

VALSPAR CORP  
Form DEF 14A  
January 22, 2016

**SCHEDULE 14A INFORMATION**

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

**Exchange Act of 1934 (Amendment No.     )**

Filed by the Registrant   ☒ [X]

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))

☒ [X] Definitive Proxy Statement

☐ [ ] Definitive Additional Materials

☐ [ ] Soliciting Material Pursuant to 240.14a-12

The Valspar Corporation

---

(Name of Registrant as Specified In Its Charter)

N/A

---

(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)(1) and 0-11.

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

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

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

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

☐ Fee paid previously with preliminary materials.

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

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

**The Valspar Corporation**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**February 24, 2016**

The annual meeting of stockholders of The Valspar Corporation will be held at 1101 South 3rd Street, Minneapolis, Minnesota 55415 on Wednesday, February 24, 2016 at 9:00 a.m., for the following purposes:

- Proposal 1** To elect as directors (Class III) the three individuals nominated by the Board of Directors for a term of three years;
- Proposal 2** To cast an advisory vote to approve the compensation of our named executive officers as stated in the Corporation's proxy statement ("Say-on-Pay" vote); and
- Proposal 3** To ratify the appointment of Ernst & Young LLP as the independent registered public accounting firm of the Corporation for the fiscal year ending October 28, 2016.

To transact such other business as may properly come before the meeting or any adjournments thereof.

Stockholders of record at the close of business on December 28, 2015 are entitled to notice of and to vote at the meeting.

Your attention is directed to the Proxy Statement accompanying this Notice for a more complete statement of the matters to be considered at the meeting. A copy of the Annual Report for the year ended October 30, 2015 also accompanies this Notice.

By Order of the Board of Directors,

ROLF ENGH,  
Secretary

Approximate Date of Mailing of Proxy Materials:  
January 22, 2016

**Important Notice Regarding  
the Availability of Proxy  
Materials for the  
Annual Meeting of  
Stockholders to be Held  
February 24, 2016**

The following materials,  
also included with this  
Notice, are available for  
view on the Internet:

- Proxy Statement for  
the Annual Meeting  
of Stockholders
- Annual Report to  
Stockholders,  
including Form  
10-K, for the year  
ended October 30,  
2015

To view the Proxy Statement or  
Annual Report to Stockholders,  
visit:  
[www.edocumentview.com/VAL](http://www.edocumentview.com/VAL)

**IMPORTANT  
NOTICE TO  
STREET  
NAME  
HOLDERS** **IN CONNECTION WITH APPLICABLE RULES, BENEFICIAL OWNERS OF SHARES  
HELD IN BROKER ACCOUNTS ARE ADVISED AS FOLLOWS: IF YOU DO NOT  
TIMELY PROVIDE VOTING INSTRUCTIONS TO YOUR BROKER, YOUR SHARES  
WILL NOT BE VOTED IN CONNECTION WITH PROPOSALS 1 and 2.**

*Please refer to the enclosed proxy card and the attached proxy statement  
for information on voting options: Internet – Telephone – Mail*

**The Valspar Corporation**

**P.O. Box 1461**

**Minneapolis, Minnesota 55440**

**PROXY STATEMENT**

**Annual Meeting of Stockholders**

**February 24, 2016**

This Proxy Statement is furnished in connection with the solicitation by the Board of Directors of proxies in the accompanying form. Shares will be voted in the manner directed by the stockholders; provided, however, that if a stockholder delivers a proxy without giving any direction, the shares will be voted as recommended by the Corporation's Board of Directors. A stockholder delivering a proxy may revoke it at any time before it is exercised by (i) giving written notice of revocation to the Office of the Secretary of the Corporation, (ii) delivering a duly executed proxy bearing a later date, or (iii) voting in person at the Annual Meeting.

Registered stockholders may vote in one of three ways: By completing and returning the enclosed proxy card via regular mail or by voting via the Internet or telephone, as permitted by Delaware law. Specific instructions for using these methods are set forth on the enclosed proxy card. The Internet and telephone procedures are designed to authenticate the stockholder's identity and to allow stockholders to vote their shares and confirm that their instructions have been properly recorded.

Proxies are being solicited by mail. In addition, directors, officers and employees of the Corporation may solicit proxies personally, by telephone or letter at no additional compensation to them. The Corporation will pay the expense of soliciting proxies and will reimburse brokerage firms and others for their expenses in forwarding proxy materials to beneficial owners of our common stock.

If a stockholder delivers a proxy and abstains from voting on any matter, the abstention will be counted for purposes of determining whether a quorum is present at the Annual Meeting of Stockholders for the transaction of business as well as shares entitled to vote on that matter. Under Delaware law and our By-laws, an action of the stockholders requires the affirmative vote of a majority of shares present in person or represented by proxy at the meeting and entitled to vote on the matter, or a majority of the votes cast in the election of directors. Accordingly, an abstention on any matter other than the election of directors will have the same effect as a vote against that matter.

A “street name” holder is the beneficial owner of shares held in a stock brokerage account or by a bank, trust or other nominee. Street name holders generally cannot vote their shares directly and must instead instruct the broker, bank, trust or other nominee how to vote their shares using the voting instruction form provided by it. If a street name holder does not provide timely instructions, the broker or other nominee may have the authority to vote on some proposals but not others. If the broker or other nominee votes on one proposal, but does not vote on another proposal because the nominee does not have discretionary voting power and has not received instructions from the beneficial owner, this results in a broker non-vote. Broker non-votes on a matter are counted as present for purposes of establishing a quorum for the meeting, but are not considered entitled to vote on that particular matter. Consequently, non-votes generally do not have the same effect as a negative vote on the matter.

Under applicable rules of the New York Stock Exchange (the “NYSE”) relating to the discretionary voting of proxies by brokers, brokers are not permitted to vote shares with respect to the election of directors and executive compensation matters without instructions from the beneficial owner. However, brokers are permitted to vote shares held in brokerage accounts with respect to the approval of the independent registered public accounting firm, even if they do not receive instructions from the beneficial owner. Therefore, street name holders of shares held in broker accounts are advised that, if they do not timely provide instructions to their broker, their shares will not be voted in connection with Proposals 1 and 2.

## **PROPOSAL 1**

### **Election of Directors**

In accordance with the Corporation's By-laws, we may have up to twelve directors, divided into three classes. Each class consists of four seats, with each director serving a term of three years. There are currently eleven directors serving on the Board of Directors. The terms of Class III directors will expire at the Annual Meeting.

The Board of Directors has nominated William M. Cook, Gary E. Hendrickson and Mae C. Jemison, M.D. for re-election as Class III directors. David R. Lumley, a Class I director, was appointed to the Board of Directors on June 10, 2015. Unless otherwise directed by the stockholders, it is intended that shares represented by proxy will be voted in favor of the election of the three nominees listed in Class III below, to hold office until the annual meeting in 2019 and until their successors are elected and qualify. If any of the nominees is unable or unwilling to stand for election, it is intended that shares represented by proxy will be voted for a substitute nominee recommended by the Board of Directors, unless the stockholder otherwise directs. The Board is not aware that any of the nominees is unable or unwilling to stand for election.

### **Names, Principal Occupations for the Past Five Years and Selected Other Information Concerning Nominees and Directors**

#### **CLASS I Directors Continuing in Office Until 2017**

##### **John M. Ballbach**

Director since 2012 Operating Advisor, Clayton, Dubilier & Rice, LLC

Age — 55

Mr. Ballbach has been an Operating Advisor with Clayton, Dubilier & Rice ("Clayton"), a private equity investment firm, since June 2014. In connection with his role as an Operating Advisor at Clayton, Mr. Ballbach currently serves as Chairman and director for Solenis, LLC, a specialty chemicals manufacturer, which is a portfolio company of Clayton. Mr. Ballbach served as Chairman of VWR International, LLC, a leading global laboratory supply and distribution company, from 2007 to 2012 and was President and Chief Executive Officer from 2005 to 2012.

Mr. Ballbach brings to the Board extensive business and industry experience as an advisor to the private equity firm, Clayton, Dubilier & Rice and as the former Chairman, President and Chief Executive Officer of VWR International, LLC. In addition, he is a former corporate officer of Valspar, serving as President and Chief Operating Officer from

2002 to 2004 and in various senior management positions since 2000. Mr. Ballbach's global perspective, particularly in finance and strategy, contributes to the Corporation's further expansion into high growth markets. Mr. Ballbach also served as a director and member of the audit committee of The Timken Company, a publicly traded global manufacturer of bearings and related components, until mid-2014. Mr. Ballbach's background and experience make him well qualified to serve as a director of the Corporation.

**Ian R. Friendly**

Director since 2009 Retired Executive Vice President; Chief Operating Officer, U.S. Retail, General Mills, Inc.  
Age — 55

Mr. Friendly retired as Executive Vice President and Chief Operating Officer, U.S. Retail, General Mills, Inc., in June 2014. Mr. Friendly served as Executive Vice President and Chief Operating Officer, U.S. Retail, since June 2006. Prior to 2006, Mr. Friendly served as Chief Executive Officer, Cereal Partners Worldwide, a joint venture between General Mills and Nestle, from June 2004 to May 2006.

Mr. Friendly brings to the Board valuable retail and operating experience with a well-known branded consumer products company. Mr. Friendly's qualifications to serve as a director include his extensive experience in building brands, launching new products and marketing, all of which are especially relevant to the Corporation's Consumer product line. Mr. Friendly also offers a global business perspective to the Board, based on his experience with Cereal Partners Worldwide.



**Janel S.**

**Haugarth**

Director since  
2007

Age — 60

Retired Executive Vice President; President, Independent Business and Supply Chain Services, SUPERVALU INC.

Ms. Haugarth retired as Executive Vice President; President, Independent Business and Supply Chain Services, SUPERVALU INC. on December 26, 2015, a position she held since February 2013. SUPERVALU INC. operates retail food stores and provides food distribution and other supply chain services. Prior to February 2013, Ms. Haugarth served as Executive Vice President; President, Independent Business and Business Optimization, from October 2012 to February 2013; as Executive Vice President, Business Optimization and Process Improvement from August through October 2012; and as Executive Vice President, Merchandising and Logistics, from January 2011 to August 2012. Prior to 2011, Ms. Haugarth served as Executive Vice President; President and Chief Operating Officer, Supply Chain Services since May 2006.

Ms. Haugarth brings extensive retail, distribution and supply chain experience to the Board. Ms. Haugarth's prior responsibilities as the Executive Vice President, Merchandising and Logistics for SUPERVALU INC. are particularly relevant to the Corporation and the Board, given the importance of purchasing and supply chain functions to the Corporation's operations. Ms. Haugarth's background and experience make her well qualified to serve as a director of the Corporation.

**David R. Lumley**

Director since 2015 Retired President and Chief Executive Officer of Spectrum Brands Holdings, Inc.

Age — 61

Mr. Lumley retired as President and Chief Executive Officer of Spectrum Brands Holdings, Inc. on April 1, 2015 and as a Director on September 30, 2015. Spectrum Brands Holdings, Inc. is a global and diversified consumer products company and a leading supplier of consumer batteries, residential locksets, residential builders' hardware, plumbing, shaving and grooming products, personal care products, small household appliances, specialty pet supplies, lawn and garden and home pest control products, personal insect repellents, and auto care products. Mr. Lumley served as Director from April 2010 to September 30, 2015; as President and Chief Executive Officer from June 2010 to April 1, 2015; as President, Global Batteries & Personal Care and Home & Garden from January 2007 to November 2013; as Co-Chief Operating Officer from January 2007 to April 2010.

Mr. Lumley's background includes more than 25 years of experience in the consumer products industry, including executive leadership roles at Newell Rubbermaid, EAS, Brunswick Bicycles, Outboard Marine Corporation, Wilson Sporting Goods Co. and other companies. Mr. Lumley also serves as a director of Husqvarna AB. Mr. Lumley's background and experience make him well qualified to serve as a director of the Corporation.

**CLASS II Directors Continuing in Office Until 2018**

Retired Executive Vice President and Chief Operating Officer, Navistar, Inc.

**Jack J. Allen**

Director since 2011

Age — 58

Mr. Allen retired as Executive Vice President and Chief Operating Officer of Navistar, Inc. on December 31, 2014. Navistar, Inc. is the largest and core business group of Navistar International Corporation, a global manufacturer and supplier of commercial and military trucks, buses, diesel engines, chassis, service parts for trucks and trailers and a provider of financing for products sold by Navistar and its dealers. Mr. Allen served as Executive Vice President and Chief Operating Officer from April 2013 to December 2014; as President, North American Truck and Parts Group from July 2012 to April 2013; and as President, North American Truck Group from November 2008 to July 2012.

Mr. Allen brings to the Board extensive manufacturing and sales experience with branded industrial products. Mr. Allen's prior responsibilities have included acquisitions and global expansion, both of which are key elements of the Corporation's strategy. Mr. Allen's background and experience make him well qualified to serve as a director of the Corporation.

**John S. Bode**

Director since 2005 Retired Partner, KPMG LLP

Age — 67

Mr. Bode retired as Partner from KPMG LLP in January 2005. Mr. Bode was elected to partnership in 1981. Prior to his retirement, Mr. Bode served as a Global Lead Partner. Mr. Bode currently provides various consulting services to certain companies and organizations.

Mr. Bode brings to the Board many years of experience as the lead audit partner for clients in the consumer products, manufacturing and other industries. Mr. Bode is well qualified to serve as a director based on his experience with accounting principles, financial controls and evaluating financial statements of public companies, particularly from an auditor's perspective. Mr. Bode also serves as an independent director and Audit Committee Chair for another public company, Titan Machinery Inc., which owns and operates a network of full service agricultural and construction equipment stores in the United States and Europe.

**Jeffrey H. Curler**

Director since 1997 Retired Executive Chairman, Bemis Company, Inc.

Age — 65

Mr. Curler retired as Chairman Emeritus and a director from Bemis Company, Inc. in December 2011. Mr. Curler served as Executive Chairman of Bemis Company, Inc., a manufacturer of flexible packaging products and pressure sensitive materials, from May 2005 through August 2011 and was Chief Executive Officer from May 2000 through January 2008. Mr. Curler previously served as President of Bemis Company, Inc. from May 1996 through July 2007.

Mr. Curler brings to the Board many years of experience as the Chairman, and previously the Chief Executive Officer, of Bemis Company, Inc. He also has significant expertise in chemical engineering and the packaging industry, both of which are highly relevant to the Corporation's business. Mr. Curler's leadership skills, industry background and experience make him well qualified to serve as the Corporation's Lead Director.

**Shane D. Fleming**

Director since 2013 Retired Chairman, President and Chief Executive Officer, Cytec Industries Inc.

Age — 57

Mr. Fleming retired as Chairman, President and Chief Executive Officer of Cytec Industries Inc. in December 2015, which is when Cytec Industries Inc. merged with Solvay, SA. Mr. Fleming held this position since 2009. Cytec Industries Inc. (now Solvay) is a global specialty material and chemical technologies company. Prior to 2009, Mr. Fleming served as President and Chief Operating Officer during 2008 and as President, Cytec Specialty Chemicals, from October 2005 to June 2008.

Mr. Fleming brings to the Board a deep understanding of the resin, polymer and specialty chemicals industries and many of the markets we serve along with extensive international business experience. Mr. Fleming's background and experience make him well qualified to serve as a director of the Corporation.

**CLASS III Nominees for Term Expiring in 2019**

**William M. Cook**

Director since 2010 Chairman, Donaldson Company, Inc.

Age — 62

Mr. Cook has held his position as Chairman of Donaldson Company, Inc., a global provider of air and liquid filtration systems, since August 2005. Mr. Cook served as Chief Executive Officer and President of Donaldson Company, Inc. from August 2004 to April 2015.

Mr. Cook brings to the Board many years of experience as the Chairman, President and Chief Executive Officer of Donaldson Company, Inc. Donaldson operates globally and has a particular focus on research and development, giving Mr. Cook an understanding of the dynamics and challenges of developing new products and technologies for global markets. Mr. Cook's leadership, background and experience qualify him to serve as a director of the Corporation. In addition to being a director for the Donaldson Company, Inc., Mr. Cook also serves as a lead director and audit committee member of another public company, IDEX Corporation, an applied solutions company specializing in fluid and metering technologies, health and science technologies, dispensing equipment and fire, safety and other products.

**Gary E. Hendrickson**

Director since 2009 Chairman, President and Chief Executive Officer, The Valspar Corporation

Age — 59

Mr. Hendrickson has held his present positions as Chairman since June 2012, Chief Executive Officer since June 2011 and President since February 2008. Mr. Hendrickson served as Chief Operating Officer from February 2008 to June 2011.

As the Chairman, Chief Executive Officer and President and the former Chief Operating Officer of the Corporation, Mr. Hendrickson has served the Corporation for many years in roles of increasing responsibility. He spent seven years abroad as a regional executive in Asia Pacific, a strategic and fast-growing region. His familiarity with all aspects of the business and its operations, both in the U.S. and internationally, and experience with key customers and acquisitions qualify him to serve as a director. Mr. Hendrickson also serves as a director of another public company, Polaris Industries Inc., a global manufacturer and seller of off-road vehicles, including all-terrain vehicles and snowmobiles.

**Mae C.**

**Jemison**, President, The Jemison Group, Inc.

**M.D.**

Director

since

2002

Age — 59

Dr. Jemison has been President of The Jemison Group, Inc. since 1993. The Jemison Group is a technology consulting company that applies and integrates science and advanced technology considering the worldwide social and technological circumstances of the users. Dr. Jemison is leading 100 Year Starship, a new initiative, seed-funded by the Defense Advanced Research Projects Agency (DARPA) to ensure that the capability for human interstellar travel is possible within the next 100 years. She was President and founder of BioSentient Corporation, a medical devices company specializing in ambulatory physiologic monitoring, from 2000 to 2012. Dr. Jemison founded and directs The Earth We Share; an international science camp for students ages 12-16 worldwide. She was a professor of Environmental Studies at Dartmouth College from 1996 to 2002. From 1987 to 1993, she was an astronaut with the National Aeronautics and Space Administration (NASA) and was a member of the Space Shuttle Endeavour Flight in September 1992. Dr. Jemison is also a director of Kimberly-Clark Corporation and a member of the National Academy of Medicine. In the last five years, Dr. Jemison was also a director of the Scholastic Corporation.

Dr. Jemison brings a strong science and technology background to the Board, including product innovation and strategy experience. She also has substantial board and committee experience as an independent director of other publicly held companies, including Kimberly-Clark Corporation. Her educational and professional achievements and numerous public and private advisory and leadership roles offer broad experience and a unique viewpoint for the Board of Directors and qualify her to serve as a director of the Corporation.

## **CORPORATE GOVERNANCE**

### **General**

We are committed to good corporate governance practices. These practices provide a framework in which our Board of Directors and management can pursue the strategic objectives of The Valspar Corporation (“Valspar” or the “Corporation”) and ensure the long-term success of the Corporation for the benefit of our stockholders.

The cornerstone of our corporate governance practices is an independent and qualified Board of Directors. All standing Board committees are composed entirely of independent directors. Each of the Nominating and Governance, Audit and Compensation Committees operates under a charter in order to focus the work of the committee and to ensure that the Board of Directors as a whole is addressing key functions. Each committee reviews its charter on an annual basis.

### **Structure of Board**

In accordance with our By-laws, the Corporation may have up to twelve directors, divided into three classes of four directors each. There are currently eleven directors serving on the Board of Directors. Each director serves a term of three years under our staggered board structure. The directors believe that the staggered structure of the Board facilitates long-term strategic planning and succession, allowing directors to oversee risks and opportunities for the long-term success of the Corporation and for the benefit of our stockholders.

## Board Standards and Objectives

The Board of Directors carefully evaluates each incoming director candidate based on selection criteria and overall priorities for Board composition that are re-examined periodically by the Nominating and Governance Committee with input from the rest of the directors. As our directors' commitments or responsibilities change, the Board re-evaluates their situations to ensure they can continue to serve in the best interests of the Corporation and its stockholders. We also require high standards of ethics from our directors and management as described in our Code of Ethics and Business Conduct. In carrying out their duties and responsibilities, directors are guided by the following performance objectives, which are stated in the Corporation's Principles of Corporate Governance:

• Follow the Corporation's Code of Ethics and Business Conduct

• Represent the interests of stockholders and other stakeholders

• Demonstrate good knowledge of the Corporation and its business and exercise good judgment in representing the interests of stockholders and other stakeholders

• Participate in Board processes and activities in a meaningful way

• Communicate openly and freely with other Board members and management

• Provide expertise based on the director's relevant experience

• Provide vision and leadership for the Corporation

• Maintain a good reputation and standing in the business and professional communities in which the director operates

## Public Availability of Governance Documents and Public Reports

Our Principles of Corporate Governance, and the charters of the Nominating and Governance, Audit and Compensation Committees are available on the "Investors – Corporate Governance" section of the Corporation's website at [www.valspar.com](http://www.valspar.com).

The Corporation's Code of Ethics and Business Conduct is available on the "Investors – Corporate Governance" section of our website at [www.valspar.com](http://www.valspar.com). Our Code of Ethics and Business Conduct applies to all of our employees, including our Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer, and to our directors. If our Board of Directors grants any waivers of or amendments to, the Code of Ethics and Business Conduct to any of our directors or executive officers, we will disclose the matter through our website.

The Corporation's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments thereto, are available on the "Investors – Financial Information" section of the Corporation's website at [www.alspar.com](http://www.alspar.com) the same day the reports are filed with the Securities and Exchange Commission ("SEC").

## **Director Independence**

The Board believes that a majority of its members, and all members of each standing committee, other than the Executive Committee (which has a limited scope and functions), should be independent, non-employee directors. The Board has established standards consistent with the current listing standards of the NYSE for determining director independence.

The Board annually reviews all relationships that directors have with the Corporation to determine whether the directors are independent. Directors are considered "independent" as long as they do not accept any consulting, advisory or other compensatory fee (other than director fees) from the Corporation, are not an affiliated person of the Corporation or its subsidiaries and are independent within the meaning of applicable laws, regulations and the NYSE listing requirements. The independent members of the Board meet regularly without any members of management present. In accordance with our Principles of Corporate Governance, Mr. Curler, as Governance Chair and Lead Director, presides at executive sessions. Only independent directors serve on our Audit, Compensation and Nominating and Governance Committees.

The Board has determined that all members of the Board are "independent" under applicable NYSE listing standards, except for Mr. Hendrickson, our CEO. The members of the Board deemed independent are Jack J. Allen, John M. Ballbach, John S. Bode, William M. Cook, Jeffrey H. Curler, Shane D. Fleming, Ian R. Friendly, Janel S. Haugarth, Mae C. Jemison and David R. Lumley.



Mr. Fleming is the retired Chairman, President and Chief Executive Officer of Cytec Industries Inc. Mr. Cook is the Chairman of Donaldson Company, Inc. Mr. Allen is the retired Executive Vice President and Chief Operating Officer of Navistar, Inc. Mr. Ballbach is the Chairman of Solenis, LLC, a portfolio company of Clayton, Dubilier & Rice. Each of these companies supplies certain products to, or purchases certain products from, the Corporation. See “Certain Relationships and Related Person Transactions” below. The Corporation’s purchases from Solenis, LLC and sales to Navistar, Inc. were below the disclosure threshold for related person transactions. The Board considered these relationships and transactions in determining that Messrs. Fleming, Cook, Ballbach and Allen are each independent.

### **Certain Relationships and Related Person Transactions**

The Board has adopted a written Related Person Transaction Policy. This policy is intended to supplement, and not to replace or supersede, the provisions of any other corporate policy, including but not limited to the Corporation’s Principles of Corporate Governance and Code of Ethics and Business Conduct. The Related Person Transaction Policy is available on the “Investors – Corporate Governance” section of our website at [www.valspar.com](http://www.valspar.com), as Exhibit 11 to the Principles of Corporate Governance. The Audit Committee is responsible for reviewing and approving all related person transactions and has also adopted standing pre-approvals for certain categories of transactions with related persons:

*Certain transactions with other companies.* Any transaction with another company in which a related person’s only relationship is as an employee, director or beneficial owner of less than 10% of that company’s shares, if the aggregate amount involved does not exceed the greater of \$500,000 or 1% of that company’s or the Corporation’s total annual revenues.

*Transactions where all stockholders receive proportional benefits.* Any transaction where the related person’s interest arises solely from the ownership of the Corporation’s common stock, and all holders of the Corporation’s common stock received the same benefit on a pro rata basis (e.g. dividends).

*Transactions not exceeding \$100,000.* Any transaction in the ordinary course of business in which the aggregate amount involved will not exceed \$100,000, when aggregated with all similar transactions.

William M. Cook is the Chairman of Donaldson Company, Inc. (“Donaldson”). In fiscal 2015, Donaldson purchased products from the Corporation with an aggregate purchase price of approximately \$457,529 and sold products to the Corporation with an aggregate sale price of approximately \$38,930.

Shane D. Fleming is the retired Chairman, President and Chief Executive Officer of Cytec Industries Inc. (“Cytec”). In fiscal 2015, the Corporation purchased products from Cytec with an aggregate purchase price of approximately \$159,109.

## **Director Nomination Process**

The Corporation's Board of Directors has adopted a formal process by which individuals are reviewed for possible nomination to the Corporation's Board of Directors. Under this process, the Nominating and Governance Committee will consider nominees for Board membership submitted by stockholders. Any stockholder recommendation should be submitted in writing to the Corporation in care of the Corporate Secretary at P.O. Box 1461, Minneapolis, Minnesota 55440, along with the written consent of such nominee to serve as a director if so elected. Any such recommendation by a stockholder shall be referred to the Nominating and Governance Committee, and the Nominating and Governance Committee, in consultation with the Corporation's General Counsel, will review the nomination in accordance with the Corporation's Board Candidate Review and Nomination Process, certificate of incorporation, By-laws and applicable laws and regulations. The Nominating and Governance Committee considers general business experience, industry experience, track record as a director of other companies, probable tenure if elected and other factors as relevant in evaluating Board nominees, including the following: (a) the candidate's skills, experience and other relevant biographical information, (b) the candidate's general interest in serving a public corporation, (c) the candidate's ability to attend Board and committee meetings, and (d) any potential concerns regarding independence or conflicts of interest.

Following the initial screening, if the Nominating and Governance Committee approves a candidate for further review, the Nominating and Governance Committee will establish an interview process for the candidate. It is expected that at least a majority of the members of the Nominating and Governance Committee, along with the Corporation's Chief Executive Officer, would interview each candidate. At the same time, the Nominating and Governance Committee, assisted by the Corporation's General Counsel, will conduct a comprehensive conflict-of-interest assessment for the candidate. The Nominating and Governance Committee will then consider reports of the interviews and the conflicts-of-interest assessment and determine whether to recommend the candidate to the full Board of Directors. A subcommittee of the Nominating and Governance Committee, management representatives designated by the Nominating and Governance Committee and a search firm selected by the Nominating and Governance Committee may assist with the process. Any nominee recommended by a stockholder would be subject to the same process.

When the full Board considers an individual for possible nomination to the Board, the Nominating and Governance Committee, in consultation with the Corporation's Chief Executive Officer, will prepare a profile of a candidate expected to provide the most meaningful contribution to the Board as a whole. The Board of Directors has not adopted a specific policy with regard to diversity, but the Board views and seeks diversity in its broadest sense, which includes independence, integrity, judgment, experience, financial acumen, education, gender, ethnicity and leadership qualities.

Upon recommendation to the full Board by the Nominating and Governance Committee, Mr. Lumley was appointed to the Board of Directors and Audit Committee of the Board of Directors on June 10, 2015 after following the process described above. Mr. Lumley was originally identified as a director candidate by management of the Corporation.

## **Board Leadership**

The Chairman of the Board leads the Board and oversees Board meetings and the delivery of information necessary for the Board's informed decision-making. The Chairman also serves as the principal liaison between the Board and our management.

The Board does not have a policy as to whether the Chairman should be an independent director or a member of management. Instead, the Board selects the Corporation's Chairman based on what it determines to be in the best interests of the Corporation's stockholders. At this time, Gary E. Hendrickson serves as Chairman of the Corporation and as President and Chief Executive Officer. The Board believes that Mr. Hendrickson's long service, experience and background serve the best interests of the Corporation and its stockholders and that he is well qualified to lead the Corporation and its Board of Directors. When the Chairman is not independent, the Chair of the Nominating and Governance Committee, an independent director, also serves as Lead Director. Jeffrey H. Curler currently serves as Lead Director. As the Chair of the Nominating and Governance Committee, he is responsible for performing the duties specified in the Corporation's Principles of Corporate Governance, including facilitating communications between the Board and the Chief Executive Officer, and such other duties as are determined by the independent

directors.

### **Board Role in Risk Management**

The Board believes that effective enterprise risk management must be an integral part of Board and committee deliberations and activities throughout the year.

The Audit Committee reviews annually the Corporation's enterprise risk management process and conducts a comprehensive assessment of key financial, operational and strategy risks identified by management, as well as mitigating practices. The Audit Committee reports on this process and its conclusions to the full Board of Directors.

The Compensation Committee reviews the design of the Corporation's compensation policies and practices to ensure our policies and practices do not encourage taking unnecessary or excessive risks, as discussed below.

The full Board of Directors discusses risks related to the Corporation's annual financial plan and budget each fiscal year and risks related to the Corporation's strategy at meetings where the strategy is presented and reviewed.

The Board of Directors also encourages management to promote a corporate culture that integrates risk management into the Corporation's strategy and day-to-day business operations in a way that is consistent with the Corporation's targeted risk profile.

Through these processes, the Board oversees a system to identify, assess and address material risks to the Corporation on a timely basis.

## Board Committees and Functions

The standing committees of the Board of Directors for fiscal 2015 were as follows:

Name of Committee	Membership
Executive Committee	William M. Cook, Jeffrey H. Curler and Gary E. Hendrickson – Chair
Audit Committee	Jack J. Allen, John M. Ballbach, John S. Bode – Chair, William M. Cook and David R. Lumley
Compensation Committee	Jeffrey H. Curler, Shane D. Fleming, Ian R. Friendly – Chair, Janel S. Haugarth and Mae C. Jemison
Nominating and Governance	John M. Ballbach,

Committee	John S. Bode, Jeffrey H. Curler – Chair and Ian R. Friendly
-----------	---

The Board of Directors held five meetings during fiscal 2015.

The Executive Committee, in accordance with the Principles of Corporate Governance, generally meets or acts only in emergencies or when requested by the full Board. The Executive Committee did not meet or act during fiscal 2015.

The Audit Committee held six meetings during fiscal 2015. The duties and activities of the Audit Committee are described in the Audit Committee Report on page 39. All members of the Audit Committee are “independent” under the applicable listing standards of the NYSE and the requirements for audit committee independence under Rule 10A-3 under the Securities Exchange Act of 1934. The Board has determined that each Audit Committee member is financially literate and has determined that at least one member of the Audit Committee, John S. Bode, is an “audit committee financial expert” who is independent of management as defined in Item 407(d)(5)(i) and (ii) of Regulation S-K.

The Compensation Committee held four meetings during fiscal 2015. The Compensation Committee is responsible for all matters relating to compensation of senior management and directors and for adoption and administration of employee equity-based compensation plans. All members of the Compensation Committee are independent under the applicable listing standards of the NYSE. During the year, the Compensation Committee reviewed and approved the compensation plans, arrangements and equity awards for officers, employees and directors. The Compensation Committee may not delegate its responsibility of overseeing executive officer and director compensation, but may, and has, delegated to management certain administrative aspects of the Corporation’s compensation plans which do not involve setting compensation levels for executive officers and directors. Additional information on the role of management and compensation consultants in our compensation process is contained in the Compensation Discussion and Analysis beginning on page 11.

The Nominating and Governance Committee held four meetings during fiscal 2015 at which it conducted Chief Executive Officer performance evaluations, reviewed succession plans, considered nominations for Board membership and considered other matters related to corporate governance. All members of the Nominating and Governance Committee are independent under the applicable listing standards of the NYSE.

During fiscal 2015, each director attended 75% or more of the meetings of the Board and of the committees on which the director served.

**Communications with Certain Directors**

The Chair of the Nominating and Governance Committee, currently Mr. Curler, presides at regularly scheduled executive sessions of the independent directors. Stockholders and other interested parties wishing to contact the presiding director or the non-management directors as a group may do so by writing to the Chair of the Nominating and Governance Committee in care of the Corporate Secretary at the Corporation's headquarters address.

## Compensation Risk Analysis

The design of our compensation policies and practices, including those applicable to our executive officers, does not encourage taking unnecessary or excessive risks that are reasonably likely to have a material adverse effect on the Corporation. Features of our compensation policies and practices that help to mitigate unnecessary and excessive risk taking, include, among other things:

- A balanced mix of short-term and long-term performance awards and cash and equity awards;
- Long-term incentives consisting of stock options, time-based equity awards and performance-based equity awards which utilize a balanced mix of performance measures;
- Ranges of performance that ultimately determine incentive compensation payouts, rather than a single performance target providing an “all or nothing” basis for incentive compensation;
- Caps on our executive incentive compensation programs that limit payments;
- Incentive compensation payouts for the officers of the Corporation are subject to Compensation Committee approval;
- Guidelines specifying stock ownership levels for officers; and
- Prohibition on hedging Corporation stock and prior approval required for limited pledging of Corporation stock.

In addition, our compensation consultants periodically benchmark our executive compensation program and award opportunities against those of peer group companies. After reviewing the benchmark analysis performed by Meridian Compensation Partners, LLC (“Meridian”) in 2014, as discussed on page 13, for our 2015 executive compensation, the Compensation Committee concluded, and continues to conclude, that our compensation program and award opportunities, and our historical payouts, have been and remain competitive, but not excessive, and are in line with companies of similar size and industry.

## COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed the following Compensation Discussion and Analysis section with management. Based on its review and discussions with management, the Compensation Committee recommended to the Board of Directors that this Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the fiscal year ended October 30, 2015 and this Proxy Statement.



SUBMITTED BY THE COMPENSATION COMMITTEE  
OF THE CORPORATION'S BOARD OF DIRECTORS

Jeffrey H. Curler      Janel S. Haugarth

Shane D. Fleming      Mae C. Jemison

Ian R. Friendly – Chair

**EXECUTIVE AND DIRECTOR COMPENSATION****Compensation Discussion and Analysis**

This Compensation Discussion and Analysis provides information about the Corporation's compensation philosophy and 2015 executive compensation programs for the following named executive officers (the "Named Executives"):

**Named Executive Officers**

<b>Name</b>	<b>Title</b>	<b>Calendar Year Employed</b>
Gary E. Hendrickson	Chairman, President and CEO	1994
James L. Muehlbauer	Executive Vice President and Chief Financial and Administrative Officer	2013
Rolf Engh	Executive Vice President, General Counsel and Secretary	1993
Howard C. Heckes*	Executive Vice President and President, Global Coatings	2008
Les H. Ireland**	Executive Vice President and President, Global Consumer Paints	2014

\*Mr. Heckes