

BUILDING IN HARMONY

USG CORPORATION SUSTAINABILITY UPDATE - DECEMBER 2011

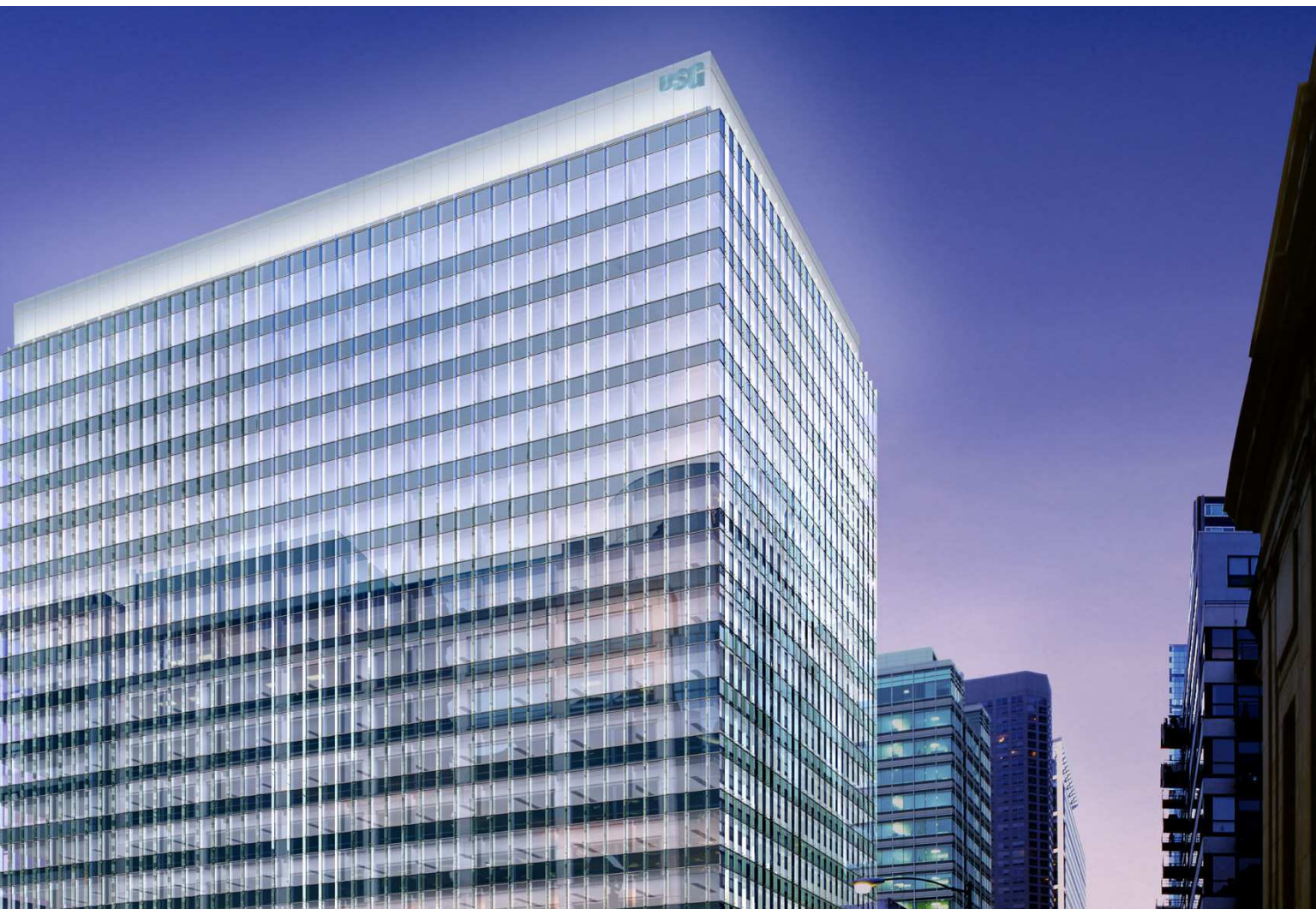


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BUILDING IN HARMONY

Sustainability is about achieving balance. It is about creating architecture that coexists harmoniously with the world. For over a century, sustainable practices have naturally been an inherent part of our business at USG. Today, they help shape the innovative products that become the homes where we live, the buildings where we work and the arenas where we play. In 2010, USG published our first comprehensive [Corporate Sustainability Report](#). An overview of our commitment to sustainable growth and responsible business practices, it outlined our efforts through 2009. This update highlights our recent efforts.



At USG, our approach to [sustainability](#) focuses on three dimensions of responsibility: environmental, social and economic. In this report, we will profile our efforts in these three areas.

It should also be noted, despite the economic challenges endured by the construction industry and our company, our responsibilities continue to be a priority. In fact, they contributed in many ways to our ability to manage our business during this difficult time.

- We continued to minimize the environmental impact by improving energy efficiency of our production facilities by more than 7% through year-end 2011.
- We continued to work safely and achieved a safety performance record that is 25 times better than the typical manufacturing company.
- We continued to innovate for our customers and were awarded more than 50 patents in the United States and more than 240 internationally, and our customer satisfaction metrics remain at or near record levels.



A BLUEPRINT FOR ENVIRONMENTAL RESPONSIBILITY

First introduced in 2009, [EcoBlueprint™](#) guides USG's strategy for environmental sustainability. With it, we are moving forward in a focused and transparent manner to achieve a genuine reduction in our overall environmental impact. We carefully developed the EcoBlueprint™ goals and strategies to ensure a comprehensive and multidimensional scope that considers the environmental impacts that are most relevant to our customers, our products and our operations.



EcoBlueprint™ focuses on three corporate priorities—worldwide goals where we can make the most positive environmental impact. We are committed to achieving the following objectives by 2020, using 2005 as our baseline.

1. Develop responsible customer solutions:

Conduct environmental Life Cycle Assessments (LCA) on 100 percent of USG products

2. Enhance energy management:

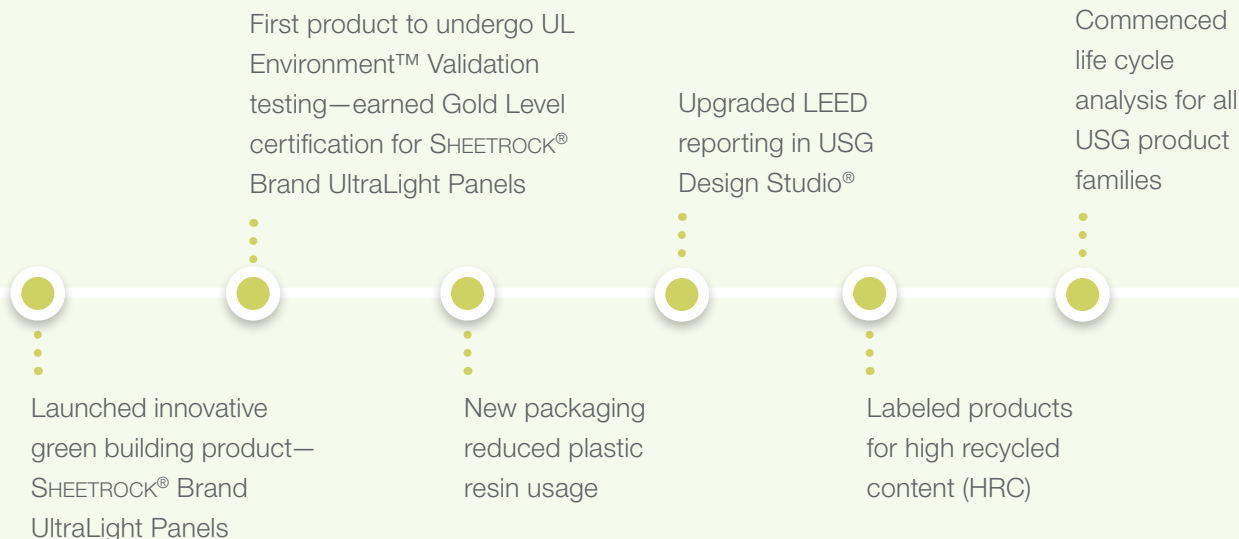
Reduce greenhouse gas emissions by 20 percent

3. Improve how we use resources:

Reduce operational waste to landfill by 50 percent



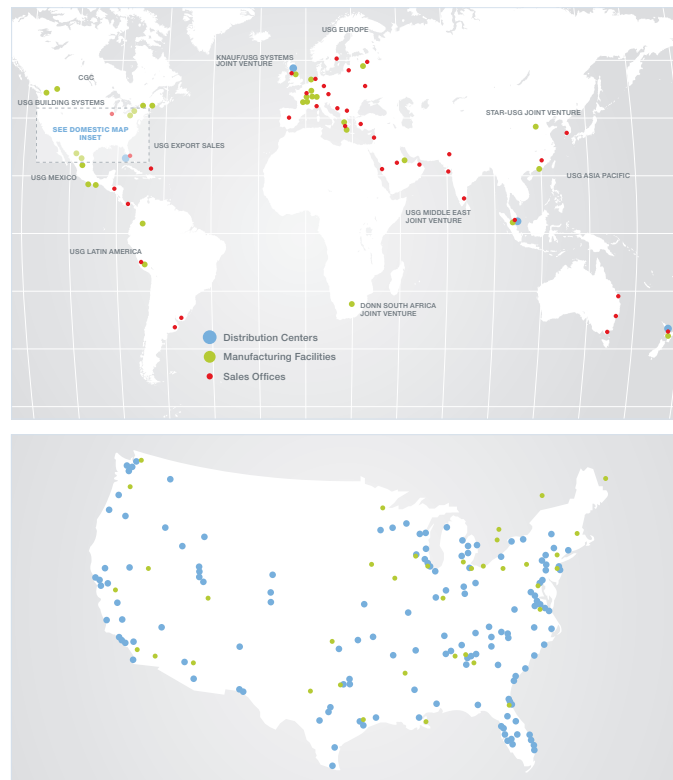
RESPONSIBLE CUSTOMER SOLUTIONS



At USG, our customers’ concerns come first. That’s why we strive to provide them with the products, services and information they need to not only create sustainable spaces, but also take pride in the fact that they require fewer resources to build, operate and maintain.

USG offers some of the most environmentally friendly building products available today. Most of our products contain recycled content, emit no or low levels of volatile organic compounds (VOCs), use minimal packaging and require only routine maintenance. Furthermore, our manufacturing facilities and extensive distribution network place our products near major population centers, reducing both the miles driven and number of trucks required to deliver our products. (See map at right.)

USG PLANT LOCATIONS



SOLUTIONS UNDERWAY

SHEETROCK® Brand UltraLight Panels

USG invented drywall. It only stands to reason that we would reinvent it as well. In 2010, we revolutionized green building solutions with a major achievement in the wallboard history—the introduction of ½-inch SHEETROCK® Brand UltraLight Panels. Utilizing a breakthrough technology, these panels are up to 30 percent lighter than standard half-inch drywall. The lightweight gypsum panels are made with up to 95 percent recycled content, reduce transportation energy by up to 20 percent and qualify as a low volatile organic compound (VOC) adding to our large portfolio of low emitting products.

SHEETROCK® Brand UltraLight Panels are the company's first wallboard product to undergo Underwriters Laboratories Inc.'s UL Environment™ validation testing and earned Gold Level Certification. This distinction indicates the product has superior environmental and human health attributes. With this validation, USG became the first organization certified to the UL Environment's ULE ISR 100 standard, a set of requirements for environmentally preferable gypsum wallboard and panels.

In 2011, USG expanded the UltraLight portfolio with the introduction of SHEETROCK® Brand UltraLight Panels FIRECODE® 30 and SHEETROCK® Brand UltraLight Panels FIRECODE® X. Both products bring similar sustainability benefits to commercial construction.

New Packaging

During 2010, we began to transition to new packaging for our lightweight all purpose compounds. With our new 75-mil pail, we reduced plastic resin usage by 15 percent without sacrificing

the pail's performance. Once the new packaging transition is fully implemented, we will reduce our resin usage by almost one million pounds annually.

More Functionality for LEED Reporting

USG takes pride in our ability to provide the transparency, data and tools our customers need to design and build with confidence, accuracy and ease. During 2010, we began a comprehensive upgrade of USG Design Studio®, our free web portal for architects and contractors, including its LEED (Leadership in Energy and Environmental Design) resources. The new USG Design Studio® launched in early 2011 with superior functionality, navigation and graphics, as well as an advanced distance calculator and more accurate plant-specific information for its already thorough LEED Report Tool.

The improvements to USG Design Studio® are critical for determining eligibility for MR Credit 5: Regional Materials. For example, when customers add a project location to their product selection, the LEED Report Tool provides a list of plants, from nearest to farthest, as well as the approximate distances. The tool then generates a LEED report in a format similar to the official LEED forms that will be submitted.

Establishing Definitions for Product Content

“Green” product claims based on a single stage in a product's life cycle or a single environmental impact is an increasing concern for the building industry, with some manufacturers making claims simply based on recycled content. Well-intended green rating systems and certifications have also overemphasized the amounts and types of recycled content.

A term used with increasing frequency is “high recycled content,” or HRC. The ceilings industry, in particular, has lacked a generally accepted definition of HRC. In 2010, USG initiated the development of an HRC definition that allows building professionals to readily identify HRC products and provides broader, more inclusive consideration of a product’s contribution to sustainable design.

USG recommends defining HRC as products that contain at least 50 percent recycled content, whether it’s pre- or post-consumer recyclables. We have already begun labeling the hundreds of products we offer that meet this criteria as HRC. We also continue to advocate a deeper look at a product’s environmental impact from multiple perspectives, including Life Cycle Assessment (LCA) and Indoor Environmental Quality (IEQ). Such analysis helps ensure that buildings are designed and built to minimize environmental impact and protect occupant welfare.

MODELING OUR PRODUCT LIFE CYCLES

USG believes a comprehensive view of a product’s entire life cycle, versus single-attribute claims, provides our customers with greater transparency and a better foundation on which to make decisions when designing and building sustainable environments.

We are committed to definitively measuring the life cycle impact for all of our products through extensive LCA. Our Corporate Innovation Center researchers are trained to conduct LCAs and are well on their way to meeting this goal. These professionals have created LCA models

for many of our major product lines, including gypsum panels, joint compounds, ceiling tiles, grid, cement-based panels, and plastic and metal corner bead.

To establish these LCA models, our experts determined the materials, energy flows and processes throughout the life of a particular product. The next step is to verify and validate the data collected. Part of our LCA effort includes working closely with our suppliers to accurately account for the environmental impact of our raw materials.

OUR SUSTAINABILITY CHAMPION AWARD

For his outstanding commitment and efforts, we recognize Mark Englert, Senior Research Associate, with our Sustainability Champion Award.

Mark provides technical support to research and plant staff regarding sustainable product development and manufacturing operations. He also educates his fellow colleagues and affiliates on the importance of understanding green building standards. Mark is a Life Cycle Assessment practitioner who truly enjoys finding ways to make our products and operations more sustainable. Additionally, he serves on multiple committees responsible for developing green standards and guidelines and represents USG at ASTM E 60 committee meetings.

Although USG uses LCAs to advance our product development research, we also recognize the need for consistent LCA reporting. We are committed to defining guidelines and establishing rules to ensure fair reporting. We believe it is our responsibility to engage the organizations and participate in the discussions that establish our industry's best practices, standards and regulatory activities.

We offer our expertise and passion for sound building science and responsible customer solutions by being involved in organizations

committed to preserving the quality of indoor and outdoor environments.

For example, the International Code Council has held several public comment sessions to review and refine the International Green Construction Codes. We participated in these sessions and submitted several comments, including our support for making LCA an industry requirement.



ECOBLEUEPRINT™ PRIORITY:

ENHANCE ENERGY MANAGEMENT

- Increased energy efficiency
- Reduced embodied energy
- Streamlined manufacturing start-up and shutdown procedures
- Implemented structured program to create sustained energy savings
- Reviewed, and continue to evaluate, low-carbon energy technologies

The recent economic downturn created a challenging environment for energy management as manufacturers, including USG, scaled back production. Multiple plant start-up and shutdown sequences can diminish energy efficiency. But despite this difficult period, USG reduced energy consumption 7.0 percent on a per-unit production basis for our main product lines since 2008. This diligent focus on energy conservation over the last few years has contributed greatly to our overall reduction in greenhouse gas emissions since 2005, our baseline.

In the event of planned downtime, our plants have detailed checklists of loads to be de-energized, as well as specific sequences for shutting down those loads. The result is a set of best practices that, when consistently applied, can reduce the amount of energy used during these periods by 50 percent or more.

We implemented a new USG Production System that provides a uniform and structured approach across all USG operations to produce sustained and continuous improvement. As part of the system rollout, each plant was provided an Energy Capability Improvement Guide to benchmark its existing energy performance and set priorities for improving operations. Many of our plants invested significant time, effort and capital to make improvements with impressive results.

Our Aliquippa, Pennsylvania, plant installed new paper edge heaters that use one-sixth the energy of traditional gas-fired heaters. Our Shoals, Indiana, facility improved their synthetic gypsum drying process efficiency by recirculating waste heat. In Baltimore, Maryland, our plant has improved kiln performance with aggressive air- and heat-leak detection, including thermal imaging, and has reduced natural gas usage by 11 percent per thousand square feet.

Obviously USG can't control the economic downturn's reduced business opportunities, but we can, and have, made our plants more competitive by reducing energy consumption. In turn, using less energy means generating less greenhouse gas emissions. And we anticipate further long-term energy and greenhouse gas reductions through decreasing the **embodied energy** of our products and the utilization of low-carbon technologies.

The introduction of SHEETROCK® Brand UltraLight Panels demonstrates our efforts to reduce the overall embodied energy of a product. Aside from the product's improved application performance and various environmental attributes, the panels' lighter weight results in up to a 20 percent reduction in transportation energy.

USG is also actively investigating several energy technologies that have the potential to reduce the carbon footprint of our manufacturing operations. However, as is often the case when considering such technologies, significant evaluation is required to ensure they can produce verifiable reductions for the long term without adverse environmental impacts.



ECOBLEUEPRINT™ PRIORITY:

IMPROVE HOW WE USE RESOURCES

Reduced
use of raw
materials

Increased
recycled content,
even in low-waste
processes

Sought alternate
uses for waste
materials and
partnered with
those who could
put them to
good use

Expanded
product take-back
programs

By definition, conservation is the ability to do more with less. Our launch of SHEETROCK® Brand UltraLight Panels is an ideal example of conservation at USG. Not only did we reduce the quantity of raw materials in the product formulation, we consume up to 15 percent less gypsum compared to our standard product.

Manufacturing wallboard and ceiling panel products is typically a low-waste process, with between 95 percent and 100 percent of all materials recycled back into our products. Additionally, as part of our rigorous Lean Six Sigma program, we continuously look for opportunities to improve our processes. The results are more efficient use of resources and superior quality.

To better understand and improve how we use resources and handle waste, in 2010 we began to analyze the type of waste we produce and identify alternate uses for that material. We enlisted a waste management service provider to help us find potential partners who would value these materials that we would otherwise dispose of. Consider one paper mill by-product—biosolids. Biosolids, typically considered a waste, are a rich source of organic material for the agriculture and nursery industry.

We also established metrics to evaluate the performance of each of our facilities and continuous improvement toward our 2020 waste goal. It should be noted that for the building materials industry as a whole, waste is not just an issue at the point of manufacture, but also at the construction job site.

We enhanced our ceiling tile take-back program. However, separation and transportation requirements may limit the amount of material returned. We also recycle our gypsum wallboard waste from new construction, but at present is considered only on a case-by-case basis.

Undeterred, we are constantly investigating ways to develop recycling infrastructure that can reduce the burden of recycling for our customers and keep more new construction waste out of landfills. One such success story comes from our subsidiary, L&W Supply Corporation.

L&W Supply was named the 2010 Green Innovator of the Year by *Wisconsin Builder* magazine for supporting the drywall recycling efforts of one of the nation's largest construction companies, Boldt Company, as they built the Encircle Health Multi-Specialty Ambulatory Care Center in Appleton, Wisconsin. During construction, L&W Supply placed heavy-duty waste-collection

baskets at the job site and retrieved the full baskets for gypsum recycling. The program reduced gypsum waste disposal fees and helped earn LEED points. Prior to L&W Supply's recycling program, gypsum waste was tossed into dumpsters and sent to landfills. According to estimates, L&W's program on this project diverted 50 tons from landfills.

"L&W stepped up to the plate and started this recycling project for the construction site."

Robin Rusch

Senior Buyer and Project Engineer
Boldt Company



SOCIAL RESPONSIBILITY

WORKING SAFELY, EVEN DURING UNCERTAIN TIMES

Despite the business and personal pressures the economic downturn placed on our employees, we worked even more safely than the year before. For the fourth consecutive year, we reduced our recordable injury rate and had fewer employees miss work or go on restricted duty because of an incident.

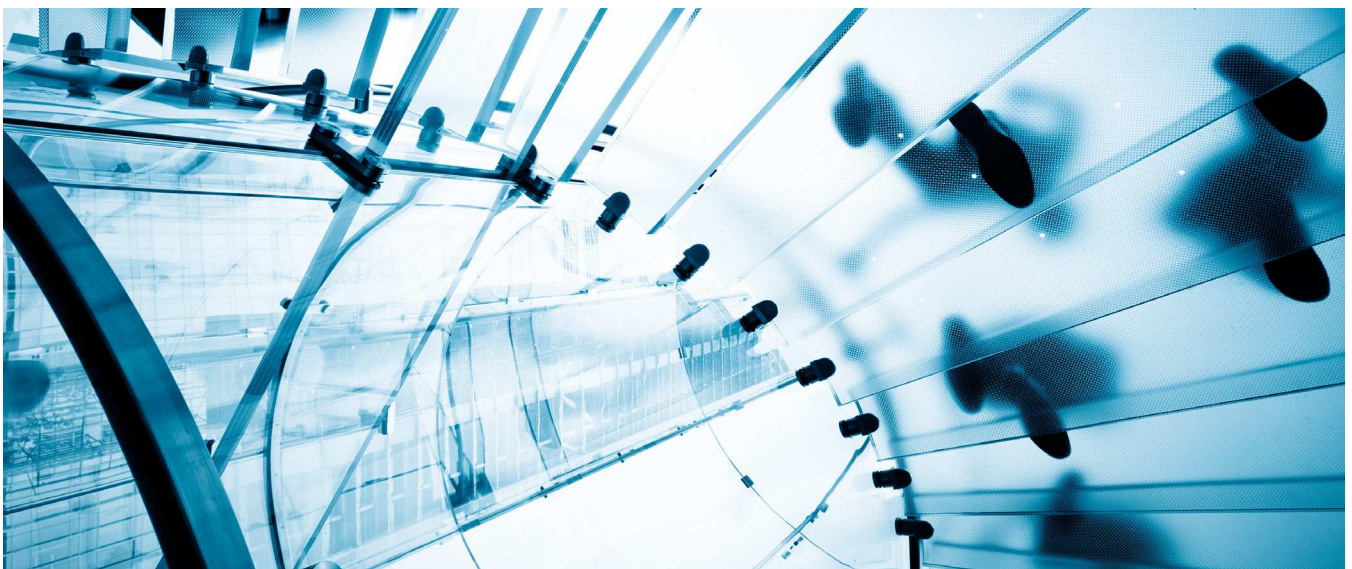
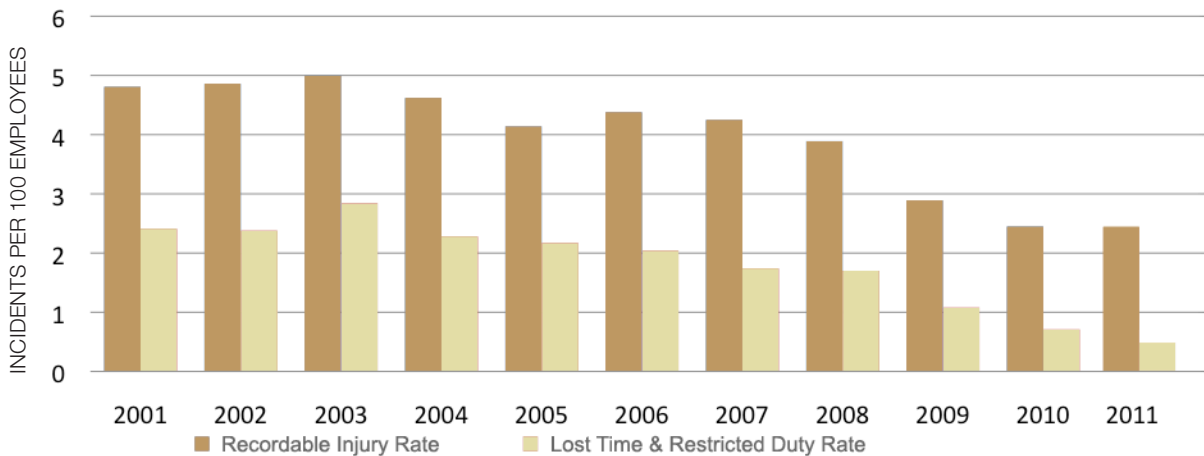
For 2011, our recordable injury rate was 2.42 per 100 employees compared to 2.8 in 2009. Our lost time rate was 0.07 in 2011 compared to 0.14 in 2009 and our restricted duty rate in 2011 was 0.55 compared to 0.94.



Since the early days of our company, we have made employee safety one of our seven core values by developing and adhering to safety guidelines that exceed industry standards and regulations. With our belief that no job is so important that we cannot take the time to do it safely, we have achieved a safety performance that is 25 times better than the typical manufacturing company.

In 2010, our Weirton, West Virginia, plant was added to our growing list of manufacturing facilities that have achieved OSHA “Star” status. This is the most prestigious OSHA designation and recognizes work sites that have highly successful safety and health programs that result in injury

and illness rates at or below the national average for their industry. The Weirton plant is also an environmental steward in the community, as it is a zero-discharge facility, meaning zero waste is discharged from the plant site. The plant also recycles all steel scrap material and steel coils with a local recycling company. In 2011, our Dallas, Texas, manufacturing plant and our Perrysburg, Ohio, L&W distribution center branch also received the OSHA Star award. The Great Lakes Gypsum Supply branch is the first L&W Supply branch to receive the OSHA Star award. Finally, we are pleased to report that all existing USG OSHA Star sites that were up for renewal were recertified.



USG IS SYNONYMOUS WITH SAFETY

Since 2004:

- Our United States gypsum mines and quarries have received the Mining Safety and Health Administration (MSHA) award more than 14 times.
- Our Canadian mines have received the John T. Ryan Safety National and Regional Award more than 8 times.
- Our wallboard facilities have received the Gypsum Association's Lloyd H. Yeager Million Hour Award more than 30 times.
- Our Red Wing plant has received the Minnesota Safety Council Award more than 7 times.

Our dedication to safety extends beyond our plants into our employees' homes and communities. For example, USG sponsored the American Red Cross of Greater Chicago's Team Firestopper program. It provided fire education to Chicago-area residents in eight communities that have an above-average number of home fires. USG volunteers visited homes, providing smoke and carbon monoxide detectors, fire extinguishers and first aid kits, along with important fire safety information.



SUPPORTING THOSE IN NEED, EVEN OUR OWN

Because our business focuses on the built environments in which we live, assisting organizations dedicated to providing affordable shelter and those that support self-sufficiency have always been priorities for our social responsibility efforts. With the recent economic downturn, we even found ourselves in the position of supporting our own employees with basic necessities.

Like many companies, USG has fewer employees now than we did at the start of the recession. The decision to reduce staffing and idle or close a plant, L&W branch, or any other facility is always difficult. In the case of our wallboard plant in Empire, Nevada, the decision was even more difficult because it also affected the living arrangements of our employees and their families.

The Empire operation is unique because it is part of a company town. We own the employee homes and several other community structures. To ease the transition for our Empire employees and their families, we provided them with the ability to stay in their homes rent-free for five months, enabling their children to complete the school year and allowing for sufficient time to make other living arrangements.

In addition, we provided employees with assistance in seeking new employment. Fortunately, many of our Empire employees found jobs with gold mining companies within the state. Their safety training and other skills made them attractive candidates to other manufacturing companies.

In addition to supporting our own employees, 2010 marked substantial contributions to worthy causes. USG was instrumental in the construction of the world's 300th Ronald McDonald House with a donation of more than 42,000 square feet of building materials. The three-story house located at St. John's Mercy Children's Hospital in St. Louis features 20 rooms that serve, on average, 700 families each year. We also contributed to the relief and recovery efforts in the wake of the Haitian earthquake. In the aftermath of the devastation, USG employees and the USG Foundation made a cash

donation of more than \$65,000 to an island nation where countless lives were lost and approximately a quarter of a million homes were severely damaged or destroyed. Finally, as part of the 2010 annual Chicago Cares Serve-a-thon, USG employees helped transform area schools in need of repair and care. Of course, USG products were donated and used. And our employees painted walls and hallway murals, cleaned classrooms, and maintained landscaping for an elementary school on the city's south side.

USG Mexico is motivating employees and their families to become more involved in their communities through a program focused on academic excellence. Niños de Excelencia, or Children of Excellence, is a program offered to all USG Mexico employees that recognizes outstanding school performance for children in elementary or junior high school. Participants who meet the academic criteria are rewarded with a USG-branded bicycle. The program launched in 2008 and 41 students received bicycles in 2010 out of the more than 100 students participating for the three-year period.

The USG Foundation Community Involvement Awards Program, Helping Hands, was designed to recognize USG employees who strive to improve the communities in which we live and work. As an example, Brook Klawitter organized the Special Olympics for the South Suburban Chicago area helping children aged 2 to 7 years participate in physical activity which increased development and self esteem. In addition to Helping Hands, a new American Red Cross volunteer program is available to USG employees. The Ready When the Time Comes (RWTC) program trains employees from local participating companies to respond immediately in the event of a local, large-scale disaster.

Throughout USG, our employees are active in their communities. They volunteer their time and talent, helping countless chambers of commerce, service and civic clubs, and social service organizations.

ECONOMIC RESPONSIBILITY

Our sustainability efforts are an integral part of our strategy to strengthen our core, diversify through adjacent businesses and emerging markets, and differentiate ourselves through innovation. We are confident that we are well positioned to capitalize on the recovery that we know will eventually happen in our industry. For a more comprehensive view of our economic performance, please refer to our 2011 SEC Form 10-K.



A LEGACY OF LEADERSHIP AND INNOVATION

Even during a period of limited resources and fewer people, USG continued to build on our legacy of innovation. USG was founded on new ideas and has been a leader for more than 100 years. And we have been hard at work to refresh and sustain our leadership. Our new innovations in gypsum board technology will reduce USG's carbon footprint and will contribute toward our greenhouse gas, water and energy reduction goals. In addition, we leverage our internal resources with external experts, technologies and other forms of open innovation to increase the velocity of innovation and develop transformational results. We registered more than 79 patents in the United States and 512 internationally to help keep our product pipeline strong and our quality topflight.

Patents become the basis of new products such as SHEETROCK® Brand UltraLight Panels, which you read about previously. The launch of this product represented a significant breakthrough in wallboard technology, creating a new lightweight category of gypsum wallboard that combines proprietary formulations and processes with patented technologies invented at USG's Corporate Innovation Center. This new product introduction earned a 2010 Chicago Innovation Award, the third such award for USG.

RECENTLY RELEASED PRODUCTS

PIXELS™, a panel innovation that uses advanced reimaging and perforation technology to create imagery on ceilings or walls. It's a design approach unlike anything else on the market. The product is made from aluminum with high recycled content. We also added the Channels line to our USG True™ Wood specialty ceiling panel portfolio of 100 percent Forest Stewardship Council-certified natural wood veneer panels.

We expanded our paper-faced bead product portfolio with an easier to handle paper-faced bead choice. SHEETROCK® Brand Paper Faced Plastic Corner Bead is made with a strong paper tape laminated to a composite plastic that provides greater impact and abuse resistance. That means less damage at the job site, as well as in transit, for less waste. Unlike metal bead, paper-faced plastic bead is rustproof, a benefit in coastal and other humid regions. The bead is also 25 percent lighter, reducing transportation energy.

USG's abuse-resistant panel portfolio also grew with SHEETROCK® Brand MOLD TOUGH® VHI FIRECODE® Core gypsum panels which performed extremely well in ASTM C1629 tests for abuse resistance for hard- and soft-body impact. The panels also demonstrated superior performance in ASTM D3273 mold testing.

IDENTITEE™ is a premium acoustical suspension system with a refined 9/16" dual reveal profile ideal for Class A spaces. IDENTITEE is manufactured with over 50% post-consumer recycled content.

Satisfaction metrics remained at or near record levels over the past year. Regardless of the pressures our employees face during these uncertain times, they continue to do what they do best—to put our customers first and meet their needs.

L&W Supply Corporation, the nation's largest gypsum wallboard and building materials distributor won two highly coveted "A,A" Partners of Choice awards from David Weekley Homes for two regions: Seacoast Supply in Florida and Building Specialties in Texas. This is the highest evaluation a supplier can receive and the first time in the program's eight-year history that two regions of one company have received this designation.

FOR MORE INFORMATION

As noted earlier, the purpose of this Corporate Sustainability Update was to provide brief highlights of actions taken since our 2009 report as part of our commitment to corporate sustainability. You can learn more about USG's sustainability actions and solutions on the [EcoBlueprint™](#) section of [usg.com](#).

