



## ABOUT USG

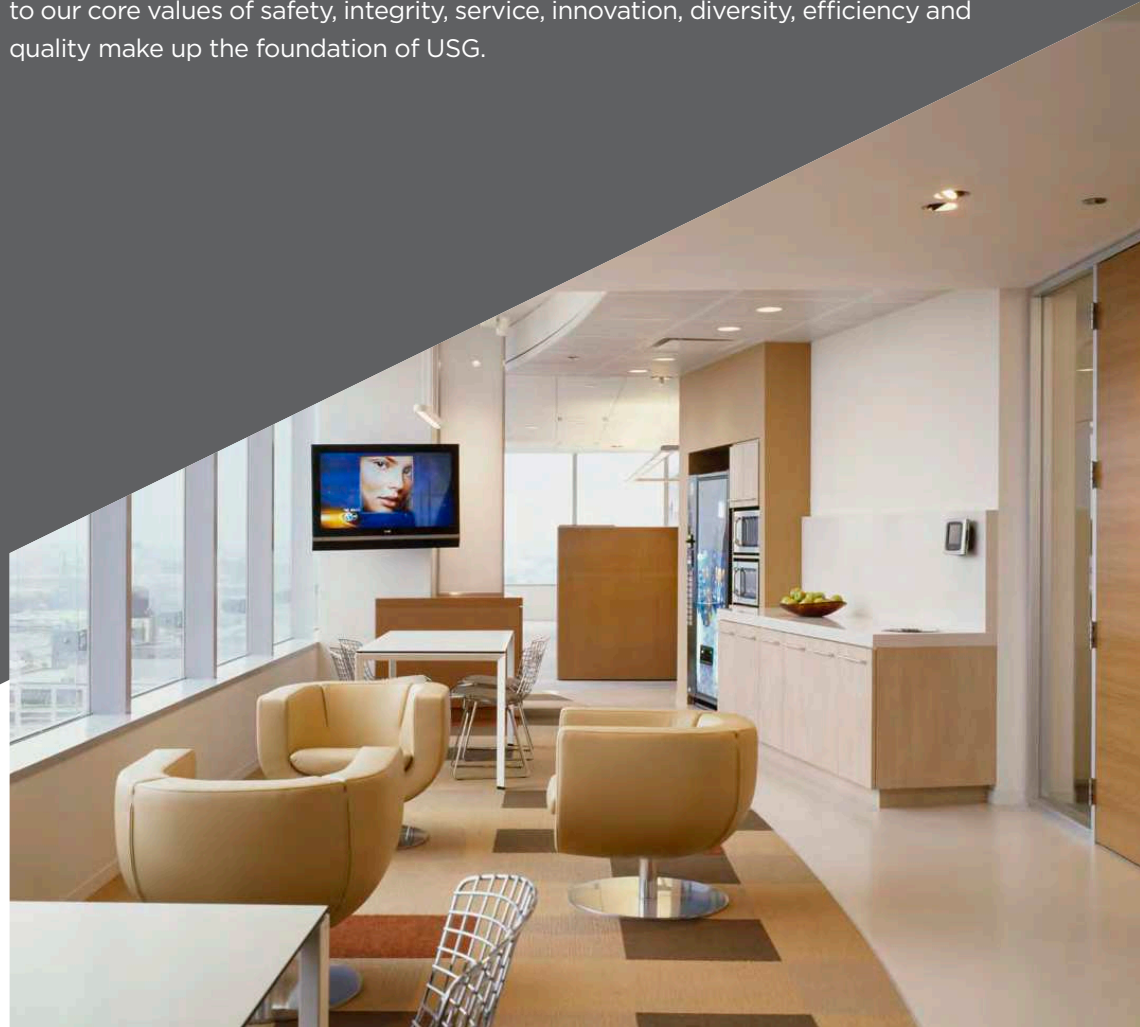
USG's products and services provide creative building solutions that set new standards for productivity and efficiency, helping contractors and architects create high quality and innovative structures and spaces.

We are North America's leading producer and distributor of gypsum wallboard, joint compound and a vast array of related building products serving the commercial, residential, and repair and remodel construction markets. USG is also a global leader in the manufacture of acoustical ceiling suspension systems and we are recognized as the premier acoustical panel and specialty ceiling systems innovator.

In 2013 USG entered into a historic partnership with Boral Limited, a building products market leader in the Asia, Australasia and Middle East regions. This partnership increases USG's international presence and prepares the company for long term success in the world's fastest growing markets.

Through our subsidiary L&W Supply Corporation, we are the U.S.'s largest distributor of drywall and related building products. L&W Supply serves the professional contractor through a network of more than 140 locations.

We have 9,000 colleagues that work in more than 30 countries dedicated to helping our customers and partners achieve success by delivering the highest levels of customer satisfaction and quality in everything they do. Their commitment to our core values of safety, integrity, service, innovation, diversity, efficiency and quality make up the foundation of USG.



## CHAIRMAN'S LETTER



At USG, we believe in building a better world through the sustainability of the products we make and the facilities we operate. Throughout the Great Recession—one of the toughest periods in our history—we never lost sight of our commitment to sustainability because we believe it is an opportunity and responsibility that we all have to make our world better regardless of the economic cycle.

As we enter an exciting chapter in our company's history, we are eager to celebrate the progress we've made in 2013 as well as renew our steadfast commitment to sustainability. 2013 was a landmark year at USG. We returned to profitability and recorded excellent operational results, including record safety and quality performance. While expanding our UltraLight portfolio, we also continued to invest in purposeful new innovation to serve the needs of our customers and communities. We entered into an exciting new joint venture to expand our business into fast-growing, international markets which will provide the opportunity to enjoy the benefits of safer, more sustainable buildings. We also introduced a new USG tagline this year—*It's Your World. Build It.*—a testament to our entrepreneurial spirit and our commitment to help our customers succeed.

With 112 years of experience, we know we can't rest on our laurels. We are implementing Lean Six Sigma throughout our organization to drive continuous improvement in everything we do—including our sustainability efforts. We are continuing to strengthen and expand our partnerships with architects, contractors and installers alike to build better structures and a better future for our environment. We are committed to providing sustainable products for our customers and we challenge ourselves as good corporate citizens to identify ways to live more sustainably and responsibly at work, in our communities and in the broader world we serve. Our 9,000 global employees strive every day to do just that.

Sustainability continues to be a critical element in Our Plan to Win—strengthening the core, diversifying our earnings and differentiating our products and services through innovation. It is woven through our core values of safety, integrity, service, diversity, innovation, efficiency and quality. Year after year, we set new standards for industry safety, quality and efficiency. Never satisfied with “good enough,” we concentrate on developing innovative, high-performance products and services that will help create safe and useful places where we live, work and play.

I hope you find our latest corporate sustainability report useful and informative. We are proud of our accomplishments but in the spirit of continuous improvement we are committed to finding new opportunities to improve sustainability in our industry and our communities. Gauge for yourself how we are doing and please let us know what you think of our efforts.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Metcalf', written in a cursive style.

James S. Metcalf  
Chairman, President and Chief Executive Officer

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Our new identity serves as a signal to those who know us that USG is evolving in response to a rapidly changing world. The building blocks that make up our logo represent possibilities — shapes coming together to create something new.

# BECAUSE IT'S **YOUR WORLD**

At USG, sustainably is how we build our future together — not just building better structures, but building a better world for our customers, employees and our communities across the globe. For more than 100 years, sustainable practices have been core to USG's business and choices. Our innovations have shaped the structures and spaces that surround us. Our manufacturing processes have carefully and efficiently used the least amount of resources needed and our investments in neighborhoods, new regions and new markets have created economic opportunities.

**Our approach to sustainability focuses on three dimensions of responsibility — environmental, social and economic.** We appreciate your interest in learning more about our efforts in these three areas in this report.



# ENVIRONMENTAL **RESPONSIBILITY**



## Sustainable Walls and Ceilings

USG Sheetrock® Brand gypsum panels are made primarily from mined gypsum, one of the most plentiful and naturally fire-resistant minerals on earth, or Flue Gas Desulfurization (FGD) gypsum, an environmentally friendly by-product of coal-fired power plants. The panel's other two main ingredients are starch — made from corn, a rapidly renewable resource — and 100 percent recycled paper.

During manufacturing, gypsum panels use less embodied energy than a wide variety of building products. Embodied energy includes the energy used for raw material acquisition, the manufacturing process, and transportation of the finished product to a job site. The embodied energy of gypsum panels is less than the embodied energy of concrete, glass, vinyl flooring, plastics, steel and aluminum. Our gypsum panel production is also a low-waste process. Nearly 100 percent of the raw materials used leave as finished product.

USG's extensive manufacturing and distribution network enables contractors and builders across

the nation to source USG products locally to minimize the environmental impact of transportation. Any gypsum panel waste that does occur can be reused in many environmentally beneficial applications such as a soil amendment to neutralize pH and add calcium to soil.

Our acoustical ceiling panels share many of the same sustainable features as USG Sheetrock® gypsum panels: recycled content, a low-waste manufacturing process and recyclability. Most of our ceiling panels are made from mineral wool. USG's mineral wool is made from slag, an industrial waste from the production of steel. Instead of landfilling the material, slag is now spun into wool used in ceiling tiles. In addition, the aluminum and steel suspension systems used for our ceiling panels contain up to 90 percent recycled content. Moreover, we take back approved ceiling panels, regardless of manufacturer, and recycle them into new ceiling panels.



From the product formulations we choose to the production processes we employ, USG is committed to products that are designed, manufactured, distributed and used in a sustainable way to minimize overall environmental impact. We are focused on reducing the size of our environmental footprint throughout the product lifecycle, from raw material selection and product design, manufacturing processes, shipping and distribution, product use, and recycling and reuse. We believe an end-to-end focus that includes the entire product life cycle is essential.



First introduced in 2009, Ecoblueprint™ guides USG's strategy for environmental sustainability. Our three priorities focus on the environmental impacts that are most relevant to our customers, products and operations. We're working to meet the following objectives by 2020 using 2005 as our baseline.

**1. DEVELOP RESPONSIBLE SOLUTIONS**

Goal: Conduct environmental Life Cycle Assessments (LCA) on 100 percent of the products we manufacture

**2. ENHANCE ENERGY MANAGEMENT**

Goal: Reduce greenhouse gas emissions by 20 percent

**3. IMPROVE HOW WE USE RESOURCES**

Goal: Reduce operational waste to landfill by 50 percent

## **DEVELOP RESPONSIBLE CUSTOMER SOLUTIONS**

### **Sustainable Innovations that Lead the Industry**

USG has developed some of the most forward-thinking, environmentally friendly building products that incorporate recycled waste content, emit no or low levels of volatile organic compounds (VOCs), use minimal packaging and perform throughout a building's lifespan with minimal routine maintenance required.

With USG Sheetrock® Brand gypsum panels, we patented the world's first gypsum panel comprised of an all-gypsum core. We converted USG Sheetrock® panels to 100 percent recycled paper in 1945 and in the 1960s we created the first gypsum based cavity shaft wall system to increase floor space while reducing weight. In the 1980s, we pioneered the U.S. use of FGD gypsum, a by-product of pollution control during electricity production.



In recent years, we revolutionized green building solutions with the industry's greatest advance in decades — lightweight wallboard — with the award-winning USG Sheetrock® Brand UltraLight Panels. We continue to expand this product line, offering a full portfolio of lightweight building products that use fewer raw materials and have a lower carbon footprint while retaining their high performance properties. Our ceiling systems include high-recycled content grid and tile options, and we introduced the industry's first line of zero non-emitting VOC emission acoustical panels. Additionally, we offer customers a portfolio of Forest Stewardship Council certified wood ceiling panels.

We focus on developing products that are easier to use, reduce waste and improve efficiency all without compromising design quality. In 2013, we led a breakthrough in cement technology with the launch of USG Durock® EcoCap Self-Leveling Underlayment, a non-Portland cement based, contractor-installed floor preparation topping. The product utilizes USG's proprietary geopolymers technology to create a highly sustainable cementitious underlayment made primarily from an industrial by-product of coal combustion and sand. The use of coal combustion by-products helps to reduce the Greenhouse Gas Emissions by more than 50 percent, embodied energy by more than 45 percent, and water consumption by up to 50 percent compared to other high alumina cement floor toppings. In addition, USG Durock® EcoCap is another USG product that is high in recycled content.



From floors to ceilings, we're innovating for the benefit of our customers and for the environment. We formed a strategic collaboration with GE Lighting that offers the architecture and design community an integrated ceiling and lighting system. The system combines GE's Lumination™ LED Linear Recessed Luminaires with USG Logix™ Integrated Ceiling System. LED Luminaires consume less electricity than traditional light sources and last years longer before needing replacement, cutting both energy and maintenance costs. The USG and GE integrated system reduces energy by about 40 percent, improves sound absorption between 70 and 90 percent and uses a high level of recycled content in the ceiling panels and suspension materials.

#### **AWARD WINNING INNOVATION**

USG Sheetrock® Brand UltraLight Panels, marketed in Mexico as USG Tabloroca® Brand UltraLight, was recognized with a 2013 ECO CIHAC Sustainable Innovation award in the Manufacture, Design and Use of Material category. The award was presented at the Expo CIHAC, the construction industry's most important trade show in Latin America.



## Committed to Product Transparency and Further Environmental Improvement

As a natural extension to our commitment to provide environmentally responsible customer solutions, USG announced in November 2013 our participation in the Architecture 2030 Challenge for Products in our ceilings portfolio. To meet the 2030 Challenge, we have committed to producing products that have an embodied carbon-equivalent footprint 35 percent below the product category average by 2015. This requirement increases to 50 percent below product category average in 2030.

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### **“USG’s commitment to low-carbon products and transparency positions them as a clear leader in the building sector.”**

*Edward Mazria, CEO & Founder of Architecture 2030*

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As part of the 2030 Challenge, manufacturers are asked to provide Environmental Product Declarations (EPDs) for their products. EPD is a third party verified, internationally recognized, single comprehensive disclosure of a product’s environmental impacts based on a life cycle assessment (LCA). This level of transparency also includes quantifying the carbon footprint of products, which will be used to compare products against the 2030 Challenge baseline.

With disclosure trends slowly migrating from comparing a single product attribute such as recycled content to encompassing multiple product environmental attributes across its life cycle the need for EPDs and LCAs continues to rise. EPDs allow for a holistic approach to comparing and understanding the full impact a product has on the environment because one certified EPD contains the information necessary to make an educated and informed decision about the environmental impacts of a product.

In 2013, we published 12 UL Environment-certified EPDs that cover 30 ceiling tile products. In addition to the ceilings category, we plan to create EPDs for many USG product lines. We continue to work with industry groups to establish Product Category Rules (PCRs) for these portfolios. PCRs define the requirements for EPDs. They ensure consistent data collection and analysis allowing for a fair comparison of environmental impacts between similar products.

To further meet the ongoing demand for product knowledge and transparency, we are also developing Health Product Declarations (HPD). In 2013 USG began the process of developing HPDs for ceiling tile and wallboard products. HPD is an open standard format for reporting product content and human health information. Similar to EPDs, HPDs provide greater transparency regarding potential impacts of products on human health, although the HPD itself is not an assessment of a risk associated with the use of the products.



While the EPD and HPD reporting mechanisms are relatively new, USG has been conducting LCAs for decades. As part of our environmental sustainability priorities, we are working towards completing LCAs on 100 percent of the products we manufacture by 2020. During 2013, we made significant progress toward identifying and obtaining the data needed to achieve this goal. We have completed LCAs on many of our product lines. We sent 12 of the LCAs to UL Environment for certification and use in the development and publication of our EPDs.

## ENHANCE ENERGY MANAGEMENT

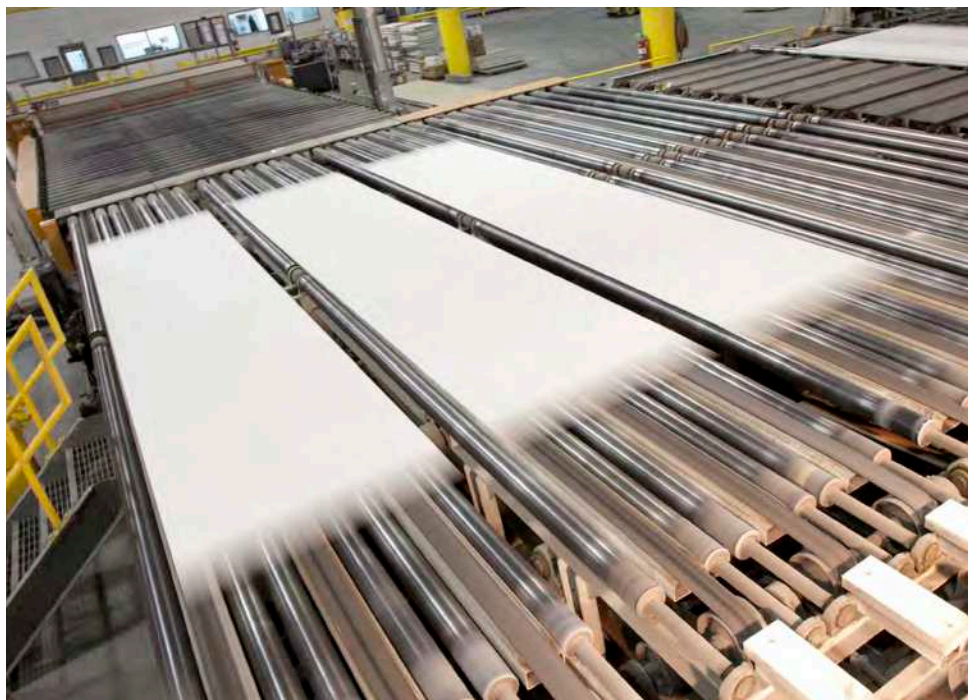
While USG's products are already low in embodied energy compared to other building materials, we review all stages of energy usage across a product's life cycle and investigate ways to reduce energy usage at each stage. During the past 30 years, we've reduced the amount of energy required to produce our products by more than 30 percent. Our introduction of USG Sheetrock® Brand UltraLight Panels and USG Durock® EcoCap Self-Leveling Underlayment demonstrate our latest innovative efforts toward energy conservation.



**30%**

**Less energy required**  
during the past  
30 years to produce  
USG products





We have consistently reviewed and optimized manufacturing processes to minimize energy consumption. Since 2005 we have reduced energy consumption by greater than 10 percent on a per-unit production basis for our primary product lines. This reduction and focus on energy conservation has contributed greatly to our overall reduction in greenhouse gas emissions since the 2005 baseline.

Many of our manufacturing processes, material designs and product systems have received U.S. and foreign patents reflecting our industry-wide reputation for continuous innovation, leadership and expertise. In addition, we recover and recycle energy wherever possible by incorporating the latest in high energy-efficient technologies and equipment such as kilns, kettles and calciners. We use natural gas cogeneration units to supply clean power and steam for paper mill manufacturing. For wallboard production, we use heat recovery processes that capture and reuse waste heat from kiln exhaust and other aspects of manufacturing which reduces fuel requirements.

Over time we've converted to cleaner burning fuels such as natural gas as our primary fuel source. For example, our Tecoman, Mexico plant started fully running on natural gas in 2013. The conversion to natural gas from oil was the result of the ingenuity, expertise and determination of the USG team over a five year period.

We've also increased our usage of lower-carbon and renewable energy technologies such as solar power. In late 2013, we entered into a Solar Energy Power Purchase and Sale Agreement with Green Light Plaster City Solar 1 and installed an eight-acre, one megawatt photovoltaic (PV) system (solar cells) at our Plaster City, California wallboard manufacturing facility.



## RENEWABLE ENERGY YIELDS IMMEDIATE RESULTS

In its first year of operation, USG Plaster City, California's new PV system is expected to generate enough energy to:

Eliminate

**1,940**

tons of CO<sub>2</sub> emissions

Power

**15,428**

60 watt light bulbs  
for 1 year of 8 hour  
per day use

Using this source of renewable energy not only improves the environmental performance of our plant and company, but also provides us with a predictable cost for the portion of electricity supplied by the PV solar system for the next 20 years. We anticipate saving more than \$1 million over the 20-year life of the project through lowered electricity costs. That's money we can invest back into meeting the building needs of our customers.

## IMPROVE HOW WE USE RESOURCES

No matter the level of abundance, USG treats all resources as sustainably as possible — especially gypsum, the primary ingredient in wallboard. We use more recaptured, post-industrial gypsum than any other manufacturer in North America. This type of synthetic gypsum is produced by flue-gas desulfurization (FGD) pollution control processes at North American coal-fired power plants. As noted earlier, we pioneered the use of FGD gypsum in wallboard in the U.S. and today we use FGD gypsum for more than 50 percent of our gypsum needs.

We also use FGD gypsum in ceiling tiles and several of our other gypsum-based products. Using FGD gypsum allows us to conserve a natural resource while also locating manufacturing plants closer to higher population centers, reducing transportation to market and avoiding landfilling of this industrial waste.

We actively look for opportunities to use recycled resources. USG is one of the U.S.'s top consumers of secondary fiber (waste paper) using approximately 650,000 tons each year to manufacture wallboard and ceiling products. We've used 100 percent recycled face and back papers in all gypsum panels since the early 1960s. For ceiling panels, several of our product lines contain mineral fiber. To produce this material, we convert 150,000 tons of slag, a waste product of steel-making, to mineral wool every year eliminating the need to mine and process raw materials and reducing landfill waste. Many of our ceiling panels also contain gluten-free starch binders. These renewable agricultural materials are an environmentally sound alternative to traditional binders derived from petroleum-based chemicals.

**ONE OF THE TOP  
CONSUMERS OF  
WASTE PAPER IN U.S.**

Approximately

**650,000**

tons of secondary fiber are used each year in the manufacture of USG wallboard and ceiling products.

## Environmental Stewardship

As a leader in environmental stewardship, we believe it's our responsibility to actively participate in the organizations and discussions that establish our industry's best practices, standards and regulatory activities. We offer our expertise and passion for sound building science, responsible customer solutions and the life cycle environmental impacts of our products by participating in organizations committed to preserving indoor and outdoor environments. We were a founding member of the U.S. Green Building Council and hold leading positions and have representatives on critical standards committees and organizations. These include:

- ▣ ASTM International
- ▣ Health Product Declaration Collaborative
- ▣ American Institute of Architects
- ▣ National Association of Home Builders
- ▣ Ceilings & Interior Systems Construction Association
- ▣ International Green Construction Code and other code bodies

You'll find more information about our organizational involvement at our website.





*A green roof tops the Chicago building where USG's corporate headquarters are located.*

Water is another natural resource that USG is committed to using responsibly. Both wallboard and ceiling tile manufacturing use water and emit excess water vapor from our emission stacks.

We have long recognized that using less water is a must to increase our manufacturing efficiencies and reduce the energy needed to evaporate excess water in our production processes. That also leads to needing less fuel and generating fewer related emissions.

Our paper mills recycle at least 90 percent of the wastewater produced during the manufacturing process saving between four and six million gallons per day per mill. Water is recycled several times and after multiple recycling processes, remaining water is treated to meet environmental standards prior to discharge or emitted as water vapor. Our wet felted ceiling tile lines also recycle approximately 90 percent of the wastewater produced during the forming process. As with the paper mills the water is recycled several times during production.



The need to dispose of

**40-50**

truckloads of damaged wallboard annually was eliminated after USG's Rainier, Oregon plant began using airbags to protect product in transit to Calgary, Canada.

The manufacture of wallboard and ceiling panel products typically generates low amounts of waste, with between 95 and 100 percent of all materials recycled back into the product. Most of the remaining waste is recycled into small strips to support product stacks. These pieces are often returned to our plants and further recycled. Ceiling tiles that are chipped or broken during the manufacturing process are returned to the slurry and recycled.

In 2013, several Lean Six Sigma (LSS) projects further improved our ability to reduce waste while also enhancing product quality and reducing the number of waste disposal trucking trips. By reviewing equipment operations and changing procedures, we reduced paper waste by approximately 1.8 million square feet per year at our high speed wallboard plants. USG's Rainier, Oregon plant worked with the LSS team to experiment with different shipping configurations and packing materials to reduce wallboard damaged during shipment by railcar to Calgary, Canada. By using air bags to protect the board during transit, the project eliminated the need to dispose of 40 to 50 truckloads of damaged board per year. Another LSS project identified materials for recycling and established procedures to remove the materials from the waste stream, resulting in fewer disposal company pickups and truck trips.

As part of our environmental sustainability goals, we are striving to reduce by 2020 the amount of manufacturing waste we send to landfills by 50 percent from our 2005 baseline. Several of our plants have far exceeded this goal already such as our Cartersville, Georgia plant which manufactures components for suspended acoustic ceilings. The plant reduced the amount of waste sent to the landfill from 26 tons in 2011 to less than 10 tons in 2013, a nearly 55 percent decrease in just two years.

The Cartersville team collectively reviewed all processes to eliminate as much waste as possible. They determined how to reduce, reuse, and recycle simple materials, such as paper and cardboard, damaged pallets, plastics and batteries. They replaced trash cans with recycling bins. For materials they couldn't use, they asked their vendors if there was a supplier reuse opportunity. The plant's efforts have been recognized with a Georgia Recycling Coalition Spirit of Green Corporate Leader award and plant leadership and employees now mentor other area organizations on waste reduction strategies.

Waste is not just an issue at the manufacturing location, but also at the construction site. Since 2009, USG has taken back approved ceiling panels from any manufacturer and recycled the used material into new building products. Additionally, as opportunities allow we work with local partners to address needs for recycling gypsum wallboard new construction waste. We continue to explore opportunities to assist our customers with their recycling needs and to keep new construction waste out of landfills.



## Cartersville Extends Sustainability Stewardship through Community Projects

USG's Cartersville plant teamed up with a Georgia Highlands College student organization, Green Highlands, to build a community garden on the perimeter of the Cartersville plant. The plant donates crops from the 50-foot-by-50-foot organic garden to a local homeless shelter and food pantry.

Additionally, the plant installed a 1,500 gallon rain harvest system, will soon begin construction of a composting facility to be used in conjunction with the community garden. The facility has also partnered with the city of Cartersville and Bartow Office of Environmental Programs to adopt the one-mile stretch of road leading to the plant. On a quarterly basis, employees pick up litter along the road.





# SOCIAL RESPONSIBILITY



## **“SAFETY FIRST” REGARDLESS OF THE JOB OR LOCATION**

Safety is not a program at USG and it's not a numerical rating or a metric. As a founding member of the National Safety Council (NSC), “Safety First” is engrained in our culture. It's the responsibility we have to our employees and contractors at our locations and to our customers at their construction sites. Our steadfast belief is that there's no job that's so important or so urgent that we cannot take the time to make sure we get it done safely. During both times of business decline and business recovery, our employees have continued their commitment to safety.

In 2013, USG was accepted as a Charter Member in the NSC's Campbell Institute. The Campbell Institute is the NSC's environmental, health, and safety (EHS) Center of Excellence. Charter Members are organizations that are strongly committed to safety and business excellence. This “best of the best” initiative places USG among worldwide leaders like ExxonMobil and Microsoft.

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**“You’ve made a commitment, not only to your employer, but to your families that you’ll come home safe every day. I applaud USG and its employees on this outstanding achievement.”**

*Auburn, Washington Mayor Nancy Backus on the occasion of USG's Auburn plant achieving Voluntary Protection Program (VPP) Star status.*

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In 2013, USG's recordable injury rate was 1.76 per 100 employees down from 2.42 in 2011 — a 27 percent decrease. That safety performance was also 60 percent lower than the Recordable Injury Industry Average of 4.4 per 100 employees according to the U.S. Bureau of Labor Statistics. Our 2013 lost time rate of 0.06 was also lower than the 1.1 industry average.

We achieved this safety performance with guidelines and practices that exceed industry standards and regulations. In fact, 14 of our manufacturing plants and three of our L&W Supply locations have qualified for OSHA Voluntary Protection Program (VPP) Star status. Star is the VPP's highest recognition and showcases exemplary worksites with comprehensive and successful safety and health management systems. Companies in the Star Program have achieved injury and illness rates at or below the national average of their respective industries. Fewer than 2,500 worksites out of 8 million in all of the U.S. hold the Star designation.





### **WALWORTH PLANT WINS WISCONSIN SAFETY AWARD**

The Wisconsin Safety Council and the Wisconsin Department of Workforce Development honored USG Interiors' Walworth plant with the 2013 Wisconsin Corporate Safety Award. This was the fourth year that the plant won this top honor. Walworth has more than 90 employees and operates three manufacturing shifts seven days a week.

USG's Auburn, Washington plant was our most recent location to achieve VPP Star status. At the time of the plant's award presentation in early 2014 employees had worked more than 1.1 million hours and nearly 2,900 days without a lost-time injury. Our Gypsum, Ohio plant earned VPP Star recognition in late 2013, working more than 3.6 million safe work hours and over 2,500 days without a lost-time injury. And, in late 2012 our Galena Park, Texas facility joined our list of Star-qualified plants with a safety record of more than 8.5 million hours and 8,500 days without a lost-time injury. Galena Park has since extended that record to more than 9.0 million hours and more than 9,000 days without a lost time injury, setting a company and industry record.

In fact, through 2013, 54 percent our manufacturing locations achieved 1.0 million hours without a lost time injury. Additionally, 80 percent of our manufacturing operations achieved 1,000 days or more without a lost time injury.

In 2013, Indianapolis Drywall Supply became the third L&W Supply branch to achieve VPP Star status. Like all L&W Supply branches, Indianapolis Drywall specializes in delivering building materials and then stocking them throughout the job site.

Overall, nearly 90 percent of L&W Supply's branches have worked 1,000 days or more without a lost-time injury. All employees, from drivers to operations supervisors, adhere to or exceed both OSHA and DOT (Department of Transportation) regulations. L&W Supply considers itself an extension of the customers they serve, especially on jobsites where safety is of the utmost importance. As such, in 2013 L&W Supply began sharing its Jobsite Delivery Checklist with customers. The checklist outlines the specific safety steps L&W Supply employees must take at every point in the delivery and stocking process. From pre-delivery inspections to back-up cameras on delivery equipment and the use of drywall carts to reduce lifting, we help ensure the safety of our crews, as well as our customers.



### SHARING OUR SAFETY CULTURE WITH CUSTOMERS

Calply, L&W Supply's Sparks, Nevada branch and one of three L&W Supply branches that has attained the OSHA VPP Star Status, started a customer outreach effort in 2013 designed to share our safety first culture. The branch provides customers with safety meetings available in English or Spanish. In 2013, Calply presented to KDH Builders, Rayco Drywall and Nevada Drywall Stucco & Stone.

## BUILDING A GREAT PLACE TO WORK

Our safety first culture is just one of several reasons we hope employees want to build their careers at USG. In 2013, the Families and Work Institute (FWI) and the Society for Human Resource Management (SHRM) recognized USG for our exemplary workplace practices. The two organizations joined to honor USG with the prestigious Alfred P. Sloan Award for Excellence in Workplace Effectiveness and Flexibility for our use of flexibility as a workplace strategy to increase business and employee success.

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**“Our research consistently finds that employees in effective and flexible workplaces have greater engagement on the job and greater desire to stay with their organization. In addition, they report lower stress levels and better overall health.”**

*Ellen Galinsky, Families and Work Institute President*

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The Sloan Awards are unique for their rigorous, two-step selection process. This includes evaluating employers' flexibility programs and practices and conducting a confidential employee survey on the key aspects of an effective and flexible workplace. All applicants are measured against national norms from the National Study of Employers.

“As a recipient of the 2013 Sloan Award, USG Corporation ranks among the top 20 percent of employers nationally in terms of its programs, policies and culture for creating an effective and flexible workplace,” said Ellen Galinsky, Families and Work Institute (FWI) President. “In addition, what makes this honor so special is that their employees have corroborated this, affirming that it is indeed an effective and flexible workplace.”

The Sloan Awards are part of the When Work Works program, a national initiative led jointly by FWI and Society for Human Resource Management to help businesses become more successful by transforming the way they view and adopt effective and flexible workplaces.

We recognize there isn't usually a clear cut boundary where professional life ends and personal life begins. That's why our comprehensive work life program offers a number of attractive benefits and work arrangements to meet employees' individual needs. We provide flexible schedules with various start and end times, telecommuting, summer hours and even offer the opportunity to buy and sell vacation time.





## Valuing Diversity

USG's success depends upon our ability to understand, embrace, and respect the values of all people with whom we do business, including our employees, customers and vendors. We value the diversity of our colleagues and their ideas. By promoting diversity we ensure quality in our workforce and increase our ability to exceed customer expectations.

Our Diversity and Inclusion Strategy Council was formed in 1998 and supports USG's Diversity and Inclusion Strategic Plan through various initiatives including supporting our six Employee Resource Groups (ERGs) that are centered around cultural or lifestyle ideals. These groups create an open forum of ideas to strengthen our diverse communities while supporting the company's goals and strategies.

In 2013, USG formed its newest ERG, Defend the Rock. The group's goal is to increase awareness among all USG employees of the talents and assets that military men and women have to offer, and how they can incorporate those talents into USG.

Our other Employee Resource Groups include:

- ▣ African American Network
- ▣ Asian Employee Network
- ▣ Latino Employee Network
- ▣ USG New Talent
- ▣ Women Rock



## Internship Fosters Future Innovators

USG's Corporate Innovation Center (CIC) reinstated its internship program in 2013 to help attract the best young talent available, build the next generation of innovation leaders and keep USG at the forefront of industry transformation. The internship is designed to encourage Science, Technology, Engineering and Math (STEM) education. CIC had five interns each assigned to one of our labs in Building Sciences/Construction Systems, Performance Substrates, Performance Surfaces, Gypsum Panels and Ceilings. Each intern was assigned a research project with a mentor, and presented their results at the CIC's Imaginations and Innovations Seminar. After their presentations, students spent time with USG's senior leaders.

CIC employees also participated in the United Way of Lake County's Stay in School program by speaking to students at Miguel Juarez Middle School in Waukegan, Illinois. Our colleagues reinforced the importance of learning science and technology because of the role these subjects play in our industry.

### MAKING HIGHER EDUCATION AFFORDABLE

Each year USG provides

# 20+

scholarships to children of USG employees preparing for a college degree.

Recognizing and respecting that each of us is different is a core value for USG. With global locations reaching from the Middle East to the Pacific Rim the people who make up USG's worldwide team come from every imaginable background. As an Equal Opportunity Employer committed to a culturally rich workforce, we're proud of the diversity initiatives we've implemented to raise the quality of our work environment and employee well-being.

More than 2,500 of our employees have participated in diversity and inclusion training, a full-day program that provides real-life solutions to help employees with different backgrounds, lifestyles and personalities work together in the best way possible. Each year, we also recognize Diversity and Inclusion champions in an award ceremony attended by hundreds of employees ranging from our operations to executive leadership. These champions are nominated by their peers as the best representation of diversity and inclusion at USG and their stories are shared across the world.

In today's increasingly global marketplace where our customer demographics are rapidly changing a diverse workforce is an essential competitive asset. Our best innovations come from a wide range of perspectives, ideas, talents, experiences and skills and also reflects the global marketplace we serve.

## RE-BUILDING LIVES AND DREAMS

USG, through our subsidiaries, local operations and the USG Foundation, supports many charitable causes. As a building materials company, USG is uniquely positioned to support those non-profit organizations dedicated to providing affordable shelter and helping communities recover in the wake of unthinkable devastation. Further, we look for opportunities where we can help our neighbors build self-sufficiency and strengthen economic development. Supporting efforts in local communities where we have operations or customers is also especially important.

The American Red Cross is one of our long-term partners. Each year we provide significant financial support for ongoing Red Cross operations and one-time donations for specific disaster relief efforts, as well as numerous hours of volunteer service. In 2013, we supported disaster relief and recovery efforts that followed the typhoon in the Philippines, historic floods in Colorado, severe Midwestern weather and the devastating Oklahoma tornadoes.

USG also has a long term charitable relationship with Habitat for Humanity® to help build affordable housing. Our employees participate in builds across the country while USG provides financial support and a variety of products for use in Habitat homes. Most recently, L&W Supply worked with the Drywall Finishing Council (DWFC) to donate materials, labor and industry knowledge to Habitat for Humanity Las Vegas, to renovate a new space for their administrative offices and create a new ReStore.

### USG FOUNDATION

The USG Foundation was established in 1978 and regularly provides financial support to the following charitable organizations:

- Ronald McDonald House Charities®
- American Red Cross
- Habitat for Humanity
- Homes for Our Troops
- United Way
- Special Olympics
- and many others



## 2013 Chicagoland United Way Campaign Exceeds Goals

USG has a long history of supporting the United Way as a strategy to invest in our communities and in creative solutions to overcome challenges in the areas of education, income and health. In 2013, we exceeded an aggressive goal of \$75,000 in employee contributions for our United Way of Greater Metropolitan Chicago campaign raising more than \$82,500. When combined with our employee contributions for United Way of Lake County along with a USG Foundation Match of \$50,000, USG's total gift to the United Way was nearly \$145,000.

Habitat for Humanity's ReStores are nonprofit home improvement stores and donation centers that sell new and gently used furniture, home accessories, building materials and appliances to the public at a fraction of the retail price. All proceeds from ReStores are used to build homes across the world and the new Southern Nevada ReStore will help provide shelter for the local community. L&W Supply joined other organizations that together provided more than 100 hours of volunteer labor.

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**“A lot of our sponsors really provide only financial support. One of the things that's great about the USG relationship is that we're in the middle of building this brand new facility with USG building materials. This new facility is going to allow so many more athletes to get the full scope of their training. It really is going to be transformative to our aspiring Olympians and Paralympians.”**

*Scott Blackmun, CEO, United States Olympic Committee.*

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At USG we know that corporate responsibility will always be essential to our success. As a socially responsible company, investing in the community is at the core of USG and that's why we made it a key element of the relaunch of our brand. Our sponsorship of the U.S. Olympic and Paralympic Teams and the Canadian Olympic Team underscores our dedication to helping others achieve success. As a part of our sponsorship of Team USA, USG donated building products to help support the construction of a new strength and conditioning facility at the U.S. Olympic Training Center in Colorado Springs, Colorado. With USG products serving as the foundation of the new world-class facility, the company is an integral part of what athletes are doing each and every day to build their dreams and achieve greatness. To further support athletes, L&W Supply sponsored a program to raise money to help send families of Team USA Paralympians to the



Sochi 2014 Winter Olympic Games. Employees from across the USG family, customers and vendors donated money that was matched by L&W Supply. As a result, the families of U.S. Paralympic Alpine Skier Alana Nichols and Paralympic Sled Hockey player Rico Roman, a U.S. Army veteran and Purple Heart recipient were able to watch their loved ones compete on the world stage.

Roman's left leg was amputated above the knee as a result injuries sustained when his vehicle struck a roadside bomb on his third tour of duty in Iraq in 2007. His demonstration of remarkable strength, courage and perseverance in overcoming hardship to achieve success resonated with USG and L&W Supply employees.

Our employees personally give of their time and talent to a variety of causes. We encourage and support those efforts through our Matching Gifts Program. USG matches eligible financial contributions of 50 cents to every dollar to qualifying organizations.



*Rico Roman  
U.S. Paralympic  
Sled Hockey  
Gold Medalist*

# ECONOMIC **RESPONSIBILITY**



For the first time in seven years, USG recorded a full year of profit in 2013, emerging from one of the most difficult periods our company has ever experienced. Three strategic priorities drove our recovery and position us solidly for the future:

- **Strengthening the core of our North American manufacturing and distribution**
- **Diversifying earnings through select emerging markets and adjacent products and systems**
- **Differentiating through innovation**

We believe that by strengthening our current operations, expanding into areas where our customers want to do business and continuing to develop innovative solutions we will be able to help customers not only build better structures, but to build a better world. For a more detailed view of our economic performance, please refer to our 2013 Annual Report on Form 10-K available at the investor relations section of our website [usg.com](http://usg.com).

## REVOLUTIONIZING THE INDUSTRY WITH INNOVATION

For more than a century, USG has lead the industry in developing products, systems and processes that have helped revolutionize the way we build the places we live, work and play. We are a leader in industry innovation and own an intellectual property portfolio that is one of the largest in the sector with more than 1,200 U.S. and foreign patents granted during the past 10 years.

Our Corporate Innovation Center (CIC) is the heart of USG's research and product development. Our CIC colleagues are constantly working to improve existing products, develop new offerings and make USG a market leader in sustainability, efficiency and innovation. With more than 1,500 years of combined experience, these scientists, chemists, engineers and architects are leaders in their respective fields and are responsible for some of the biggest breakthroughs in our industry.

Whether at the bottom of the worst downturn in the construction market or on the slow climb to economic recovery, our research experts continuously uncover opportunities to transform the building materials sector with industry-changing products. USG Durock® EcoCap Self-Leveling Underlayment, manufactured with USG's proprietary geopolymer technology, is an excellent example.

The technology behind this revolutionary underlayment was launched in 2013 and uses an industrial by-product of coal combustion, activated with non-corrosive chemicals, to produce a highly sustainable inorganic binder. The result is an

**532**

patents granted to USG during 2012 and 2013 including

**89**

U.S. patents

**443**

Foreign patents





## A Top 10 Innovator

The Patent Board, the leading independent provider of best practices in research, tools and metrics for patent analysis and intellectual property investment, ranked USG sixth on the agency's "Top Innovator" list in the Industrial Materials sector. The Patent Board ranks corporate innovation based on a series of criteria including patent quality, technological strength, breadth of impact and research intensity.

underlayment that contains 75 percent recycled content, reduces carbon footprint by 50 percent and embodied energy by 45 percent versus traditional Portland cement-based or calcium aluminate cement-based underlayment products. Our USG research experts are hard at work on other projects using geopolymer technology.

The CIC team was also responsible for a significant breakthrough in wallboard technology in 2010 when they combined proprietary formulations and processes with patented technologies to produce USG Sheetrock® Brand UltraLight Panels. These panels now account for more than 90 percent of all USG ½" wallboard sales. The award-winning panels are the lightest ½" gypsum wallboard panels available, contain up to 95 percent recycled content, conserve raw materials by up to 15 percent, offer up to a 20 percent reduction in transportation energy and qualify as a low (VOC) emitting material. They are also the first and only ½" lightweight panel building code-approved for all ceiling installations.

We've remained the leader in lightweight innovation with new product launches or roll outs every year, including USG Sheetrock® Brand UltraLightweight All Purpose Joint Compound in 2012, USG Sheetrock® Brand UltraLight Panels Mold Tough® and USG Sheetrock® Brand MH UltraLight Panels in 2013. The CIC team continues to conduct research and product trials designed to make the Ultra-Light platform even more sustainable by further reducing the need for natural resources while improving energy efficiency and product strength.

## Honors from Customers

USG's customer commitment was reflected in record quality performance during 2013 and excellent customer service performance in key areas such as on-time delivery. Customers also recognized us directly. For example, David Weekley Homes honored our Florida and Texas L&W Supply branches with the highly coveted Partners of Choice Awards. This marks the seventh consecutive year the Florida branches and the third straight year the Texas branches were recognized as being top suppliers. Both distributors received an AA rating for quality and service, the highest rating awarded to suppliers.

Additionally, ENAP, a buying group of independent lumber yards headquartered in New Windsor, New York, named USG as Vendor of the Year. Our commitment to customer focus, innovation and superior products is what set us apart from more than 50 other companies.



## GROWING OUR GLOBAL FOOTPRINT

In 2013, we formed a joint venture with Boral Limited, an Australian-based building products company that is a market leader in its region with extensive manufacturing facilities and a wide-spread customer base. The joint venture, USG Boral Building Products, expands our presence into ten new countries in the eastern hemisphere. Together USG's game-changing technologies and expertise and Boral's leading manufacturing and distribution network form a venture that will serve some of the world's fastest growing construction markets.



USG Boral Building Products provides us the opportunity to respond to customer needs more quickly, become an even better innovator and get products to market faster while ultimately adding to the stability and profitability of our company as a whole.

Also in 2013, our Knauf USG Systems joint venture opened its second Aquapanel facility in Neuburg, Germany. Aquapanel is an innovative cement board technology for interior and exterior construction applications across Europe. The 550,000 square foot facility features several sustainable features including quality filtering systems that limit dust emissions and produce clean air that can be pumped back into the plant. Noise reduction is also another key element of the facility.

### OUR LARGEST JOINT VENTURE

New USG Boral Building Products, a 50/50 joint venture (JV) between USG and Boral Limited, is a market leader in the Asia, Australasia and the Middle East region. With

**3,500**

employees, the JV operates 25 board lines, runs 2 ceiling tile plants and sells products from

**58**

sales offices worldwide.



**The past year and half was truly a foundational year for USG. We are well-positioned for growth and believe we are entering a period of great opportunity. We know we must continue our commitment to innovation, our dedication to operational excellence and our focus on continuous improvement and that embedded in each of these three strategic goals are our sustainability priorities.**

**Together with our customers, employees and communities, we are moving USG into our second century of success.**



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In this sustainability report, "USG," "we," "our" and "us" refer to USG Corporation, a Delaware corporation, and its wholly owned subsidiaries, except as otherwise indicated or as the context otherwise requires. In particular, the companies over which USG has joint control, such as USG Boral Building Products, are not within the purview of this report, except as specifically indicated.

In addition, this sustainability report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 related to management's expectations about future conditions. Actual business, market or other conditions may differ materially from management's expectations and, accordingly, may cause actual results to differ materially from those expressed in this document. Actual results may differ materially due to various factors, including: economic conditions; shortages in raw materials; changes in raw material and energy costs; capacity utilization rates; our ability to protect our intellectual property and other proprietary rights; and changes in laws or regulations, including environmental and safety regulations. We assume no obligation to update any forward-looking information contained in this sustainability report. Additional information concerning these and other factors may be found in our filings with the Securities and Exchange Commission, including the "Risk Factors" in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q.