

Masco Corporation

Taylor, Michigan



Case Study

WORLD LEADER IN HOME IMPROVEMENT AND BUILDING PRODUCTS VALUES
SUSTAINABLE INNOVATION

Masco Corporation, headquartered in Taylor, Michigan, is one of the world's largest manufacturers of brand-name consumer products for the home improvement and new construction markets. The corporation manages companies in five business segments based on similarities in products and services; cabinets and related products, plumbing products, installation and other services, decorative architectural products, and other specialty products. Corporate companies include Merrilat Industries, American Shower and Bath, Delta Faucet Company, KraftMaid Cabinetry, Milgard Manufacturing Inc., Behr Process Corporation, Duraflex, Damixa, Hansgrohe, Masco Contractor Services, and Cobra Products, Inc. Masco Corporation's sheer size and product lines make it an ideal candidate for sustainable innovation.

Masco is committed to conducting business in a manner that protects the quality of the environment, as well as the health and safety of employees, by reducing the quantity and toxicity of the waste generated at its plants. Masco does this by implementing aggressive policies that safeguard the health, safety and environments in which employees live and work, as well as by ensuring their responsible use of the world's natural resources. Masco is a founding member and participates in the Southeast Michigan Sustainable Business Forum, which works to promote sustainability by ensuring "a better quality of life by addressing the environmental

MASCO

and social ramifications of actions in addition to the bottom line." The Forum is a learning organization that meets to discuss pertinent issues and hear presentations concerning the practical and strategic inclusion of sustainability in business practices.

Environmental Management and Sustainability

Masco Corporation recognized the importance of environmental sustainability by issuing its first corporate sustainability report for 2003/2004, which describe Masco's endeavors to design, manufacture and distribute products in a safe and environmentally sound manner.

Information contained in this case study was extracted from Masco's 2003/2004 Corporate Sustainability Report.

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Masco's dedication is demonstrated by its development and implementation of environmental management systems (EMS) certified to the ISO 14001 Standard. Currently, 31 facilities have an ISO 14001 certified Environmental Management System with several more facilities in the process. Masco's environmental management system addresses waste minimization and effective use of raw resources, recycling, water conservation, energy efficiency, products and the environment and supplier incentives.

Waste Minimization and Raw Resources

Masco recognizes the importance of forest resource protection and has developed its own Kitchen Cabinet Global Forest Policy to promote the manufacture of cabinets using lumber from forests that are managed in a sustainable manner certified by the Forest Stewardship Council (FSC), the Sustainable Forestry Initiative (SFI) and the Tree Farm Standard. As part of its environmental strategy, Masco implemented a Supplier Relationship Management (SRM) system which helps the company to evaluate raw material efficiency and minimize waste streams throughout the corporation. Masco also encourages its companies to take steps to improve the resource efficiency of facilities. Masco facilities reduced Volatile Organic Compound (VOC) emissions by 32% from 1999 to 2003.

Masco facilities achieved this reduction by adopting new technology and streamlining current processes. A Merillat facility realized a 94% reduction in VOCs when it replaced solvent-based stain with water-based stain and installed single-edged grooving and coating machines. A Duraflex facility made vinyl saw adjustments that resulted in reduced waste and increased productivity. The Merillat



facilities utilize Six Sigma, a resource efficiency metric and methodology, reducing wood waste by 50%.

Reuse and Recycling

Recycling is an essential component of Masco's environmental strategy and manufacturing processes. Masco strives to reuse material or use recycled or recovered materials in its processes where possible, thereby consuming fewer raw materials and natural resources. Masco Corporation recycles cardboard, medium density fiberboard (MDF), particleboard, pallets, wood shavings and wood dust, clean vinyl scrap, glass, plastics, brass scrap chips and other scrap metal. Several Masco companies have also created their own innovative recycling programs. For example, Merillat makes use of its wood waste from cabinet manufacturing by selling sawdust and shavings for agricultural use, manufacturing fire logs and incorporating waste wood products into composite board and decking. This program yielded a savings of over 22,000 metric tons of wood at a single facility.

Water Conservation

Total water consumption at 39 of Masco's largest water using facilities dropped by 7.6% between 2001 and 2003. Masco achieved this reduction through its water usage data collection system. Water usage is monitored and compiled by Masco facilities, helping Masco to target areas needing

improvement. Facilities use the data to identify water usage and install devices such as control valves, closed loop systems and other water reuse systems to reduce and control water use.

Energy Efficiency

Masco closely monitors energy use and efficiency. Throughout the corporation, facilities are encouraged to implement energy saving

processes and technologies that decrease the use of fossil fuels. Alternatives include the use of renewable energy and energy from waste. American Shower and Bath in Lapeer Michigan realized significant energy savings after installing energy-efficient vacuum-forming ovens, on-demand vacuum pumps, thermostats and timers on heating, cooling and air-handling equipment, and metal halide lighting.

Products and the Environment

Masco Corporation's many product innovations and services reflect the corporation's vested interest in sustainability. Milgard's energy-saving glass, Coat-Max™ low-e, filters solar energy in the summer and reduces heat loss in the winter. Behr Process produces a line of low-VOC paints, which has received widespread recognition from a national consumer products magazine. Damixa developed a number of water- and energy-saving devices including Eco-Klik™, which is a patented mechanism that reduces water usage at full flow and limits hot water consumption. Masco Contractor Services developed The Environments for Living® Program, which provides builders and homeowners with guidelines for creating sustainable living environments, which are less costly to heat and cool.

Supplier Incentives

Masco's sustainability efforts extend to its supply chain of more than 13,000 suppliers in 36 countries in 2003. Masco encourages suppliers to act responsibly and developed a recognition program to reward leadership, communication, commitment and cooperation, while achieving world-class quality, cost reduction, delivery, service and sustainability. The corporation encourages its suppliers to comply with corporate sustainability standards, through programs such as the Masco Supplier Team Recognition (MASTAR) program.

Society

Masco has worked extensively to develop the social component of sustainability, by building equitable relationships with their stakeholders

such as employees, suppliers, customers, shareholders, institutions, governments, organizations, media and surrounding communities. Masco promotes team based programs to improve financial, operational and people performance and eliminate non-value added activities from manufacturing and business process. Outcomes include improved productivity by 20 %, reducing work-in-process inventory by 50 %, reducing material handling steps by 33 %, and implementing safety and environmental improvements. As a result of the success of the team based programs, many operating companies have designated full-time Continuous Improvement Managers to coordinate Lean Manufacturing activities. Masco Corporation funds the Masco Corporation Foundation, which was established in 1952 to provide financial and in-kind support via partnerships with result-oriented organizations focused primarily on low-income housing and arts and cultural initiatives in the southeast Michigan region. Masco has contributed time and resources to community development projects, sponsoring Habitat for Humanity 2003 Detroit's Blitz Build to construct four homes, and awarded grants to a wide variety of arts and cultural organizations in southeast Michigan.

Economics

Masco Corporation has developed an effective economic strategy for long term growth, which includes enhancing corporate sustainability, building value for shareholders, continuing to meet the needs of customers through customer service initiatives, and improving efficiency and competitive advantage in the home improvement and new construction markets. Masco works to meet these goals while continuing to increase inventory, sales and dividends. Between 2001 and 2003, Masco increased its inventory by 12% and sales rose by 37%. In 2003, Masco increased sales by 19.7% from the previous year. Shareholders have also benefited from Masco's economic prosperity; in 2006, Masco reported consecutive dividend increases for the 48th year.

Sustainability

Masco’s shift towards sustainability has played an important role in improving operations throughout the corporation, its companies and suppliers. According to Masco, “Sustainability is the concept that guides Masco in measuring and improving upon our economic, social and environmental performance with the aim of ensuring that our business activities do not compromise the well-being of society in the long-term”. Through the use of triple bottom line metrics, Masco Corporation’s continued success has shown that implementing sustainable practices can increase sales and profits throughout the company, while improving product quality, services and relationships with shareholders.

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