Our Commitment

Building in Harmony, the 2009 USG Corporate Sustainability Report, is printed on FSC-certified Mohawk Loop, which is made carbon neutral within the manufacturer’s processes by offsetting thermal manufacturing emissions with verified emission reduction credits (VERs), and by purchasing enough Green-e certified renewable energy certificates (RECs) to match 100% of the electricity used in its operations. Other responsible printing choices include environmentally friendly soy-based inks and glue- and staple-free binding using recyclable and biodegradable cotton thread.


To find out more about USG’s Corporate Sustainability initiatives, visit usg.com/ecoblueprint.

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USG has been a sustainable company for more than a century—long before “sustainability” and “green” became common words. It is very clear that global awareness around these issues is rapidly increasing. Here at USG, we recognize that it is time we become more involved in this global conversation. Although challenging, USG is prepared to participate to meet the demands because we have always been committed to doing what’s right for our customers, employees, the environment, and society in general.

For more than 100 years, we have provided safe, high quality, and affordable building products to meet society’s basic need for shelter. Realizing that it is not enough to simply produce great products and systems, we have demonstrated the ability to profitably serve our customers while improving the environment and the communities in which we work. We have a vision to be the best solutions provider and are ready to leverage our rich history in achieving excellence in economic, environmental, and social responsibility.

Corporate responsibility is approached no differently than anything else at USG. In the spirit of continuous improvement, we are always asking what we can do better. How can we further reduce our energy consumption? How can we more efficiently utilize water and other natural resources? How can we make the communities we work in better? How do we build manufacturing facilities with smaller carbon footprints? How do we design sustainable products?

We are actively working on these issues; we understand our role, and we’re committed to leading the way in making positive impacts.

While sustainable practices have naturally occurred over the years, I am proud to introduce our first report which addresses our comprehensive approach to sustainability. We will review where we stand today, some of our accomplishments, and address our goals and objectives that will make USG a best-in-class sustainable company. Looking ahead, we will periodically publish a corporate sustainability report to update you on our progress and highlight the work that we are doing. In addition, we will post the most up-to-date information on our website.

As you read about our approach to environmental, social, and economic responsibility, you will notice that USG employees are essential to our success. Our efforts in this area are driven from individuals at every level in our organization, both in the United States and around the world. I am proud of our team, our relationships with our customers and other key stakeholders; together we will capitalize on the opportunities that lay ahead.

As leaders in our industry, with extensive knowledge of building science and a long history of corporate responsibility, we passionately embrace the challenge of building a better world.

Sincerely,

Jim Metcalf
President and Chief Operating Officer
1909 Development of modern wallboard manufacturing

1918 Invented SHEETROCK® panels

1929 Developed ACOUSTONE® incombustible mineral tile

—USG Corporate Headquarters—550 W. Adams, Chicago IL
Great architecture is in sync with its surroundings. It becomes a natural extension of its circumstance, creating harmony for the lives of those who occupy its space. At USG, we believe the philosophy of designing a building should equal the physics of building it, and its guiding principle must be sustainability for all.

With deep appreciation of this sentiment, USG is pleased to present our first Corporate Sustainability Report.

In the past, information covering USG sustainable customer solutions and activities have been available via many sources, under a variety of headings. Now this report will comprehensively explain our approach to sustainability, review our current standing, address the major issues that confront us over the next few years, and explain our plans to continuously improve our business operations and the solutions we offer.

Recently, the unprecedented decrease in building activity has presented USG with a unique set of difficult challenges. Our structural cost reduction initiatives and aggressive management of product margins helped to mitigate the impact of exceptionally weak demand. A continued sharp focus on overall spending and working capital, plus the successful settlement of a lawsuit, added to the corporation’s strong cash and liquidity positions. USG has proven once again, as we have many times over the last century, that we are capable of maintaining our leadership without sacrificing our commitment to doing things the right way. Despite the prolonged low demand for product, sustainability remains a priority at USG with unrelenting support from our Executives and the entire USG team.

For your interest in USG and all of your efforts to make this world a better place for generations to come, we thank you.
Multiple line kilns and set control additives allow for increased efficiencies in wallboard drying.

Sheetrock® Firecode panels are the first fire-rated drywall panels.

Light steel framing.
THE DEFINITION OF SUSTAINABILITY

BALANCING THE NEEDS OF OUR ENVIRONMENT, COMMUNITIES AND COMPANY

With much of our collective attention focused on mankind’s impact on the natural world, it is easy to think that sustainability deals only with the environment. However, sustainability, as we define it, is a concept that seeks to balance the current needs of USG with the needs of the future in three key areas: (1) the environment in which we all live; (2) the communities that we serve; and (3) the company that provides opportunity and creates value in the building supply industry.

We report sustainability results for each of the three priorities based on established guidelines and metrics relative to our business. Additionally, we stress the importance of looking beyond what is within our direct control and considering our influence both upstream and downstream of our operations.

As leaders in our industry with extensive knowledge of building science, we believe that we have a tremendous opportunity to lead sustainability efforts in the building industry and help build a better world. Our nearly 10,000 employees who work in more than 30 countries are dedicated to contributing to the health, safety and success of our customers, communities and surroundings.

For us, sustainability is the way we’ve always done business, and that enduring philosophy is best expressed in EcoBlueprint.”
USG: MAKING A DIFFERENCE FOR MORE THAN A CENTURY

For more than 100 years, USG has been a leader in producing innovative products and systems to build the shelters in which we live, work and play. We invented wallboard and mineral-wool-based ceiling tile. Our products are used in everything from office buildings, retail centers, schools, hospitals and homes. Our flagship brands, including SHEETROCK® brand gypsum panels and DUROCK® cement board, are recognized around the world.

• Our family of products provides creative building solutions that set new standards for productivity and efficiency, helping contractors and architects deliver high-quality and inspiring designs.

• USG is a leading producer of gypsum wallboard, joint compound and a vast array of related products for the construction and remodeling industries.

• We are a leader in the production of ceiling suspension systems and recognized as an innovator in acoustical panels and specialty ceiling systems.

• L&W Supply, the nation’s largest distributor of drywall and related building products, serve professional contractors through a network of over 150 locations.
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A RESPONSIBLE PLAN FOR AN EVER-CHANGING WORLD

For over 100 years, USG has provided safe, efficient and affordable building materials to meet society’s basic need for shelter. However, emerging environmental issues surrounding energy, pollution, water and other natural resources have recently changed society’s perception related to solutions that address these needs.

USG is keenly aware of these issues and is committed to understanding our role and our impact on society and the environment. We strongly believe that by understanding the complete life cycle impact of our products, services and operations, USG can determine the better way to meet the needs of our customers while minimizing unintended negative consequences.

Long before environmental stewardship became a mainstream issue, USG was focused on how to reduce and reuse waste; use water, energy and other resources more efficiently; and transform manufacturing byproducts into valuable new resources. When it comes to offering customers revolutionary products and services based on good building science developed over a century of research and innovation, we’ve consistently led the industry.

In 2009 we introduced EcoBlueprint®, an expression of our commitment to, and strategy for, environmental sustainability. Spanning internal operations, market-facing activities, and product and service offerings, EcoBlueprint encompasses all business units and applies to U.S. and international operations. It enables us to satisfy customer demands, protect and enhance our leadership position, and drive profitable growth.

Through EcoBlueprint, we are focused on reducing the size of our environmental footprint throughout the product life cycle from raw materials, product design, manufacturing processes, shipping and distribution, product use, and ultimate recycling and reuse. We believe an end-to-end focus that includes the entire life cycle is essential to reach our goals.

From the product formulations we choose, to the 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 have identified
three corporate priorities where we feel we can make the most positive environmental impact:

- Develop responsible customer solutions
- Enhance energy management
- Improve resource utilization

Environmental sustainability is a strategic fit with our business focus on cost and operations efficiency, and we are eager to offer our expertise in the areas of sound building science, responsible customer solutions and the life cycle environmental impacts of our products.

By aligning our corporate strategy with environmental sustainability, we will increase our focus and strengthen our commitment to manufacture and provide the most innovative products and services for customers to create sustainable spaces.

With EcoBlueprint, we are moving forward in a focused and transparent manner to achieve a genuine reduction in our overall environmental impact. We carefully developed the goals and strategies of EcoBlueprint to ensure a comprehensive and multidimensional scope that considers the various environmental impacts that are most relevant to our customers, products and operations.

**ECOBLUEPRINT PRIORITY: DEVELOP RESPONSIBLE CUSTOMER SOLUTIONS**

*Because the concerns of our customers come first*

From floor to ceiling, inside and out, in commercial and residential buildings, we strive to provide customers with the products and services that enable them to create and take pride in the construction of sustainable spaces that require fewer resources to build, operate and maintain. Our strategies to meet this priority include:

1. Develop products and services that contribute to sustainable spaces
2. Continue our leadership role in responsible building practices
3. Evaluate product life cycle environmental impacts

**1. DEVELOP PRODUCTS AND SERVICES THAT CONTRIBUTE TO SUSTAINABLE SPACES**

**Low environmental impact products**

USG offers some of the most environmentally friendly building products available today. Most of our products, including SHEETROCK® brand gypsum panels, contain an abundance of recycled content, emit no or low levels of volatile organic compounds (VOCs), use minimal packaging and perform throughout the life span of the building with minimal routine maintenance.

SHEETROCK® gypsum panels are made primarily from gypsum, one of the most plentiful and naturally fire-resistant minerals, or synthetic gypsum, an environmentally friendly byproduct of coal-fired utility plants. Starch—made from rapidly renewable resources such as wheat or corn—and 100 percent recycled paper form the bulk of the remaining materials.

The manufacture of SHEETROCK® gypsum panels uses less embodied energy than a wide variety of building products, meaning the amount of energy used from the time we acquire raw materials to when we ultimately transport those materials to a job site is less than the embodied energy used for brick, 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.

Our extensive manufacturing and distribution center network enables contractors and builders across the nation to source USG products locally. This system minimizes the environmental impact of transportation. Finally, SHEETROCK® gypsum panels can be reused in many environmentally beneficial applications such as a soil amendment or recycled at USG manufacturing facilities.
Indoor environmental quality critical to sustainability

While product content, source and recyclability lead to a positive environmental impact, sustainability also extends to what happens once products are in place and how they affect the people who live and work in those locations. Our customers want to design and build spaces that help protect those who live and work inside them. In addition to indoor air quality, they are concerned with the overall comfort, humidity, lighting and acoustics of these spaces because each can affect the health and well-being of building occupants. Resources like our ceiling portfolios—which offer one of the broadest selections available and also meet or outperform the strictest indoor environmental quality (IEQ) guidelines—are exactly what they need.

USG acoustical ceiling panels share many of the same sustainable features as SHEETROCK gypsum panels, including recycled content, a low-waste manufacturing process and recyclability. Many of our ceiling systems are made from recycled mineral wool, paper, aluminum and steel. Moreover, we take back approved ceiling panels, regardless of manufacturer, and recycle them into new ceiling panels.

In late 2009, we introduced new products like USG True Wood ceiling panels. This offering provides our customers with a large portfolio (more than 200 product choices) of Forest Stewardship Council (FSC)-certified wood ceiling panels.

USG is the only manufacturer to provide customers with a zero-emitting, wool-based ceiling panel. Additionally, we offer more than 20 ceiling families that outperform or meet the strictest zero and low-VOC emissions standards. In 2009, we became the first and only manufacturer to offer a non-vinyl gypsum lay-in panel that contains no PVCs or phthalates. This product is a valuable option for customers who need a highly washable and durable non-vinyl ceiling panel, a requirement for a growing number of green building guidelines.

For occupant comfort as well as protecting the performance of spaces, we use patented formulations and coating technology to increase mold and mildew protection. We offer more than 30 varieties of ceiling panels that provide the highest level of antimicrobial protection available today. Lastly, our high-durability acoustical panels help our customers extend the life of their ceilings and reduce operating and replacement costs.

Providing environmentally friendly alternatives

Many of our tile and flooring products provide more environmentally friendly alternatives to some of the typically used tile and flooring options such as wood-based lauan, which consist of ingredients harvested from endangered, old-growth forests mixed with Portland cement.

Our FIBEROCK® brand tile backerboard and underlayment products, on the other hand, are made from 95 percent recycled materials, including recaptured gypsum and recycled paper fibers. LEVELROCK® green floor underlayment, introduced in 2009, is the industry’s first poured underlayment made with synthetic gypsum and, as such, is also made from nearly 95 percent recycled content.

During 2009, we launched DUROCK® Next Gen, the lightest cement board available today. The product features advanced USG cement technology that reduces the board’s weight by up to 25 percent. DUROCK Next Gen’s lighter weight and unique formulation give building professionals a more environmentally friendly alternative to other backerboard products. USG has increased the product’s recycled content by 40 percent, and we formulated the product with less energy-intensive raw materials, thus reducing its overall carbon footprint. With DUROCK Next Gen’s lighter weight, more board on a truck leads to fewer trucks on the road.

Like our ceilings and wallboard manufacturing processes, the production for most of our tile and flooring products generates little waste with between 95 percent and
1965  
Movement to natural gas as primary fuel

1970  
Reduced weight wallboard requires less transportation and is easier to install

1970  
100% Recycled paper used for SHEETROCK® panels
100 percent of all raw materials used exiting the plant as finished product.

2. LEADERSHIP ROLE IN RESPONSIBLE BUILDING PRACTICES

As a leading environmental steward, we believe it’s our responsibility to engage 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 impact of our products by participating in organizations committed to preserving indoor and outdoor environments.

PRODUCT SUSTAINABILITY TABLES

USG provides the transparency, data and tools our customers need to design and build with confidence, accuracy and ease. We have various products that contribute to USGBC LEED credits and meet third-party certification standards such as CHPS, SCS, FSC and others. Our priority is to help customers understand how our products and services help them create, build and operate sustainable spaces throughout the life cycle.

Our Product Sustainability Tables provide such information as raw materials and recycled content, embodied energy and emissions, and how our products may contribute to LEED credits. USG Design Studio, a free web portal, has a design specification tool to easily generate a custom report of LEED credits for USG products with just a few clicks of the mouse. Our specific product web pages offer more detailed information on sustainable attributes and individual standards certification.

Throughout our history, we’ve actively supported, influenced and participated in the standards development process to protect our customers and those who live and work in their designed and built spaces. We hold leading positions and have representatives on critical standards committees and organizations. For example, we are founding members of the U.S. Green Building Council (usgbc) and the Responsible Solutions to Mold Coalition, an invitation-only member of the Alliance for Sustainable Built Environment, and an active participant on the ASTM’s E60 Committee on Sustainability. Additionally, we’re working within our industry to assist the American National Standards Institute (ANSI) and the International Code Council (ICC) to develop green standards for homes and other buildings.

3. EVALUATE THE FULL LIFE CYCLE IMPACT OF PRODUCTS

“Green” product claims based on a single stage in a product’s life cycle or a single environmental impact is a growing concern for the building industry, with some manufacturers claiming a product is green simply because it has recycled content. It is critical for manufacturers to understand the full life cycle impact of their products on the environment.

Single-attribute approaches can mislead building professionals because the information does not address other potential environmental impacts at different stages of the product’s life from raw material extraction to recycle and reuse at the end of the product’s usefulness. Building materials selection driven by green building standards that focus on product content during manufacturing or arrival at the construction site is equally problematic. For example, a building material considered environmentally friendly when delivered can eventually become harmful to building occupants if it emits VOCs once installed.

USG is committed to definitively measuring the environmental impact of our products. In addition to using widely recognized life cycle analysis (LCA), we invest
in analytical programs and outside studies that enable us to evaluate the environmental impact of our products throughout their life cycles. Our researchers are trained to use these tools to assess advanced product formulations and calculate environmental benefits or effects.

Broadening the environmental discussion, the life cycle approach accounts for shifts in the environmental impact from one life cycle stage to another, or one environmental medium, such as land, air or water, to another. The LCA approach is beneficial because it allows analysis of trade-offs. This step allows us to achieve a genuine reduction in our overall environmental impact rather than simply shift the impact.

**ECOBLUEPRINT PRIORITY: ENHANCE ENERGY MANAGEMENT**

*Doing more with less*

USG has a long history of energy efficiency. We have implemented many new products, processes and technologies that have effectively lowered our energy requirements steadily during the past 100 years. Moving forward, we will continue to reduce our carbon footprint. Our near-term priorities include the following objectives:

1. **Increase energy efficiency**
2. **Reduce embodied energy**
3. **Evaluate low-carbon energy technologies**

**1. INCREASE ENERGY EFFICIENCY**

Focused, coordinated efforts from teams of employees in our plants, research, technical services, engineering and many other departments have also contributed significantly to our reduced use of energy. Since 2008, we’ve implemented specific energy-reduction targets, management accountability and training for all of our manufacturing facilities in the form of our “Back to the Basics” program. Throughout 2009, energy remained a focus at our plants. In July, a group of engineers from plants all over the country gathered to participate in a hands-on training workshop. The workshop let participants share mutual experiences and learn common practices that could be used to improve energy efficiency at all plants. USG has used a multitude of forums to recognize individuals who made significant advancements in energy-efficiency projects and to share success stories.

Moreover, we also use heat-exchange processes throughout our manufacturing operations to conserve energy and maximize efficiency. For example, we recover waste heat from thermal processes to warm other processes throughout the manufacturing process. Two major USG paper mills, in Otsego, Michigan, and Oakfield, New York, use combined heat and power technology, also known as cogeneration. Cogeneration supplies clean power and steam for our mills’ manufacturing processes while consuming 30 percent less fuel.
2. REDUCE EMBODIED ENERGY

During the past 25 years, we’ve reduced the amount of energy required to produce our products by more than 30 percent. This reduction was achieved by enhancing the properties of our products, which also led to improvement in their overall performance.

Additionally, we understand that energy consumed during the manufacturing process is not the entire story. Our focus on energy conservation and emissions reduction expands beyond our manufacturing practices and property lines. We are committed to transporting our products as sustainably as we can. We are a member of the Environmental Protection Agency’s SmartWay™ Transport Partnership program, which identifies products and services that reduce transportation-related emissions as part of a broader effort to improve air quality and decrease fuel consumption.

For more than half of our shipping needs, we use other SmartWay Transport carriers, which take steps, like we do, to cut down on fuel consumption and emissions. In 2009, the EPA awarded us with their SmartWay Excellence Award, which recognizes companies and organizations for outstanding contributions to greater fuel efficiency, reduced greenhouse gas emissions and improved air quality.

Looking beyond our four walls enables us to consider the energy requirements associated with raw materials, transportation, product use and end of life. As discussed earlier, the embodied energy of our products is much lower when compared to most other building materials including brick, concrete, glass, steel, aluminum, fiberglass, paint, plastic and others. With our more comprehensive life cycle viewpoint, we are able to make improvements in the areas with the greatest environmental impact.

3. EVALUATE LOW-CARBON ENERGY TECHNOLOGIES

While every effort is being taken to reduce the amount of embodied energy in our products, increasing knowledge of the complicated interaction of atmospheric carbon and the earth’s natural systems has led USG to also focus on carbon management.

Historically, USG has converted from heavier, carbon-dense fuels to cleaner burning fuels such as natural gas as our primary source of energy in our manufacturing process. Moving forward, we plan on using other alternative sources of energy with lower carbon footprints. USG is currently investigating several technologies in regard to feasibility and long-term economic performance.

ECOBLUEPRINT PRIORITY: IMPROVE HOW WE USE RESOURCES

Working smarter for the long term

Our third EcoBlueprint corporate priority is to improve our resource utilization, including how we use resources and handle waste. In addition to our energy usage, gypsum, mineral wool and water are major resources used to manufacture our products.

Our near-term priorities to improve our resource utilization center on these three steps:

1. Manage water and natural resource consumption
2. Reduce, recycle or divert waste
3. Decrease operational and supply-chain-related emissions

1. MANAGE WATER AND NATURAL RESOURCE CONSUMPTION

Gypsum is a popular construction material that has been used since ancient times because of its abundance, versatility...
City of Hope has been a strong supporter of City of Hope for many years and is involved in a number of City of Hope fundraising programs. Each year, we support a number of retailer-hosted golf tournaments benefiting City of Hope. In addition, we have been longstanding participants of the product donation program, Walk for Hope, endowments, Workplace Alliance and cause-related marketing. Because of these ongoing efforts, USG was honored by City of Hope as a leader of industry at their Spirit of Life Reception held annually at the National Hardware Show in Chicago.

City of Hope Cancer Center has been at the forefront of discovering powerful new ways to diagnose and treat cancer and other life-treating diseases. Here, some of the world’s most knowledgeable physicians, researchers, scientists and healthcare professionals have quietly joined forces with generous donors in an effort to not just treat — but one day cure — cancers that affect the lives of adults and children around the world. The hardware/home improvement industry continues to be a major force in supporting the research and treatment programs conducted at City of Hope. To date, industry contributions have exceeded $119 million, making it City of Hope’s premier industry support group.
and fire-resistant properties. Deposits are distributed throughout much of the world and extracted in more than 90 countries. Gypsum mining does not result in some of the environmental issues commonly associated with other forms of mining such as acid mine drainage and surface or groundwater contamination. Additionally, the environmental impact of mining gypsum has been minimized over the past few decades as a result of well-designed, well-operated and well-regulated mining operations.

We mine or quarry gypsum rock at 15 company-owned locations in North America. In 2009, these locations provided approximately two-thirds of the gypsum used by our facilities. Gypsum mines are typically run as long-term operations. We have run some of our U.S. mines since the early 1900s. In addition to ongoing reclamation work completed at operating mines and quarries, once we close a gypsum site, we perform comprehensive reclamation procedures to reduce the impact on vegetation, slope stability and local habitat.

USG recognizes that gypsum mined from the earth is a natural resource in limited supply. Therefore, treating that supply sustainably is vital. With that thought clearly in mind, we have taken several approaches to reduce our use of naturally occurring gypsum and to extend the life span of our resources. These steps include use of alternative materials such as recaptured gypsum, an environmentally friendly byproduct of pollution-control processes at coal-fired power plants. We use more recaptured gypsum than any other manufacturer in North America, a practice encouraged by the EPA. By using recaptured gypsum, USG not only conserves natural resources, but we are also able to locate manufacturing plants closer to higher-population centers, reducing transportation distances to market.

Formulating lighter-weight products that require less gypsum, minimizing waste within our facilities and recycling new construction waste back into our products are other important ways we have reduced the amount of natural resources consumed by our products and processes.

Another precious natural resource that USG is committed to using responsibly is water. Both wallboard and ceiling tile manufacturing consume process water within our operations and emit excess water as steam from our emission stacks. We have been focused on using less water for several decades. During the past 10 years, we have reduced water consumption around 15 percent by decreasing the amount of water required to produce wallboard. In addition, we recycle water at our paper mills and ceiling plants, which also cuts down on effluent discharges to municipal treatment systems.

We have long recognized that using less water is a must to increase our manufacturing efficiencies and decrease the energy needed to evaporate excess water. With less water consumption, the environmental benefits are twofold: less water and less energy used. The latter also leads to using less fuel and having fewer related emissions. To minimize our water-use impact on our surrounding communities in the future, we’re exploring the use of non-potable sources of water, such as saltwater and rainwater, where available.

—USG Locust Core Gypsum mine, winner of the 2002 Virginia Statewide Mining Reclamation Award.
2. REDUCE, RECYCLE OR DIVERT WASTE

Manufacturing our wallboard and ceiling panel products is generally a low-waste process with between 95 percent and 100 percent of all materials recycled back into our products.

For the building materials industry in general, waste becomes an issue at the job site. A significant amount of waste is created at construction sites from wallboard scraps that are often sent to municipal waste landfills. While wallboard waste is a non-hazardous and non-toxic inert waste, U.S. municipal landfills are becoming increasingly overburdened by high volumes of waste. Diverting new-construction wallboard waste from landfills would help reduce the maintenance requirements of current landfills and prevent the need for more in the future. However, at this point, the United States lacks a robust infrastructure to collect and return new-construction wallboard waste.

In this current environment, the transportation requirements to return new-construction wallboard waste to some of our manufacturing facilities becomes uneconomical and creates environmental trade-offs that negate the environmental benefits of recycling. We are looking for ways to develop a recycling infrastructure that would combine our internal network of locations with outside resources. We are also evaluating alternative uses for wallboard waste closer to the point that it is generated, such as reusing the waste as a soil amendment to prevent new-construction soil erosion.

3. REDUCE OPERATIONAL AND SUPPLY-CHAIN-RELATED EMISSIONS

USG strives to minimize all operational fugitive emissions, including dust, working collaboratively with federal and local administrative agencies.

We will also continue to increase the number of SmartWay Transport carriers we use because, like us, they take steps to reduce fuel consumption and emissions when transporting materials and products.

Using advanced logistics technology, we optimize materials loading prior to shipping. In fact, one of the leading organizations for transportation and logistics professionals, the National Shippers Strategic Transportation Council, honored our efforts in 2009 with their annual Shipper of the Year Award for best practices in smart transportation and logistics.

Our shipping subsidiary, Gypsum Transportation Limited, has continuously set the standard for environmentally friendly marine transportation. Each vessel is equipped with innovative technology designed to minimize the ship's effects on the environment and prevent pollution. We were the first in the world to install an electronically controlled slow-speed main engine to reduce nitrous oxides and other engine combustion pollutants on our Gypsum Centennial and Integrity ships. This technology results in a “smokeless” engine at all times, a fact confirmed by the voluntary outfitting of uptake monitoring systems.
1985
- Durock® cement board made from 20% recycled materials including fly ash

1986
- First user of coal-fired power plant pollution-control byproduct
- Technology advanced to allow more sources of recycled waste paper for recycling
- 1986 First user of coal-fired power plant pollution-control byproduct
OUR GOALS

COMMITTING TO A SUSTAINABLE FUTURE

USG is committed to EcoBlueprint and our strategy for environmental sustainability. We choose to ensure this commitment by reaching the following three worldwide goals by 2020, using 2005 as our base year:

For each goal, we have carefully measured where we were in 2005 and assure our stakeholders that USG will meet or exceed these levels of achievement by 2020.

1. Develop responsible customer solutions:
   Conduct product environmental life cycle assessments 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
SOCIAL RESPONSIBILITY
Building strong relationships with our employees and communities is the foundation of our company. We are a leader in industrial safety, providing employees with the safest workplaces in the industry. We are equally committed to safeguarding our communities and supporting their needs.

**WORKING SAFELY**

Working safely has many benefits. The most important of which is that our employees go home after every shift to see their families. Everyone approaches his or her work from the standpoint that “No job is so important that it cannot be done safely.” Since our founding in 1902, we have made employee safety a core value by developing and adhering to safety guidelines that exceed industry standards and regulations set by the U.S. Department of Labor’s Occupational Safety and Health Administration (OSHA), the U.S. Department of Labor’s Mining Safety and Health Administration (MSHA) and equivalent agencies that operate in foreign countries. USG has a long history of being recognized for exceeding industry standards including the MSHA “Sentinels of Safety” award that USG has been awarded 10 times.

Our safety-first culture contributes to low employee turnover and serves as a recruitment and retention benefit for the company. In recent surveys of our plants, employees consistently list safety as one of the top reasons they like working at USG. Employees who have left USG have been known to return because their new employers did not share the same intense safety focus.

Our safety performance in 2009 remained strong despite adapting business operations to meet a changing market. Even in a company with 10,000 employees, **USG boasts an overall safety performance more than 25 times better than the typical manufacturing company in the United States** in 2009. Within our distribution centers, our 2009 lost-time incident rate was 11 times lower than the “Transportation/Warehouse” industry rate.

Over 90 percent of our manufacturing facilities operated without a lost-time injury with over one-third not experiencing a single recordable injury throughout 2009. This continual emphasis on safety resulted in 39 percent of our plants exceeding 1 million hours without a lost-time injury and 64 percent operating over 1,000 days without a lost-time injury.

In 2009, our Wierton, Rainier and Dallas facilities were added to our list of 11 USG plants that have been awarded “Star” status as part of OSHA’s Voluntary Protection Program (VPP). The VPP promotes excellence in occupational health and safety. Star status is the most prestigious VPP designation
and recognizes worksites that have highly successful safety and health management programs that result in injury and illness rates at or below the national average for their industry. The Star program requires an in-depth application process and on-site evaluation by OSHA representatives. Plants participating in the Star program must submit annual safety reports and be reevaluated every three to five years to maintain Star status. In addition to these recent awardees, 21 other USG facilities have completed a self-assessment and are preparing to be considered for Star status.

DIVERSITY A CORE VALUE AND COMPETITIVE STRATEGY

One of the core values of USG is diversity. Initiatives driven by this core value have helped the company stay competitive, reach new markets and maintain the highest-quality workforce. The people who make up the USG worldwide team come from every imaginable background. Our global reach extends to locations as far off as the Middle East, Africa, Europe, Latin America, the Caribbean and the Pacific Rim.

As an Equal Opportunity Employer committed to a culturally rich workforce, we’re proud of the diversity initiatives we’ve created to raise the quality of our work environment and employee well-being. It’s a way of life that directly effects the success of our company.

Diversity and inclusion training is available to all employees and focuses on ways to value, respect and maximize the potential of all employees to better meet the needs of the increasingly diverse customer base and workforce of USG.

USG has also established a Diversity and Inclusion Strategy Council (DISC). DISC is a small group of USG employees who are dedicated to enhancing diversity as a core value of the company. The primary objective is to develop and support implementation of a strategy that demonstrates the commitment USG has toward achieving a more diverse and inclusive workplace.

In addition to DISC, USG has three employee resource groups: the African American Network (AAN), the Latino Employee Network (LEN), and WomenRock! All the groups serve to further promote diversity in the workplace. The three voluntary groups provide networking and professional development opportunities, while helping to support and promote the broader business goals of USG. For example, the AAN hosted panel events with senior management, LEN and WomenRock! hosted USG board member speaking engagements, and the LEN participated in marketing events at several Chicago-area retailers and increased overall sales nearly 60 percent compared to the prior three weeks. All three groups volunteer for community service.

USG also has a Senior Executive Steering Council that provides direction and feedback on business priorities to DISC and the employee resource groups. In addition, they assisted the council with goal setting and the employee resource groups with their burning platform strategies.

HELPING EMPLOYEES AT WORK AND HOME

USG recognizes the growing demands on our employees’ lives both at work and home, and managing that challenge is an issue regardless of background. We provide a comprehensive work-life program with a number of options that recognizes our individual needs from flexible schedules to work-at-home options.
These programs meet the needs of not only our employees but also our business. A new work-at-home program in the USG Customer Service Center (CSC) has improved customer satisfaction while boosting employee productivity and morale. The program allows CSC’s top customer service representatives to work from their homes and continue to provide exceptional service to customers. More than 25 percent of CSC’s qualified employees are participating in the program. All calls are monitored just as if they were answered at the CSC, and employees are rated on the same metrics. The program has led to an increased productivity rating of 20 percent, increased coverage for peak call hours and provides substantial cost saving by eliminating the need for separate off-site disaster-recovery facilities.

In 2009, USG was recognized for its support of the National Guard and Reserve by the North Carolina Committee for Employer Support of the Guard and Reserve. We were selected as one of the most supportive employers in North Carolina for going beyond the legal requirements for granting leave and providing support for military duty to our employees.

We believe it is important that employees remain satisfied with their career, work environment and the company. So, from time to time, we survey our employees. This process determines their engagement, identifies areas of employee satisfaction, defines opportunities for improvement and tracks perceptions of USG over time. By addressing employee concerns, we create a highly comfortable and productive workplace.

Supporting Communities

USG strongly believes that with a solid foundation, there is no limit to what we can build. That is why USG established the USG Foundation in 1978. The USG Foundation is committed to social responsibility and supports local and national charitable organizations, especially ones dedicated to providing affordable shelter and those that support self-sufficiency among individuals and economic development within our communities.

Since its inception, the USG Foundation has donated more than $18 million to various charitable organizations.
1986
First major USG paper mill to utilize natural gas cogeneration

1987
Electric melting mineral fiber technology

1991
Material usage reduction in metal grid
REBUILDING NEW ORLEANS WITH PRODUCT TRAINING, CUSTOMER EVENTS

To help with ongoing recovery efforts as a result of Hurricane Katrina, Michael Leake, retail sales manager—South region, Building Systems, and his team, held three community-wide training events at Home Depot® stores in the New Orleans area, including Chalmette, Kenner and Central New Orleans.

The USG Matching Gifts Program matches eligible contributions of cash made by USG employees, both active and retired, and directors to qualifying organizations on a 50-cents-on-the-dollar basis, from a minimum of $50 to an annual maximum of $5,000.

Building homes and communities

USG has partnered with Habitat for Humanity® for many years to help build affordable housing. Our employees participate in builds around the nation, while USG provides financial support and a variety of products used in Habitat homes. USG donated 1 million square feet of SHEETROCK gypsum panels per year (enough drywall to build 650 homes) to the American Red Cross for disaster preparation and relief.

A team from the USG Stony Point, New York plant participated in Habitat for Humanity’s “A Brush with Kindness” program, which helped to rebuild a family home in White Plains, New York, which was destroyed by a fire. The Stony Point plant donated 10 units of half-inch SHEETROCK wallboard for the project and ensured the safety of volunteers by providing hard hats and safety goggles.

Providing a foundation for new jobs and careers

In partnership with SkillsUSA, a national not-for-profit organization that serves educators and students from vocational and technical schools, the USG “Constructive Solutions: Building America’s Construction Workforce” program helps educate future building and construction trade professionals. This annual program, which is held at the USG Research and Technology Innovation Center in Libertyville, Illinois, provides building trade instructors affiliated with SkillsUSA the opportunity to participate...
1995
FIBEROCK™ panels made from 95% recycled materials

1995
Co-founded U.S. Green Building Council

1998
Multiple Burner Refractory (MBR) calciners provides further improvements to the efficiency of conventional calcination
2000
Constructed gypsum drywall plants to lead industry in efficiency

2002
Received Virginia Statewide Mining Reclamation Award

2002
Joint treatment plant eco-efficiency program
in advanced products courses that emphasize drywall installation and finishing. Upon completing the session, instructors receive curriculum materials developed and endorsed by USG that they can use to teach proper drywall techniques to their students. Instructors also earn a special certificate of recognition. Since it was started over a decade ago, the program has reached more than 10,000 aspiring contractors.

In support of our employees' families, the USG Foundation funds scholarships through the National Merit Scholarships Corporation (NMSC) and range from $2,000 to $6,000 per year for up to four years of undergraduate study at an accredited college of the student's choice. In 2009 the USG Foundation funded five college scholarships for children of USG employees. More than 300 companies, foundations and professional associations plan to provide 1,100 National Merit Scholarships this year. The USG Foundation awards $40,000 to $50,000 per year through the program.

**Inspiring hope**

USG has been a strong supporter of City of Hope for many years. Annually, we support a number of retailer-hosted golf tournaments and have been a long-standing active participant in product donation efforts, Walk for Hope, endowments, Workplace Alliance and other programs.

**USG EMPLOYEES HELP BEAUTIFY CHICAGO AREA SCHOOLS**

In January 2009, a USG team spent one Saturday painting student lockers and wall murals and cleaning out classrooms to help Smyser Elementary School in Chicago begin 2009 with a fresh start. Six months later, nearly 100 USG employees, family and friends spent another Saturday painting walls and cleaning classrooms to help Hendricks Math & Science Academy on Chicago’s South Side prepare for the new school year. The USG team painted 26 classrooms and a lunchroom and helped beautify the school by painting hallway murals.
AN OBLIGATION THAT MATTERS DEEPLY

The mission of USG Corporation is to provide the finest building solutions to our customers worldwide. Consistent with this mission, we adhere to the highest ethical standards in the conduct of our business and obey both the letter and spirit of the laws applicable to our business. For many decades, USG has had a written code of business conduct which goes beyond simply outlining our legal responsibilities—it also affirms the ethical standards that guide the actions of all dedicated USG employees around the world. Beyond our legal requirements, USG recognizes that the only means to achieve our corporate goals is by developing trustworthy and mutually beneficial relationships with our employees, customers and business partners.

Throughout 2009 USG remained dedicated to our customer satisfaction leadership and focused on cost control, sizing the business-to-market conditions and innovation that enabled us to manage successfully through this prolonged economic downturn. Although we anticipate that 2010 will be another challenging year, we believe we are well positioned to capitalize on an economic rebound and a recovery in our key market segments. For a more comprehensive view of our economic performance, please refer to our 2009 SEC Form 10-K.

OUR GLOBAL OPERATIONS

Our subsidiaries and partners are active in more than 140 countries worldwide with manufacturing and distribution facilities in the Americas, Europe, Asia, Africa, the Pacific and the Middle East. Our local operations have a firsthand

CORPORATE INNOVATION CENTER HOSTS SUSTAINABILITY CHALLENGE

The USG “Go Green” sustainability challenge brought together the most creative and innovative minds from USG to share their ideas for making USG a more sustainable company. The event, held at the Corporate Innovation Center (CIC) in Libertyville, Illinois, challenged CIC employees to develop sustainable ways to improve USG products, manufacturing processes and general business operations throughout the product life cycle.
2004
High-efficiency kettles provide 15% increase in efficiency

2005
Patented wallboard manufacturing water reduction additives

2007
Founded the Responsible Solutions to Mold Coalition
2007
Corporate Office LEED registered

2008
Second major USG paper mill to utilize natural gas cogeneration unit

2009
USG paper mills recycle nearly 100% of waste water
understanding of the markets they serve and are supported by experienced technical, customer service, research, manufacturing and logistics groups.

OUR LEADERSHIP AND INNOVATION

In order to contribute high standards and leadership in the building materials industry, we perform extensive research and development at the USG Corporate Innovation Center, where research experts provide product support and new-product development. With unique fire, acoustical, structural and environmental testing capabilities, the research center evaluates products and systems, performs chemical analysis and materials characterization, and assesses safety and quality. As the company that invented wallboard and mineral wool ceiling tile, we have a long tradition of innovation in our products and processes.

NEW PRODUCTS RELEASED IN 2009

DUROCK® Next Gen cement board is a water-durable, mold-resistant panel for use under tile and other finishes in a variety of interior and exterior applications. This next generation of DUROCK® cement board offers improved performance and productivity over its predecessor, installing 20 percent faster while weighing 25 percent less.

SECUROCK® glass-mat sheathing is a high-quality, non-combustible, moisture- and mold-resistant sheathing panel designed for use under exterior claddings.

The newest ceilings and systems from USG provide more creative options and greater flexibility. From innovative twists on traditional acoustical ceilings to a new specialty product that takes customization to a higher level, USG Ceilings offer even more ways to add a crowning touch to your designs. New ceiling products released in April of 2009 include
New Translucents™ finishes, Frost™ CLIMAplus™ High-NRC/High-cac panels and Olympia Micro™ CLIMAplus™, .60 NRC panels. In addition to improving our products, USG Ceilings and systems continually deliver the innovations that perform better and are also better for the environment such as our True Wood ceiling panels certified by the Forest Stewardship Council (FSC), High Recycled Content (HRC) Ceilings, including the industry’s only high-recycled-content bolt-slot suspension system and SHEETROCK™ Lay-in Ceiling Panel CLIMAplus™, PVC-free acoustical ceiling panels.

New SHEETROCK® lightweight taping joint compound is specifically targeted for the professional drywall finisher. The product is 45 percent lighter than conventional joint compounds and has exceptional bond for use with reinforcing tape when applied to drywall panel joints.

SHEETROCK® brand MH SPEED-TEX™ ready-mixed spray texture is an economical solution for creating consistent, light texturing over interior gypsum drywall surfaces. The

**L&W WINS SUPPLIER CHOICE AWARD**

For the third consecutive year, L&W Supply Corporation unit Seacoast Supply received the prestigious Partners of Choice Award from David Weekley Homes, a privately held home builder based in Houston, Texas. Seacoast Supply achieved an “AA” rating, earning an “A” rating in both service and quality for the second year in a row after receiving an “A” rating in 2007. Seacoast Supply is the only drywall or roofing supplier to earn the “AA” rating in the award’s six-year history and is one of only 11 companies to earn the coveted “AA” rating. A total of 150 companies participate in the award program.
spray provides excellent coverage, concealing minor surface defects in both ceilings and walls with a formula that offers lower shrinkage and faster drying than joint compounds. The product is packaged in large 275-gallon totes that help reduce packaging waste at the job site.

OUR BUSINESS PARTNERSHIPS: AWARDS AND RECOGNITION

Making the intangibles memorable

For more than a century, USG has been committed to the utmost integrity in the conduct of our business and in our relationships with shareholders, customers, fellow employees, suppliers and our communities.

USG IS RECOGNIZED AS 2009 NASSTRAC SHIPPER OF THE YEAR

The National Shippers Strategic Transportation Council (NASSTRAC) and Logistics Management magazine presented USG with the 2009 NASSTRAC Shipper of the Year in recognition of outstanding achievement in transportation and distribution. According to Patrick Burnson, executive editor of Logistics Management magazine, “USG rose to the top of its game—and took customer satisfaction to new heights in near record time.” Burnson attributed our success to working cooperatively with our carriers, which, as he also states, ultimately leads to improved customer service and a more stable pricing model even in these less-than-predictable times.
Sustainability is focused on the future. Its guiding principles, as expressed throughout this report, seek to ensure prosperity for generations to come. Given our commitment to sustainability, USG will build upon past deeds and look to improve tomorrow through actions taken today.

We will continue to issue our Corporate Sustainability Reports to inform you of relevant developments and to update the progress toward our goals and objectives. Meanwhile, to find current information and advancements as well as a glossary of terminology, visit our website at usg.com and click the EcoBlueprint link.

USG was named “Material Manufacturer of the Year” in 2009 by the Hispanic Contractor Association of Georgia (HCAG) for its commitment to the success of the state’s growing Hispanic contractor market. HCAG honored USG for their commitment to the Hispanic contractor market through educational programs and events. USG co-sponsored with The Home Depot Programa Integral para el Desarrollo Económico de Constructores (Integral Program for the Economic Development of Constructors also known as PIDEO), a 12-week program that helped small and medium-sized Latino construction businesses improve their daily operations, project planning and execution, and customer relationships.
Our Commitment

Building in Harmony, the 2009 USG Corporate Sustainability Report, is printed on FSC-certified Mohawk Loop, which is made carbon neutral within the manufacturer’s processes by offsetting thermal manufacturing emissions with verified emission reduction credits (VERs), and by purchasing enough Green-e certified renewable energy certificates (RECs) to match 100% of the electricity used in its operations. Other responsible printing choices include environmentally friendly soy-based inks and glue- and staple-free binding using recyclable and biodegradable cotton thread.


To find out more about USG’s Corporate Sustainability initiatives, visit usg.com/ecoblueprint.

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