session without the presence of management.

### ***Meeting Attendance***

The Board of Directors met six times in 2017. Each director attended more than 75% of the total meetings of the Board and committees of the Board of which the director was a member during 2017. Pursuant to the Company's Corporate Governance Principles, all directors are encouraged and expected to attend the Annual Meeting. All of the directors attended the Company's 2017 Annual Meeting of Stockholders.

### ***Risk Management***

The responsibility for the day-to-day management of risks lies with the Company's management team; however, the Board has an active role, as a whole and also at the committee level, in overseeing the strategy and process for managing the Company's risks. The Board regularly reviews information regarding the Company's business strategy, leadership development, resource allocation, succession planning, credit, liquidity and operations, as well as the risks associated with each. The Company's overall risk management program consists of periodic management discussions analyzing and mitigating risks, an annual review of risks associated with each of the Company's operating businesses and an annual review of risks related to the Company's compensation programs and practices.

## **Table of Contents**

Annually, management identifies both external risks (i.e., economic) and internal risks (i.e., strategic, operational, financial and compliance), assesses the impact of these risks and determines how to mitigate such risks. The Audit Committee manages the Company's risk management program and reviews the results of the annual assessment. Management also provides the Audit Committee with quarterly updates on the Company's risks. In addition, the Audit Committee oversees management of the Company's financial risks.

The Company's Compensation Committee is responsible for overseeing the management of risks relating to the compensation paid to the Company's executives and the Company's executive compensation plans. Annually, the Compensation Committee's independent compensation consultant conducts an assessment of the risks associated with the Company's executive compensation policies and practices. The compensation consultant conducts a more extensive review of all of the Company's broad-based compensation incentive arrangements every few years. For more information about that assessment see "Compensation Risks" below.

The Nominating Committee manages risks associated with the independence of the Board, potential conflicts of interest of Board members, and the Company's corporate governance structure, as well as management of risks associated with the environment, health and safety, diversity, philanthropy, global citizenship and sustainability.

While each committee is responsible for evaluating certain risks and overseeing the management of such risks, the entire Board is regularly informed through committee reports about all of the risks described above. The Board's assignment of responsibility for the oversight of specific risks to its committees enables the entire Board, under the leadership of the non-executive Chairman and the Chief Executive Officer, to better monitor the risks of the Company and more effectively develop strategic direction, taking into account the magnitude of the various risks facing the Company.

### ***Compensation Risks***

The Compensation Committee's compensation consultant conducts an annual assessment of the risks associated with the compensation policies and practices used to compensate the Company's executives and reports on the assessment to the Compensation Committee. In 2017, the Compensation Committee, with assistance from its independent compensation consultant, reviewed the elements of executive compensation to determine whether any portion of executive compensation encouraged excessive risk taking and concluded that they do not. In general, the executive compensation arrangements are consistent with the structure and design of other companies of similar size and industry sector, and the following risk-mitigating design features have been incorporated into the Company's programs:

The Company uses multiple and diverse performance metrics in incentive plans;

The upside on payout potential is capped for both short-term and long-term incentives;

The Company utilizes multiple long-term incentive vehicles, with PSAs that have overlapping three-year performance cycles;

The majority of an individual's total compensation mix is not derived from a single component of compensation; and

The Company maintains stock ownership guidelines, a policy prohibiting hedging and pledging and a formal clawback policy. As described in our Compensation Discussion and Analysis, compensation decisions are made using a combination of objective and subjective considerations designed to mitigate excessive risk taking by executives.



**Table of Contents***Board Committees*

The Board established an Audit Committee, a Compensation Committee, an Executive Committee and a Nominating and Corporate Governance Committee. A list of current Committee memberships may be found on the Company's website at <http://ir.fbhs.com/committees.cfm>. The Committee memberships as of the date of this Proxy Statement are set forth below:

<i>Name</i>	<i>Audit</i>	<i>Compensation</i>	<i>Executive</i>	<i>Nominating and Corporate Governance</i>
<i>Ann F. Hackett</i>		<i>C</i>	<i>X</i>	<i>X</i>
<i>Susan S. Kilsby</i>		<i>X</i>		<i>X</i>
<i>Christopher J. Klein</i>			<i>X</i>	
<i>A. D. David Mackay</i>	<i>X</i>	<i>X</i>		
<i>John G. Morikis</i>	<i>X</i>	<i>X</i>		
<i>David M. Thomas</i>	<i>X</i>		<i>C</i>	<i>C</i>
<i>Ronald V. Waters, III</i>	<i>C</i>		<i>X</i>	<i>X</i>
<i>Norman H. Wesley</i>	<i>X</i>	<i>X</i>		

An *X* indicates membership on the committee.

A *C* indicates that the director serves as the chair of the committee.

*Audit Committee*

The Audit Committee's primary function is to assist the Board in overseeing the (i) integrity of the Company's financial statements, the financial reporting process and the Company's system of internal controls; (ii) Company's compliance with legal and regulatory requirements; (iii) independence and qualifications of the Company's external auditors; (iv) performance of the Company's external and internal auditors; and (v) the Company's enterprise risk management program.

Each member of the Audit Committee (Messrs. Mackay, Morikis, Thomas, Waters and Wesley), is financially literate. Each of Messrs. Mackay, Thomas, Waters and Wesley has accounting or financial management expertise and is an audit committee financial expert as defined in Item 407(d)(5)(ii) and (iii) of Regulation S-K under the Exchange Act. As required by its charter, each Audit Committee member has also been determined by our Board to be independent as such term is defined in the Exchange Act and the New York Stock Exchange Listed Company Manual. The Audit Committee met ten times in 2017.

*Compensation Committee*

The Compensation Committee's primary function is to assist the Board in attracting and retaining high quality leadership by (i) developing and critically reviewing the Company's executive compensation program design and pay philosophy; and (ii) setting the compensation of the Company's executive officers, which includes the presidents of the Company's principal operating companies, in a manner that is consistent with competitive practices and Company, operating company and individual performance.

As required by its charter, each member of the Compensation Committee (Messrs. Mackay, Morikis and Wesley and Mses. Hackett and Kilsby) has been determined by our Board to be independent as such term is defined in the Exchange Act and the New York Stock Exchange Listed Company Manual. The Committee has created a Subcommittee comprised of Mses. Hackett and Kilsby and Messrs. Mackay and Morikis that is responsible for approving all performance standards and payments for any pay program intended to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code (the Code). The Compensation Committee met five times in 2017.

## Table of Contents

### *Compensation Committee Interlocks and Insider Participation*

None of the members of the Compensation Committee has (i) served as one of the Company's officers or employees, or (ii) had a relationship requiring disclosure under Item 404 of Regulation S-K.

### *Compensation Committee Procedures*

The Compensation Committee directs management to prepare financial data to be used by the Compensation Committee in determining executive compensation. In addition, members of the Company's human resources department assist in the preparation of executive compensation tally sheets and historical information describing compensation paid to executives, program design and plan provisions and the Compensation Committee's independent consultant provides market data for use in determining executive compensation. The Compensation Committee is presented with recommendations from management and from the Committee's independent compensation consultant as to the level and type of compensation to provide to the Company's executive officers. Members of the Company's legal department provide the Compensation Committee with general advice on laws applicable to executive compensation and the directors' fiduciary duties in setting compensation.

The Chief Executive Officer attends meetings of the Compensation Committee, except for portions of meetings where his performance or compensation is being discussed. The Chief Executive Officer's feedback about each officer's performance is essential in the Compensation Committee's determination of the officer's salary, target annual incentive and long-term equity compensation determinations. See pages 19-32 of this Proxy Statement for more information about how the Compensation Committee determined the executive officers' compensation in 2017.

### *Compensation Committee Consultant*

The Compensation Committee engages an outside compensation consultant. Meridian Compensation Partners, LLC ( Meridian ) was retained directly by and reports directly to the Compensation Committee. In 2017, Meridian provided the following services and information to the Compensation Committee:

Made recommendations as to best practices for structuring executive pay arrangements and executive compensation (including the amount and form of compensation) consistent with the Company's business needs, pay philosophy, market trends and latest legal, regulatory and governance considerations;

Performed an assessment of the Company's compensation peers;

Provided market data (including compiling compensation data and related performance data) as background for decisions regarding the compensation of the Chief Executive Officer and other executive officers;

Performed an assessment of risks associated with the Company's executive compensation structure and design; and

Attended Compensation Committee meetings (including executive sessions without the presence of management) and summarized alternatives for compensation arrangements that may have been considered in formulating final recommendations, as well as the consultant's rationale for supporting or opposing management's proposals.

The Compensation Committee has authorized Meridian to interact with management in connection with advising the Compensation Committee. Meridian is included in discussions with management on matters being brought to the Compensation Committee for consideration. Meridian is prohibited from performing any services for management outside of services needed in connection with advising the Compensation and

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Nominating Committees. The Compensation Committee has assessed Meridian's independence and concluded that Meridian's work for the Compensation Committee does not raise any conflict of interest.



## **Table of Contents**

### *Executive Committee*

The Executive Committee did not meet in 2017. The Executive Committee has all the authority of the full Board, except for specific powers that are required by law to be exercised by the full Board. The Executive Committee may not amend the Company's charter, adopt an agreement of merger, recommend actions for stockholder approval, amend or repeal the Bylaws, elect or appoint any director or remove an officer or director, amend or repeal any resolutions of the Board, fix the Board's compensation, and unless expressly authorized by the Board, declare a dividend, authorize the issuance of stock or adopt a certificate of merger.

### *Nominating and Corporate Governance Committee*

The Nominating Committee's primary functions are to (i) provide recommendations to the Board with respect to the organization and function of the Board and its committees; (ii) recruit, identify and recommend potential director candidates and nominees; (iii) review the qualifications and independence of directors and provide recommendations to the Board regarding composition of the committees; (iv) develop and recommend changes to the Company's corporate governance framework including the Company's corporate governance principles; (v) oversee the process of the evaluation of the Board and management; and (vi) review and advise management on matters relating to the Company's responsibilities to its employees and the community. The Nominating Committee also makes recommendations to the Board regarding the level and composition of compensation for non-employee directors and grants annual equity awards to non-employee directors.

As required by its charter, each member of the Nominating Committee (Messrs. Thomas and Waters and Ms. Hackett and Kilsby) has been determined by our Board to be independent as such term is defined in the Exchange Act and the New York Stock Exchange Listed Company Manual. The Nominating Committee met four times in 2017.

### *Other Corporate Governance Resources*

The Company's Corporate Governance Principles, the Company's Code of Business Conduct and Ethics and the Company's Code of Ethics for Senior Financial Officers are available on the Company's website at <http://ir.fbhs.com/corporate-governance.cfm>. The charters of each committee are also available on the Company's website at <http://ir.fbhs.com/committees.cfm>.

## Table of Contents

Fortune Brands is committed to attracting and retaining qualified and experienced directors that contribute to the Board's effectiveness and the Company's goal of maximizing stockholder value. To accomplish this, the Company maintains a non-employee director compensation program that consists of cash fees and Company stock. During 2017, the Board did not make any changes to the structure of or the amounts provided under the non-employee director compensation program. Below is a description of the non-employee director compensation program.

### *Cash Fees*

In 2017, the annual cash fee for services as a non-employee director of the Company was \$90,000. The members of the Audit Committee (Messrs. Mackay, Morikis, Thomas, Waters and Wesley) and the Compensation Committee (Mses. Hackett and Kilsby and Messrs. Mackay, Morikis and Wesley) received an additional annual cash fee of \$7,500 for their service on each of these committees. In addition, the chairperson of each of the Audit, Compensation and Nominating Committees received an additional annual cash fee of \$15,000 for such service (Mr. Waters, Ms. Hackett and Mr. Thomas, respectively). Mr. Thomas received an additional annual cash fee of \$200,000 for his service as non-executive Chairman of the Board. Directors may elect to receive payment of their cash fees in Company common stock rather than cash.

### *Stock Awards*

In May 2017, each non-employee director received an annual stock grant that was based on a set dollar value of \$135,000. The number of shares granted was determined by dividing the dollar value of the annual stock grant (\$135,000) by the closing price of the Company's common stock on the grant date (\$63.32), rounded to the nearest share. Accordingly, 2,132 shares of Company common stock were granted to each of the non-employee directors. Directors may elect to defer receipt of their annual stock awards until the January following the year in which the individual ceases serving as a director of the Company.

### *Director Stock Ownership Guidelines*

To further align the Board's interests with those of stockholders, the Board maintains Stock Ownership Guidelines for non-employee directors. The guidelines encourage non-employee directors to own Company common stock with a fair market value equal to five times their annual cash fee (\$450,000 based on the annual fee currently set at \$90,000). The guidelines allow directors five years from the date of the director's election to the Board to meet the guidelines. All of our directors currently meet the multiple or fall within the five year time period allowed to meet the multiple under the Stock Ownership Guidelines. For information about the beneficial ownership of the Company's securities held by directors and executive officers, see Certain Information Regarding Security Holdings on pages 48-49.

### *Anti-Hedging and Anti-Pledging*

The Company has a policy prohibiting directors (as well as senior management) from hedging the risk of owning Company common stock and from pledging or otherwise encumbering shares of Company common stock as collateral for indebtedness in any manner including, but not limited to, holding shares in a margin account.

**Table of Contents**

Name	2017 DIRECTOR COMPENSATION*							Total (\$)
	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards (\$)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)	All Other Compensation \$(3)		
<i>Ann F. Hackett</i>	\$ 112,500	\$ 135,000	n/a	n/a	n/a	\$ 2,146	\$ 249,646	
<i>Susan S. Kilsby</i>	\$ 97,500	\$ 135,000	n/a	n/a	n/a	\$ 3,663	\$ 236,163	
<i>A.D. David Mackay</i>	\$ 105,000	\$ 135,000	n/a	n/a	n/a	\$ 1,646	\$ 241,646	
<i>John G. Morikis</i>	\$ 105,000	\$ 135,000	n/a	n/a	n/a	\$ 5,867	\$ 245,867	
<i>David M. Thomas</i>	\$ 312,500	\$ 135,000	n/a	n/a	n/a	\$ 7,633	\$ 455,133	
<i>Ronald V. Waters, III</i>	\$ 112,500	\$ 135,000	n/a	n/a	n/a	\$ 7,633	\$ 255,133	
<i>Norman H. Wesley</i>	\$ 105,000	\$ 135,000	n/a	n/a	n/a	\$ 7,633	\$ 247,633	

\* Although Mr. Klein currently serves as a member of the Board, he does not receive any additional compensation for such service.

- (1) Mr. Morikis elected to convert the cash fees he earned during the fourth quarter of 2017 to Company common stock pursuant to the Non-Employee Director Stock Election Program.
- (2) The amounts in this column represent the aggregate grant date fair value computed in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718, Compensation – Stock Compensation ( FASB ASC Topic 718 ). The grant date fair value was \$63.32 per share. Ms. Hackett elected to defer receipt of her stock award until the January following the year in which she ceases serving as a director pursuant to the Company’s Non-Employee Director Deferred Compensation Plan (as amended and restated January 1, 2013). As of December 31, 2017, Ms. Hackett and Messrs. Morikis and Thomas had the following number of deferred shares outstanding: 27,017, 5,742 and 2,914, respectively.
- (3) Included in this column are premiums paid for group life insurance coverage and the Company’s match on gifts paid by the director to charitable organizations, both of which are generally available to Company employees, and costs associated with the Company’s executive health program. Under the Company’s matching gift program, the Company makes a 100% match of gifts totaling up to \$5,000 annually made by the director to an eligible charitable institution.

**Table of Contents**

This Compensation Discussion and Analysis ( CD&A ) describes the Company s executive compensation program and explains how the Compensation Committee made compensation decisions for the following Named Executive Officers (the NEOs ) in 2017:

<i>Named Executive Officer</i>	<i>Position with the Company During 2017</i>
Christopher J. Klein	Chief Executive Officer, Fortune Brands
Patrick. D. Hallinan	Senior Vice President and Chief Financial Officer, Fortune Brands
David M. Randich	President, MasterBrand Cabinets ( MBCI )
Nicholas I. Fink	President, Global Plumbing Group ( GPG )
Robert K. Biggart	Senior Vice President, General Counsel and Secretary, Fortune Brands
E. Lee Wyatt, Jr.*	Executive Vice President, Fortune Brands

\* Mr. Wyatt retired from the Company on December 31, 2017. He is included as an additional NEO because he served as the Company s Chief Financial Officer through June 2017. Effective July 1, 2017, Mr. Hallinan assumed the role of the Company s Chief Financial Officer.

This CD&A is divided into the following main sections:

an Executive Summary;

the Results of the 2017 Say-on-Pay Vote;

a discussion of the Compensation Committee s Philosophy and Process for Awarding NEO Compensation; and

a description of the Types and Amounts of NEO Compensation Awarded in 2017.

***EXECUTIVE SUMMARY***

***2017 Business & Financial Highlights<sup>1</sup>***

In 2017, we drove profitable growth and delivered increases on multiple key financial and efficiency measures. The measures marked with an \* below were linked to 2017 executive compensation.

Net Sales increased 6% to \$5.3 billion

Operating Income (OI\*) increased 10% to \$725 million

Earnings per share (EPS\*) increased 12% to \$3.08

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Return on Invested Capital (ROIC\*) increased 4% to 13.9%

Operating Margin (OM\*) increased 50 basis points to 13.7%

Net Income (NI) increased 10% to \$479 million

GPG continued to drive growth through acquisitions, expanding its portfolio of brands

Completed the purchase of Shaws of England, a UK premium sink company, and Victoria + Albert, a UK premium free-standing bath tub company.

<sup>1</sup> All data presented in this CD&A is from continuing operations and all references to OI, EPS, ROIC, OM and NI are unaudited and on a before charges/gains basis. See Appendix A of this Proxy Statement for definitions and a description of the methodology of these non-GAAP measures.

**Table of Contents**

The chart below shows how Fortune Brands grew total shareholder return (TSR) and reflects the Company's long-term stock price performance vs. publicly-traded companies in the Company's 2017 Peer Group (see page 24 for more information) since the beginning of 2012. TSR has consistently exceeded the Company's Peer Group and S&P 500 index performance over the long-term.

## **TOTAL SHAREHOLDER RETURN**

(TSR %)

The following charts show how the Company has delivered substantial growth in Net Sales, OI, EPS, ROIC, OM and NI since 2012. The compensation earned by the NEOs in 2017 reflected the Company's strong financial performance in 2017 and continued execution against many of the metrics that the Compensation Committee believes are tied to increased shareholder value.

<sup>2</sup> Chart data from Bloomberg. Data measured from January 1, 2012 through December 29, 2017. Peer Index includes average of individual performance of Allegion plc, A.O. Smith Corporation, Armstrong World Industries Inc., Ball Corp., Borgwarner Inc., Dover Corp., Ingersoll-Rand Plc, Leggett & Platt, Incorporated, Lennox International Inc., Masco Corporation, Mohawk Industries, Inc., Newell Brands Inc., Owens Corning Inc., Parker-Hannifin Corp., Pentair plc, RPM International Inc., Snap-On Inc., Stanley Black & Decker, Inc., The Sherwin-Williams Company and USG Corporation.

**Table of Contents**

**Table of Contents**

*2017 Compensation Highlights<sup>3</sup>*

We use our compensation program to attract, motivate and retain the executives who lead our Company. The Compensation Committee has established programs and practices that are designed to pay for performance and to align management's interests with those of the Company's stockholders. We believe that our compensation program helps drive Company performance by providing a significant amount of compensation in the form of equity, by utilizing both short-term and long-term incentives that are tied to Company performance, and by making efforts to balance fixed (base salary) and variable (annual cash and equity) compensation. The Compensation Committee continues to believe that linking compensation to certain performance metrics results in increased profits and stronger returns, which supports improving stockholder returns. The 2017 executive compensation program was guided by the following principles:

**Equity-based compensation aligns executives' interests with stockholders, drives performance and facilitates retention of superior talent.**

In 2017, the annual equity grants represented 68% of Mr. Klein's annual total target compensation and 55% (on average) of the other NEOs' annual total target compensation.

In 2017, annual equity awards for NEOs consisted of performance share awards (PSAs), restricted stock units (RSUs) and stock options:

PSAs will settle in Company stock only if the minimum performance goals set for the cumulative three-year performance period are exceeded;

RSUs will settle in Company stock, in three equal annual installments, assuming the NEO remains employed through each vesting date; and

Stock options allow the NEO to purchase Company stock at the market price set on the grant date, vest in three equal annual installments, assuming the NEO remains employed through each vesting date, and expire ten years from the grant date.

**Equity and Incentive compensation linked to increasing profits and returns.**

The vast majority of compensation awarded to NEOs is pay-at-risk, or variable dependent upon Company performance. In 2017, 86% of Mr. Klein's annual total target compensation and 74% (on average) of the other NEOs' annual total target compensation was pay-at-risk.

2017-2019 PSAs are based on EBITDA (weighted 75%) and RONTA (weighted 25%) for the January 1, 2017 through December 31, 2019 performance period.

The value of stock options increases only if the Company's stock price increases after the date of grant.



## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

The annual incentive awards were based on the following metrics:

The Company's EPS, ROIC and Working Capital Efficiency (WCE) for Messrs. Klein, Hallinan, Biggart and Wyatt;

MBCI's OI, OM and WCE for Mr. Randich; and

GPG's OI, Sales Growth Above Market (Sales) and WCE for Mr. Fink.

<sup>3</sup> Mr. Wyatt retired from the Company in December 2017. In anticipation of his retirement, Mr. Wyatt's 2017 annual equity grant was comprised entirely of RSUs. Due to this difference in the equity mix compared to the other NEOs, all references to NEOs in this 2017 Compensation Highlights and in any pay-at-risk percentage shown throughout the CD&A exclude Mr. Wyatt.

**Table of Contents**

**Base salary represents the smallest portion of annual total target compensation.**

The Compensation Committee continuously makes efforts to appropriately balance fixed (base salary) and variable (annual cash and equity) compensation for each NEO, while remaining competitive with the market.

Fixed compensation represented 14% of Mr. Klein's and 26% (on average) of the remaining NEOs' 2017 annual total target compensation.

The following chart summarizes annual total target compensation awarded to each NEO in 2017:

<i>Named Executive Officer</i>	<i>2017 Annual Base Salary(1)</i>	<i>2017 Annual Incentive Target Value</i>	<i>2017 Long-Term Incentive Award Target Value(2)</i>	<i>2017 Total Target Compensation</i>
Christopher J. Klein	\$1,135,000	\$1,475,500	\$5,500,000	\$8,110,500
Patrick D. Hallinan (3)	\$550,000	\$412,500	\$1,250,000	\$2,212,500
David M. Randich	\$615,000	\$492,000	\$1,325,000	\$2,432,000
Nicholas I. Fink	\$535,000	\$401,250	\$1,100,000	\$2,036,250
Robert K. Biggart	\$500,000	\$375,000	\$950,000	\$1,825,000
E. Lee Wyatt, Jr.	\$800,000	\$680,000	\$2,000,000	\$3,480,000

- (1) The amounts listed in this column reflect annual base salary effective March 1, 2017 for all NEOs, except for Mr. Hallinan which became effective in July 2017 when he assumed the role of Chief Financial Officer of the Company.
- (2) Includes the value of the annual target incentive equity awards, expressed as the aggregate grant date value of PSAs (at target), stock options and RSUs, as determined using the assumptions found in note 13 to the consolidated financial statement contained in the Company's Form 10-K for the year ended December 31, 2017.
- (3) The amounts shown reflect Mr. Hallinan's annual total target compensation effective July 2017 when he assumed the role of Chief Financial Officer.

The Board believes that this approach to our compensation program, along with our leading market positions and structural competitive advantages, have allowed our Company to continue to outperform the market for our products in the continued housing market recovery.

**RESULTS OF THE 2017 SAY-ON-PAY VOTE**

In 2017, we sought an advisory vote from our stockholders on NEO compensation (commonly referred to as "Say-on-Pay"). More than 95% of the votes cast were in support of NEO compensation. Even though our stockholders showed that they strongly endorsed our NEO pay practices, the Compensation Committee evaluated the executive compensation program and concluded that the compensation program provides rewards that it believes motivate our NEOs to maximize long-term stockholder value and encourage long-term retention. Accordingly, the Compensation Committee did not make any changes to the design of the Company's executive compensation program in response to the 2017 Say-on-Pay vote.

Prior to the 2017 Say-on-Pay vote, the Compensation Committee decided to change the metrics used for 2017-2019 PSAs from EPS to EBIDTA (weighted 75%) and from ROIC to RONTA (weighted 25%). This change eliminated the duplication that had historically been in our executive

compensation program between the short-term and long-term performance metrics (see page 29 for information about this change).

**Table of Contents**

***PHILOSOPHY AND PROCESS FOR AWARDING NEO COMPENSATION***

***Philosophy of the Executive Compensation Program***

Our executive compensation program is designed to reward NEOs for the achievement of both short-term and long-term strategic and operational goals that lead to the creation of long-term stockholder value, while at the same time avoid incentives that encourage unnecessary or excessive risk taking. To accomplish this, the Compensation Committee has designed an executive compensation program that it believes:

Creates and reinforces a pay-for-performance culture by tying compensation to Company performance;

Aligns management's interests with those of the Company's stockholders;

Attracts, retains and motivates superior talent through competitive compensation;

Provides incentive compensation that promotes performance without encouraging excessive risk-taking; and

Recognizes the cyclical nature of our business.

***Compensation Peer Group and Market Data***

When setting annual NEO compensation, the Compensation Committee uses compensation data from a group of similarly sized peer companies to evaluate compensation arrangements against those of the Company (the Peer Group). Annually, the Compensation Committee reviews and assesses the appropriateness of the Peer Group. Based on Meridian's recommendations, the Committee made modifications to the composition of the Peer Group used for evaluating 2017 executive compensation decisions by excluding Fastenal Company (due to the different nature of its business), companies that were not publicly-traded (Andersen Corporation, Kohler Co. and Pella Corporation) and companies that were acquired or pending acquisition (Jarden Corporation, Nortek, Inc. and Valspar Corporation). Eight new S&P 500 companies were added to the group based on their classification as cyclical companies with similar revenue and market capitalization that were more aligned with the Company. The Peer Group reported a median 2016 revenue of \$6.24 billion and market capitalization of \$10.643 billion. The Peer Group consisted of the following companies:

Allegion plc*	Leggett & Platt, Incorporated	Pentair plc*
A.O. Smith Corporation	Lennox International Inc.	RPM International Inc.
Armstrong World Industries, Inc.	Masco Corporation	The Sherwin-Williams Company
Ball Corp.*	Mohawk Industries, Inc.	Snap-On Inc.*
Borgwarner Inc.*	Newell Brands Inc.	Stanley Black & Decker, Inc.
Dover Corp.*	Owens Corning Inc.	USG Corporation
Ingersoll-Rand Plc*	Parker-Hannifin Corp.*	

\* Denotes companies that were added to the 2017 Peer Group.

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Meridian provided the Compensation Committee with competitive data for use in evaluating and setting NEO 2017 base salary, annual cash incentive awards and long-term incentive awards ( market data ). When evaluating 2017 total target compensation, the market data primarily consisted of revenue size-adjusted competitive general industry survey data from Aon Hewitt, with Peer Group proxy data providing a supplemental viewpoint.

The Compensation Committee believes that compensation decisions are complex and require a deliberate review of Company performance, peer compensation levels, responsibilities of the role, experience of individual executives, and individual performance. In determining executive compensation, the Compensation Committee considers all forms of compensation and uses appropriate tools such as tally sheets and market data to review the value delivered by each component of compensation to each executive. Accordingly, the Compensation

**Table of Contents**

Committee may determine that with respect to any individual it is appropriate for total target compensation or any particular element of compensation to meet, exceed or fall below the 50th percentile of the market data. The factors that might influence the amount of compensation awarded include market competition for a particular position, retention considerations, an individual’s performance, possession of a unique skill or knowledge set, proven leadership capabilities or other business experience and internal pay equity.

**Evaluating NEO Performance**

At the end of each year, the Compensation Committee, in conjunction with the other non-management members of the Board, conducts a formal evaluation of the Company’s Chief Executive Officer (the CEO) to analyze his performance against strategic, financial and operational goals established at the beginning of the year. The Compensation Committee then sets the CEO’s annual total target compensation after reviewing related recommendations and market data from Meridian. The CEO reviews and evaluates each of the other NEOs relative to their performance against strategic, financial and operational goals established at the beginning of the year and then presents his evaluations to the Compensation Committee. The Compensation Committee reviews the CEO’s recommendations and the market data from Meridian and then independently sets each of the other NEO’s annual total target compensation.

**Maintaining Best Practices Regarding Executive Compensation**

The Compensation Committee maintains policies and procedures for itself and for certain executives of the Company, including the NEOs, many of which it believes represent best practices in corporate governance.

<p><b>What We Do</b></p> <p><b>Pay-for-Performance</b> A significant portion of NEO annual total target compensation is tied to Company performance. In 2017, 86% of Mr. Klein’s and 74% (on average) of all other NEOs (excluding Mr. Wyatt) annual total target compensation was pay-at-risk.</p>	<p><b>Clawback Policy</b> The Company may recover all or part of annual cash incentives and equity incentive compensation under certain circumstances.</p>
<p><b>Annual Assessment and Mitigation of Risks</b> The Compensation Committee annually assesses whether our compensation programs, plans and awards are designed and working in a way that discourages excessive risk taking.</p>	<p><b>Double-Trigger in Change in Control</b> Severance benefits are payable upon a change in control only if there is also a qualifying termination of employment. Our equity award agreements also include double-trigger provisions.</p>
<p><b>Maximum Payouts on Incentives</b> Annual cash incentive awards and PSAs are capped at 200%.</p>	<p><b>Tally Sheets</b> Tally sheets and wealth accumulation analyses are reviewed annually before making compensation decisions.</p>
<p><b>Stock Ownership Guidelines</b> We maintain rigorous stock ownership guidelines for NEOs. Executives are required to hold 50% of net shares from the vesting of PSAs and RSUs until the ownership requirement is met.</p>	<p><b>Independent Compensation Consultant</b> Meridian advises the Compensation Committee on executive compensation matters. Meridian is prohibited from performing services for management.</p>

<p><b>What We Don’t Do</b></p> <p>× <b>No Employment Contracts</b> NEOs and other executive officers are employees at will. The Company does not have employment contracts with any of its NEOs or other executive officers.</p>	<p>× <b>No Hedging or Pledging</b> Directors, NEOs and other officers are prohibited from hedging, pledging or otherwise encumbering shares of the Company’s common stock, including holding shares in a margin account.</p>
<p>× <b>No Tax Gross Ups</b> NEOs and other executive officers are not entitled to tax gross ups in the event of a change in control and related termination or for perquisites (other than relocation expenses).</p>	<p>× <b>No Backdating or Repricing of Stock Options</b> Stock options are never backdated or issued with below-market prices. Repricing of underwater stock options without stockholder approval is prohibited (except in the event of certain extraordinary corporate events).</p>
<p>× <b>No Excessive Perquisites</b> Perquisites are limited to the executive health program and other benefits generally available to employees, such as company product purchase programs. The CEO has limited personal use of Company aircraft, however, he must reimburse the Company for such use.</p>	

**Table of Contents**

*TYPES AND AMOUNTS OF NEO COMPENSATION AWARDED IN 2017*

*Summary of Executive Compensation Elements*

As part of 2017 annual target compensation, the Company provided both fixed (base salary) and variable (annual cash incentive and equity) compensation to the NEOs. The vast majority of compensation is at risk to each NEO because the compensation that is actually paid is variable dependent upon Company (or individual operating company) performance and may vary from the target compensation that was awarded by the Compensation Committee. The following charts show each element of 2017 annual target compensation, including the mix of short-term and long-term incentives, as well as the amount of pay-at-risk for the CEO and the average for the other NEOs.

**Table of Contents***Compensation Provided to NEOs in 2017**Base Salary*

We provide a portion of 2017 compensation in the form of base salary in order to attract, retain and motivate our NEOs. In setting 2017 base salary levels, the Compensation Committee (together with Mr. Klein for the NEOs other than himself) considered competitive market data, the individual performance and the competitiveness of annual total target compensation of each NEO. For each of the NEOs other than Mr. Hallinan, the annual base salary increases ranged from 3.1-4.9%. Mr. Hallinan was promoted from chief financial officer of Moen to Senior Vice President Finance of Fortune Brands in January, at which time he received an increase to his base salary of 17.7%. When he assumed the role of Chief Financial Officer of the Company in July, he received an additional increase to his base salary of 22.2%. Below is the 2017 and 2016 annual base salary for each NEO:

<i>Named Executive Officer</i>	<i>2017</i>	<i>2016</i>
Christopher J. Klein	\$1,135,000	\$1,100,000
Patrick D. Hallinan	\$550,000	\$382,427
David M. Randich	\$615,000	\$590,000
Nicholas I. Fink	\$535,000	\$510,000
Robert K. Biggart	\$500,000	\$485,000
E. Lee Wyatt, Jr.	\$800,000	\$775,000

*Annual Cash Incentive*

The Compensation Committee believes that annual cash incentive awards reinforce a pay-for-performance culture because the payment is based on the financial results of the Company, or where applicable, our operating companies, and helps the Company maintain a competitive compensation program. Annually, the Compensation Committee sets a target percentage of base salary used to determine each NEO's cash incentive.

In 2017, the Compensation Committee considered competitive market data and the individual performance of each of the NEOs and decided to increase the percentage of base salary used to determine Messrs. Randich's, Fink's and Biggart's annual cash incentive award by 10% to better align their awards to the market data for similar positions and in recognition of each individual's performance. For Mr. Hallinan, his target percentage was set at 50% for the period January to June. When he assumed the role of Chief Financial Officer, his target percentage was increased to 75% for the period of July to December. As a result, Mr. Hallinan's 2017 annual cash incentive award was prorated to reflect the portion of the year in which his target was set at 50% and 75%, respectively. The Compensation Committee did not make any increases in the percentages used to determine the annual cash incentive awards for Messrs. Klein and Wyatt. The target percentage for each NEO for 2017 was:

<i>Named Executive Officer</i>	<i>Percentage of Base Salary (as of 12/31/17)</i>
Christopher J. Klein	130%
Patrick D. Hallinan	75%
David M. Randich	80%
Nicholas I. Fink	75%
Robert K. Biggart	75%
E. Lee Wyatt, Jr.	85%

Annually, the Compensation Committee also sets the minimum, target and maximum annual performance metrics and goals used to determine each NEO's annual cash incentive award. The annual incentive payouts are based on the achievement of the performance goals and can range from 0% to 200% of target. To establish challenging performance goals under the annual incentive program, the Compensation Committee reviewed the target performance goals and actual results for awards paid in 2016 and the 2017 expected growth rate in the





**Table of Contents**

home products market as well as key assumptions relating to share gains, pricing, material inflation and productivity. No changes were made to the types of performance measures used to determine 2017 annual incentive awards as compared to 2016, which were as follows:

For Messrs. Klein, Hallinan, Biggart and Wyatt, Fortune Brands EPS (weighted 60%), ROIC (weighted 20%) and company-wide WCE (weighted 20%);

For Mr. Randich, MBCI's OI (weighted 60%), OM (weighted 20%) and WCE (weighted 20%); and

For Mr. Fink, GPG's OI (weighted 60%), Sales (weighted 20%) and WCE (weighted 20%).

The Compensation Committee believes that these measures focus executives on maximizing long-term stockholder value (EPS), operational efficiency (ROIC, OM and WCE) and profitability (OI, OM and Sales). The following table sets forth the minimum, target and maximum performance measures, the actual performance results, the percentage payout and the amount paid to each NEO for the 2017 annual cash incentive awards:

<i>2017 Annual Cash Incentive Performance Goals and Results</i>							
<i>Named Executive Officer</i>	<i>Metric</i>	<i>Performance and Goals(1)</i>			<i>Results and Awards</i>		
		<i>Minimum Performance</i>	<i>Target Performance</i>	<i>Maximum Performance</i>	<i>Actual Performance(2)</i>	<i>% of Payout</i>	<i>Amount Paid</i>
<i>Christopher J. Klein</i>	EPS	\$2.54	\$2.95	\$3.37	\$3.07	108.9%	\$1,606,820
	ROIC	12.0%	13.7%	15.6%	13.9%		
	WCE	15.8%	14.5%	13.4%	14.3%		
<i>Patrick D. Hallinan(3)</i>	EPS	\$2.54	\$2.95	\$3.37	\$3.07	108.9%	\$347,119
	ROIC	12.0%	13.7%	15.6%	13.9%		
	WCE	15.8%	14.5%	13.4%	14.3%		
<i>David M. Randich(4)</i>	OI	\$249.8	\$306.9	\$367.2	\$272.5	76.1%	\$374,412
	OM	10.7%	12%	13.1%	11%		
	WCE	13.4%	11.8%	10.5%	10.7%		
<i>Nicholas I. Fink(5)</i>	OI	\$329.1	\$360	\$394.1	\$370.6	100.8%	\$404,460
	SALES(6)	4.5%	6.7%	8.9%	6.2%		
	WCE	17.3%	15.9%	14.7%	16.1%		
<i>Robert K. Biggart</i>	EPS	\$2.54	\$2.95	\$3.37	\$3.07	108.9%	\$408,375
	ROIC	12.0%	13.7%	15.6%	13.9%		
	WCE	15.8%	14.5%	13.4%	14.3%		

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

<i>E. Lee Wyatt, Jr.</i>	EPS	\$2.54	\$2.95	\$3.37	\$3.07	108.9%	\$740,520
	ROIC	12.0%	13.7%	15.6%	13.9%		
	WCE	15.8%	14.5%	13.4%	14.3%		

- (1) OI minimum, target and maximum performance measures and actual performance results are shown in millions.
- (2) EPS, ROIC, OI and OM actual performance were adjusted to exclude the effect of currency fluctuations.
- (3) Mr. Hallinan's award was prorated based on 50% of his base salary for the period January 1 – June 30, 2017 and 75% of his base salary for the period July 1 – December 31, 2017.
- (4) Mr. Randich's goals related to MBCI's performance.
- (5) Mr. Fink's goals related to GPG's performance.
- (6) Sales Growth Above Market was determined by calculating the percentage change in GPG's annual sales in excess of the percentage change in the plumbing market's prior year sales.

**Table of Contents***Long-Term Equity Awards*

The Compensation Committee believes that equity compensation aligns management's interests with those of stockholders, reinforces a pay-for-performance culture and helps the Company maintain a competitive compensation program. Annually, the Compensation Committee sets a target equity award value and determines the types of equity to award.

In setting 2017 target long-term equity award values, the Compensation Committee (together with Mr. Klein for NEOs other than himself) considered competitive market data, the individual performance and the competitiveness of total compensation of each of the NEOs. Mr. Klein's target long-term equity award value was increased by ten percent (10%) in recognition of his performance and to better align with the market data. Mr. Hallinan received an increase in his annual equity award value due to his promotion in January 2017. When he assumed the role of Chief Financial Officer in July 2017, he was granted an additional equity award to bring his total 2017 award value in line with the market data for his position. Below is the 2017 target equity award value and the 2016 target award value for each NEO:

	<i>2017 Equity</i>	<i>2016 Equity</i>
<u>Named Executive Officer</u>	<u>Award Value</u>	<u>Award Value</u>
Christopher J. Klein	\$5,500,000	\$5,000,000
Patrick D. Hallinan	\$1,250,000	\$325,000
David M. Randich	\$1,325,000	\$1,250,000
Nicholas I. Fink	\$1,100,000	\$1,050,000
Robert K. Biggart	\$950,000	\$900,000
E. Lee Wyatt, Jr.	\$2,000,000	\$1,900,000

For each NEO (other than Mr. Wyatt), the 2017 target long-term equity award value was comprised equally of PSAs (with the PSAs valued assuming achievement of the target performance level), RSUs and stock options. Given Mr. Wyatt's planned retirement at the end of 2017, his annual equity award was comprised solely of RSUs which vested on December 31, 2017, subject to his continued employment. For the remainder of this section, references to the NEOs excludes Mr. Wyatt because of the different mix of equity granted to him.

*Performance Share Awards:* PSAs awarded to the NEOs in 2017 will be settled in shares of the Company's common stock only if the Company exceeds specified EBITDA (earnings before interest, tax, depreciation and amortization), weighted 75%, and RONTA (return on net tangible assets), weighted 25%, performance goals during the cumulative performance period from January 1, 2017 through December 31, 2019. Payouts will range from 0% to 200% of the target award based on performance. No shares will be paid unless the minimum established performance goals are exceeded and payout, if any, will not occur until early in 2020, following completion of the performance period and certification of the performance results by the Compensation Committee.

In 2017, the Compensation Committee evaluated the metrics used by the Company and the Peer Group companies and decided to change the performance metrics used to determine the long-term equity awards granted in 2017 to be based on EBITDA and RONTA. This change in long-term goals eliminated the duplication that previously existed between the Company's short-term and long-term performance metrics. The Compensation Committee based the performance goals on EBITDA and RONTA because it believes that these metrics incentivize management to grow earnings in a focused and efficient way that rewards operating excellence and aligns the interests of management with our stockholders.

The EBITDA and RONTA goals were intended to be challenging. The Compensation Committee believes that awarding PSAs with a cumulative three year performance goal drives long-term sustained growth and, as a result, management is rewarded if the long-term growth goals are exceeded. In establishing performance goals for PSAs, the Compensation Committee considered the Company's strategic operating plan, the expected 3-year compound market growth rate, as well as key assumptions relating to share gains, pricing, material inflation and productivity.

*RSUs and Stock Options:* The Compensation Committee believes that both RSUs and stock options focus management on increasing stockholder returns and further align the interests of management with stockholders.



**Table of Contents**

RSUs awarded to the NEOs vest in three equal annual installments, assuming the NEO remains employed through each annual vesting date. RSUs serve as a long-term retention device in a cyclical business, as an executive must remain employed with the Company through each of the three annual vesting dates to receive all of the shares. The Compensation Committee also believes that the value of RSUs is at risk to the NEOs because the value of RSUs will fluctuate based on the Company's stock price and only grows when the Company's long-term stock price increases.

Stock options granted in 2017 vest in three equal annual installments, assuming the NEO remains employed through each annual vesting date, and expire ten years from the date of grant. The Compensation Committee believes that stock options are performance-based because the value of stock options grows when the Company's long-term stock price increases. The value of stock options is at risk to the NEOs as they only realize a value to the extent the Company's stock price increases after the grant date.

*2015-2017 Performance Share Awards Payout*

In 2015, the Compensation Committee awarded all of the then-serving NEOs PSAs to be settled in early 2018 if the Company achieved certain EPS and ROIC goals during the cumulative performance period from January 1, 2015 through December 31, 2017, with EPS weighted 75% and ROIC weighted 25%. The Compensation Committee certified a payout level of 162.3%. The threshold, target and maximum goals for cumulative EPS and average ROIC from January 1, 2015 through December 31, 2017 and the Company's actual results were as follows:

<i>2015-2017 PSA</i>					
<i>Target EPS and ROIC Goals and Results</i>					
				<i>Actual</i>	
<i>Metric</i>	<i>Threshold</i>	<i>Target</i>	<i>Maximum</i>	<i>Performance</i>	<i>% of Payout</i>
EPS (75%)	\$6.51	\$7.22	\$7.97	\$7.90	162.3%
ROIC (25%)	11.9%	13.2%	14.5%	12.9%	

Based on the achievement of the 2015-2017 EPS and ROIC performance goals, all of the NEOs received the following number of shares of Company common stock pursuant to the terms of the award agreements:

<i>Named Executive Officer</i>	<i>Shares Granted</i>
Christopher J. Klein	52,260
Patrick D. Hallinan	3,408
David M. Randich	12,497
Nicholas I. Fink	11,685
Robert K. Biggart	9,575
E. Lee Wyatt, Jr.	20,936

**Benefits***Retirement*

All of the NEOs are eligible for retirement benefits through the Fortune Brands Home & Security Retirement Savings Plan (the "Qualified Savings Plan"), a tax-qualified defined contribution 401(k) plan. The Compensation Committee believes that the Qualified Savings Plan benefits are consistent with competitive pay practices and are an important element in attracting and retaining talent in a competitive market.

In addition to the Qualified Savings Plan, the Company provides non-qualified retirement benefits for contributions that would have been made under the tax-qualified plan but for limitations imposed by the Code. Please see the narratives and the 2017 Nonqualified Deferred

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Compensation table on pages 38-39 of this Proxy Statement for further information regarding these retirement benefits.

The Company maintains a frozen tax-qualified defined benefit pension plan and a non-qualified defined benefit pension plan. Benefit accruals were frozen on December 31, 2016, which means that participants, including Mr. Klein, no longer accrue additional benefits.

**Table of Contents**

*Severance*

The Company has Agreements for the Payment of Benefits Following Termination of Employment (the Severance Agreements) with each NEO. Under the terms of the Severance Agreements, each NEO is entitled to severance benefits upon a qualifying termination of employment (i.e., termination by the Company without cause or by the NEO for good reason) or in the event of a termination following a change in control.

The Compensation Committee believes that it is appropriate to provide NEOs with the protections afforded under these Severance Agreements and that doing so helps the Company remain competitive with market practice and attract and retain superior talent. The Compensation Committee also believes that these Severance Agreements promote management independence and keeps management focused on the Company's business in the face of any potential change in control events.

All of the Agreements contain double-trigger change in control provisions, which means that there must be both a change in control of the Company (or applicable operating company) and a qualifying termination of employment (i.e., termination by the Company without cause or by the NEO for good reason) before any enhanced benefits can be paid following a change in control. The NEOs are not entitled to any tax gross ups under the Severance Agreements, including those related to the change-in-control related excise taxes under the Code. Please see the Potential Payments Upon Termination or Change in Control table, as well as the narratives that follow for further information regarding the Severance Agreements and the treatment of outstanding equity upon a qualifying termination of employment or a change in control on pages 40 - 42.

*Perquisites*

The Company provides a limited number of perquisites, which include limited annual use of Company aircraft by Messrs. Klein and Wyatt (the cost of which is reimbursed by the executive based on the cost of a first class airplane ticket) and an executive health program that provides NEOs with annual medical examinations. The Company also provides broad-based plans which are generally available to employees such as reimbursement of certain relocation expenses incurred when the Company requires an employee to relocate, a match on charitable contributions and company product purchase programs.

*Policies*

*Clawback Policy*

The Company has a policy that allows it to recoup all or part of annual cash incentives or PSAs if there is a:

- (1) significant or material restatement of the Company's financial statements covering any of the three fiscal years preceding the grant or payment, or
  - (2) restatement of the Company's financial statements for any year which results from fraud or willful misconduct committed by an award holder.
- The Company also includes the right to recoup all or part of an executive's other equity awards in the terms and conditions of these awards.

*Stock Ownership Guidelines*

The Company maintains the following stock ownership guidelines for NEOs and other Company executives, which require them to hold a number of shares equal to a multiple of their annual base salary. The ownership guidelines are as follows:

<i>Position</i>	<i>Stock Ownership Level as a Multiple of Base Salary</i>
Chief Executive Officer	6
Chief Financial Officer	3
Operating Company Presidents	3



Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Senior Vice Presidents	3
Vice Presidents	1

**Table of Contents**

Executives have five years from the date of hire or date of promotion to acquire the requisite amount of stock and are required to hold 50% of net shares acquired from the vesting of PSAs and RSUs until the ownership guidelines are met. All of the NEOs currently meet the multiple or fall within the time period allowed to meet the multiple under the stock ownership guidelines. Mr. Hallinan has five years from the date of his appointment as Chief Financial Officer to meet the requirement.

***COMPENSATION COMMITTEE REPORT***

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Proxy Statement and the Company's Annual Report on Form 10-K for the year ended December 31, 2017.

Compensation Committee

Ann F. Hackett, Chair

Susan S. Kilsby

A.D. David Mackay

John G. Morikis

Norman H. Wesley

**Table of Contents****2017 SUMMARY COMPENSATION TABLE**

<i>Name and Principal Position</i>	<i>Year</i>	<i>Salary (\$)</i>	<i>Bonus (\$)</i>	<i>Stock Awards \$(1)</i>	<i>Option Awards \$(2)</i>	<i>Non- Equity Incentive Plan Compen- sation \$(3)</i>	<i>Change in Pension Value and Nonqualified Deferred Compen- sation Earnings \$(4)</i>	<i>All Other Compen- sation \$(5)</i>	<i>Total (\$)</i>
	<i>A</i>	<i>B</i>	<i>C</i>	<i>D</i>	<i>E</i>	<i>F</i>	<i>G</i>	<i>H</i>	<i>I</i>
<b>Christopher J. Klein</b> <i>Chief Executive Officer</i>	2017	1,129,167	0	3,666,714	1,833,329	1,606,820	704,000	432,402	9,372,432
	2016	1,093,333	0	3,335,760	1,666,240	1,628,770	770,000	403,518	8,897,622
	2015	1,055,000	0	3,072,524	1,538,325	1,392,575	293,000	273,315	7,624,739
<b>Patrick D. Hallinan*</b> <i>Senior Vice President and Chief Financial Officer</i>	2017	500,000	0	833,348	416,671	347,119	13,000	265,888	2,376,026
<b>David M. Randich</b> <i>President, MasterBrand Cabinets</i>	2017	599,135	0	883,374	441,671	374,412	0	17,689	2,316,281
	2016	585,269	0	833,940	416,560	377,069	0	17,489	2,230,327
	2015	574,808	0	3,003,984	366,876	479,388	0	21,631	4,446,687
<b>Nicholas I. Fink</b> <i>President, Global Plumbing Group</i>	2017	530,871	0	733,388	366,660	404,460	0	344,039	2,379,418
	2016	505,833	0	701,730	350,520	355,841	0	82,501	1,996,425
	2015	282,917	0	1,761,226	333,600	331,328	0	252,765	2,961,836
<b>Robert K. Biggart</b> <i>Senior Vice President, General Counsel and Secretary</i>	2017	497,500	0	633,360	316,667	408,375	0	85,211	1,941,113
	2016	482,500	0	600,030	299,720	359,070	0	80,403	1,821,723
	2015	466,667	0	562,978	283,284	296,382	0	71,306	1,680,617
<b>E. Lee Wyatt, Jr.**</b> <i>Executive Vice President</i>	2017	795,833	0	1,999,994	0	740,520	0	232,633	3,768,980
	2016	770,333	0	3,318,250	633,730	750,316	0	211,497	5,684,127
	2015	743,333	0	1,230,918	616,491	667,333	0	126,108	3,384,182

\* Mr. Hallinan served as the Chief Financial Officer of Moen Incorporated until January 1, 2017, when he transitioned to the role of Senior Vice President-Finance at Fortune Brands. He was promoted to Senior Vice President and Chief Financial Officer of Fortune Brands in July 2017.

\*\* Mr. Wyatt served as Senior Vice President and Chief Financial Officer through June 2017 and as Executive Vice President until his retirement in December 2017.

- (1) **Stock Awards:** The amounts listed in column D for 2017 represent the aggregate grant date fair values calculated in accordance with FASB ASC Topic 718 for RSUs and PSAs granted in 2017. For assumptions used in determining these values, see note 13 to the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 ( Form 10-K ).

The amounts included in this column for the PSAs granted during 2017 are calculated based on the probable outcome that the target performance level will be achieved. Assuming the highest level of performance is achieved, the maximum grant date fair value for the PSAs granted during 2017 is: \$3,666,714 for Mr. Klein; \$833,348 for Mr. Hallinan; \$883,374 for Mr. Randich; \$733,388 for Mr. Fink; and \$633,360 for Mr. Biggart.

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

- (2) **Option Awards:** The amounts listed in column E for 2017 reflect the aggregate grant date fair values calculated in accordance with FASB ASC Topic 718 for stock options granted in 2017. For assumptions used in determining these values, see note 13 to the consolidated financial statements contained in the Company's Form 10-K.
- (3) **Non-Equity Incentive Plans:** Column F lists amounts earned as annual cash incentives.
- (4) **Change in Actuarial Value of Pension Benefits:** Column G includes the change in actuarial value of Mr. Klein's and Mr. Hallinan's tax-qualified and non-qualified defined benefit pension plans. The narrative and footnotes following the 2017 Pension Benefits table on pages 37-38 provide additional detail about the pension plans. Messrs. Randich, Fink, Biggart and Wyatt were not eligible to participate in any of the Company's defined benefit pension plans.
- (5) **Perquisites and All Other Compensation:** The amounts in column H include the following:
- (a) **Matching Contributions to the Savings Plan.** Matching contributions for 2017 to the Qualified Savings Plan were made: by Fortune Brands in the amount of \$12,150 for Messrs. Klein, Hallinan, Biggart and Wyatt; by MBCI in the amount of \$13,500 for Mr. Randich; and by GPG in the amount of \$8,100 for Mr. Fink.
- (b) **Profit Sharing Contributions to the Savings Plan.** Profit sharing contributions for 2017 to the Qualified Savings Plan were made by Fortune Brands in the amount of \$18,342 for Messrs. Klein, Hallinan, Biggart and Wyatt and by GPG in the amount of \$13,500 for Mr. Fink.
- (c) **Profit Sharing Contributions to Supplemental Plans.** The following contributions were made to the Fortune Brands Home & Security, Inc. Supplemental Plan for 2017: \$186,595 for Mr. Klein, \$28,363 for Mr. Hallinan, \$43,993 for Mr. Biggart and \$95,711 for Mr. Wyatt. A contribution was made to the Global Plumbing Group Supplemental Plan for Mr. Fink in the amount of \$30,836 for 2017. These contributions would have been made under the Savings Plan but for the limitations on compensation imposed by the Code. These amounts were credited to executives' Supplemental Plan accounts in early 2018.
- (d) **Premiums for Life Insurance:** The amounts set forth in column H include the dollar value of all life insurance premiums paid by the applicable employer in 2017. These amounts were: \$4,104 for Mr. Klein; \$2,138 for Mr. Hallinan; \$984 for Mr. Randich; \$2,130 for Mr. Fink; \$6,576 for Mr. Biggart; and \$15,782 for Mr. Wyatt.

**Table of Contents**

(e) **Other:** In 2017 and in connection with Mr. Hallinan's and Mr. Fink's relocation of their personal residences, column H includes relocation expenses (principally, moving fees, temporary housing, home finding fees, closing costs, a home sale bonus and temporary living expenses) in the amount of \$170,942 for Mr. Hallinan and \$243,949 for Mr. Fink. For Mr. Fink, the amount also included a loss on the sale of his home of \$12,915. The relocation benefits were valued based on the amount paid to the NEO or to the service provider, as applicable. This column also includes reimbursement for taxes which were made to make Messrs. Hallinan and Fink whole for expenses incurred in the amount of \$31,336 for Mr. Hallinan and \$39,496 for Mr. Fink. If either NEO voluntarily terminates his employment within two years of relocation, he will be required to reimburse a portion of the amount.

In 2017, limited use of the Company's aircraft was provided to Messrs. Klein and Wyatt, who each reimbursed the Company for their personal use in an amount equivalent to the cost of a first class ticket for each passenger on these flights. The calculation of incremental cost of personal aircraft usage is based on variable costs to the Company, including fuel costs, crew expenses, landing fees and other miscellaneous variable costs. In 2017, the Company's incremental cost for personal use of Company aircraft not reimbursed by Mr. Klein was \$206,762 and by Mr. Wyatt was \$86,497, which amounts are reflected in column H.

Also included in column H for each NEO are costs associated with the Company's executive health program and for Mr. Fink, the value of company product provided to him.

Name and Grant Date	2017 GRANTS OF PLAN-BASED AWARDS						All Other Stock Awards:  Number of Stock or Units (#)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards (\$/Sh)	Grant Date Value of Stock and Option Awards \$(I)
	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target			Estimated Future Payouts Under Equity Incentive Plan Awards						
	Threshold (\$)	Maximum (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
<b>Christopher J. Klein</b>										
02/27/2017(2)	\$ 0	\$ 1,475,500	\$ 2,951,000							
02/27/2017(3)							136,307	\$ 58.21	\$ 1,833,329	
02/27/2017(4)							31,708		\$ 1,833,357	
02/27/2017(5)				0	31,708	63,416			\$ 1,833,357	
<b>Patrick D. Hallinan</b>										
02/27/2017(2)	\$ 0	\$ 412,500	\$ 825,000							
02/27/2017(3)							16,109	\$ 58.21	\$ 216,666	
02/27/2017(4)							3,747		\$ 216,652	
02/27/2017(5)				0	3,747	7,494			\$ 216,652	
07/03/2017(3)							13,765	\$ 65.41	\$ 200,005	
07/03/2017(4)							3,054		\$ 200,022	
07/03/2017(5)				0	3,054	6,108			\$ 200,022	
<b>David M. Randich</b>										
02/27/2017(2)	\$ 0	\$ 492,000	\$ 984,000							
02/27/2017(3)							32,838	\$ 58.21	\$ 441,671	
02/27/2017(4)							7,639		\$ 441,687	
02/27/2017(5)				0	7,639	15,278			\$ 441,687	
<b>Nicholas I. Fink</b>										
02/27/2017(2)	\$ 0	\$ 401,250	\$ 802,500							
02/27/2017(3)							27,261	\$ 58.21	\$ 366,660	
02/27/2017(4)							6,342		\$ 366,694	
02/27/2017(5)				0	6,342	12,684			\$ 366,694	
<b>Robert K. Biggart</b>										
02/27/2017(2)	\$ 0	\$ 375,000	\$ 750,000							
02/27/2017(3)							23,544	\$ 58.21	\$ 316,667	
02/27/2017(4)							5,477		\$ 316,680	

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

02/27/2017(5)				0	5,477	10,954			\$ 316,680
<i>E. Lee Wyatt, Jr.</i>									
02/27/2017(2)	\$ 0	\$ 680,000	\$ 1,360,000						
02/27/2017(4)							34,590		\$ 1,999,994

- (1) For stock options awarded on February 27, 2017, the grant date fair value is based on the Black-Scholes value of \$13.45 and for those awarded on July 3, 2017, \$14.53. The grant date fair value of PSAs and RSUs is determined based upon the average of the high and low prices of the Company's common stock on the grant date (\$57.82 for February 27, 2017 awards and \$65.495 for July 3, 2017 awards). Grant date fair values of PSAs and RSUs are computed in accordance with FASB ASC Topic 718. For assumptions used in determining these values, see note 13 to the consolidated financial statements contained in the Company's Form 10-K.
- (2) Amounts in this row reflect the range of potential payments under the Fortune Brands Home & Security, Inc. Annual Executive Incentive Compensation Plan. The target payout for Messrs. Klein, Randich, Fink, Biggart and Wyatt is based on target awards of 130%, 80%, 75%, 75% and 85%, respectively, of base salary as of December 31, 2017. The target payout for Mr. Hallinan is based on target award of 50% of his salary from January to June 2017 and 75% of his salary from July to December 2017. See pages 27-28 of the CD&A for further information regarding the Annual Cash Incentives.

**Table of Contents**

- (3) This row reflects the number of stock options granted under the Company's 2013 Long-Term Incentive Plan (the LTIP) and the grant date fair value of the stock options on the grant date. These stock options vest ratably in three equal annual installments, subject to continued employment through the applicable vesting dates.
- (4) For all NEOs other than Mr. Wyatt, the amounts in this row reflect the number of RSUs that were granted under the LTIP and will vest in three equal annual installments, subject to continued employment through the applicable vesting dates. For Mr. Wyatt, the number of RSUs that were awarded vested on December 31, 2017. For certain executives, these awards were subject to achievement of a 2017 EPS goal of \$.25, which was intended to qualify these awards as performance-based compensation under Section 162(m) of the Code.
- (5) The amounts in this row reflect the range of potential payouts for PSAs that were granted under the LTIP for the 2017-2019 performance period. The performance goals for the 2017-2019 PSAs are EBITDA (weighted 75%) and average RONTA (weighted 25%). For certain executives, these awards were subject to achievement of a 2017 EPS goal of \$.25, which was intended to qualify these awards as performance-based compensation under Section 162(m) of the Code.

<i>OUTSTANDING EQUITY AWARDS AT 2017 FISCAL YEAR-END</i>									
<i>Option Awards</i>					<i>Stock Awards</i>				
					<i>Equity</i>				
					<i>Incentive</i>		<i>Equity</i>		
					<i>Plan</i>		<i>Incentive</i>		
					<i>Number</i>		<i>Awards: Plan</i>		
					<i>of</i>		<i>Number Awards:</i>		
<i>Equity</i>					<i>Shares</i>		<i>of Market or</i>		
<i>Incentive</i>					<i>or Units</i>		<i>Unearned Payout</i>		
<i>Plan</i>					<i>of</i>		<i>Market Shares, Value of</i>		
<i>Awards:</i>		<i>Awards:</i>			<i>of</i>		<i>Market Shares, Value of</i>		
<i>Number of</i>	<i>Number of</i>	<i>Number of</i>	<i>Option</i>	<i>Option</i>	<i>Not</i>	<i>Held that</i>	<i>Have Not</i>	<i>Rights That</i>	<i>Other</i>
<i>Securities</i>	<i>Securities</i>	<i>Securities</i>	<i>Exercise</i>	<i>Expiration</i>	<i>Vested</i>	<i>Have Not</i>	<i>Vested</i>	<i>Have Not</i>	<i>Have Not</i>
<i>Underlying</i>	<i>Underlying</i>	<i>Underlying</i>	<i>Price (\$)</i>	<i>Date</i>	<i>(#)(3)</i>	<i>Vested\$(4)</i>	<i>(#)(5)</i>	<i>Vested\$(6)</i>	<i>(#)(6)</i>
<i>Unexercised</i>	<i>Unexercised</i>	<i>Unexercised</i>							
<i>Options (#)</i>	<i>Options (#)</i>	<i>Options (#)</i>							
<i>Exercisable</i>	<i>Unexercisable</i>	<i>Unexercisable</i>							
<i>Name</i>	<i>(1)</i>	<i>(2)</i>							
<i>Christopher J. Klein</i>	0	136,307	\$ 58.21	2/27/2027	64,307	\$ 4,401,171	64,508	\$ 4,414,928	

Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

	43,734	87,466	\$ 50.22	2/28/2026					
	88,333	44,167	\$ 47.87	2/23/2025					
	108,200	0	\$ 44.73	2/24/2024					
	135,600	0	\$ 33.10	2/25/2023					
	189,700	0	\$ 19.46	2/21/2022					
	20,700	0	\$ 12.30	10/04/2021					
	39,830	0	\$ 13.757	2/22/2021					
<b>Patrick D. Hallinan</b>					8,901	\$ 609,184	8,901	\$ 609,184	
	0	13,765	\$ 65.41	7/03/2027					
	0	16,109	\$ 58.21	2/27/2027					
	2,834	5,666	\$ 50.22	2/28/2026					
	5,733	2,867	\$ 47.87	2/23/2025					
	6,100	0	\$ 44.73	2/24/2024					
<b>David M. Randich</b>					40,672	\$ 2,783,592	15,839	\$ 1,084,021	
	0	32,838	\$ 58.21	2/27/2027					
	10,934	21,866	\$ 50.22	2/28/2026					
	21,067	10,533	\$ 47.87	2/23/2025					
	26,100	0	\$ 44.73	2/24/2024					
<b>Nicholas I. Fink</b>					21,309	\$ 1,458,388	13,242	\$ 906,282	
	0	27,261	\$ 58.21	2/27/2027					
	9,200	18,400	\$ 50.22	2/28/2026					
	20,000	10,000	\$ 45.65	7/27/2025					
<b>Robert K. Biggart</b>					11,377	\$ 778,642	11,377	\$ 778,642	
	0	23,544	\$ 58.21	2/27/2027					
	7,867	15,733	\$ 50.22	2/28/2026					
	16,267	8,133	\$ 47.87	2/23/2025					
	20,900	0	\$ 44.73	2/24/2024					
<b>E. Lee Wyatt, Jr.</b>					0	\$ 0	12,500	\$ 855,500	
	49,900	0	\$ 50.22	2/28/2026					
	53,100	0	\$ 47.87	2/23/2025					
	44,300	0	\$ 44.73	2/24/2024					
	59,500	0	\$ 33.10	2/25/2023					
	86,200	0	\$ 19.46	2/21/2022					
	48,100	0	\$ 12.30	10/4/2021					



**Table of Contents**

- (1) Each outstanding stock option granted that was vested and exercisable on December 31, 2017 is listed in this column.
- (2) Each outstanding stock option that was not yet vested and exercisable on December 31, 2017 is listed in this column. All of Mr. Wyatt's stock options vested on December 31, 2017. All stock options vest in three equal annual installments. The chart below reflects the number of outstanding stock options that will vest during each of 2018, 2019 and 2020 (assuming each NEO's continued employment).

<i>Name</i>	<i>Number of Stock Options Vesting by Year</i>		
	<i>2018</i>	<i>2019</i>	<i>2020</i>
Christopher J. Klein	133,336	89,168	45,436
Patrick D. Hallinan	15,659	12,790	9,958
David M. Randich	32,412	21,879	10,946
Nicholas I. Fink	28,287	18,287	9,087
Robert K. Biggart	23,847	15,715	7,848

- (3) Each outstanding RSU that had not yet vested as of December 31, 2017 is listed in this column. All of Mr. Wyatt's outstanding RSUs vested on December 31, 2017 and are therefore excluded from this chart. All of the RSUs listed in the column vest in three equal annual installments except for the retention RSU award granted to Mr. Randich in 2015, 25% of which vests in each of 2018 and 2019. The chart below reflects the number of outstanding RSUs that will vest during 2018, 2019 and 2020 (assuming each NEO's continued employment).

<i>Name</i>	<i>Number of RSUs Vesting by Year</i>		
	<i>2018</i>	<i>2019</i>	<i>2020</i>
Christopher J. Klein	32,236	21,502	10,569
Patrick D. Hallinan	3,667	2,967	2,267
David M. Randich	20,347	17,779	2,546
Nicholas I. Fink	14,781	4,414	2,114
Robert K. Biggart	5,759	3,792	1,826

- (4) This column reflects the value of the outstanding RSUs that have not yet vested (using the December 29, 2017 closing price of the Company's common stock of \$68.44).
- (5) The amounts reported in this column are based on achieving target performance goals for PSAs granted in 2016 and 2017, as the performance for each performance period is measured on a cumulative basis and is not determinable until the end of the three year performance period. The PSAs vest based on the Company's performance over the three year performance period and are subject to the executive's continued employment through the end of the performance period. The CD&A on pages 19-32 and the footnotes to the table titled "2017 Grants of Plan-Based Awards" on pages 34-35 provides additional detail on the PSAs granted in 2017. The chart below reflects the target number of outstanding PSAs as of December 31, 2017 (assuming each NEO's continued employment).

<i>Name</i>	<i>Number of PSAs Outstanding by Performance Period</i>	
	<i>2016-2018</i>	<i>2017-2019</i>
Christopher J. Klein	32,800	31,708
Patrick D. Hallinan	2,100	6,801
David M. Randich	8,200	7,639
Nicholas I. Fink	6,900	6,342

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Robert K. Biggart	5,900	5,477
E. Lee Wyatt, Jr.	12,500	0

- (6) This column reflects the value of the PSAs (using the December 29, 2017 closing price of the Company's common stock of \$68.44).

**Table of Contents**

<b>2017 OPTION EXERCISES AND STOCK VESTED</b>				
<i>Name</i>	<i>Option Awards</i>		<i>Stock Awards</i>	
	<i>Number of Shares Acquired on Exercise (#)(1)</i>	<i>Value Realized Upon Exercise (\$)(2)</i>	<i>Number of Shares Acquired on Vesting (#)(3)</i>	<i>Value Realized on Vesting (\$)(4)</i>
<i>Christopher J. Klein</i>	275,000	\$14,242,812	84,160	\$5,421,451
<i>Patrick D. Hallinan</i>	0	\$0	5,375	\$346,995
<i>David M. Randich</i>	48,800	\$1,695,031	45,264	\$2,897,960
<i>Nicholas I. Fink</i>	0	\$0	24,351	\$1,614,191
<i>Robert K. Biggart</i>	0	\$0	15,475	\$996,510
<i>E. Lee Wyatt, Jr.</i>	40,000	\$2,047,012	110,826	\$7,418,535

- (1) This column reflects the number of stock options exercised during 2017.
- (2) This column reflects the difference between the market value of the shares on the date of exercise and the exercise price of the stock options.
- (3) This column reflects the number of RSUs that vested in 2017 which were granted in 2014, 2015 and 2016. For Mr. Wyatt, this column includes RSUs granted to him in 2014, 2015, 2016 and 2017 and includes RSUs that vested on his retirement. This column also reflects the number of shares acquired upon the vesting of PSAs for the 2015-2017 performance period.
- (4) This column reflects the value of RSUs calculated using the market value of the shares on the applicable vesting dates. This column also reflects the value of PSAs which were calculated using the market value of the shares on the vesting date.

<b>RETIREMENT AND POST-RETIREMENT BENEFITS</b>				
<b>2017 PENSION BENEFITS</b>				
<i>Name</i>	<i>Plan Name(1)</i>	<i>Number of Years Credited Service (#)</i>	<i>Present Value of Accumulated Benefit (\$)(2)(3)</i>	<i>Payments During Last Fiscal Year</i>
<i>Christopher J. Klein</i>	Moen Incorporated Pension Plan	13.75	\$ 497,000	0
	Fortune Brands Home & Security, Inc. Supplemental Retirement Plan	13.75	\$ 4,241,000	0
<i>Patrick D. Hallinan</i>	MasterBrand Cabinets, Inc. Pension Plan	3.08	\$ 63,000	0
	MasterBrand Cabinets, Inc. Supplement Retirement Plan	3.08	\$ 19,000	0

- (1) Mr. Klein accrued benefits under the Moen Incorporated Pension Plan, a tax-qualified defined benefit pension plan (the Moen Plan ) and the Fortune Brands Home & Security, Inc. Supplemental Retirement Plan, a non-qualified defined benefit supplemental pension plan (the FBHS Supplemental Plan ) through December 31, 2016 when benefit accruals were frozen. Mr. Hallinan accrued benefits under the MasterBrand Cabinets, Inc. Pension Plan, a tax-qualified defined benefit pension plan (the MBCI Plan ) and the MasterBrand Cabinets Supplemental Retirement Plan, a non-qualified

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

defined benefit supplemental pension plan (the MBCI Supplemental Plan ) while he was employed with MasterBrand Cabinets from 2005 through 2008.

- (2) The benefit amounts listed reflect the present value of the accumulated benefit payable in the form of a single life annuity where payments continue for the life of the NEO but cease upon his death. All of the tax-qualified and supplemental non-qualified pension plans provide for payment to be made in a single-life annuity to unmarried participants and in a qualified joint and survivor annuity for married participants. At the time of retirement, participants may elect, among other forms of payment, a reduced annuity in the joint and survivor form, which provides payments over the life of the participant and a named beneficiary.
  
- (3) For Mr. Klein, the amounts listed are based on compensation and years of service as of December 31, 2016, the last year that he accrued a benefit before the plans were frozen. The present value of Mr. Klein's accumulated plan benefits is calculated based on assumptions in accordance with FASB ASC 715, which reflects the updated mortality table to the 2017 Static Mortality Table for Annuitants per 1.430(h)(3)-1(e) and a discount rate of 3.8% for participants in the Moen Plan as well as the FBHS Supplemental Retirement Plan. For Mr. Hallinan, the amounts listed are based on compensation and years of service with MasterBrand Cabinets from 2005 through 2008. The present value of Mr. Hallinan's accumulated plan benefits is calculated based on the same assumptions and a discount rate of 3.75% for participants in the MBCI Plan and the MBCI Supplemental Retirement Plan.

**Table of Contents**

*Frozen Tax-Qualified and Non-Qualified Pension Benefits*

Effective December 31, 2016, the Company froze all future benefit accruals to all participating employees, including Mr. Klein, under the Moen Plan and the FBHS Supplemental Plan, which paid the difference between the benefits payable under the Moen Plan and the amount that would have been paid if the Code did not have a limitation on the amount of compensation permitted for inclusion of the calculation of benefits. While Mr. Hallinan was employed by MasterBrand Cabinets from 2005 through 2008, he accumulated a pension benefit under the MBCI Plan and a supplemental pension benefit under the MBCI Supplemental Plan. The present value of the accumulated benefits under these plans will continue to fluctuate in the future based on changes in discount rates and actuarial assumptions.

Payment of Mr. Klein's tax-qualified pension benefit would be unreduced after attaining age 62. He could commence payment of his benefit as early as age 55 at a reduction rate of 6% per year prior to attainment of age 62. Under the FBHS Supplemental Plan, payment of benefits commences at termination of employment following attainment of age 55, subject to any delay required under Section 409A of the Code. Additionally, early commencement of benefits would be calculated using a reduction of 6% per year prior to the attainment of age 65.

Payment of Mr. Hallinan's tax-qualified pension benefit would be unreduced after attaining age 62. He could commence payment of his benefits as early as age 55 at a reduction rate of 0.5% per month for the first 60 months and 0.3333% per month thereafter until the attainment of age 62. Under the MBCI Supplemental Plan, payment of the benefit commences at termination of employment following attainment of age 65, subject to any delay required under Section 409A of the Code.

Messrs. Randich, Fink, Biggart and Wyatt were not eligible to participate in a tax-qualified defined benefit pension plan because their hire or transfer dates, as applicable, occurred after the date the plans were frozen with respect to new participants.

*Tax Qualified and Non-Qualified Defined Contribution Benefits*

Fortune Brands and GPG make profit sharing contributions to eligible employees. In 2017, the eligible profit sharing contribution amount was equal to 6% of adjusted compensation, plus 7.5% for amounts above the Social Security wage base limit, for Messrs. Klein, Hallinan, Biggart and Wyatt and 5% for Mr. Fink. A portion of the amount of the profit sharing contribution, up to the limitation imposed by the Code, was made to the Savings Plan. The amount of the profit sharing contribution in excess of the limitation imposed by the Code was contributed to the FBHS Supplemental Plan on behalf of Messrs. Klein, Hallinan, Biggart and Wyatt and to the GPG Supplemental Plan on behalf of Mr. Fink. Mr. Randich does not receive profit sharing contributions under any non-qualified defined contribution or profit sharing plan.

Mr. Hallinan maintains an account holding prior supplemental non-qualified profit sharing contributions under the GPG Supplemental Plan. Mr. Randich maintains an account holding prior supplemental qualified non-elective and supplemental profit sharing contributions under the Therma-Tru Corp. Supplemental Executive Retirement Plan (the Therma-Tru SERP).

**Table of Contents**

FBHS Supplemental Plan and GPG Supplemental Plan profit sharing accounts are credited with interest monthly, using the Citigroup US Broad Investment-Grade (USBIG) Bond Index. The FBHS Supplemental Plan and the GPG Supplemental Plan pay any defined contribution amounts, in a lump sum following termination of employment, subject to any delay required under Section 409A of the Code. Participants in the Therma-Tru SERP have the option to invest in a number of mutual funds, which are valued on a daily basis. Any interest, dividends, gains or losses received from are allocated across the participants' accounts in that fund. The Therma-Tru SERP pays any qualified non-elective and supplement profit sharing contributions in a lump sum or in substantially equal annual installments following termination of employment, subject to any delay required under Section 409A of the Code.

		<i>2017 NONQUALIFIED DEFERRED COMPENSATION</i>				
<i>Name</i>	<i>Plan Name</i>	<i>Executive Contributions in Last FY (\$)</i>	<i>Registrant Contributions in Last FY (\$)(1)</i>	<i>Aggregate</i>		
				<i>Earnings in Last FY (\$)(2)</i>	<i>Aggregate Distributions (\$)</i>	<i>Aggregate Balance at Last FYE (\$)</i>
<i>Christopher J. Klein</i>	FBHS Supplemental	\$0	\$186,595	\$52,133	\$0	\$1,528,254
<i>Patrick D. Hallinan</i>	FBHS Supplemental	\$0	\$28,363	\$0	\$0	\$0
	GPG Supplemental	\$0	\$0	\$1,406	\$0	\$42,837
<i>David M. Randich</i>	Therma-Tru Corp. Supplemental	\$0	\$0	\$50,307	\$0	\$282,370
<i>Nicholas I. Fink</i>	GPG Supplemental	\$0	\$30,836	\$0	\$0	\$0
	FBHS Supplemental	\$0	\$0	\$1,348	\$0	\$45,617
<i>Robert K. Biggart</i>	FBHS Supplemental	\$0	\$43,993	\$2,813	\$0	\$87,122
<i>E. Lee Wyatt, Jr.</i>	FBHS Supplemental	\$0	\$95,711	\$17,300	\$0	\$512,301

- (1) Amounts listed in this column were reported as compensation in the last fiscal year in the All Other Compensation column of the 2017 Summary Compensation Table.
- (2) No amounts listed in the Aggregate Earnings column were reported in the 2017 Summary Compensation Table.

**Table of Contents**

<b>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL<sup>(1)(2)</sup></b>								
	<u>Voluntary</u>		<u>Involuntary</u>		<u>Death</u>	<u>Disability<sup>(3)</sup></u>	<u>Retirement<sup>(4)</sup></u>	<u>Involuntary Termination (without cause) or Termination for Good Reason</u>
	<u>For Good Reason</u>	<u>Without Good Reason</u>	<u>For Cause</u>	<u>Without Cause</u>				
<b>Cash Severance</b>								
<i>Klein</i>	5,655,175	0	0	5,655,175	0	0	0	8,482,762
<i>Hallinan</i>	1,532,032	0	0	1,532,032	0	0	0	2,042,709
<i>Randich</i>	1,680,750	0	0	1,680,750	0	0	0	2,241,000
<i>Fink</i>	1,483,028	0	0	1,483,028	0	0	0	1,977,371
<i>Biggart</i>	1,424,227	0	0	1,424,227	0	0	0	1,898,969
<b>Health and Related Benefits<sup>(5)</sup></b>								
<i>Klein</i>	48,660	0	0	48,660	2,060,000	0	0	\$ 72,991
<i>Hallinan</i>	37,568	0	0	37,568	1,650,000	0	0	\$ 50,090
<i>Randich</i>	17,534	0	0	17,534	615,000	0	0	\$ 23,378
<i>Fink</i>	26,421	0	0	26,421	535,000	0	0	\$ 35,228
<i>Biggart</i>	40,204	0	0	40,204	1,500,000	0	0	\$ 53,605
<b>Options<sup>(6)</sup></b>								
<i>Klein</i>	0	0	0	0	3,896,566	2,502,146	0	3,896,566
<i>Hallinan</i>	0	0	0	0	368,712	162,209	0	368,712
<i>Randich</i>	0	0	0	0	950,995	615,062	615,062	950,995
<i>Fink</i>	0	0	0	0	842,028	563,148	0	842,028
<i>Biggart</i>	0	0	0	0	694,806	453,951	0	694,806
<b>RSUs</b>								
<i>Klein</i>	0	0	0	0	4,474,346	2,281,421	0	4,474,346
<i>Hallinan</i>	0	0	0	0	616,230	146,972	0	616,230
<i>Randich</i>	0	0	0	0	2,845,954	2,317,641	562,141	2,845,954
<i>Fink</i>	0	0	0	0	1,476,014	1,037,402	0	1,476,014
<i>Biggart</i>	0	0	0	0	791,711	412,922	0	791,711
<b>Performance Share Awards</b>								
<i>Klein</i>	0	0	0	0	4,482,365	2,289,440	0	4,482,365
<i>Hallinan</i>	0	0	0	0	615,838	146,580	0	615,838
<i>Randich</i>	0	0	0	0	1,100,673	572,360	572,360	1,100,673
<i>Fink</i>	0	0	0	0	920,233	481,620	0	920,233
<i>Biggart</i>	0	0	0	0	790,609	411,820	0	790,609
<b>Total Potential Payments</b>								
<i>Klein</i>	5,703,835	0	0	5,703,835	14,913,277	7,073,007	0	21,409,030
<i>Hallinan</i>	1,569,600	0	0	1,569,600	3,250,780	455,761	0	3,693,579
<i>Randich</i>	1,698,284	0	0	1,698,284	5,512,622	3,505,063	1,749,563	7,162,000
<i>Fink</i>	1,509,449	0	0	1,509,449	3,773,275	2,082,170	0	5,250,874
<i>Biggart</i>	1,464,431	0	0	1,464,431	3,777,126	1,278,693	0	4,229,700

(1) This table assumes the specified termination events occurred on December 31, 2017. The value of the equity that would have vested or been settled in connection with a termination event or a change in control was determined by using the closing price of the Company's common stock on December 29, 2017 (\$68.44 per share).

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

- (2) Mr. Wyatt is excluded from this chart as he retired effective December 31, 2017. As a result of his retirement, the value of his equity awards that vested due to retirement treatment was \$2,690,298, consisting of \$970,196 for stock options, \$864,603 for RSUs and \$855,500 for PSAs (assuming target performance and based on the closing price of the Company's common stock on December 29, 2017 (\$68.44 per share)).
- (3) The amounts reported in this column assume that the executive remains on disability through the full vesting of the award.
- (4) Mr. Randich is the only NEO included in this chart that qualified for retirement treatment under the Company's compensation programs as of December 31, 2017.
- (5) The Health and Related Benefits listed under the Death column reflect the incremental value of life insurance benefits above the benefit level applicable to all employees generally.
- (6) The amount reported in the Disability column reflect the value of unvested stock options that would have continued to vest according to the vesting schedule.



**Table of Contents**

*Termination of Employment and Change in Control Arrangements.* To protect the Company's interests in retaining its top talent, the Company has Severance Agreements with each NEO. Under the terms of the Severance Agreements, each NEO is entitled to severance benefits upon a qualifying termination of employment (i.e., termination by the Company without cause or by the NEO for good reason). The severance benefits under the Severance Agreements consist of:

an amount equal to a multiple (2 years for Mr. Klein and 1.5 years for all other NEOs) of the NEO's (1) base salary, (2) target annual cash incentive, plus (3) any profit sharing allocation and matching contributions under the applicable tax-qualified and non-qualified defined contributions plans for the year prior to the year in which the termination takes place;

an additional number of months (equal to the severance multiple described above) of coverage under health, life and accident plans to the extent allowed under the applicable plan; and

an amount equal to the annual cash incentive award the NEO would have received based upon actual Company (or applicable operating company) performance for the calendar year in which the termination date occurs, prorated for the NEO's service during the year.

The Severance Agreements contain various restrictive covenants, including a one year non-solicitation provision, a non-disparagement provision, and a one year non-competition restriction. NEOs are also required to sign a release of legal claims against the Company to receive any severance payments.

All of the Severance Agreements contain provisions which provide for enhanced benefits in the event of a qualifying termination (i.e., termination by the Company without cause or by the NEO for good reason) following a change in control. The Severance Agreements contain double triggers, which means that there must be both a change in control of the Company (or applicable operating company) and a qualifying termination of employment before any enhanced benefits are paid. In the event Mr. Klein is terminated within 2 years following a change in control, his multiple is increased from 2 years to 3 years. In the event of termination within 2 years following a change in control of any of the other NEOs, the multiple is increased from 1.5 years to 2 years. The Severance Agreements do not allow for excise tax gross-ups on these amounts.

*Treatment of Equity Awards Following a Termination of Employment (other than in the event of a Change in Control).* If a NEO's employment terminates with or without cause, all unvested PSAs, RSUs and stock options are forfeited. If a NEO dies, becomes disabled or retires, his or her outstanding equity awards vest or are paid as follows:

<i>Treatment of Equity in the Event of Death, Disability or Retirement</i>			
<i>Event</i>	<i>(for awards granted beginning in 2016)</i>		
	<i>Performance Share Awards</i>	<i>Restricted Stock Units</i>	<i>Stock Options</i>
Death	Shares paid at the end of the performance period based on actual Company performance.	Outstanding RSUs fully vest.	Unvested stock options fully vest.
Disability <sup>(1)</sup>	Shares paid at the end of the performance period based on actual Company performance.	Outstanding RSUs continue to vest according to the vesting schedule.	Unvested stock options continue to vest according to the vesting schedule.
Retirement <sup>(2)</sup>	Shares paid at the end of the performance period based on actual Company performance.	Outstanding RSUs fully vest.	Unvested stock options fully vest.

(1) The executive must have one year of service from the grant date prior to the date of disability to be entitled to receive the disability treatment listed above.

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

- (2) The executive must be 55 years of age with 5 years of service and also have one year of service from the grant date prior to the date of retirement to be entitled to receive the retirement treatment listed above. This provision is not applicable to the retention award granted to Mr. Randich.

**Table of Contents**

*Treatment of Equity Awards Following a Change in Control and Termination of Employment.* In the event a NEO is terminated by the Company without cause or by the NEO for good reason following a change in control, his or her equity awards vest or are paid as follows:

<i>Treatment of Equity In the Event of a Termination Following a Change In Control*</i>	
<i>Award</i>	<i>Treatment</i>
PSAs	Shares are paid assuming that target performance was achieved.
RSUs	All outstanding RSUs fully vest.
Stock Options	All unvested stock options fully vest.

\* The Board has the ability to exercise its discretion to accelerate outstanding awards in the event of a change in control.

The SEC adopted a rule requiring annual disclosure of the ratio of the median employee's annual total compensation to the total annual compensation of Mr. Klein, the Company's chief executive officer. To understand this disclosure, we think it is important to give context to our operations. Our corporate headquarters are located in Deerfield, Illinois and we operate 45 manufacturing facilities and 44 distribution centers and warehouses worldwide. As a consumer products manufacturer, approximately 76% of our employees are involved in manufacturing our products. In addition, the majority of our manufacturing and assembly plant locations are located in rural areas while our corporate offices are generally located in urban areas. We strive to create a compensation program that is competitive in terms of both the position and the geographic location in which the employee is located. Accordingly, our pay structures vary amongst employees based on business unit, position and geographic location.

*Identification of Median Employee*

We selected October 1, 2017 as the date on which to determine our median employee. As of that date, the Company had approximately 23,622 employees (15,749 in the United States and 7,873 outside of the United States). For purposes of identifying the median employee, we used taxable year-to-date compensation. To identify the median employee, the Company applied a *de minimis* exemption which allowed us to exclude non-U.S. employees in countries that make up five percent or less of our employee population. The Company excluded 4 employees in Guatemala, 5 in Taiwan, 4 in Hong Kong and 1,098 employees in China. After applying this exemption, the Company used a total of 22,511 employees (15,749 in the United States and 6,762 outside of the United States) to identify the median employee. In addition, approximately 357 employees of Victoria & Albert were excluded from the calculation as the company was acquired in late 2017.

Using this methodology, we determined that our median employee was a full-time, hourly employee working for our plumbing group in an engineering support role. In determining the annual total compensation of the median employee, we calculated the employee's compensation in accordance with Item 402(c)(2)(x) of Regulation S-K as required pursuant to SEC executive compensation disclosure rules, which included base and overtime pay, bonus, matching contributions to the Company's 401(k), a profit sharing contribution and a change in the year-over-year actuarial value of the employee's pension benefit. This calculation is the same calculation used to determine total compensation reported above in the 2017 Summary Compensation Table for the Chief Executive Officer.

*2017 CEO Pay Ratio*

	<i>2017 Total Compensation*</i>	<i>CEO Pay Ratio</i>
<i>Christopher J. Klein</i>	\$ 9,372,432	
<i>Median Employee</i>	\$ 68,684	136:1

\* Annual total compensation, as calculated in accordance with Item 402 of Regulation S-K.

**Table of Contents**

<i>EQUITY COMPENSATION PLAN INFORMATION</i>			
<i>Plan Category</i>	<i>Number of securities to be issued upon exercise of outstanding options, warrants and rights</i>	<i>Weighted average exercise price of outstanding options, warrants and rights</i>	<i>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</i>
<i>(a)(1)</i>	<i>(b)</i>	<i>(c)(2)</i>	
<i>Equity compensation plans approved by security holders</i>	5,267,679	\$36.28	5,510,649
<i>Equity compensation plans not approved by security holders</i>	0	n/a	0
<i>Total</i>	5,267,679	\$36.28	5,510,649

- (1) As of December 31, 2017, the number of securities includes 3,682,958 shares to be issued upon the exercise of outstanding stock options, 856,656 shares to be issued upon the payment of performance shares (assuming maximum performance) and 728,065 shares to be issued upon the vesting of restricted stock unit awards.
- (2) Shares available for issuance under the Company's 2013 Long-Term Incentive Plan, which allows for grants of stock options, performance stock awards, restricted stock awards and other stock-based awards.

---

**Table of Contents**

*Report of the Audit Committee*

The Audit Committee is composed of five directors that are independent as defined under the New York Stock Exchange Listed Company Manual and Rule 10A-3 of the Exchange Act. The Audit Committee has a written charter that has been approved by the Board. A copy of the Audit Committee Charter is available on the Company's website at <http://ir.fbhs.com/committees.cfm>. The Audit Committee has appointed PricewaterhouseCoopers LLP ( PwC ) as the Company's independent registered public accounting firm for 2018.

Management has the responsibility for the Company's financial statements and overall financial reporting process, including the Company's systems of internal controls. The independent registered public accounting firm has the responsibility to conduct an independent audit in accordance with generally accepted auditing standards and to issue an opinion on the accuracy of the Company's financial statements and the effectiveness of the Company's internal controls. The Audit Committee's responsibility is to monitor and oversee these processes.

In this context, the Audit Committee has reviewed and discussed the audited financial statements and the Company's quarterly and annual reports to the SEC with management and the independent registered public accounting firm. Management has confirmed to the Audit Committee that the Company's financial statements were prepared in accordance with generally accepted accounting principles. The Audit Committee has met with the independent registered public accounting firm and discussed matters required to be discussed pursuant to the applicable requirements of the Public Company Accounting Oversight Board. The independent registered public accounting firm has provided an unqualified opinion regarding the Company's financial statements for the year ended December 31, 2017.

The Company's independent registered public accounting firm has also provided the Audit Committee with the written disclosures and letter required by the Public Company Accounting Oversight Board regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and the Audit Committee has discussed with the independent registered public accounting firm that firm's independence. The Audit Committee has also reviewed non-audit services provided by the independent registered public accounting firm and has considered the compatibility of these services with maintaining the auditor's independence.

The Audit Committee annually reviews the independence and performance of the independent registered public accounting firm. Factors such as independence, industry knowledge, communication and fees are considered. A performance survey is completed by the Company at the end of each year to evaluate performance of the independent registered public accounting firm in multiple areas including quality of services, sufficiency of audit firm resources, communication and interaction as well as independence, objectivity and professional skepticism. Results are shared with the Audit Committee. Additionally the independent registered public accounting firm presents to the Audit Committee at the beginning of each year, a commitment letter outlining specific areas of focus for continued high quality client service. At the end of each year, the independent registered public accounting firm presents to the Audit Committee and the Company a self-assessment against those commitments which is reviewed and discussed during the Audit Committee meeting.

Based upon the review and discussions with management and the independent registered public accounting firm, the Audit Committee recommended to the Board that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017 for filing with the SEC.

Audit Committee

Ronald V. Waters, III, Chair

A.D. David Mackay

John G. Morikis

David M. Thomas

Norman H. Wesley

**Table of Contents*****Fees of Independent Registered Public Accounting Firm***

PwC served as the Company's independent registered public accounting firm during the year ended December 31, 2017. All PwC services were approved in advance by the Audit Committee. The aggregate fees billed by PwC during 2017 and 2016 are set forth in the table below:

<i>Type of Fee</i>	<i>Year Ended December 31, 2017</i>	<i>Year Ended December 31, 2016</i>
Audit Fees(1)	\$ 3,835,000	\$ 3,260,000
Audit-Related Fees	\$ 0	\$ 0
Tax Fees (2)	\$ 827,000	\$ 1,247,000
All Other Fees(3)	\$ 101,800	\$ 1,800

- (1) For both 2017 and 2016, Audit Fees represent the aggregate fees for audit services performed by PwC in connection with the audit of the Company's annual financial statements in its SEC Form 10-K filing and the review of the Company's quarterly financial information included in its Form 10-Q filings, as well as audit services performed over statutory reporting.
- (2) For both 2017 and 2016, Tax Fees included fees included tax compliance, domestic and international tax consulting, customs and transfer pricing services.
- (3) For 2017, All Other Fees included fees billed by PwC for IT technical support. For both 2017 and 2016, fees for advisory services related to licensing an accounting research tool are also included.

***Approval of Audit and Non-Audit Services***

The Audit Committee has adopted policies and procedures for the pre-approval of all audit and permissible non-audit services provided by our independent registered public accounting firm. The Audit Committee annually reviews the audit and non-audit services to be performed by the independent registered public accounting firm during the upcoming year. The Audit Committee considers, among other things, whether the provision of specific non-audit services is permissible under existing law and whether it is consistent with maintaining the auditor's independence. The Audit Committee then approves the audit services and any permissible non-audit services it deems appropriate for the upcoming year. The Audit Committee's pre-approval of non-audit services is specific as to the services to be provided and includes pre-set spending limits. The provision of any additional non-audit services during the year, or the provision of services in excess of pre-set spending limits, must be pre-approved by either the Audit Committee or by the Chairman of the Audit Committee, who has been delegated authority to pre-approve such services on behalf of the Audit Committee. Any pre-approvals granted by the Chairman of the Audit Committee must be reported to the full Audit Committee at its next regularly scheduled meeting. All of the fees described above under audit fees, tax fees and all other fees for 2017 were pre-approved by the Audit Committee pursuant to its pre-approval policies and procedures.

The Audit Committee has appointed PwC as our independent registered public accounting firm for the year ending December 31, 2018. The Audit Committee and the Board recommend that you ratify this appointment. In line with this recommendation, the Board intends to introduce the following resolution at the Annual Meeting:

RESOLVED, that the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for this Company for the year ending December 31, 2018 is ratified.

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

A representative of PwC will attend the Annual Meeting to make a statement if he or she desires and respond to appropriate questions that may be asked by stockholders. In the event the stockholders fail to ratify the appointment of PwC, the Audit Committee may appoint another independent registered public accounting firm or may decide to maintain its appointment of PwC.

***The Board of Directors and the Audit Committee recommend that you vote FOR Proposal 2.***



**Table of Contents**

As required pursuant to Section 14A of the Exchange Act, the Company is providing stockholders with a vote to approve the compensation of the named executive officers as disclosed in this Proxy Statement, on an advisory, non-binding basis, which is commonly referred to as a Say-on-Pay vote. The Board has decided the advisory vote on executive compensation will be held on an annual basis until the next non-binding stockholder vote on the frequency of the advisory vote, which will occur at this Annual Meeting (see Proposal 4).

The Board believes that executive compensation should be closely tied to Company performance. Our executive compensation programs are designed to reward executives for the achievement of both short-term and long-term strategic and operational goals, as well as the creation of stockholder value. To accomplish this, the Compensation Committee has designed an executive compensation program that:

- Creates and reinforces a pay-for-performance culture by tying compensation to Company performance;
- Aligns management's interests with those of the Company's stockholders;
- Attracts, retains and motivates superior talent through competitive compensation;
- Provides incentive compensation that promotes performance without encouraging excessive risk-taking; and
- Recognizes the cyclical nature of our business.

The Company asks that you indicate your approval of the compensation paid to our named executive officers in 2017, as described in this Proxy Statement under the headings Compensation Discussion and Analysis and Executive Compensation, which includes the compensation tables and narratives.

Because your vote is advisory, it will not be binding on the Board. However, the Board and the Compensation Committee will review the results of the vote and consider the results when making future decisions regarding executive compensation.

For the reasons discussed above, the Board intends to introduce the following resolution at the Annual Meeting:

RESOLVED, that the compensation of the named executive officers of the Company, as disclosed in this Proxy Statement under the headings Compensation Discussion and Analysis and Executive Compensation, including the compensation tables and their accompanying narrative discussion, is approved.

***The Board of Directors recommends that you vote FOR Proposal 3.***

**Table of Contents**

Pursuant to Section 14A of the Exchange Act, the Company is required to hold an advisory vote at least once every six years regarding the frequency with which the advisory vote to approve named executive officer compensation ( Say-on-Pay ) should be held. The Company last held such a vote at the 2012 Annual Meeting of Stockholders. After this year's vote, it is expected that the next say-on-pay frequency vote will occur at the 2024 Annual Meeting of Stockholders.

The Board has determined that the Company should hold the Say-on-Pay vote every year, which is our current frequency. The Board believes that holding an annual Say-on-Pay vote is the best approach for the Company and enhances shareholder communication by providing shareholders with a clear, simple and timely way to express their views about the compensation decisions made in each year.

Stockholders will be able to specify one of four choices for this proposal on the proxy card: one year, two years, three years or abstain. While this vote is non-binding, the Board values the opinions of its shareholders and will consider the outcome of the vote when considering the frequency of future advisory shareowner votes on executive compensation.

***The Board of Directors recommends that you vote ONE YEAR for the frequency on the advisory vote to approve compensation paid to the Company's named executive officers.***

**Table of Contents**

We have listed below, as of March 2, 2018 (except as otherwise indicated), the beneficial ownership of the Company's common stock by (a) each director, (b) the named executive officers, (c) directors and executive officers of the Company as a group, and (d) each person known by us to be the beneficial owner of more than five percent of our outstanding common stock. The table is based on information we received from the directors and executive officers, the Trustee of our defined contribution plan and filings made with the SEC.

<i>Name</i>	<i>Amount and Nature of Beneficial Ownership(1)</i>	<i>Percentage of Class</i>
The Vanguard Group(2)	15,313,969	10.34%
BlackRock, Inc.(3)	12,725,571	8.59%
T. Rowe Price (4)	10,904,344	7.36%
Robert K. Biggart	93,692	*
Nicholas I. Fink	66,254	*
Ann F. Hackett (5)	29,804	*
Patrick D. Hallinan	36,465	*
Susan S. Kilsby	4,485	*
Christoph J. Klein(6)	1,130,364	*
A. D. David Mackay(7)	24,617	*
John G. Morikis (8)	31,642	*
David M. Randich	147,536	*
David M. Thomas(9)	39,707	*
Ronald V. Waters, III	21,674	*
Norman H. Wesley(10)	52,654	*
E. Lee Wyatt(11)	504,757	*
Directors and executive officers as a group (20 persons )(12)	2,536,565	1.71%

\* Less than 1%

- (1) Includes the following number of shares with respect to which the executive officers have the right to acquire beneficial ownership within 60 days after March 2, 2018:

<i>Name</i>	<i>Number of Shares</i>
Robert K. Biggart	68,881
Nicholas I. Fink	47,487
Patrick D. Hallinan	25,737
Christopher J. Klein	759,433
David M. Randich	103,013
E. Lee Wyatt, Jr.	341,100

- (2) In a report filed by The Vanguard Group ( Vanguard ) on Schedule 13G/A filed on February 9, 2018, Vanguard disclosed that as of December 31, 2017, it and its wholly owned subsidiaries specified therein had sole voting power over 216,488 shares, shared voting power over 31,381 shares, sole dispositive power over 15,067,964 shares, and shared dispositive power over 246,005 shares. The principal business address of Vanguard is 100 Vanguard Blvd., Malvern, Pennsylvania 19355.
- (3) In a report filed by BlackRock, Inc. ( BlackRock ) on Schedule 13G/A filed on February 8, 2018, BlackRock disclosed that as of December 31, 2017, it and its subsidiaries had sole voting power over 11,343,476 shares, shared voting power over no shares, sole dispositive power over 12,725,571 shares, and shared dispositive power over no shares. The principal business address of BlackRock, Inc., is 55 East 52<sup>nd</sup> Street, New York, New York, 10055.

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

- (4) In a report filed by T. Rowe Price Associates, Inc. ( T. Rowe ) on Schedule 13G filed on February 14, 2018, T. Rowe disclosed that as of December 31, 2017, it had sole voting power over 3,906,603 shares, shared voting power over 0 shares, sole dispositive power of 10,904,344 shares, and shared dispositive power over 0 shares. The principal business address of T. Rowe is 100 E. Pratt Street, Baltimore, Maryland 21202.
- (5) Includes 27,017 shares which Ms. Hackett has deferred until the January following the year in which she ceases to be a member of the Board pursuant to the Non-Employee Director Deferred Compensation Plan.
- (6) Includes 43,400 shares held by trusts for which Mr. Klein has sole investment power; however, he disclaims beneficial ownership of such shares.

**Table of Contents**

- (7) Includes 8,000 shares held by a trust for which Mr. Mackay has sole investment power; however, he disclaims beneficial ownership of such shares.
- (8) Includes 5,742 shares which Mr. Morikis has deferred until the January following the year in which he ceases to be a member of the Board pursuant to the Non-Employee Director Deferred Compensation Plan.
- (9) Includes 2,914 shares which Mr. Thomas has deferred until the January following the year in which he ceases to be a member of the Board pursuant to the Non-Employee Director Deferred Compensation Plan. Also includes 9,500 shares held by a charitable organization for which Mr. Thomas has sole investment and voting power; however, he disclaims beneficial ownership of such shares.
- (10) Includes 27,432 shares held by a trust for which Mr. Wesley has sole investment power; however, he disclaims beneficial ownership of such shares.
- (11) Includes 27,033 shares held by Mr. Wyatt's spouse and 30,000 shares held by trusts for which Mr. Wyatt has sole investment power; however, he disclaims beneficial ownership of such shares.
- (12) The table includes 1,578,618 shares of which our directors and executive officers as a group had the right to acquire beneficial ownership within 60 days after March 2, 2018. Inclusion of such shares does not constitute an admission by any director or executive officer that such person is the beneficial owner of such shares.

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

Section 16(a) of the Exchange Act requires our directors, certain officers and beneficial owners of more than ten percent of our outstanding common stock to file initial reports of beneficial ownership on Form 3, and reports of subsequent changes in beneficial ownership on Forms 4 or 5, with the SEC. Based solely on our review of these forms, and certifications from our directors and officers that no other reports were required for them, we believe that all directors, officers and beneficial owners subject to Section 16 complied with the filing requirements applicable to them for the fiscal year ended December 31, 2017.

March 14, 2018

**Table of Contents****RECONCILIATIONS****2017, 2016, 2015, 2014, 2013 & 2012 DILUTED EPS BEFORE CHARGES/GAINS RECONCILIATION (Unaudited)**

	<i>Twelve Months Ended December 31,</i>								
	<i>2017</i>	<i>2016</i>	<i>% Change 2017 vs 2016</i>	<i>2015</i>	<i>2014</i>	<i>% Change 2017 vs 2014</i>	<i>2013</i>	<i>2012</i>	<i>% Change 2017 vs 2012</i>
<b>Earnings Per Common Share - Diluted</b>									
EPS Before Charges/Gains <sup>(e)</sup>	\$ 3.08	\$ 2.75	12	\$ 2.07	\$ 1.74	77	\$ 1.37	\$ 0.83	271
Restructuring and other charges	(0.10)	(0.10)		(0.10)	(0.05)	(100)	(0.02)	(0.05)	(100)
Asset impairment charges	(0.07)				(0.01)	(600)	(0.12)	(0.05)	(40)
Loss on sale of product line	(0.02)								
Norcraft transaction costs <sup>(d)</sup>				(0.08)					
Income Tax gains/(losses)	0.16	(0.02)	900		0.01			0.08	100
Defined benefit plan actuarial gains/(losses) <sup>(c)</sup>		(0.01)	100	(0.01)	(0.05)	100	(0.02)	(0.16)	100
Write off of prepaid debt issuance costs		(0.01)	100						
<b>Diluted EPS - Continuing Operations</b>	<b>\$ 3.05</b>	<b>\$ 2.61</b>	<b>17</b>	<b>\$ 1.88</b>	<b>\$ 1.64</b>	<b>86</b>	<b>\$ 1.21</b>	<b>\$ 0.65</b>	<b>369</b>

For the twelve months ended December 31, 2017, diluted EPS before charges/gains is net income from continuing operations, net of tax including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$23.0 million (\$16.3 million after tax or \$0.10 per diluted share) of restructuring and other charges, asset impairments of \$15.3 million (\$11.1 million after tax or \$0.07 per diluted share), the loss on sale of product line of \$2.4 million (\$2.5 million after tax or \$0.02 per diluted share), the impact of income from actuarial gains associated with our defined benefit plans of \$0.5 million (\$0.3 million after tax) and an income tax gain arising from a net benefit related to the Tax Cuts and Jobs Act of 2017 of \$25.7 million (\$0.16 per diluted share).

For the twelve months ended December 31, 2016, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$23.2 million (\$16.5 million after tax or \$0.10 per diluted share) of restructuring and other charges, the impact of the write off of prepaid debt issuance cost of \$1.3 million (\$0.8 million after tax or \$0.01 per diluted share), expense related to an income tax loss of \$3.1 million (\$0.02 per diluted share), and actuarial losses of \$1.9 million (\$1.3 million after tax or \$0.01 per diluted share).

For the twelve months ended December 31, 2015, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$22.7 million (\$16.3 million after tax or \$0.10 per diluted share) of restructuring and other charges, transaction costs related to the acquisition of Norcraft of \$17.1 million (\$13.4 million after tax or \$0.08 per diluted share), the impact of expense from actuarial losses associated with our defined benefit plans of \$2.5 million (\$1.6 million after tax or \$0.01 per diluted share) and a charge related to an income tax loss of \$0.2 million.

For the twelve months ended December 31, 2014, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$13.5 million (\$8.4 million after tax or \$0.05 per diluted share) of restructuring and other charges, an income tax gain related to a tax benefit resulting from the write off of our investment in an international subsidiary of \$1.6 million (\$1.6 million after tax or \$0.01 per diluted share), an asset impairment charge of \$1.6 million (\$1.0 million after tax or \$0.01 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plans of \$13.7 million (\$8.7 million after tax or \$0.05 per diluted share).

**Table of Contents**

For the twelve months ended December 31, 2013, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$3.7 million (\$3.0 million after tax or \$0.02 per diluted share) of restructuring and other charges, asset impairment charges of \$27.4 million (\$20.0 million after tax or \$0.12 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plan of \$5.1 million (\$3.3 million after tax or \$0.02 per diluted share).

For the twelve months ended December 31, 2012, diluted EPS before charges/gains is income from continuing operations, net of tax and including the impact from noncontrolling interests calculated on a diluted per-share basis excluding \$13.6 million (\$8.9 million after tax or \$0.05 per diluted share) of restructuring and other charges, asset impairment charges of \$13.2 million (\$8.1 million after tax or \$0.05 per diluted share) pertaining to the impairment of certain indefinite lived trade names, income tax gains pertaining to the favorable resolution of tax audits of \$12.7 million (\$0.08 per diluted share) and the impact of expense from actuarial losses associated with our defined benefit plans of \$42.2 million (\$26.2 million after tax or \$0.16 per diluted share).

(d) (e) For definitions of Non-GAAP measures, see Definitions of Terms page

**Reconciliation of ROIC before charges/gains to ROIC**

(in millions)

(Unaudited)

	2017			2016			% Change 2017 vs 2016
	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	ROIC
<b>Before charges/gains</b>	\$ 514	/ \$ 3,713	= 13.9%	\$ 468	/ \$ 3,519	= 13.3%	4%
Restructuring and other charges and other select items	(39)	(48)		(55)	(54)		
<b>As reported</b>	\$ 475	/ \$ 3,664	= 13.0%	\$ 412	/ \$ 3,465	= 11.9%	9%

	2015			2014			% Change 2017 vs 2014
	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	ROIC

Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

<b>Before charges/gains</b>	\$ 359	/	\$ 3,166	=	11.3%	\$ 296	/	\$ 2,845	=	10.4%	33%
Restructuring and other charges and other select items	(53)		(101)			(24)		(90)			
<b>As reported</b>	\$ 306	/	\$ 3,064	=	10.0%	\$ 272	/	\$ 2,754	=	9.9%	31%

	2013			2012			% Change 2017 vs 2012				
	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	Income from continuing operations, net of tax, less noncontrolling interests	Average Invested Capital	ROIC	ROIC				
<b>Before charges/gains</b>	\$ 239	/	\$ 2,610	=	9.2%	\$ 143	/	\$ 2,469	=	5.8%	139%
Restructuring and other charges and other select items	(31)		(34)			(36)		(70)			
<b>As reported</b>	\$ 208	/	\$ 2,576	=	8.1%	\$ 107	/	\$ 2,400	=	4.5%	190%

A-2



**Table of Contents**

Return on Invested Capital - or ROIC - Before Charges/Gains is income from continuing operations, net of tax, less noncontrolling interests plus after-tax interest expense derived in accordance with GAAP excluding restructuring and other charges and other select items divided by a two point average of GAAP Invested Capital (net debt plus stockholders' equity) excluding any restructuring and other charges and other select items. Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. Other charges include charges or gains directly related to restructuring initiatives that cannot be reported as restructuring under GAAP. Such charges or gains may include inventory obsolescence provisions and trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities, and gains or losses on the sale of previously closed facilities. In addition at Corporate, other charges incurred represent external costs directly related to the acquisition of Norcraft, which primarily include expenditures from banking, legal, accounting and other similar services for the twelve months ended December 31, 2015. In addition, other charges include estimated acquisition related inventory step-up expense in our Plumbing segment for the twelve months ended December 31, 2017, and December 31, 2016, and our Cabinets segment for the twelve months ended December 31, 2015, which are classified in cost of products sold. Other charges also included, in our Plumbing segment, compensation expense related to deferred purchase price consideration payable to certain former Victoria + Albert shareholders contingent on their employment through October 2018 and a transaction related U.K. stamp duty resulting from our acquisition of Victoria + Albert. Other select items include asset impairment charges, income tax gains and losses, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans and the write off of prepaid debt issuance costs. ROIC Before Charges/Gains is a measure not derived in accordance with GAAP. Management uses this measure to determine the returns generated by the Company and to evaluate and identify cost-reduction initiatives. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from year to year. These measures may be inconsistent with similar measures presented by other companies.

**Reconciliation of Operating Income before charges/gains to GAAP Operating Income**

(Unaudited)

(in millions)

	Twelve Months Ended December 31,								
	2017	2016	% Change 2017 vs 2016	2015	2014	% Change 2017 vs 2014	2013	2012	% Change 2017 vs 2012
<b>Operating income before charges/gains<sup>(1)</sup></b>	\$ 725	\$ 658	10	\$ 538	\$ 431	68	\$ 353	\$ 212	242
Restructuring and other charges <sup>(a)</sup>	(23)	(23)	1	(40)	(13)	(72)	(4)	(14)	(69)
Asset impairment charges <sup>(b)</sup>	(8)		(100)			(100)	(21)	(13)	37
Loss on sale of product line	(2)		(100)			(100)			(100)
Defined benefit plan actuarial gains/(losses) <sup>(c)</sup>	1	(2)	126	(3)	(14)	104	(5)	(42)	101
<b>GAAP operating income</b>	<b>\$ 692</b>	<b>\$ 633</b>	<b>9</b>	<b>\$ 496</b>	<b>\$ 404</b>	<b>71</b>	<b>\$ 323</b>	<b>\$ 143</b>	<b>383</b>

**Reconciliation of before charges/gains Operating Margin to Operating Margin**

(Unaudited)

	Twelve Months Ended December 31,								
	2017	2016	Change 2017 vs 2016	2015	2014	Change 2017 vs 2014	2013	2012	Change 2017 vs 2012
<b>Before charges/gains operating margin<sup>(2)</sup></b>	13.7%	13.2%	0.5 pts	11.8%	10.7%	3.0 pts	9.5%	6.8%	6.9 pts
Restructuring and other charges <sup>(a)</sup>	(0.4%)	(0.5%)		(0.9%)	(0.3%)		(0.1%)	(0.4%)	
Asset impairment charges <sup>(b)</sup>	(0.2%)						(0.6%)	(0.5%)	

Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

Loss on sale of product line									
Defined benefit plan actuarial gains/(losses) <sup>(c)</sup>				(0.1%)	(0.3%)		(0.1%)	(1.3%)	
<b>Operating margin</b>	13.1%	12.7%	0.4 pts	10.8%	10.1%	3.0 pts	8.7%	4.6%	8.5 pts

A-3

**Table of Contents**

(1) Operating income before charges/gains is operating income derived in accordance with U.S. generally accepted accounting principles ( GAAP ) excluding restructuring and other charges, asset impairment charges, loss on the sale of a product line and the impact of income and expense from actuarial gains or losses associated with our defined benefit plans. Operating income before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(2) Operating margin is calculated as operating income derived in accordance with GAAP divided by GAAP Net Sales. Before charges/gains operating margin is operating income derived in accordance with GAAP excluding restructuring and other charges, asset impairment charges, loss on the sale of a product line and for FBHS, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans recorded in the Corporate segment and dividing by GAAP net sales. Before charges/gains operating margin is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the returns generated by FBHS and its business segments. Management believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

(a) (b) (c) For definitions of Non-GAAP measures, see Definitions of Terms page

**RECONCILIATION OF NET INCOME BEFORE CHARGES/GAINS TO GAAP NET INCOME**

(In millions)

(Unaudited)

	<i>Twelve Months Ended December 31,</i>								
	<i>2017</i>	<i>2016</i>	<i>% Change 2017 vs 2016</i>	<i>2015</i>	<i>2014</i>	<i>% Change 2017 vs 2014</i>	<i>2013</i>	<i>2012</i>	<i>% Change 2017 vs 2012</i>
<b>Net Income Before Charges/Gains</b>	<b>\$ 479</b>	<b>\$ 434</b>	<b>10</b>	<b>\$ 338</b>	<b>\$ 289</b>	<b>66</b>	<b>\$ 234</b>	<b>\$ 138</b>	<b>248</b>
Restructuring and other Charges, net of tax	(16)	(17)	1	(16)	(8)	(94)	(3)	(9)	(83)
Asset Impairment charges, net of tax	(11)				(1)		(20)	(8)	(37)
Loss on Sale of product line	(3)								
Income tax gains/(losses)	26	(3)	929		2			13	102
Defined benefit plan actuarial gains/(losses), net of tax		(1)	100	(2)	(9)	100	(3)	(26)	100
Write-off of prepaid debt issuance costs, net of tax		(1)	100						
Norcraft transaction costs, net of tax				(13)					
<b>Net Income, Continuing Operations, Reported</b>	<b>\$ 475</b>	<b>\$ 412</b>	<b>15</b>	<b>\$ 306</b>	<b>\$ 272</b>	<b>74</b>	<b>\$ 208</b>	<b>\$ 107</b>	<b>343</b>
Discontinued Operations	(2)	1	(400)	9	(114)	98	22	11	(121)
<b>Net Income</b>	<b>\$ 473</b>	<b>\$ 413</b>	<b>14</b>	<b>\$ 315</b>	<b>\$ 158</b>	<b>199</b>	<b>\$ 230</b>	<b>\$ 119</b>	<b>298</b>

Net income before charges/gains is income from continuing operations, net of tax, less noncontrolling interests and excludes restructuring and other charges, asset impairment charges, the loss on the sale of product line, income tax gains/(losses), the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, the write off of prepaid debt issuance costs and Norcraft transaction related

## Edgar Filing: Fortune Brands Home & Security, Inc. - Form DEF 14A

expenses. Net income before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

A-4

**Table of Contents****Definitions of Terms: Non-GAAP Measures**

(a) Restructuring charges are costs incurred to implement significant cost reduction initiatives and include workforce reduction costs. Other charges represent charges or gains directly related to restructuring initiatives that cannot be reported as restructuring under GAAP. Such costs may include inventory obsolescence provisions and trade receivables allowances from exiting product lines, accelerated depreciation resulting from the closure of facilities, and gains or losses on the sale of previously closed facilities. At Corporate, other charges incurred represent external costs directly related to the acquisition of Norcraft and primarily include expenditures from banking, legal, accounting and other similar services for the twelve months ended December 31, 2015. In addition, other charges include estimated acquisition related inventory step-up expense of \$2.0 million for the twelve months ended December 31, 2017, and \$3.8 million for the twelve months ended December 31, 2016 in our Plumbing segment and \$2.1 million for the twelve months ended December 31, 2015 in our Cabinets segment; these charges are classified in cost of products sold. Other charges also included in our Plumbing segment include \$1.6 million of compensation expense related to deferred purchase price consideration payable to certain former Victoria + Albert shareholders contingent on their employment through October 2018 and \$0.7 million of transaction related U.K. stamp duty resulting from our acquisition of Victoria + Albert.

(b) Asset impairment charges for the twelve months ended December 31, 2017, represent an impairment of a cost investment in a developmental stage home security company classified in other expense and an impairment of a long-lived Corporate asset classified in selling, general and administrative expenses and include impairments related to our decision during the first quarter of 2017 to sell a security product line.

(c) Represents actuarial gains or losses associated with our defined benefit plans. Actuarial gains or losses in a period represent the difference between actual and actuarially assumed experience, principally related to liability discount rates and plan asset returns, as well as other actuarial assumptions including compensation rates, turnover rates, and health care cost trend rates. The Company recognizes actuarial gains or losses immediately in operating income to the extent they cumulatively exceed a corridor. The corridor is equal to the greater of 10% of the fair value of plan assets or 10% of a plan's projected benefit obligation. Actuarial gains or losses are determined at required remeasurement dates which occur at least annually in the fourth quarter. Remeasurements due to plan amendments and settlements may also occur in interim periods during the year. Our operating income before charges/gains reflects our expected rate of return on pension plan assets which in a given period may materially differ from our actual return on plan assets. Our liability discount rates and plan asset returns are based upon difficult to predict fluctuations in global bond and equity markets that are not directly related to the Company's business. We believe that the exclusion of actuarial gains or losses from operating income before charges/gains provides investors with useful supplemental information regarding the underlying performance of the business from period to period that may be considered in conjunction with our operating income as measured on a GAAP basis. We present this supplemental information because such actuarial gains or losses may create volatility in our operating income that does not necessarily have an immediate corresponding impact on operating cash flow or the actual compensation and benefits provided to our employees. The table below sets forth additional supplemental information on the Company's historical actual and expected rate of return on plan assets, as well as discount rates used to value its defined benefit obligations:

(\$ In millions)	Year Ended December 31, 2017		Year Ended December 31, 2016		Year Ended December 31, 2015		Year Ended December 31, 2014		Year Ended December 31, 2013		Year Ended December 31, 2012	
	%	\$	%	\$	%	\$	%	\$	%	\$	%	\$
Actual return on plan assets	16.3%	\$ 83.2	10.0%	\$ 46.6	(2.1)%	(\$ 18.2)	9.8%	\$ 52.0	15.2%	\$ 74.6	14.5%	\$ 63.7
Expected return on plan assets	6.4%	37.3	6.6%	37.2	6.8%	40.2	7.4%	42.2	7.8%	41.8	7.8%	36.8
Discount rate at December 31:												
Pension benefits	3.8%		4.3%		4.6%		4.2%		5.0%		4.2%	
Postretirement benefits	3.4%		3.4%		4.1%		3.5%		4.3%		3.7%	

**Table of Contents**

(d) Represents external costs directly related to the acquisition of Norcraft and primarily includes expenditures for banking, legal, accounting and other similar services. In addition, it includes the impact of expense related to our estimated purchase accounting inventory step-up.

(e) Diluted EPS before charges/gains is income from continuing operations, net of tax, less noncontrolling interests calculated on a diluted per-share basis excluding restructuring and other charges, asset impairment charges, Norcraft transaction related expenses, income tax gains and losses, the impact of income and expense from actuarial gains or losses associated with our defined benefit plans, the loss on the sale of product line and the write-off of prepaid debt issuance costs. Diluted EPS before charges/gains is a measure not derived in accordance with GAAP. Management uses this measure to evaluate the overall performance of the Company and believes this measure provides investors with helpful supplemental information regarding the underlying performance of the Company from period to period. This measure may be inconsistent with similar measures presented by other companies.

**Use of Non-GAAP Financial Information in Connection with Incentive Compensation**

The Company utilizes measures not derived in accordance with GAAP such as operating margin before charges/ gains, operating income before charges/gains, earnings per share before charges/gains, and return on invested capital before charges/gains, when determining performance results in connection with the incentive compensation programs as described in the Compensation Discussion and Analysis ( CD&A ). The 2017 EPS results as set forth in the CD&A were calculated on a before charges/gains basis. For purposes of calculating the performance share award payout percentage for the period 2015 to 2017, the benefit of the early adoption of ASU 2016-09 Improvements to Employee Share-Based Payments was included. For purposes of calculating the Annual Incentive payout percentage, the benefit from the early adoption of ASU 2016-09 Improvements to Employee Share Based Payments was excluded, and was further adjusted for the impact of actual foreign exchange rates versus plan foreign exchange rates. The 2017 ROIC results as set forth in the CD&A were calculated on a before charges/gains basis and represents income from continuing operations, net of tax, less non-controlling interests plus after-tax interest expense, and excludes any restructuring and other charges and other select items, divided by a two point average of GAAP Invested Capital (net debt plus stockholders equity), excluding any restructuring and other charges and other select items. For purposes of calculating the performance share award payout percentage for the period 2015 to 2017, the benefit of the early adoption of ASU 2016-09 Improvements to Employee ShareBased Payments was included. For purposes of calculating the Annual Incentive payout percentage, the benefit from the early adoption of ASU 2016-09

Improvements to Employee Share Based Payments was excluded and was further adjusted for the impact of actual foreign exchange rates versus plan foreign exchange rates. The 2017 Operating Income and Operating Margin results as set forth in the CD&A were calculated on a before charges/gains basis and was also adjusted for the impact of actual foreign exchange rates versus plan foreign exchange rates and other select items. These figures may be different from those used by management when providing guidance or discussing Company results. These measures should not be considered in isolation or as a substitute for any measure derived in accordance with GAAP and may also be inconsistent with similar measures presented by other companies.

**Table of Contents**

***FORTUNE BRANDS HOME & SECURITY, INC.***

***ATTN: CORPORATE SECRETARY***

***520 LAKE COOK ROAD***

***DEERFIELD, IL 60015-5611***

**VOTE BY INTERNET - [www.proxyvote.com](http://www.proxyvote.com)**

Use the Internet to transmit your voting instructions and for electronic delivery of information up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you access the website and follow the instructions to obtain your records and to create an electronic voting instruction form.

**VOTE BY PHONE - 1-800-690-6903**

Use any touch-tone telephone to transmit your voting instructions up until 11:59 P.M. Eastern Time the day before the cut-off date or meeting date. Have your proxy card in hand when you call and then follow the instructions.

**VOTE BY MAIL**

Mark, sign and date your proxy card and return it in the postage-paid envelope we have provided or return it to Vote Processing, c/o Broadridge, 51 Mercedes Way, Edgewood, NY 11717.

**ELECTRONIC DELIVERY OF FUTURE STOCKHOLDER COMMUNICATIONS**

If you would like to reduce the costs incurred by our company in mailing proxy materials, you can consent to receiving all future proxy statements, proxy cards and annual reports electronically via e-mail or the Internet. To sign up for electronic delivery, please follow the instructions above to vote using the Internet and, when prompted, indicate that you agree to receive or access stockholder communications electronically in future years.

TO VOTE, MARK BLOCKS BELOW IN BLUE OR BLACK INK AS FOLLOWS:

E36209-P02449-Z71773

KEEP THIS PORTION FOR YOUR RECORDS  
DETACH AND RETURN THIS PORTION ONLY

**THIS PROXY CARD IS VALID ONLY WHEN SIGNED AND DATED.**

**FORTUNE BRANDS HOME &  
SECURITY, INC.**

**The Board of Directors recommends you vote FOR the following proposals:**

Proposal 1 - Election of Class I Directors: **For Against Abstain**

- 1a. Ann F. Hackett
- 1b. John G. Morikis
- 1c. Ronald V. Waters, III

**For Against Abstain**

Proposal 2 - Ratification of the appointment of PricewaterhouseCoopers LLP as independent registered public accounting firm for 2018.

Proposal 3 - Advisory vote to approve named executive officer compensation.

**The Board of Directors recommends you vote 1 YEAR on the following proposal: **1 Year 2 Years 3 Years Abstain****

Proposal 4 - To approve, by non-binding advisory vote, the frequency of the advisory vote on named executive officer compensation.

**NOTE:** Such other business as may properly come before the meeting or any adjournment thereof.

For address changes and/or comments, please check this box and write them on the back where indicated.

Note: Please sign as your name appears on the Proxy. If shares are held by joint tenants, both should sign. When signing as attorney, executor, administrator, trustee or guardian, please give your full title as such. If a corporation, please sign in full corporate name by authorized officer. If a partnership, please sign in full partnership name by authorized person.

Please Sign, Date and Return the Proxy Promptly Using the Enclosed Envelope.

Signature [PLEASE SIGN WITHIN BOX] Date

Signature (Joint Owners)

Date



**Table of Contents**

**ANNUAL MEETING OF STOCKHOLDERS**

**Tuesday, May 1, 2018**

**Renaissance Chicago North Shore Hotel**

**933 Skokie Boulevard**

**Northbrook, Illinois 60062**

**Receive Future Proxy Materials Electronically**

Help Fortune Brands Home & Security make a difference by eliminating paper proxy mailings to your home or business. With your consent, we can stop sending paper copies of Proxy Statements, Annual Reports and related materials to you and you can conveniently view them on-line. To participate, go to <http://enroll.icsdelivery.com/fbhs> and follow the prompts.

**Reminder**

You may vote by telephone or over the Internet. Voting electronically is quick, easy and also saves the company money. Just follow the instructions on your proxy card.

**If you vote the shares on the Internet or by phone, you do not need to mail back the proxy card. YOUR VOTE IS IMPORTANT. THANK YOU FOR VOTING.**

**Important Notice Regarding Internet Availability of Proxy Materials for the Annual Meeting:**

The Fortune Brands Home & Security, Inc. Proxy Statement and Annual Report on Form 10-K are available on [www.proxyvote.com](http://www.proxyvote.com).

E36210-P02449-Z71773

**The Board of Directors solicits this proxy for use at the Annual Meeting on Tuesday, May 1, 2018.**

The stockholder(s) whose signature(s) appear(s) on the reverse side of this proxy card appoint(s) each of CHRISTOPHER J. KLEIN, ROBERT K. BIGGART and PATRICK D. HALLINAN (and any other person chosen by Messrs. Klein, Biggart or Hallinan) proxies, to vote all shares of Fortune Brands Home & Security common stock which the stockholder(s) would be entitled to vote on at the Annual Meeting of Stockholders to be held on May 1, 2018 at the Renaissance Chicago North Shore Hotel, 933 Skokie Boulevard, Northbrook, Illinois at 8:00 a.m. CDT, on Proposals 1, 2, 3 and 4 referred to on the reverse side and described in the Proxy Statement, and on any other matters

which may properly come before the meeting, with all powers the stockholder(s) would possess if personally present and at any adjournment or postponement of the Annual Meeting. A majority of the proxies (or, if only one, then that one) or their substitutes acting at the meeting may exercise all powers conferred.

**This proxy when properly executed will be voted in the manner directed by the stockholder(s). Unless the stockholder(s) indicate(s) otherwise, the proxies will vote FOR the election of the nominees to the Board of Directors (Proposal 1), and FOR Proposals 2 and 3 and 1 YEAR for the frequency of holding a vote on executive compensation (Proposal 4).**

If you participate in the Fortune Brands Home & Security Stock Fund under a retirement savings trust, your signature on the reverse side will be a direction to the trustee to vote as instructed.

FORTUNE BRANDS HOME & SECURITY, INC.

520 LAKE COOK ROAD

DEERFIELD, IL 60015-5611

**Address Changes/Comments:**

(If you noted any Address Changes/Comments above, please mark corresponding box on the reverse side.)

**Continued and to be signed on reverse side**