STANLEY BLACK & DECKER, INC.
Form DEF 14A
March 08, 2017

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 [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

Stanley Black & Decker, 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):

[X] No fee required.

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2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

STANLEY BLACK & DECKER, INC.

March 8, 2017

Dear Fellow Shareholder:

You are cordially invited to attend the Annual Meeting of Shareholders of Stanley Black & Decker, Inc. (Stanley Black & Decker or the Company) to be held at 9:30 a.m. on April 20, 2017, at the John F. Lundgren Center for Learning and Development, 1000 Stanley Drive, New Britain, Connecticut 06053 (see directions at the end of this document).

This document includes the Notice of Annual Meeting of Shareholders and the Proxy Statement. The Proxy Statement describes the business to be conducted at the Annual Meeting and provides other important information about the Company that you should be aware of when you vote your shares.

The Board appreciates and encourages your participation. Whether or not you plan to attend the meeting, it is important that your shares be represented. **PLEASE REGISTER YOUR VOTE BY TELEPHONE OR ON THE INTERNET, OR RETURN A PROPERLY COMPLETED PROXY CARD, AT YOUR EARLIEST CONVENIENCE.**

Very truly yours,

James M. Loree
President and Chief Executive Officer

2017 Proxy Summary

This summary highlights information contained elsewhere in this Proxy Statement. This summary does not contain all of the information that you should consider, and you should read the entire Proxy Statement carefully before voting.

Annual Meeting of Shareholders

Time and Date:	9:30 a.m., April 20, 2017
Place:	John F. Lundgren Center for Learning and Development 1000 Stanley Drive New Britain, Connecticut 06053
Record Date:	February 17, 2017
Voting:	Shareholders as of the record date are entitled to vote. Each share of common stock is entitled to one vote for each director nominee and one vote for each of the proposals to be voted on.

Meeting Agenda

Election of directors

Approve 2017 Management Incentive Compensation Plan

Approve compensation of named executive officers on an advisory basis

Recommend, on an advisory basis, the frequency with which the Company should conduct future shareholder advisory votes on named executive officer compensation

Approve selection of Ernst & Young LLP as the registered independent public accounting firm for fiscal 2017

Transact other business that may properly come before the meeting

Voting Matters and Vote Recommendation

Proposal No.	Matter	Board Vote Recommendation	Page Reference (for more detail)
1	Election of Directors	FOR EACH NOMINEE	1
2	Approve 2017 Management Incentive Compensation Plan	FOR	51
3	Approve Compensation of Named Executive Officers on an Advisory Basis	FOR	54
4	Advisory vote regarding frequency of future advisory votes on named executive officer compensation	EVERY YEAR	56
5	Approve Ernst & Young LLP as the Registered Independent Public Accounting Firm for Fiscal 2017	FOR	57

Board Nominees

The following table provides summary information about each director nominee (please see Item 1 Election of Directors for more information). Because the election of directors at the 2017 Annual Meeting is uncontested, the Company s majority voting policy, which implements Section 33-809 of the Connecticut Business Corporation Act, will apply. Under that policy, if a nominee in an uncontested election receives more votes against than for election, the term of that director will end on the earlier of (1) ninety (90) days from the date on which the voting results are determined or (2) the date on which the Board selects an individual to fill the office held by such director; provided that the Board (excluding such nominee) may select any qualified individual to fill the office held by a director who receives more votes against than for election (please see Voting Information, Vote required for approval for more information). Each director nominee is currently serving as a director and attended at least 75% of all regularly scheduled and special meetings of the Board and the committees on which he or she served during the director nominee s tenure.

				Committee Memberships				
Name	**Age**	**Director Since**	**Occupation**	**Exec.**	**Audit**	**Corporate Governance**	**Finance & Pension**	**Comp. & Org.**
Andrea J. Ayers	53	2014	President and Chief Executive Officer, Convergys Corporation					
George W. Buckley, Chairman	70	2010	Retired Executive Chairman, 3M Company	C				
Patrick D. Campbell	64	2008	Retired Senior Vice President and Chief Financial Officer, 3M Company					C
Carlos M. Cardoso	59	2007	Principal of CMPC Advisors LLC					
Robert B. Coutts	67	2007	Retired Executive Vice President, Electronic Systems, Lockheed Martin Corporation			C		
Debra A. Crew	46	2013	President and Chief Executive Officer, Reynolds American Inc.					
Michael D. Hankin	59	2016	President and Chief Executive Officer, Brown Advisory Incorporated					
James M. Loree	58	2016	President and Chief Executive Officer, Stanley Black & Decker, Inc.					
Marianne M. Parrs	72	2008	Retired Executive Vice President and Chief Financial Officer, International Paper Company		C			
Robert L. Ryan	73	2010	Retired Senior Vice President and Chief Financial Officer, Medtronic, Inc.				C	

Committee composition is as of the date of this Proxy Statement. Committee memberships are indicated in yellow, with Committee Chairs indicated by a C. All directors, other than Mr. Loree, are independent.

Corporate Governance Highlights

The Corporate Governance Committee and the Board of Directors review the Board of Directors Governance Guidelines for possible revision at least once each year, and otherwise consider whether the Company s policies and procedures should be modified to reflect best practices. The Company s governance practices include the following best practices:

- Annual election of directors.
- Majority vote policy applies in uncontested director elections.
- Independent directors meet in executive session at every board meeting.
- Policy against hedging and discouraging pledging applicable to all directors and executive officers.
- Recoupment policy relating to unearned compensation of executive officers.
- No shareholder rights (poison pill) plan.
- Robust stock ownership guidelines for directors and executive officers.
- Annual shareholder ratification of independent auditors.

Stanley Black & Decker 2017 Management Incentive Compensation Plan

The Board has approved, and recommends the Company s shareholders approve, a new Management Incentive Compensation Plan to replace the Company s existing 2012 Management Incentive Compensation Plan. The Company is seeking shareholder approval of the new Plan in order to qualify for the performance-based exclusion from the deduction limitations under Section 162(m) of the Internal Revenue Code (Section 162(m)) for bonus compensation payable under the Plan. Pursuant to Section 162(m), shareholder approval must be obtained every five years in order for compensation to qualify as performance-based compensation. The new plan is based on, and is substantially identical to, the 2012 Plan.

Please see Item 2 Approve 2017 Management Incentive Compensation Plan for more information.

Executive Compensation Advisory Vote

The Board recommends shareholders vote to approve, on an advisory basis, the compensation paid to the Company s named executive officers as described in this Proxy Statement for the reasons discussed in this Proxy Statement, including:

- We follow a pay for performance philosophy, pursuant to which our employees are incentivized to achieve or exceed objective financial goals established for the Company and deliver superior returns to our shareholders.
- Our 2016 compensation program reflects this philosophy as weighted payouts across all measures of 85.4-196.1% of target under the Company s 2016 Management Incentive Compensation program reflect the Company s strong performance on corporate goals, which exceeded maximum targets on two of three goals and approached maximum for the third, as well as performance of specific business units.
- Our long-term performance targets are aggressive and our pay for performance structure is working, as evidenced by the fact that two of our last five long-term incentive programs have paid out below target and none have paid out at maximum.
- Our pay for performance alignment is strong, with pay opportunity targeted at the market median and realizable pay over the most recent available three-year period for the Chief Executive Officer showing strong alignment with our TSR performance.
- In each of the last three years, we received strong shareholder support for our named executive officer compensation (94.7% of votes cast in 2016, 94.1% of votes cast in 2015 and 93.4% of votes cast in 2014).
- Our compensation programs follow executive compensation best practices such as: no tax gross-ups on severance arrangements or perquisites, a policy prohibiting hedging and discouraging pledging of Company stock, and a holding period requirement on executive stock ownership.
- Consistent with the above, new Change in Control Severance agreements executed with Messrs. Lundgren and Loree in connection with Mr. Lundgren s retirement and Mr. Loree s promotion to CEO do not include tax gross-up provisions.

Please see Item 3 Advisory Vote to Approve Compensation of Named Executive Officers for more information.

(iii)

Frequency of advisory votes on executive officer compensation

As required pursuant to Section 14A of the Securities Exchange Act, shareholders are asked to vote on a non-binding basis on the frequency with which the Company should conduct any required shareholder advisory vote on named executive officer compensation (Say When on Pay).

Based on input from our shareholders, the preference evident from voting results at other companies similar in size to ours, and practical commentary that has become widely available with respect to the Say When on Pay vote since its implementation, the Board of Directors recommends that the Say on Pay vote continue to be held every year.

Please see Item 4 Advisory Vote Regarding Frequency of Future Advisory Votes on Named Executive Officer Compensation for more information.

Auditors

We ask that the shareholders approve the selection of Ernst & Young LLP as our registered independent public accounting firm for fiscal year 2017. Please see Item 5 Approval of Registered Independent Public Accounting Firm for more information, including the amount of fees for services provided in 2015 and 2016.

2018 Annual Meeting

Shareholder proposals submitted for inclusion in our 2018 Proxy Statement pursuant to Rule 14a-8 of the Exchange Act must be received by us no later than November 8, 2017.

Notice of shareholder proposals for the 2018 Annual Meeting of Shareholders, submitted other than pursuant to Rule 14a-8, must be delivered to us no earlier than November 8, 2017 and no later than December 8, 2017.

Please see Shareholder Proposals for the 2018 Annual Meeting for more information.

STANLEY BLACK & DECKER, INC.

1000 Stanley Drive
New Britain, Connecticut 06053
Telephone: 860-225-5111

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

March 8, 2017

To the Shareholders:

The Annual Meeting of Shareholders of Stanley Black & Decker, Inc. will be held at the John F. Lundgren Center for Learning and Development, 1000 Stanley Drive, New Britain, Connecticut 06053 on April 20, 2017, at 9:30 a.m. for the following purposes:

(1)	To elect the Board of Directors of Stanley Black & Decker, Inc.;
(2)	To approve the Company s 2017 Management Incentive Compensation Plan;
(3)	To approve, on an advisory basis, the compensation of the Company s named executive officers;
(4)	To recommend, on an advisory basis, the frequency with which the Company should conduct future shareholder advisory votes on named executive officer compensation;
(5)	To approve the selection of Ernst & Young LLP as the Company s registered independent public accounting firm for the 2017 fiscal year; and
(6)	To transact such other business as may properly come before the meeting or any adjournment or postponement thereof.

Shareholders of record at the close of business on February 17, 2017 are entitled to vote at the meeting and any adjournment or postponement thereof.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on April 20, 2017: This Proxy Statement, together with the Form of Proxy and our Annual Report, are available free of charge by clicking on SEC Filings under the Investor section of the Company s website (www.stanleyblackanddecker.com).

Bruce H. Beatt
Secretary

STANLEY BLACK & DECKER, INC.

1000 Stanley Drive
New Britain, Connecticut 06053
Telephone: 860-225-5111

PROXY STATEMENT FOR THE APRIL 20, 2017 ANNUAL MEETING OF SHAREHOLDERS

GENERAL INFORMATION

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors (the Board of Directors or the Board) of Stanley Black & Decker, Inc. (the Company), a Connecticut corporation, to be voted at the 2017 Annual Meeting of Shareholders, and any adjournment or postponement thereof (the Annual Meeting), to be held on the date, at the time and place, and for the purposes set forth in the foregoing Notice. No business may be transacted at the Annual Meeting other than the business specified in the Notice of the Annual Meeting, business properly brought before the Annual Meeting at the direction of the Board of Directors, and business properly brought before the Annual Meeting by a shareholder who has given notice to the Company s Secretary that was received after November 9, 2016 and no later than December 9, 2016. The Company has received no such notice. Management does not know of any matters to be presented at the Annual Meeting other than the matters described in this Proxy Statement. If, however, other business is properly presented at the Annual Meeting, the proxy holders named in the accompanying proxy will vote the proxy in accordance with their best judgment.

This Proxy Statement, the accompanying Notice of the Annual Meeting and the enclosed proxy card are first being mailed to shareholders on or about March 8, 2017.

ITEM 1 ELECTION OF DIRECTORS

At the 2017 Annual Meeting, the shareholders will be asked to elect all of the nominees set forth below to the Board of Directors. Each director, if elected, will serve until the 2018 Annual Meeting and until the particular director s successor has been elected and qualified.

The Board of Directors recommends a vote FOR the nominees. If for any reason any nominee should not be a candidate for election at the time of the meeting, the proxies may be voted, at the discretion of those named as proxies, for a substitute nominee.

Information Concerning Nominees for Election as Directors

ANDREA J. AYERS, President and Chief Executive Officer of Convergys Corporation, has been a director of the Company since December 2014.

Ms. Ayers has served as President and Chief Executive Officer of Convergys Corporation since November 2012, and a director of Convergys since October 2012. From 2008 2012, Ms. Ayers served as President of Convergys Customer Management Group, Inc., and from 2010 2012 Ms. Ayers also served as Chief Operating Officer of Convergys Customer Management Group Inc.

Ms. Ayers is 53 years old and is a member of the Compensation and Organization Committee and the Finance and Pension Committee.

Ms. Ayers had a significant role in the transformation of Convergys from a company with three business lines to a customer management solutions company with approximately 125,000 employees worldwide. She has expertise in multi-channel customer experience, customer management analytics and technology. Ms. Ayers experience and expertise provide a valuable resource to the Board and management.
GEORGE W. BUCKLEY, retired, was elected Chairman of the Board effective January 1, 2017 and has been a director of the Company since March 2010. From April 2015 through December 2016, he served as Lead Independent Director of the Board.

Mr. Buckley served as Chairman, President and Chief Executive Officer of 3M Company from December 2005 until May 2012. From 1993 to 1997, Mr. Buckley served as the chief technology officer for the Motors, Drives, and Appliance Component Division of Emerson Electric Company. Later, he served as President of its U.S. Electric Motors Division. In 1997, he joined the Brunswick Corporation as a Vice President, became Senior Vice President in 1999, and became Executive Vice President in 2000. Mr. Buckley was elected President and Chief Operating Officer of Brunswick in April 2000 and Chairman and Chief Executive Officer in June 2000. As noted above, he was elected Chairman, President and Chief Executive Officer of 3M Company in December 2005. Mr. Buckley serves as Chairman of Smiths Group plc, a director of Hitachi Ltd. and a director of PepsiCo, Inc. Within the past five years Mr. Buckley has served on the board of 3M Company.

Mr. Buckley, who is 70, is Chair of the Executive Committee and a member of the Audit Committee and the Compensation and Organization Committee.

As the former Chairman, President and Chief Executive Officer of 3M Company, Mr. Buckley provides the Board with the expertise and knowledge of managing a large, multi-national corporation. This knowledge, combined with his prior experience as the Chief Executive Officer of Brunswick Corporation, provides a valuable resource to the Board and management.

PATRICK D. CAMPBELL, retired, Senior Vice President and Chief Financial Officer of 3M Company, has been a director of the Company since October 2008.

Mr. Campbell served as Senior Vice President and Chief Financial Officer of 3M Company from 2002 to 2011. Prior to his tenure with 3M, Mr. Campbell had been Vice President of International and Europe for General Motors Corporation where he served in various finance related positions during his 25-year career with that company. Mr. Campbell is currently a director of SPX Flow, Inc. and of Herc Holdings, Inc.; within the past five years he has served as a director of SPX Corporation and of Solera, Inc.

Mr. Campbell is 64 years old and is Chair of the Compensation and Organization Committee and a member of the Audit Committee and the Executive Committee.

As the former Senior Vice President and Chief Financial Officer of 3M Company, Mr. Campbell has expert knowledge in finance. Before he joined 3M Company, Mr. Campbell worked at General Motors in various capacities, including the role of Chief Financial Officer and Vice President of General Motors International Operations, based in Switzerland, for five years. This experience gives Mr. Campbell a perspective that he is able to use to help the Board understand the issues management confronts on a daily basis and to serve as a resource for management.

CARLOS M. CARDOSO, Principal of CMPC Advisors LLC., has been a director of the Company since October 2007.

Mr. Cardoso joined CMPC Advisors LLC in January 2015. Prior to that, he served as Chairman of Kennametal, Inc. from January 2008 until December 2014 and as President and Chief Executive Officer of Kennametal from January 2006 until December 2014. Mr. Cardoso joined Kennametal in 2003 and served as Vice President, Metalworking Solutions and Services Group and then as Executive Vice President and Chief Operating Officer before he became President and Chief Executive Officer. Prior to his tenure with Kennametal, Mr. Cardoso was President of the Pump Division of Flowserve Corporation from 2001 to 2003. Mr. Cardoso also serves as a director of Hubbell Incorporated.

Mr. Cardoso is 59 years old and is a member of the Corporate Governance Committee and the Compensation and Organization Committee.

As Chairman of the Board, President and Chief Executive Officer of Kennametal, Inc., Mr. Cardoso faced the challenge of managing a complex company on a daily basis. This experience, combined with the skills Mr. Cardoso acquired in his leadership roles at Kennametal, Inc. and Flowserve Corporation, make him a valuable resource for the Board and management.

ROBERT B. COUTTS, retired, Executive Vice President, Electronic Systems of Lockheed Martin Corporation, has been a director of the Company since July 2007.

Mr. Coutts served as an Executive Vice President of Lockheed Martin Corporation from 1999 through 2007, first as Executive Vice President, Systems Integration from 1999-2003, and then as Executive Vice President, Electronic Systems from 2003-2007. While at Lockheed Martin, Mr. Coutts also served as Chairman of Sandia National Laboratories. Prior to his tenure with Lockheed Martin, Mr. Coutts held senior management positions over a 20-year period with the General Electric Company. In addition, he is a director of Hovnanian Enterprises, Inc., and of Siemens Government Technologies, Inc. Within the past five years, Mr. Coutts has served on the board of Pall Corporation.

Mr. Coutts is 67 years old and is Chair of the Corporate Governance Committee and a member of the Compensation and Organization Committee and the Executive Committee.

Mr. Coutts long experience in senior management of Lockheed Martin and General Electric Company has led him to develop expertise in manufacturing, program management, supply chain management, technology and government contracting that is of value to the Board as the Company continues to improve its global manufacturing operations and sourcing.

DEBRA A. CREW, President and Chief Executive Officer, Reynolds American Inc., has been a director of the Company since December 2013.

Ms. Crew assumed the position of President and Chief Executive Officer of Reynolds American Inc. effective January 1, 2017; she became a director of Reynolds American at the same time. Prior to that, she served as President and Chief Commercial Officer of R. J. Reynolds Tobacco Co. from October 1, 2014 to October 1, 2015 and as President and Chief Operating Officer of the company effective October 1, 2015 to December 31, 2016. Before joining R.J. Reynolds Tobacco, Ms. Crew served as President and General Manager, Pepsico North America Nutrition from August 2014 to September 2014, as President, Pepsico Americas Beverages from August 2012 through August 2014 and as President, Western European Region of PepsiCo Europe from April 2010 through August 2012. Prior to her tenure with PepsiCo, Ms. Crew held positions of increasing responsibility at Kraft Foods, Nestlé S.A. and Mars, Inc. from 1997 to 2004. From 1993 to 1997, Ms. Crew served as a captain in the US Army, in military intelligence.

Ms. Crew is 46 years old and is a member of the Corporate Governance Committee and the Finance and Pension Committee.

Ms. Crew brings to the Board an impressive record of success with leading global consumer products companies as well as a broad range of experience in marketing, operations and strategy. Ms. Crew s global perspective, combined with proven commercial capabilities and exposure to world-class innovation planning processes, provides tremendous value to the Company s pursuit of profitable growth.

MICHAEL D. HANKIN, President and Chief Executive Officer, Brown Advisory Incorporated, has been a director of the Company since April 2016.

Mr. Hankin has served as Chief Executive Officer of Brown Advisory since 1998, when the firm was purchased from Alex. Brown & Sons by a group of employees. From 1993 to 1998, Mr. Hankin served as Executive Vice President and Chief Operating Officer of Alex. Brown Investment Advisory & Trust Company, a subsidiary of Alex. Brown Incorporated, where he helped create the business that became Brown Advisory. Prior to that, Mr. Hankin was a partner at Piper & Marbury (now DLA Piper), where he specialized in business and tax law. Mr. Hankin is a director of Brown Advisory Funds and of Brown Advisory Funds plc.

During Mr. Hankin s tenure as Chief Executive Officer of Brown Advisory, the firm has grown from a company with approximately $1.5 billion assets under management to a company with over $50 billion assets under management and has expanded its operations throughout the United States and in Europe, Brazil and Asia.

Mr. Hankin is 59 years old, and is a member of the Audit Committee and the Finance and Pension Committee.

Mr. Hankin s experience building and running a successful, complex and increasingly global company, his familiarity with financial and investment planning and analysis and his understanding of capital structure and valuation issues make him a valuable resource for the Board and management.

JAMES M. LOREE, President and Chief Executive Officer of the Company, has been a director of the Company since July 2016.

Mr. Loree joined the Company in July 1999 as Vice President, Finance and Chief Financial Officer. He was named Executive Vice President and Chief Financial Officer in September 2002, Executive Vice President and Chief Operating Officer in January 2009, President and Chief Operating Officer in January 2013, and President and Chief Executive Officer of the Company in July 2016. Before he joined the Company, Mr. Loree held positions of increasing responsibility in financial and operating management in industrial businesses, corporate and financial services at General Electric from 1980 to 1999. Within the past five years, Mr. Loree has served on the board of Harsco Corporation and as Chair of Harsco s Audit Committee.

Mr. Loree is 58 years old.

As the Chief Executive Officer of the Company, Mr. Loree provides the Board with knowledge of the daily workings of the Company and also with the essential experience and expertise that can be provided only by a person who is intimately involved in running the Company. Mr. Loree s service on the Board and as Chief Executive Officer of the Company provides seamless continuity of leadership for the Board and management.

MARIANNE M. PARRS, retired, Executive Vice President and Chief Financial Officer at International Paper Company, has been a director of the Company since April 2008.

Ms. Parrs held a number of executive and management positions at International Paper Company beginning in 1974, including Executive Vice President with responsibility for Information Technology, Global Sourcing, Global Supply Chain-Delivery from 1999 to 2005, and Executive Vice President and Chief Financial Officer from November 2005 until the end of 2007. Ms. Parrs also serves on the boards of CIT Group Inc.; Signet Jewelers Limited; the RISE Foundation in Memphis, Tennessee; New Memphis Institute in Memphis, Tennessee; and the United Way of the Mid-South.

Ms. Parrs is 72 years old and is Chair of the Audit Committee and a member of the Compensation and Organization Committee and the Executive Committee.

As the former Executive Vice President and Chief Financial Officer of International Paper Company, Ms. Parrs brings expert knowledge in finance to the Board. Ms. Parrs also brings experience in supply chain management and communication matters through an earlier role at International Paper Company. This experience makes Ms. Parrs a valuable resource for the Board and management.

ROBERT L. RYAN, retired, Senior Vice President and Chief Financial Officer, Medtronic Inc., has been a director of the Company since March 2010.

Mr. Ryan was a management consultant for McKinsey and Company and a Vice President for Citicorp. He joined Union Texas Petroleum Corporation as Treasurer in 1982, became Controller in 1983, and was promoted to Senior Vice President and Chief Financial Officer in 1984. In April 1993, Mr. Ryan was named the Senior Vice President and Chief Financial Officer of Medtronic, Inc. He retired from Medtronic in 2005. Mr. Ryan also serves as a director of General Mills, Inc., is a trustee of Cornell University, and within the past five years has served on the boards of Citigroup Inc., UnitedHealth Group, Inc. and The Hewlett-Packard Company.

Mr. Ryan, who is 73, is Chair of the Finance and Pension Committee and a member of the Corporate Governance Committee and of the Executive Committee.

As the former Chief Financial Officer of Union Texas Petroleum Corporation and Medtronic, Inc., Mr. Ryan has extensive experience in finance matters and is a financial expert. Mr. Ryan also has served on a number of boards of public companies, and the experience gained by serving on those boards makes him a valuable resource for the Board and management.

Board of Directors

Qualifications of Directors and Nominees. The Company carefully considered the qualifications, skills and experience of each nominee when concluding that the nominee should serve on the Board. With respect to each individual nominee, the Company believes that the nominee is appropriate to serve on the Board due to the qualifications and experience described above. The Company believes that each of the incumbent directors should be reelected, as their qualifications, skills and experience continue to be of value to the Company.

Board Leadership Structure. Effective January 1, 2017, the Company separated the offices of Chairman and Chief Executive Officer, with a non-management Director serving as Chairman. Under the terms of the Company s Bylaws and Corporate Governance Guidelines, the Chairman presides at all meetings of the Board at which he is present and, jointly with the Chief Executive Officer, establishes a schedule of agenda subjects to be discussed during the year at the beginning of each year and the agenda for each Board meeting. If the Chairman is not present, the Directors present will designate a person to preside.

Risk Oversight. As required by our Corporate Governance Guidelines, during the orientation process for new directors, each director receives a presentation from the Company s senior management that details the Company s risk management policies and procedures. Our Audit Committee routinely discusses with management the Company s major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company s risk assessment and risk management policies. In addition, the full Board reviews the Company s risk management program and its adequacy to safeguard the Company against extraordinary liabilities or losses on at least an annual basis. The Board is committed to having individuals experienced in risk management on the Audit Committee, as well as on the full Board.

Meetings. The Board of Directors met nine times during 2016. The Board s standing committees met the number of times shown in parentheses: Executive (0), Audit (4), Corporate Governance (4), Finance and Pension (3), and Compensation and Organization (4). The members of the Board serve on the committees described in their biographical material on pages 2-5. In 2016, each incumbent director attended at least 75% of the aggregate number of meetings of the Board of Directors and committees of the Board of Directors on which such director served that have been held since the director became a member of the Board or the applicable committees. Although the Company has no formal policy regarding attendance by members of the Board of Directors at the Company s Annual Meetings, all of the members of the Board of Directors attended the 2016 Annual Meeting.

Director Independence. The Board of Directors has adopted Director Independence Standards which are available free of charge on the Corporate Governance section of the Company s website (which appears under the Investors heading) at www.stanleyblackanddecker.com. The Board of Directors has made the determination that all director nominees standing for election, except Mr. Loree, are independent according to the Director Independence Standards, the applicable rules of the Securities and Exchange Commission, and as independence is defined in Section 303A of the New York Stock Exchange listing standards. It is the policy of the Board of Directors that every member of the Audit, Corporate Governance and Compensation and Organization Committees should be an independent director. The charters of each of these committees and the Board of Directors Corporate Governance Guidelines are available free of charge on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com or upon written request to Stanley Black & Decker, Inc., 1000 Stanley Drive, New Britain, Connecticut 06053, Attention: Investor Relations. Changes to any committee charter, the Director Independence Standards or the Corporate Governance Guidelines will be reflected on the Company s website.

Executive Committee. The Executive Committee exercises all the powers of the Board of Directors during intervals between meetings of the Board; however, the Executive Committee does not have the power to declare dividends or to take actions reserved by law to the Board of Directors. The Executive Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com.

Audit Committee. The Audit Committee has sole authority to appoint or replace the Company s independent auditing firm and is directly responsible for the compensation and oversight of the work of the Company s independent auditing firm for the purpose of preparing or issuing an audit report or related work. The Audit Committee nominates the Company s independent auditing firm, reviews the scope of the audit, approves in advance audit and non-audit services, and reviews with the independent auditors and the Company s internal auditors their activities and recommendations, including their recommendations regarding internal controls and critical accounting policies. The Audit Committee also is involved in the selection of the lead partner on the Company s account with its independent auditing firm, whose policies are in accordance with SEC rules requiring that the lead partner be replaced at least once every five years. In order to assure continuing auditor independence, the Audit Committee periodically considers whether there should be a regular rotation of the Company s independent auditing firm. The Audit Committee meets with the independent auditors, the internal auditors, and management, each of whom has direct and open access to the Audit Committee. The Board of Directors has made the determination that all of the members of the Audit Committee are independent according to the Director Independence Standards, the applicable rules of the Securities and Exchange Commission, and as independence is defined in Section 303A of the New York Stock Exchange listing standards. The Audit Committee has issued a standing invitation to all members of the Board of Directors to attend Audit Committee meetings. The Board of Directors has determined that Anthony Luiso, Patrick D. Campbell, Michael D. Hankin and Marianne M. Parrs meet the requirements for being an Audit Committee Financial Expert as that term is defined in Item 407(d)(5) of Regulation S-K and that all members are financially literate under the current New York Stock Exchange listing standards. The Audit Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com.

Corporate Governance Committee. The Corporate Governance Committee makes recommendations to the Board of Directors as to Board membership and considers names submitted to it in writing by shareholders as well as recommendations from third party search firms, current directors, Company officers, employees and others. The Corporate Governance Committee recommends directors for Board committee membership and committee chairs, and recommends director compensation. The procedures and processes followed by the Corporate Governance Committee in connection with the consideration and determination of director compensation are described below under the heading Director Compensation. The Corporate Governance Committee has taken the lead in articulating the Company s corporate governance guidelines and establishing a procedure for evaluating Board performance. The Corporate Governance Committee also approves policy guidelines on charitable contributions. The Company s Bylaws require that every director be a shareholder of the Company. While the Corporate Governance Committee does not have specific minimum qualifications for potential directors, all director candidates, including those recommended by shareholders, are evaluated on the same basis. In evaluating candidates, including existing Board members, the Corporate Governance Committee considers an individual candidate s personal and professional responsibilities and experiences, the then-current composition of the Board, and the challenges and needs of the Company in an effort to ensure that the Board, at any time, is comprised of a diverse group of members who, individually and collectively, best serve the needs of the Company and its stockholders. In general, and in giving due consideration to the composition of the Board at the time a candidate is being considered, the desired attributes of individual directors are: integrity and demonstrated high ethical standards; experience with business administration processes and principles; the ability to express opinions, raise difficult questions, and make informed, independent judgments; knowledge, experience, and skills in at least one specialty area (such as accounting or finance, corporate management, marketing, manufacturing, technology, information systems, international business, or legal or governmental affairs); the ability to devote sufficient time to prepare for and attend Board meetings; willingness and ability to work with other members of the Board in an open and constructive manner; the ability to communicate clearly and persuasively; and diversity with respect to other characteristics, which may include, at any time, gender, ethnic background, geographic origin, or personal, educational and professional experience.

The Board of Directors has made the determination that all of the members of the Corporate Governance Committee are independent according to the Director Independence Standards, applicable rules of the Securities and Exchange Commission, and as independence is defined in Section 303A of the New York Stock Exchange listing standards. The Corporate Governance Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website, www.stanleyblackanddecker.com.

Shareholders who wish to submit names to be considered by the Corporate Governance Committee for nomination for election to the Board of Directors should, as set forth in the Company s Bylaws, send written notice to the Secretary of the Company to be received at its principal executive offices at least 90 days but no more than 120 days prior to the anniversary of the date on which the Proxy Statement was first mailed relating to the immediately preceding Annual Meeting, which notice should set forth (i) the name and record address of the shareholder of record making such nomination and any other person on whose behalf the nomination is being made, and of the person or persons to be nominated, (ii) the class or series and number of shares of capital stock of the Company which are owned beneficially or of record by such shareholder or such other person, (iii) a description of all arrangements or understandings between such shareholder and any such other person or persons or any nominee or nominees in connection with the nomination by such shareholder, (iv) such other information regarding each nominee proposed by such shareholder as would be required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required to be disclosed, pursuant to the rules of the Securities and Exchange Commission had the nominee been nominated or intended to be nominated by the Board of Directors, and shall include a consent signed by each such nominee to be named in the Proxy Statement for the Annual Meeting as a nominee and to serve as a director of the Company if so elected, and (v) a representation that such shareholder intends to appear in person or by proxy at the Annual Meeting to make such nomination.

Compensation and Organization Committee. The Compensation and Organization Committee (the Compensation Committee), with the assistance of its compensation consultant and other advisors, periodically conducts on-going evaluations of existing executive compensation programs and administers the Company s executive compensation plans. The Compensation Committee met four times during 2016 and met in executive session at the end of each of those meetings to review different aspects of the Company s executive compensation programs. No management employees participated in executive sessions relating to compensation arrangements for our Chief Executive Officer. The procedures and process followed by the Compensation Committee in connection with the consideration and determination of executive compensation are described below under the heading Executive Compensation. The Board of Directors has made the determination that all of the members of the Compensation Committee are independent according to the Director Independence Standards, applicable rules of the Securities and Exchange Commission, and as independence is defined in Section 303A of the New York Stock Exchange listing standards. The Compensation Committee operates under a charter, which is available free of charge on the Corporate Governance section of the Company s website, www.stanleyblackanddecker.com. The following persons served as members of the Compensation Committee during 2016: Andrea J. Ayers, George W. Buckley, Patrick D. Campbell (Chair), Carlos M. Cardoso, Robert B. Coutts and Marianne M. Parrs.

The Compensation Committee has retained Pay Governance, LLC as an independent compensation consultant to advise the Compensation Committee. Representatives of Pay Governance were present at all of the meetings of the Compensation Committee in 2016. The Compensation Committee reviewed its relationship with Pay Governance, considered Pay Governance s independence, including whether there exist any potential conflicts of interest, and determined that the engagement of Pay Governance did not raise any conflict of interest or other concerns that would adversely impact Pay Governance s independence. In reaching this conclusion the Compensation Committee considered various factors, including the six factors set forth in the NYSE listing standards regarding compensation advisor conflicts of interest and independence.

Finance and Pension Committee. The Finance and Pension Committee advises in major areas concerning the finances of the Company and oversees the Company s administration of its qualified and non-qualified defined contribution and defined benefit retirement plans. The Board of Directors has made the determination that all of the members of the Finance and Pension Committee are independent according to the Director Independence Standards, applicable rules of the Securities and Exchange Commission, and as independence is defined in Section 303A of the New York Stock Exchange listing standards.

Director Compensation

The Corporate Governance Committee is responsible for recommending compensation programs for our non-employee directors to our Board of Directors. Accordingly, the Chairman of the Corporate Governance Committee annually collects market data regarding director compensation and reviews that data with the Corporate Governance Committee. The Corporate Governance Committee then considers whether, in light of that data, any changes in the amount or manner in which the Company compensates its independent directors is appropriate, and provides its recommendation to the full Board. The Company s executive officers do not determine or recommend the amount or form of director compensation and the Corporate Governance Committee has not delegated its responsibility to recommend director compensation.

The compensation paid by the Company to its directors who are not employees of the Company or any of its subsidiaries consists of (i) an annual retainer of $125,000; (ii) a grant of Restricted Stock Units pursuant to the Company s Restricted Stock Unit Plan for Non-Employee Directors valued, at the time of grant, at $125,000; and (iii) an allowance of up to $5,000 per year for Company products. Prior to 2017, the Company paid an additional fee of $25,000 to its Lead Independent Director. Effective January 1, 2017, with the separation of the roles of Chairman and Chief Executive Officer, the Company eliminated the Lead Independent Director position and determined that the Chairman would receive additional grants of Restricted Stock Units on a quarterly basis, with each grant valued at $50,000 on the date of grant. The Company also pays additional annual fees to those non-employee directors who serve as committee chairs as follows: Audit Committee and Compensation Committee Chairs $20,000; and Corporate Governance Committee and the Finance and Pension Committee $15,000. Non-employee directors may defer any or all of their fees in the form of Company common stock or as cash accruing interest at the five-year Treasury bill rate.

Director Compensation Table

The compensation paid to each of the Company s non-employee directors during 2016 is as follows:

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
Andrea J. Ayers	125,000	125,000	0	0	0	0	250,000
George W. Buckley	150,000	125,000	0	0	0	0	275,000
Patrick D. Campbell	145,000	125,000	0	0	0	10,000	280,000
Carlos M. Cardoso	125,000	125,000	0	0	0	13,818	263,818
Robert B. Coutts	140,000	125,000	0	0	0	13,276	278,276
Debra A. Crew	125,000	125,000	0	0	0	0	250,000
Michael D. Hankin	87,158	125,000	0	0	0	0	212,158
Anthony Luiso	131,096	125,000	0	0	0	19,623	275,719
Marianne M. Parrs	138,890	125,000	0	0	0	9,036	272,926
Robert L. Ryan	140,000	125,000	0	0	0	10,320	275,320

Footnote to Column (c) of Director Compensation Table:
The amount set forth in column (c) reflects the grant date fair value of 1,151 restricted share-based grants, with dividend equivalent rights, that were granted to each director on April 20, 2016. These Awards are fully vested at the time of grant and entitle each recipient to a cash payment equal to the market value of a share of Company common stock at the time of settlement plus accrued dividends from the date of grant. The settlement date is the date specified by the director as the date, or dates, on which distributions are to be made following the date on which the director ceases to be a director of the Company. Distributions may be made in a single lump sum in the first year following the termination of the director s service or in up to ten equal annual installments, at the election of the director. The aggregate grant date fair value associated with the 2016 equity awards determined in accordance with FASB Codification Topic 718 Stock Compensation was $1,250,000.

Footnote to Column (g) of Director Compensation Table:
The amount set forth in column (g) reflects (i) the cost to the Company of providing products to the Directors under the Directors Product Program; (ii) payments made to Mr. Luiso pursuant to a retirement program applicable to directors of The Black & Decker Corporation who were elected directors prior to 1994 and served on the Black & Decker Board of Directors for at least five years; and (iii) amounts the Company contributed under its Matching Gift Program to match charitable contributions made by Directors. The Company s Matching Gift Program applies to all employees, retirees and directors of the Company; pursuant to that Program, the Company matched up to $10,000 of total gifts made by a participant to qualified charitable organizations during 2016. The Company has increased the amount that will be matched for all participants to $20,000 for 2017.

Director Equity Award Table

The aggregate number of stock awards and the aggregate number of option awards outstanding at fiscal year-end for each non-employee director is as follows:

Name	Aggregate Stock-Related Awards Outstanding (#)	Aggregate Option Awards Outstanding (#)
Andrea J. Ayers	2,442	0
George W. Buckley	10,676	0
Patrick D. Campbell	12,676	0
Carlos M. Cardoso	14,676	0
Robert B. Coutts	14,676	0
Debra A. Crew	4,018	0
Michael D. Hankin	1,151	0
Anthony Luiso	8,885	0
Marianne M. Parrs	14,676	0
Robert L. Ryan	10,676	0

Footnote to Director Equity Award Table

The Aggregate Stock-Related Awards reported in the table above are Restricted Stock Units awarded under the Company s Restricted Stock Unit Plan for Non-Employee Directors. The terms of these awards are described above in footnote (c) to the Directors Compensation Table. Non-Employee Directors are not eligible to receive stock options under the Company s existing equity plans.

Stock Ownership Policy for Non-Employee Directors. The Board maintains a Stock Ownership Policy for Non-Employee Directors, a copy of which can be found on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com. Pursuant to that policy, Directors are required to acquire, and maintain in accordance with the Policy, shares having a value equal to 500% of the annual cash retainer within five years of becoming a director. Directors are expected to defer their fees in the form of Company common stock until they have met this requirement.

Executive Sessions and Communications with the Board. Pursuant to the Corporate Governance Guidelines, the non-management Directors meet in executive session at the end of each Board meeting. The Chairman presides over these meetings. Shareholders or others wishing to communicate with the Chairman, the Board generally, or any specific member of the Board of Directors may do so by mail addressed to Stanley Black & Decker, Inc., c/o Corporate Secretary, 1000 Stanley Drive, New Britain, Connecticut 06053, or by calling the Company s Ethics Hotline, an independent toll-free service, at 1-800-424-2987 (extension 53822).

Business Conduct Guidelines. The Company has adopted a worldwide set of Business Conduct Guidelines applicable to all of its directors, officers and employees and a Code of Ethics for the Chief Executive Officer and senior financial officers. Copies of these documents are available free of charge on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com or otherwise upon written request addressed to Stanley Black & Decker, Inc., 1000 Stanley Drive, New Britain, Connecticut 06053, Attention: Investor Relations.

Director Continuing Education. The Company regularly provides directors with continuing education on a variety of topics. In 2016, subjects covered with Board members included current trends in corporate governance, cyber security, intellectual property protection, the digital revolution and social responsibility. In addition, the Company provided all directors with a subscription to Agenda, a weekly publication that focuses on governance issues of interest to directors of public companies.

Related Party Transactions. Pursuant to the Company s Business Conduct Guidelines, employees, officers and directors are required to bring any potential conflict of interest, including any proposed related party transaction involving a related person as that term is defined in Item 404(a) of Regulation S-K (Related Person), to the attention of the General Counsel. The General Counsel obtains the facts to determine whether a conflict or potential conflict exists and determines the appropriate action in consultation with appropriate members of management. Where a proposed transaction involves a Related Person, the General Counsel discusses the reasons for the transaction with appropriate members of management. In the event management believes it is in the best interest of the Company to proceed with the transaction, the proposed transaction is brought to the attention of the Board for its review and approval.

Security Ownership of Certain Beneficial Owners

No person or group, to the knowledge of the Company, owned beneficially more than five percent of the outstanding common stock of the Company as of February 17, 2017, except as shown in this table.

(1) Title of class	**(2) Name and address of beneficial owner**	**(3) Amount and nature of beneficial ownership**		**(4) Percent of class**
Common Stock $2.50 par value	BlackRock, Inc. 55 East 52nd Street New York, NY 10055	9,455,081	(7,938,301 sole voting power; 9,455,081 sole dispositive power)	6.3%
Common Stock $2.50 par value	JP Morgan Chase & Co. 270 Park Avenue New York, NY 10017	12,810,720	(11,242,311 sole voting power; 81,934 shared voting power; 12,636,049 sole dispositive power; 170,411 shared dispositive power)	8.5%
Common Stock $2.50 par value	State Street Corporation State Street Financial Center One Lincoln Street Boston, MA 02111	7,585,442	(7,585,442 shared voting power; 7,585,442 shared dispositive power)	5.0%
Common Stock $2.50 par value	The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	11,517,741	(236,905 sole voting power; 26,725 shared voting power; 11,256,749 sole dispositive power; 260,992 shared dispositive power)	7.6%

*

The information in the foregoing table is drawn from Schedule 13G reports filed with the Securities and Exchange Commission on or before February 17, 2017.

Security Ownership of Directors and Officers

Except as reflected in the table below, no director, nominee, or executive officer owns more than 1% of the outstanding common stock of the Company. As of February 17, 2017, the executive officers, nominees, and directors as a group owned beneficially 1.15% of the outstanding common stock. The following table sets forth information regarding beneficial ownership as of February 17, 2017 with respect to the shareholdings of the directors, nominees for director, each of the executive officers named in the table on page 29, and all directors, nominees for director, and executive officers as a group. Except as noted below, the named individual has sole voting and investment power with respect to the shares shown.

Name	Common Shares Owned		Percent of Class Owned
Donald Allan, Jr.	135,736	(1)(6)	*
Jeffery D. Ansell	59,875	(1)(4)(5)	*
Andrea J. Ayers	2,481	(3)	*
George W. Buckley	15,351		*
Patrick D. Campbell	15,439	(3)	*
Carlos M. Cardoso	14,039	(3)	*
Robert B. Coutts	18,034	(3)	*
Debra A. Crew	4,004	(3)	*
Michael D. Hankin	1,645	(3)	*
James M. Loree	691,013	(1)(2)(4)	*
Anthony Luiso	77,524	(3)	*
Marianne M. Parrs	8,473	(3)(5)	*
Jaime A. Ramirez	60,197	(1)(4)	*
Robert L. Ryan	12,595	(3)(5)	*
John H. Wyatt	92,233	(1)(2)	*
Directors, nominees and executive officers as a group (24 persons)	1,748,116	(1) (6)	1.15%

* Less than 1%

(1) Includes shares that may be acquired through the exercise of stock options on or before April 20, 2017 as follows: Mr. Allan, 70,000; Mr. Ansell, 45,000; Mr. Loree, 275,000; Mr. Ramirez, 37,500; Mr. Wyatt, 34,412; and all executive officers as a group, 691,287. Includes shares delivered pursuant to the Company s 2014 2016 performance award program on February 22, 2017 as follows: Mr. Allan, 7,973; Mr. Ansell, 7,674; Mr. Loree, 19,514; Mr. Ramirez, 4,305; Mr. Wyatt, 3,484; and all executive officers as a group, 67,750.

(2) Includes stock options that would vest upon retirement as follows: Mr. Loree, 279,199; Mr. Wyatt, 30,000; and all executive officers as a group, 484,199. Includes RSUs that would vest upon retirement as follows: Mr. Loree, 36,394; Mr. Wyatt, 37,280; and all executive officers as a group, 117,024.

(3) Includes the share accounts maintained by the Company for those of its directors who have deferred director fees as follows: Ms. Ayers, 2,481; Mr. Campbell, 15,439; Mr. Cardoso, 14,039; Mr. Coutts, 18,034; Ms. Crew, 4,004; Mr. Hankin, 745; Mr. Luiso, 11,032; Ms. Parrs, 4,473; Mr. Ryan, 10,534; and all directors as a group, 80,781.

(4) Includes shares held as of February 17, 2017 under the Company s savings plan (the Stanley Black & Decker Retirement Account Plan), as follows: Mr. Ansell, 1,323; Mr. Loree, 708; Mr. Ramirez, 5; and all executive officers as a group, 5,027.

(5) Includes shares held through revocable trusts as follows: Mr. Ryan, 2,061; and shares held through Grantor Retained Annuity Trusts as follows: Ms. Parrs, 3,800.

(6) Includes restricted share unit accounts maintained by the Company as follows: Mr. Allan, 4,000; and all executive officers as a group, 4,000.

Audit Committee Report

In connection with the financial statements for the fiscal year ending December 31, 2016, the Audit Committee: reviewed and discussed the audited financial statements with management; discussed with the Company s independent registered public accounting firm, Ernst & Young LLP, the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended, as adopted by the Public Company Accounting Oversight Board in Rule 3200T; has received the written disclosures and the letter from Ernst & Young required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young s communications with the Audit Committee concerning independence; has considered the compatibility of non-audit services with Ernst & Young s independence; and has discussed Ernst & Young s independence with Ernst & Young. Based upon these reviews and in reliance upon these discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company s Annual Report on Form 10-K for the last fiscal year for filing with the Securities and Exchange Commission.

Audit Committee

Marianne M. Parrs (Chair)
George W. Buckley
Patrick D. Campbell
Michael D. Hankin
Anthony Luiso

Compensation and Organization Committee Report

The Compensation and Organization Committee has reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on this review and discussion, the Compensation and Organization Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company s Proxy Statement and its Annual Report on Form 10-K.

Compensation and Organization Committee

Patrick D. Campbell (Chair)
Andrea J. Ayers
George W. Buckley
Carlos M. Cardoso
Robert B. Coutts
Marianne M. Parrs

EXECUTIVE COMPENSATION

Compensation Discussion & Analysis

This CD&A will provide you with an overview and explanation of:

- our compensation programs and policies for our named executive officers;
- the material compensation decisions made by the Compensation Committee under those programs and policies; and
- the material factors that the Compensation Committee considered in making those decisions.

EXECUTIVE SUMMARY

Fiscal 2016 Business Highlights

The Company delivered record EPS of $6.51 and 10.6 working capital turns during 2016. Other metrics also were strong, with organic sales growth of 4%, and continued strong operating cash flow. This strong performance is reflected in our share price, which increased from a closing price of $106.73 on the last day of the 2015 fiscal year to $114.69 on the last day of the 2016 fiscal year. Our strong performance has allowed us to return capital to our shareholders through a dividend increase and share repurchases, and translated into a total shareholder return (TSR) of 10% for the 2016 fiscal year.

Also in 2016, the Company launched the DEWALT FLEXVOLT Battery System, the first major output of a Company-wide breakthrough innovation initiative. Sales of DEWALT FLEXVOLT products, coupled with strong commercial execution, helped fuel 7% organic growth for the Tools & Storage business during 2016.

CEO Transition

On July 31, 2016, after twelve years as the Company s Chief Executive Officer, John Lundgren retired from his position as Chief Executive Officer of the Company. James M. Loree, who has been with the Company since 1999 and served most recently as the Company s President and Chief Operating Officer, was promoted to Chief Executive Officer and appointed a member of the Board of Directors. To facilitate this transition, John Lundgren will continue in the employ of the Company as a Special Advisor through April 30, 2017.

Performance Over the Last Three Years

A substantial portion of our long term incentive awards to named executive officers are based on three year performance cycles; the balance are equity awards that vest over a four year period. Over the last three fiscal years, we have seen revenue growth approaching 5%, from $10.9 billion for the 2013 fiscal year to $11.4 billion in 2016, an increase in our share price from a closing price of $81.01 on the last business day of our 2013 fiscal year to a closing price of $114.69 on the last business day of the 2016 fiscal year; and annualized TSR (which includes both growth in share price and the impact of reinvested dividends), over this three year period, of 16%.

Our Pay-for-Performance Philosophy

Our compensation programs are designed to incentivize our employees to achieve or exceed objective financial goals established for the Company and deliver superior returns to our shareholders. As depicted in the charts below, approximately 75% 85% of our executives target compensation opportunity is variable and is tied directly to the achievement of financial goals or share price performance. The result has been strong pay for performance alignment.

CEO* **Other Named Executive Officers**

* CEO compensation does not include compensation of John Lundgren, who retired as CEO effective July 31, 2016.

The rewards earned by our executives in 2016 reflect our achievement relative to our pre-established goals, including:

Pay Opportunity: Total compensation opportunity for our named executive officers is targeted to and reasonably aligned with the 50^{th} percentile of our peer group. Individual total compensation opportunities may exceed or trail the median for a variety of reasons, including performance considerations, experience level, length of service in current position, additional responsibilities, value to the Company beyond the core job description, or retention risk.

Pay and Performance: Considering all elements of compensation (salary, annual incentives, performance units and an annualized portion of any long-term retention grants), our executives pay is strongly aligned with our compensation philosophy as well as our operational and TSR performance, measured relative to our compensation peer group. An analysis of realizable pay, as a percentage of targeted pay opportunity, over the most recently available three-year period (2013 2015) for the Chief Executive Officer showed reasonable alignment with our TSR performance. In this three-year period, in which our TSR and pro-forma composite financial performance were at the 61st and 49th percentile, respectively, CEO realizable pay was at the 69th percentile in our peer group.

Annual Incentive Compensation Management Incentive Compensation Awards (MICP Awards): The Company s performance in 2016 resulted in a weighted payout across all measures of 85.4% 196.1% of target for the Company s named executive officers, as detailed on page 20.

Long-Term Incentives Performance Units: The Company s performance during the 2014 2016 performance cycle resulted in a weighted average goal achievement across all measures of 172.7% of target, as detailed on page 24. Over the three year performance period we achieved TSR at the 86^{th} percentile of our LTIP peer group.

Long-Term Incentives Time Based Stock Awards (Restricted Stock Units) and Stock Options: We also provide our executives an annual equity grant, comprised of time-vested restricted stock units and stock options, which represents approximately one-third of the annual total compensation opportunity for our named executive officers, on average, and supports the retention and stability goals within our program while also maintaining alignment with shareholders as the value of restricted stock units and stock options is tied to our share price.

Strong Governance Practices

Our Compensation Committee has implemented executive compensation policies and practices that align with market-leading best practices:

Robust stock ownership guidelines of 6x base salary for our Chief Executive Officer, 5x for our Chief Financial Officer, and 3x for all other executive officers.
Holding period requirement of one year after vesting of restricted stock units or the exercise of stock options to further align executive ownership with shareholder returns.
Company will not enter into change-in-control severance arrangements that contain excise tax gross-ups and does not provide tax gross-ups on perquisites.
New Change in Control Severance agreements executed with Messrs. Lundgren and Loree in connection with Mr. Lundgren s retirement and Mr. Loree s promotion to CEO removed tax gross-up provisions that appeared in legacy agreements.
Double trigger vesting provisions requiring both the occurrence of a change in control of the Company and termination of employment in order for replacement awards to vest under our annual Management Incentive Compensation Plan and our Long-Term Incentive Compensation Plan.
Compensation program risk assessment conducted annually and reviewed by the Compensation Committee.
Policy regarding forfeiture of incentive awards in the event of a financial restatement under certain circumstances.
Policies prohibiting hedging and discouraging pledging of Company stock.
Executive compensation opportunity is benchmarked at the 50th percentile of our peers.

Chief Executive Officer long-term incentive compensation mix historically has been at least 50% performance units.
Dividend equivalents are paid on equity compensation awards only if the underlying award is earned or vested.
Long-Term Incentive Compensation Plan expressly prohibits option re-pricing and cash buyouts of out-of-the-money options without shareholder approval.
Realizable pay analysis is conducted to demonstrate the impact of performance on pay actually realizable to our Named Executive Officers.

Say on Pay Advisory Vote Outcome

The Board has reviewed current views on corporate governance best practices and the results of our Say on Pay vote in each of the last three years, in which over 93% of those who voted supported our Management Say on Pay proposal, and determined that our executive compensation programs are designed to reward pay for performance. Based on the strong shareholder support for our compensation programs over the last three years, the Company has not made any significant changes to our executive compensation programs.

At the 2017 Annual Meeting of Shareholders, we will again hold an advisory vote to approve executive compensation. The Compensation Committee will continue to consider the results of these advisory votes in the governance and design of executive compensation programs as it evaluates what is in the best interest of the Company s shareholders.

HOW WE DETERMINE EXECUTIVE COMPENSATION

Our Compensation Philosophy

The Compensation Committee believes that aggregate expenditures for executive base salaries should be managed to the median of salary expenditures when compared to comparable companies. The Compensation Committee also believes that annual and long-term incentive compensation expenditures should be targeted at median market levels. Targeting the market median, while giving executives the opportunity to earn more (or less) than this amount based on Company performance, helps to ensure that the Company can attract and retain the high caliber of executive talent it seeks. In 2016, the Compensation Committee reviewed market data and other information presented by Pay Governance LLC (Pay Governance), its compensation consultant, and by Willis Towers Watson. The Compensation Committee found that, on average for the named executive officers, annual compensation (at target opportunity) was aligned with the intended median positioning.

	Base Salary	Target Total Cash	Target Total Compensation
Targeted Positioning	median	median	median
Actual Positioning vs. Peer Group	At the median	3% above median	1% above median

Use of Peer Companies and Benchmarking

Our Compensation Committee annually reviews market data compiled by Willis Towers Watson to ensure that compensation levels are in line with the labor markets in which we compete for executive talent. The primary set of market data comes from the compensation information publicly filed by the 16 companies listed below (our Peer Group). In determining which companies should be included in our Peer Group for compensation purposes, the Committee considered several factors, including the revenue, market capitalization and industry.

The median 2016 revenue of these 16 companies was $13.5 billion, and the median market cap as of the end of 2016 was $17.8 billion, as compared to 2016 revenue for the Company of $11.4 billion and market cap for the Company at the end of 2016 of $17.3 billion.

Cummins, Inc.	Newell Brands Inc.*
Danaher Corp.	Parker Hannifin Corporation
Dover Corp.	Rockwell Automation, Inc.
Eaton Corp.	The Sherwin-Williams Company
Emerson Electric Co.	Textron Inc.
Illinois Tool Works, Inc.	Tyco International plc**
Ingersoll-Rand plc	Whirlpool Corp.
Masco Corp.	W.W. Grainger, Inc.

Cummins, Inc. was added to the Company s Peer Group in 2016 to replace SPX Corp., which had split into two companies during 2015. Rockwell Automation was added to replace Jarden Corp., which was acquired by Newell Rubbermaid.

* formerly Newell Rubbermaid

** Johnson Controls purchased Tyco International plc in 2016 and, accordingly, the Company is evaluating a replacement for Tyco International in its peer group for future years.

The data derived from the peer group create ranges of compensation values that the Compensation Committee considers in setting executive salary levels and incentive opportunities that are consistent with the Company s overall objectives. The benchmark data reviewed by the Compensation Committee are statistical summaries of the pay practices at these companies and are not representative of the compensation levels at any one organization.

Role & Process of the Compensation Committee

In developing and maintaining appropriate compensation programs and target compensation levels for our executive officers, including our named executive officers, the Compensation Committee:

Monitors and Evaluates Executive Compensation	Annually reviews detailed compensation data for each named executive officer. The data includes an overview of annual compensation and benefit values offered to each executive, the value of all outstanding equity awards, the accrued value of retirement benefits, and the amount of the Company s other obligations in the event the executive s employment terminates under various circumstances, including death, disability, involuntary termination without cause, or in connection with a change in control of the Company.
Annually Reviews the Company s Financial Performance	Each year, the Compensation Committee reviews an analysis prepared by Willis Towers Watson of actual compensation received by the named executive officers and also the compensation realizable by our Chief Executive Officer in relation to the performance of the Company. Based on the results of this assessment and within the broader framework of the Company s annual and long-term financial results, the Compensation Committee, in consultation with our compensation consultants, assesses whether the Company s incentive programs are working as intended and paying for performance.

Discusses Compensation Matters	The Compensation Committee discusses compensation matters, other than those pertaining to the Chief Executive Officer, with our Chief Executive Officer and other management representatives, and meets in executive session with our independent compensation consultant, without management present, to evaluate management s input. The Compensation Committee also solicits comments from other Board members regarding its recommendations at regularly scheduled Board meetings.
In Consultation with the Board, Establishes Performance Goals for the Company s Short-Term and Long-Term Performance Award Programs	Performance goals for our performance award programs are recommended by management based on the Company s historical performance, strategic direction, and anticipated future operating environment, and are generally established during the first quarter of a performance cycle. These goals are tied to the Company s strategic business plan and operating budget, which are approved by our Board at or prior to the time the goals are set. The Compensation Committee evaluates the appropriateness of the proposed goals, and from time to time requests our independent compensation consultant to opine on the degree of difficulty inherent in achieving those goals. The Compensation Committee approves the goals, and presents them to the Board for approval, when satisfied that they are set at reasonable but appropriately challenging levels.

Role of Independent Compensation Consultant

To enhance the Compensation Committee s ability to perform its responsibilities, the Compensation Committee has for several years retained the services of an independent compensation consultant. The Compensation Committee has retained Pay Governance to consult and advise on executive compensation issues since October 2011.

As advisor to the Compensation Committee, Pay Governance:

- reviewed the total compensation strategy and pay levels for the Company s named executive officers;
- examined all aspects of the Company s executive compensation programs to ensure their ongoing support of the Company s business strategy;
- informed the Compensation Committee of developing legal and regulatory considerations affecting executive compensation and benefit programs; and
- provided general advice to the Compensation Committee with respect to compensation decisions pertaining to the Chief Executive Officer and senior executives.

In addition to the services provided to the Compensation Committee, Pay Governance periodically provides information and advice to the Corporate Governance Committee regarding the compensation of the Company s independent directors. Pay Governance provides no other services to the Company. As described in more detail on page 8, the Compensation Committee has determined that Pay Governance is independent and that there is no conflict of interest between Pay Governance and the Compensation Committee.

DISCUSSION OF OUR 2016 EXECUTIVE COMPENSATION PROGRAM

Compensation Basics

The purpose of our executive compensation program is to attract and retain talent and to reward our executives for performance that benefits the Company and its shareholders. To that end, we seek to compensate our executives in a manner that:

- is competitive;
- rewards performance that creates shareholder value, while maintaining an appropriate balance between profitability and operational stability; and
- encourages executives to drive efficiencies by using capital judiciously.

Type	Objective
Base Salary	Reflect the skill and experience that our executive officers contribute to the Company on a day-to-day basis.
Annual Incentive Compensation	Balance the complementary short-term goals of profitability and stability.
Long-term Incentives	Incentivize executives to achieve sustainable performance results and maximize long-term shareholder value.

Our Compensation Philosophy & Goals

The Compensation Committee believes that a significant portion of each executive officer s compensation opportunity should be variable in order to ensure that median or above-median compensation is delivered only when business results are strong and we have created value for our shareholders.

The Compensation Committee also believes, however, that it is important to pay base salaries that relate appropriately to each executive s level of responsibility, talent and experience in order to provide financial predictability to the individual.

As illustrated in the Executive Summary, the mix of compensation between base salary, annual management incentive compensation and annual long-term incentive awards is targeted such that approximately 75% - 85% of our named executive officers target total annual compensation is variable and dependent on performance results.

The Compensation Committee believes this mix provides an appropriate balance between the financial security required to attract and retain qualified individuals and the Compensation Committee s goal of ensuring that executive compensation rewards performance that benefits our shareholders over the long term.

How the Elements of Our Compensation Program Work

1. BASE SALARIES

The base salaries of our named executive officers are aligned with median market levels. Individual salaries may exceed or trail the median for a variety of reasons, including performance considerations, experience level, length of service in current position, additional responsibilities, value to the Company beyond the core job description, or retention risk.

2. ANNUAL INCENTIVE COMPENSATION MANAGEMENT INCENTIVE COMPENSATION PLAN

All of our executive officers, including the named executive officers, participate in annual incentive compensation programs under the Company s 2012 Management Incentive Compensation Plan (2012 MICP). These programs are designed to:

balance the complementary short-term goals of profitability and operational stability; and

encourage our executives to maximize profitability and efficiency.

Target awards are set as a percentage of each officer s base salary in effect at the beginning of the performance period	MICP metrics and resulting performance are based upon normalized earnings	MICP payouts vary from 0% to 200% of the target bonus opportunity depending on actual performance	Our named executive officers won t receive a payout for a particular MICP metric in the event actual performance falls below threshold for that metric

For 2016, the named executive officer target bonus opportunities (as a percentage of base salary) were as follows:

Mr. Lundgren	150%
Mr. Loree	100%
Mr. Allan	100%
Mr. Ansell	100%
Mr. Ramirez	70%
Mr. Wyatt	70%

The 2016 MICP program measures included:

earnings per share (EPS) weighted at 40%;

cash flow multiple (operating cash flow less capital expenditures divided by net earnings) weighted at 40%; and

organic sales growth (sales growth excluding foreign exchange and acquisition/divestiture impacts) weighted at 20%.

The Compensation Committee believes appropriate weighting of these three metrics supports the objective of maximizing profitability, efficiency and growth while promoting operational stability in our annual operating condition, as EPS, cash flow and organic sales growth are essential for the growth of high quality earnings and to sustain our strong financial condition.

Executives with group or divisional responsibility have additional goals that can include such measures as divisional operating margin, working capital management and division organic sales. The Compensation Committee believes including these measurements for those with group or divisional responsibility, and providing appropriate weight among all such metrics for these executives, provides incentive for such executives to exercise financial discipline while growing their businesses and to bear in mind the interests of the Company as a whole, rather than only those of the groups or divisions they oversee, as part of the decision making process.

MICP Payout for 2016 Performance

The corporate performance goals and results applicable to the MICP award program for the 2016 performance period are illustrated below:

EPS **Cash Flow Multiple** **Organic Sales Growth**

	Threshold	Target	Maximum	2016 Actual Result
EPS (GAAP)	$5.80	$6.10	$6.40	$6.51
Cash Flow Multiple	85%	100%	115%	118%
Organic Sales Growth	2.2%	3.2%	4.2%	3.8%

The weighting applied to each of these measures, potential bonus payouts and the bonuses actually earned by each of our named executive officers for 2016 performance are set forth in the table below. The bonuses earned by Messrs. Ansell, Wyatt and Ramirez are based on the corporate results set forth above and the results of the Tools & Storage business (for Mr. Ansell), Engineered Fastening business (for Mr. Wyatt), and Global Emerging Markets business (for Mr. Ramirez), weighted as reflected in the table below. The specific divisional operating margin, working capital and organic sales percent goals and results are not disclosed as the disclosure of such information would result in competitive harm to the Company and would be of limited additional use to investors. The Company generally does not disclose goals and results for specific divisions.

	Weighting of Measures						**Potential Bonus Payouts**				
	Corporate			***Group***							
	EPS	**Cash Flow**	**Organic Sales**	**Operating Margin**	**Working Capital**	**Organic Sales**	**Threshold**	**Target**	**Maximum**	**Weighted Avg. Payout Earned on All Measures (% of target)**	**Payout**
John F. Lundgren	40%	40%	20%	0%	0%	0%	$1,012,500	$2,025,000	$4,050,000	192.3%	$3,894,075
James M. Loree	40%	40%	20%	0%	0%	0%	$420,000	$840,000	$1,680,000	192.3%	$1,615,320
Donald Allan, Jr.	40%	40%	20%	0%	0%	0%	$327,500	$655,000	$1,310,000	192.3%	$1,259,565
Jeffery D. Ansell	20%	20%	10%	25%	15%	10%	$332,500	$665,000	$1,330,000	196.1%	$1,304,065
Jaime A. Ramirez	10%	10%	5%	35%	15%	25%	$145,250	$290,500	$581,000	184.2%	$535,101
John H. Wyatt	10%	10%	5%	35%	15%	25%	$184,532	$369,064	$738,128	85.4%	$315,181

3. LONG-TERM INCENTIVE COMPENSATION

The Compensation Committee believes that establishing a culture of stock ownership is an effective way to incentivize executives to achieve sustainable performance results and maximize long-term shareholder value.

To that end, the Company is authorized to grant equity-based awards, including stock options, time-vesting restricted shares or units (RSUs), and performance-vesting shares or units (performance units) under its 2013 Long-Term Incentive Plan.

The Compensation Committee believes that the mix of stock options, RSUs and performance units places a substantial portion of compensation at risk and effectively links equity compensation values to shareholder value creation and financial results.

In 2016, the Company granted stock options, RSUs and performance units to its named executive officers as part of their regular compensation packages. The chart below summarizes the key elements of our long-term incentive compensation program:

Restricted Stock Units & Stock Options	The Compensation Committee believes stock options and RSUs are useful vehicles for rewarding management for successful share price appreciation, aligning their interests with shareholders, and bolstering retention. Stock options and RSUs vest in four equal annual installments on each of the first four anniversaries of the grant date. Stock options expire 10 years from the grant date.
Performance Units	Performance units are a key component linking pay with performance and aligning management s interests with the Company s key strategic initiatives. Designed to pay out at market-competitive levels only when we achieve and sustain profitability and market return goals over three years. 40% of performance unit payouts are contingent upon improvement in cash flow return on investment (CFROI), 35% on EPS growth, and 25% on TSR relative to our peers. The weighting of these goals is designed to encourage participants to focus first on cash flow return on investment, second on long-term profitability, and third on value creation relative to our peers. This approach recognizes that stock returns typically take longer to develop versus earnings and that relative TSR, while an important assessment of long-term performance, is not as directly influenced by our management team.

How We Determine Performance Criteria

Under our long term performance programs, performance units will be earned or forfeited following the conclusion of a three-year performance cycle depending on the achievement of pre-established EPS and CFROI performance goals for each year in the cycle and a three-year cumulative TSR goal. Commencing with the 2016-2018 performance cycle, EPS and CFROI goals are weighted such that achievement of these goals in the first and second years of the program will carry more weight than achievement of these goals in the third year of the program.

The Compensation Committee includes EPS as a performance goal in both the annual incentive and long-term performance award program because it believes EPS is a critical driver of shareholder value that must be balanced over both near- and longer-term time horizons.

The Compensation Committee does not want managers pursuing other short- or long-term goals without considering the effect of such goals on EPS.

The Compensation Committee also believes that using EPS as one of the goals in annual incentives provides the Compensation Committee with flexibility to adjust short-term goals to reflect existing market conditions without losing the motivational and retentive value of the long-term performance award.

Because each of the annual EPS goals contained in a given three-year long-term performance cycle is established in the first year of the cycle and the EPS goal for MICP is established each year, the target EPS goals for the second and third years of the long-term performance cycle are not likely to be the same as the target EPS goals for the corresponding years MICP programs.

Even in the first year of a cycle, when target EPS goals will match, the threshold and maximum EPS metrics will not be the same for annual and long-term awards because the range below and above target annual EPS is narrower for MICP awards than for long-term performance awards.

The Compensation Committee believes that the tighter range below and above target EPS for the MICP program is appropriate primarily due to the one-year time horizon.

The **CFROI computation** is defined as cash from operations plus after-tax interest expense divided by the two-point average of debt plus equity. Including this measure helps align performance goals with the Company s objectives, by encouraging participants to give greater weight to the projected cash flow return in relation to the cost of capital when considering investments.

The **TSR calculation** is based on an annualized rate of return reflecting share price appreciation and dividends paid during the measurement period with starting and ending prices measured as 20-day averages to account for daily trading volatility.

While we may re-evaluate the measures used in the performance unit program in the future, or the weighting of those measures, we believe that CFROI, EPS, and TSR currently provide effective tools for measuring the value we create and sustain, assessing our achievement of strategic goals, and evaluating our long-term performance and potential.

Performance goals for each performance cycle are recommended by management based on the Company s historical performance, strategic direction, and anticipated future operating environment, and are generally established during the first quarter of the performance cycle

Generally, the Compensation Committee seeks to establish goals such that the likelihood of missing the target goal is at least as high as the likelihood of achieving the target goal based on reasonable assumptions and projections at the time of grant

The Compensation Committee considers management s recommended performance goals, the Company s performance to date and strategic direction, and the nature of the Company s future operating environment, and once satisfied with the degree of difficulty associated with goal achievement, approves the targets for each performance cycle

The Compensation Committee may establish the target at a higher or lower level in appropriate circumstances.

Threshold, target and maximum EPS and CFROI goals are established in the first year for each fiscal year, or portion thereof, for the performance period.

At the end of the performance period, a weighted average payment is made based on performance achieved by the end of each fiscal year during the period relating to these goals plus an amount related to achievement of TSR goals.

The allocation of the long-term incentive values among stock options, RSUs and performance units varies by named executive officer. Our most senior officers have a greater percentage of their long-term incentive awards allocated to performance units than other officers and employees do because they have the greatest ability to influence the financial measures underlying the program. For Messrs. Lundgren and Loree, this equity mix has resulted in a significant portion of the total long-term incentive value delivered in performance units.

The following table shows the 2015 and 2016 allocation of regular long-term incentive awards for our named executive officers:

	2016			2015		
	Stock Options	**RSUs**	**Performance Units**	**Stock Options**	**RSUs**	**Performance Units**
John F. Lundgren	22%	28%	50%	22%	27%	51%
James M. Loree	31%	35%	34%	25%	31%	44%
Donald Allan, Jr.	32%	35%	33%	27%	34%	39%
Jeffery D. Ansell	32%	35%	33%	27%	34%	39%
Jaime A. Ramirez	35%	38%	27%	33%	40%	27%
John H. Wyatt	32%	35%	33%	29%	36%	35%

The goals for the 2015 2017 and 2016 2018 performance cycles are on a GAAP basis inclusive of routine restructuring charges. For competitive reasons, the Company does not disclose target goals for performance cycles that have not yet been completed. The threshold and maximum performance goals for the 2015 2017 and 2016 2018 performance cycles are as follows:

		EPS			**CFROI**		**TSR**	
		Threshold	*Maximum*		*Threshold*	*Maximum*	*Threshold*	*Maximum*
2015 - 2017	Year 1	$5.18	$6.33	Year 1	12.4%	14.4%		
Performance	Year 2	$5.61	$6.85	Year 2	12.6%	14.6%	25th	75th
Cycle	Year 3	$6.19	$7.57	Year 3	12.7%	14.7%	percentile	percentile

		EPS			**CFROI**		**TSR**	
		Threshold	*Maximum*		*Threshold*	*Maximum*	*Threshold*	*Maximum*
2016 - 2018	Year 1	$5.49	$6.71	Year 1	12.5%	14.5%		
Performance	Year 2	$5.77	$7.05	Year 2	12.5%	14.5%	25th	75th
Cycle	Year 3	$6.32	$7.72	Year 3	12.6%	14.6%	percentile	percentile

For the 2016 2018 performance cycle, the Compensation Committee determined that the likelihood of missing the target goal is at least as high as the likelihood of achieving the target goal. The EPS goals for the first and second years of the 2016 2018 performance cycle are lower than those established for the same fiscal years in the 2015 2017 performance cycle primarily because of foreign exchange pressure.

The award opportunities associated with the 2015 2017 performance cycle are set forth in the Company s March 9, 2016 Proxy Statement on page 23. The following table illustrates the award opportunities associated with the 2016 2018 performance cycle.

2016 2018 Performance Cycle

	Potential Performance Units Earned		
	Threshold	**Target**	**Maximum**
John F. Lundgren	21,745	43,490	72,483
James M. Loree	11,275	22,550	36,081
Donald Allan, Jr.	3,517	7,034	14,067
Jeffery D. Ansell	3,570	7,141	14,282
Jaime A. Ramirez	1,560	3,119	6,239
John H. Wyatt	2,030	4,059	8,118

2014 2016 Performance Cycle

The goals, actual performance results and payouts associated with the recently completed 2014 2016 performance cycle are illustrated in the following two tables. The results achieved for the 2014 2016 performance cycle resulted in a weighted average goal achievement across all measures of 172.7% of target.* The actual weighted average payouts in shares as a percent of target are lower for Messrs. Lundgren and Loree than for the other named executive officers because the percentage difference between their respective target and maximum potential payouts is smaller than the spread for the other named executive officers.

	Goals													
	EPS					CFROI				TSR				
	Threshold	Target	Maximum	Achieved		Threshold	Target	Maximum	Achieved	Threshold	Target	Maximum	Achieved
Y 1	$4.86	$5.40	$5.94	$5.67	Y 1	9.0%	10.0%	11.0%	13.1%				
Y 2	$5.45	$6.06	$6.67	$6.16	Y 2	10.0%	11.0%	12.0%	12.9%	25th percentile	50th percentile	75th percentile	86th percentile
Y 3	$6.09	$6.77	$7.45	$6.77	Y 3	11.0%	12.0%	13.0%	16.1%				

* In determining whether the EPS and CFROI performance goals were met for the 2014 2016 performance cycle, certain adjustments were made to remove the effects of restructuring and acquisition-related charges in each year, consistent with the terms of grant. The results shown in the foregoing table reflect these adjustments.

	Potential Performance Unit Threshold	Target	Maximum	Actual Payout (shares)	Weighted Average Payout (% of target)
John F. Lundgren	23,979	47,959	79,931	71,219	148.5%
James M. Loree	12,451	24,902	39,843	35,759	143.6%
Donald Allan, Jr.	3,843	7,686	15,371	13,274	172.7%
Jeffery D. Ansell	3,843	7,686	15,371	13,274	172.7%
Jaime A. Ramirez	1,722	3,443	6,886	5,946	172.7%
John H. Wyatt	1,582	3,163	6,327	5,463	172.7%

Special Grants in 2016

On October 21, 2016, pursuant to the agreement reached in connection with his December 2014 promotion to the position of President, Sales & Marketing, Global Tools and Storage, Mr. Wyatt received a special grant of 10,000 RSUs that will vest in full on November 1, 2018.

On December 2, 2016, the Compensation Committee approved the grant of one-time restricted stock unit awards to certain employees in order to mitigate retention risk, position the Company for future profitable growth and ensure the leadership remains engaged to deliver sustained strong performance. Recipients included Mr. Wyatt and Mr. Ramirez, who were awarded 20,000 and 10,000 RSUs respectively. These awards will vest in two equal installments on December 2, 2020 and December 2, 2021.

Benefits & Perquisites

Retirement Benefits

The Compensation Committee believes that offering a full complement of compensation and benefit programs typically extended to senior executive officers at comparable companies is crucial to the attraction and retention of high-caliber executive talent. To that end, the Company currently offers retirement programs to its executive officers under two plans: the Stanley Black & Decker Retirement Account Plan and the Stanley Black & Decker Supplemental Retirement Account Plan, which are more fully described on pages 30-31 and 39-40. Prior to 2007, when the program was closed to new participants, the Company provided supplemental retirement benefits to certain executives pursuant to The Stanley Works Supplemental Executive Retirement Program (now known as the Stanley Black & Decker, Inc. Supplemental Executive Retirement Program). Those executives who were participants in the program prior to 2007, Messrs. Lundgren and Loree, retain this benefit. This Program is described on page 38.

Retirement Agreement with Mr. Lundgren

On July 22, 2016, the Company announced that John F. Lundgren would retire from his position as Chief Executive Officer of the Company, effective as of July 31, 2016 and would continue to be employed by the Company until April 30, 2017 as a Special Advisor with such duties as the Board might specify. Mr. Lundgren also continued in his position as Chairman of the Board until December 31, 2016. In connection with Mr. Lundgren s continued employment with the Company after August 1, 2016 as a Special Advisor, the Company and Mr. Lundgren entered into an Executive Retirement Agreement dated as of July 21, 2016, which supersedes the employment agreement that had been executed by the Company and Mr. Lundgren in November 2009.

Additional information regarding Mr. Lundgren s agreement is set forth under the heading *Executive Officer Agreements* on page 40.

Employment Agreements

Mr. Loree

On July 21, 2016, the Company entered into a Letter Agreement (the Letter) with James M. Loree in connection with Mr. Loree s appointment to serve as Chief Executive Officer of the Company, effective as of August 1, 2016. Under the Letter, Mr. Loree is employed as the Company s Chief Executive Officer on an at will basis and his employment may be terminated at any time for any reason. The Letter supersedes the employment agreement that had been executed by the Company and Mr. Loree in November 2009.

Mr. Wyatt

Prior to his promotion to the position of President, Sales & Marketing, Global Tools & Storage, in December 2014, John H. Wyatt was based in Belgium and was employed by a subsidiary of the Company. Consistent with European practice, Mr. Wyatt had executed an employment agreement with the subsidiary. On December 22, 2014, Mr. Wyatt entered into a new agreement with the Company to replace his prior agreement. That agreement was updated effective January 20, 2016 in connection with Mr. Wyatt s promotion to President, Stanley Engineered Fastening.

Detailed descriptions of the agreements with Messrs. Loree and Wyatt are set forth under the heading *Executive Officer Agreements* on pages 41-42.

Change in Control Agreements and Severance Agreements

The Compensation Committee has determined that to be competitive with prevailing market practices, to enhance the stability of the executive team, and to minimize turnover costs associated with a corporate change in control, it is important to extend special severance protection for termination of employment as a result of a change in corporate control to certain key employees. Therefore, the Company has entered into change in control agreements with certain members of senior management, including the named executive officers. Severance protections were established based on prevailing market practices when these agreements were put in place for each of our named executive officers; Mr. Lundgren and Mr. Loree executed new change in control agreements in July 2016, in connection with the CEO transition described above. The severance benefits that would have been payable at December 31, 2016 to Messrs. Lundgren, Loree, Allan, Ansell, Ramirez and Wyatt in the event of termination following a change in control are set forth under the heading *Termination and Change in Control Provisions* beginning on page 42. Golden parachute excise tax gross-ups have not been and will not be included in any new change in control or severance agreement or arrangement entered into after 2010.

Perquisites and other benefits

The Company provides certain perquisites to its executive officers as part of its overall compensation program. These perquisites do not constitute a significant percentage of any executive s total compensation package and are comparable to perquisites offered by the companies with whom the Company competes for talent. The perquisites provided in 2016 are: financial planning services, life and long-term disability insurance, car allowance, home security system services, executive medical exams, and up to $5,000 of Company products for Messrs. Lundgren and Loree and $2,000 of Company products for other executive officers as more fully set forth on pages 30-31. Based on a detailed review of perquisites completed in 2016, the Company will increase the allowance for Company products to $5,000 for all executive officers in 2017 and will eliminate the car allowance as current lease arrangements expire. The provision of financial planning services,

life and long-term disability insurance, and executive medical exams is consistent with general market practice and, the Compensation Committee believes, provides benefit to the Company in encouraging the Company s executives to maintain their health and financial well-being. The Company provides home security services to executives to help ensure their safety and that of their families. The Company also permits limited personal use of corporate aircraft by certain executives. The Company product programs are designed to encourage Company executives to use, and encourage others to use, Company products. The Company does not provide tax gross-ups on any perquisites. As discussed on page 42, the Company agreed to provide Mr. Wyatt with certain additional benefits in connection with his relocation from Europe to the United States. The value of these benefits is included in Column (i) of the Summary Compensation Table and the footnote thereto.

OTHER COMPENSATION POLICIES & CONSIDERATIONS

Stock Ownership Policy

In furtherance of the Company s objective to create an ownership culture and because the Compensation Committee believes the meaningful investment by executive officers in the Company better aligns their interests with those of the Company s shareholders, the Company maintains a Stock Ownership Policy for Executive Officers. This policy requires stock ownership to reach the minimum levels laid out in the table below within a five-year period commencing on the date of hire or promotion to a senior management position. This policy also requires that executive officers hold the net after tax shares received upon vesting of RSUs or the exercise of stock options granted on or after February 14, 2012 for a period of one year post vesting or exercise, as applicable even if the minimum ownership requirement is otherwise satisfied. A copy of this policy is available on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com.

	Minimum Ownership
CEO	600% of base salary
CFO	500% of base salary
Other Executive Officers	300% of base salary

Timing of Stock Option and RSU Grants

Annual grants of stock options and RSUs to executive officers are usually made at a regularly scheduled meeting of the Compensation Committee held during the fourth quarter of each year. The grant date of stock option and RSU awards is the date of the Board meeting held during the fourth quarter (typically the day after the Compensation Committee meeting) and grants to other eligible employees typically are approved on the same date. The exercise price for all stock option grants other than those to French participants is the average of the high and low price of a share as quoted on the New York Stock Exchange Composite Tape on the date of grant. The grant date for awards to French participants is the first date on which grants may be made consistent with French legal and tax requirements following the date on which annual grants are made to our other employees. The exercise price of stock options for French participants is the higher of the average of the high and low stock price on the date of grant and 80% of the average opening price on the New York Stock Exchange for the 20 days preceding the date of grant.

The Compensation Committee may occasionally make off-cycle grants during the year. These are typically associated with promotions, hiring, acquisitions, or other significant business events that would likely have an adverse impact on our ability to retain management talent. The Compensation Committee has delegated authority to the Company s Chief Executive Officer to make annual grants and occasional off-cycle grants to employees who are not executive officers of the Company. The grant date for any grants made by the Company s Chief Executive Officer is either the date the grant authorization is signed by the Chief Executive Officer or a later date specified in the grant authorization.

Tax Deductibility Under Section 162(m)

Under Section 162(m) of the Code, the Company may not be able to deduct certain forms of compensation in excess of $1,000,000 paid to the Chief Executive Officer and the three other most highly compensated named executive officers employed at the end of the year (other than the Chief Financial Officer). The Company believes that it is generally in the Company s best interests to satisfy the requirements for deductibility under Section 162(m). Accordingly, the Company has taken appropriate actions, to the extent it believes feasible, designed to preserve the deductibility of annual incentive and long-term performance awards. However, notwithstanding this general policy, the Company also believes there may be circumstances in which the Company s interests are best served by maintaining flexibility in the way compensation is provided, whether or not compensation is fully deductible under Section 162(m).

Hedging; Pledging

The Company s Board has adopted a policy against hedging transactions and discouraging pledging transactions. Pursuant to the policy, hedging is not permitted, and any officer, director or employee who wishes to pledge shares must obtain the prior approval of the General Counsel. This policy is included in the Company s Business Conduct Guidelines, which are available on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com.

Forfeiture of Awards in the Event of Restatement

The Board of Directors has adopted a recoupment policy relating to unearned incentive compensation of executive officers. Pursuant to this policy, in the event our Board or an appropriate committee thereof determines that any fraud, negligence or intentional misconduct by an executive officer was a significant contributing factor to the Company having to restate all or a portion of its financial statements, the Board (or committee thereof) will take, in its discretion, such action as it deems necessary to remedy the misconduct and prevent its recurrence. Such actions may include requiring reimbursement of bonuses or incentive compensation paid to the officer after January 1, 2007, requiring reimbursement of gains realized upon the exercise of stock options, and cancellation of restricted or deferred stock awards and outstanding stock options. In determining what actions are appropriate, the Board (or committee thereof) will take into account all relevant factors, including whether the restatement was the result of fraud, negligence or intentional misconduct. A copy of this policy is available on the Corporate Governance section of the Company s website at www.stanleyblackanddecker.com.

Assessment of Risk Arising from Compensation Policies and Practices

The Company has considered whether its compensation policies and practices create risks that are reasonably likely to have a material adverse effect on the Company and has concluded that the Company s compensation practices and policies do not create such risks. This conclusion was based on the following considerations:

As discussed above on pages 18-20, under the MICP, each participant has an opportunity to earn a threshold, target or maximum bonus amount that is contingent on achieving established performance goals. MICP Goals generally fall into two categories:

corporate goals, consisting of EPS, organic sales growth and cash flow multiple (operating cash flow less capital expenditures divided by net earnings); and

divisional goals, such as divisional operating margin, working capital management and group organic sales percent.

Divisional goals are established with overall corporate objectives in mind and generally do not conflict with corporate goals. To further minimize the risk that any employee or group of employees would pursue achievement of divisional goals in a manner that would have an adverse impact on the overall corporate goals, at least 20% of the annual bonus opportunity for all managers is based on achievement of the corporate goals. In addition to divisional goals, managers other than named executive officers may be assigned individual performance goal targets as a component of their MICP award. Any such individual achievement goals would account for a small percentage of the total bonus opportunity and, accordingly, it is unlikely that any individual would pursue achievement of an individual goal in a manner that would jeopardize performance of his or her division as a whole or the Company as a whole.

The Company s long-term incentive programs similarly are not likely to create risks that are reasonably likely to have a material adverse effect on the Company. As discussed above on pages 20-24, there are two elements to the Company s long-term incentive programs:

(i) grants of stock options and/or RSUs that vest over time (typically four years) and

(ii) grants of performance units that vest based on performance over a specified period of time (typically three years).

The RSU and stock option grants align recipients interests with those of the Company s shareholders in maintaining or increasing share value, making it unlikely that award recipients will pursue behaviors that create a material risk to the Company. Performance grants generally are earned based on achievement of corporate performance goals. A portion of