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EASTMAN CHEMICAL CO
Form DEF 14A
March 26, 2002

SCHEDULE 14A
(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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| <input type="checkbox"/> Preliminary Proxy Statement | <input type="checkbox"/> Confidential, for Use of the Commission
Only (as permitted by Rule 14a-6(e)(2)) |
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EASTMAN CHEMICAL COMPANY

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- (2) Form, Schedule or Registration Statement No.:
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(EASTMAN LOGO)

March 25, 2002

DEAR FELLOW STOCKHOLDER:

Our Annual Meeting will be held at the Toy F. Reid Employee Center, located at 400 South Wilcox Drive, in Kingsport, Tennessee, on May 2, 2002, at 11:30 a.m. Doors to the meeting will open at 10:30 a.m. The business to be considered and voted upon at the meeting is explained in the accompanying proxy materials (consisting of the Notice of Annual Meeting, the Proxy Statement, and the proxy card). A copy of Eastman's 2001 Annual Report accompanies these materials.

Your vote is important for this year's Annual Meeting, regardless of the number of shares you own. Signing and returning a proxy card or submitting your proxy via the Internet or telephone will not prevent you from voting in person, but will assure that your vote is counted if you are unable to attend the meeting. WHETHER YOU CHOOSE TO VOTE BY PROXY CARD, TELEPHONE, OR COMPUTER, IT WOULD HELP IF YOU VOTED AS SOON AS POSSIBLE. If you are a record holder, an admission ticket for the Annual Meeting is included with your proxy card. If you received our proxy materials from a broker or bank and do not have an admission ticket but wish to attend the meeting, please call (423) 229-4647.

I look forward to my first annual stockholders' meeting as Chairman and CEO. Thank you for your support of our Company.

Sincerely,

/s/ J. BRIAN FERGUSON

J. Brian Ferguson
Chairman and Chief Executive Officer

EASTMAN CHEMICAL COMPANY
100 NORTH EASTMAN ROAD
KINGSPORT, TENNESSEE 37660
(423) 229-2000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 2, 2002

To Our Stockholders:

The 2002 Annual Meeting of Stockholders of Eastman Chemical Company ("Eastman" or the "Company") will be held at the Toy F. Reid Employee Center, located at 400 South Wilcox Drive, Kingsport, Tennessee, on May 2, 2002, at 11:30 a.m., local time, for the following purposes:

- ELECT DIRECTORS. To consider and act upon the election of three directors to serve in the class for which the term in office expires

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at the Annual Meeting of Stockholders in 2005 and until their successors are duly elected and qualified;

- APPROVE 2002 OMNIBUS LONG-TERM COMPENSATION PLAN. To consider and act upon the proposed 2002 Omnibus Long-Term Compensation Plan;
- APPROVE 2002 DIRECTOR LONG-TERM COMPENSATION PLAN. To consider and act upon the proposed 2002 Director Long-Term Compensation Plan;
- RATIFY APPOINTMENT OF INDEPENDENT ACCOUNTANTS. To consider and act upon ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for the Company until the Annual Meeting of Stockholders in 2003;
- STOCKHOLDER PROPOSALS. If properly presented, to consider and act upon the two stockholder proposals set forth in the accompanying Proxy Statement, both of which are opposed by the Board of Directors; and
- OTHER BUSINESS. To transact such other business as may come properly before the Annual Meeting or any adjournments or postponements thereof.

Only stockholders of record at the close of business on March 15, 2002 are entitled to vote at the Annual Meeting. IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AND VOTED AT THE ANNUAL MEETING. Please vote by proxy in one of these ways:

- USE THE TOLL-FREE TELEPHONE NUMBER shown on your proxy card or voting instruction form (if you received the proxy materials by mail from a broker or bank);
- BY INTERNET at the web address shown on your proxy card or voting instruction form; or
- MARK, SIGN, DATE AND PROMPTLY RETURN YOUR PROXY CARD OR VOTING INSTRUCTION FORM in the postage-paid envelope provided.

Signing and returning the proxy card or submitting your proxy via Internet or by telephone does not affect your right to vote in person if you attend the Annual Meeting.

By order of the Board of Directors

/s/ Theresa K. Lee
Theresa K. Lee
General Counsel and Secretary

March 25, 2002

PROXY STATEMENT

FOR

ANNUAL MEETING OF STOCKHOLDERS OF
EASTMAN CHEMICAL COMPANY
TO BE HELD ON MAY 2, 2002

INFORMATION REGARDING THE ANNUAL MEETING

PROXY STATEMENT AND ANNUAL MEETING

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This Proxy Statement is dated March 25, 2002 and is first being mailed and delivered electronically to Eastman stockholders, and made available on the Internet (www.eastman.com), on or about March 28, 2002. This Proxy Statement is being furnished to stockholders in connection with the solicitation of proxies by the Company's Board of Directors for use at the Annual Meeting of Stockholders of the Company to be held on May 2, 2002, and at any adjournments or postponements thereof. At the Annual Meeting, stockholders will be asked to consider and vote on the six items of business listed in the accompanying Notice of Annual Meeting and described in more detail under "Proposals to be Voted Upon at the Annual Meeting."

VOTING BY PROXY

By executing and returning your proxy (either by returning the paper proxy card or by submitting your proxy electronically via the Internet or by telephone), you appoint James P. Rogers, the Company's Chief Financial Officer and Theresa K. Lee, the Company's General Counsel and Secretary, to represent you at the Annual Meeting and direct them to vote your shares at the Annual Meeting according to your instructions. Shares of common stock represented by proxy will be voted by the proxy holders at the Annual Meeting in accordance with the instructions indicated in the proxy appointment. IF YOU PROPERLY EXECUTE AND RETURN YOUR PROXY (IN PAPER FORM, ELECTRONICALLY VIA THE INTERNET, OR BY TELEPHONE) BUT DO NOT INDICATE ANY VOTING INSTRUCTIONS, YOUR SHARES WILL BE VOTED IN ACCORDANCE WITH THE RECOMMENDATIONS OF THE BOARD OF DIRECTORS.

STOCKHOLDERS OF RECORD MAY VOTE BY PROXY IN ONE OF THREE WAYS:

- by telephone: call (800) 542-1160 and use the control number on your proxy card;
- via the Internet: visit the www.votefast.com website and use the control number listed on your proxy card; or
- by mail: mark, sign, date and mail your proxy card in the enclosed postage-paid envelope.

The Internet and telephone voting procedures are designed to authenticate stockholder identities, to allow stockholders to give voting instructions, and to confirm that stockholders' instructions have been recorded properly. Stockholders voting by Internet should understand that there may be costs associated with electronic access, such as usage charges from Internet access and telephone or cable service providers, that must be borne by the stockholder.

IF YOUR SHARES ARE HELD IN "STREET NAME" THROUGH A BROKER, BANK OR OTHER HOLDER OF RECORD, YOU WILL RECEIVE INSTRUCTIONS FROM THE REGISTERED HOLDER THAT YOU MUST FOLLOW IN ORDER FOR YOUR SHARES TO BE VOTED FOR YOU BY THAT RECORD HOLDER. Telephone and Internet voting is also offered to stockholders who own their Eastman shares through certain banks and brokers.

HOW TO REVOKE YOUR PROXY

You may revoke your proxy at any time before its exercise at the Annual Meeting by either:

- giving written notice of revocation to the Secretary of the Company;
- executing and delivering a later-dated, signed proxy card or submitting a later-dated proxy via the Internet or by telephone before the Annual Meeting; or
- voting in person at the Annual Meeting.

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All written notices of revocation or other communications with respect to revocation of proxies should be sent to Eastman Chemical Company, P.O. Box 511, Kingsport, Tennessee 37662-5075, Attention: Secretary, so that they are received before the Annual Meeting.

RECORD DATE; STOCKHOLDERS ENTITLED TO VOTE; VOTING RIGHTS

The Company's Board of Directors has fixed the close of business on March 15, 2002 as the record date for the determination of stockholders entitled to receive notice of, and to vote at, the Annual Meeting. Only holders of record of shares of common stock as of the record date will be entitled to vote at the Annual Meeting. If your shares are held in the name of a broker, bank or other holder of record, you must obtain a proxy, executed in your favor, from the holder of record to be able to vote in person at the Annual Meeting.

As of the record date, there were 77,445,580 shares of common stock issued and outstanding. Holders of common stock are entitled to one vote on each matter considered and voted upon at the Annual Meeting for each share of common stock they hold of record as of the record date.

QUORUM

The presence, in person or by proxy, of the holders of a majority of the shares of common stock entitled to vote at the Annual Meeting is necessary to constitute a quorum to conduct business at the Annual Meeting. Abstentions, votes withheld, and "broker non-votes" will be counted as present and entitled to vote for purposes of determining a quorum. A "broker non-vote" occurs when a nominee (like a broker or bank) holding shares in "street name" as the registered holder for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power for that particular item and has not received voting instructions from the beneficial owner.

VOTE REQUIRED FOR APPROVAL OF EACH MATTER TO BE CONSIDERED

A plurality of the votes cast is required for the election of directors. With respect to the election of directors, stockholders may by proxy (1) vote "for" all three nominees, (2) "withhold" authority to vote for all such nominees, or (3) withhold authority to vote for any individual nominee or nominees but vote for all other nominees. Because directors are elected by a plurality of the votes cast (meaning the three nominees receiving the greatest number of votes will be elected), withholding authority to vote with respect to one or more nominees will have no effect on the outcome of the election. Similarly, any broker non-votes are not considered to be votes cast and therefore would have no effect on the outcome of the election of directors.

The affirmative vote of a majority of the votes cast is required for approval of each of the two proposed compensation plans, ratification of the appointment of independent accountants, and adoption of each of the two stockholder proposals. With respect to each of these five items, stockholders may by proxy (1) vote "for," (2) vote "against," or (3) "abstain" from voting. Abstentions and broker non-votes are not considered to be votes cast and therefore will have no effect on the outcome of any of these proposals.

PROXY SOLICITATION COSTS

The Company will bear the cost of soliciting proxies and the cost of the Annual Meeting. In addition to the solicitation of stockholders by mail and electronic delivery, proxies may be solicited by telephone, facsimile, personal contact, and similar means by directors, officers, or employees of the Company, none of whom will be specially compensated for these activities. The Company also contacts brokerage houses, banks, nominees, custodians, and fiduciaries who

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can be identified as record holders of common stock. Such holders, after inquiry by the Company, provide certain information concerning beneficial owners not objecting to the disclosure of such information and the quantities of proxy materials and annual reports needed to supply such materials to beneficial owners, and the Company reimburses such record holders for the expense of providing such beneficial ownership information and of mailing proxy materials and annual reports to beneficial owners. Georgeson Shareholder Communications has been retained by the Company to aid in the solicitation of proxies, at a cost of \$10,000 plus expenses.

MATTERS RAISED AT THE ANNUAL MEETING NOT INCLUDED IN THIS PROXY STATEMENT

The Company's management does not expect any business to be acted upon at the Annual Meeting other than as described in this Proxy Statement under "Proposals to be Voted Upon at the Annual Meeting". If,

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however, other matters are properly brought before the Annual Meeting, the persons appointed as proxies will have the discretion to vote or act on those matters for you according to their best judgment.

Under Eastman's Bylaws, a stockholder may submit a matter for a vote of the Company's stockholders at a meeting by giving adequate notice to the Secretary of the Company. To be adequate, the notice must set forth certain information specified in our Bylaws (which will be provided to any stockholder upon written request) about the stockholder and the proposal and be delivered to the Secretary not less than 60 days prior to the meeting. If, however, the meeting is an annual meeting to be held before the first Thursday in May (the regular day called for by the Bylaws) or a special meeting, notice of a proposal to be brought before the meeting may be provided up to the 15th day following the date notice of the meeting was given. Under our Bylaws, stockholders had until March 3, 2002 to provide notice of any matters to be presented at the Annual Meeting.

STOCKHOLDER PROPOSALS FOR THE 2003 ANNUAL MEETING

In accordance with rules of the Securities and Exchange Commission (the "SEC"), if you want to submit a proposal for presentation at Eastman's 2003 Annual Meeting of Stockholders, it must be received by the Company at its principal executive offices on or before November 25, 2002 in order to be included in the Company's proxy materials relating to its 2003 Annual Meeting of Stockholders. In addition, as described under "Matters Raised at the Annual Meeting not Included in this Proxy Statement", the Company's Bylaws require that a proposal to be submitted by a stockholder for a vote of the Company's stockholders, whether or not also submitted for inclusion in the Company's proxy materials, must be preceded by adequate and timely notice to the Secretary of the Company. If the 2003 Annual Meeting is held on Thursday, May 1, 2003 (the regular day called for by the Bylaws), then such advance notice would be timely if delivered on or before March 2, 2003.

NOMINATIONS BY STOCKHOLDERS FOR ELECTION TO BOARD OF DIRECTORS

The Company's Bylaws provide that nominations by stockholders of persons for election to the Board of Directors may be made by giving adequate notice to the Secretary of the Company. To be adequate, the nomination notice must set forth certain information specified in our Bylaws (which will be provided upon written request) about each stockholder submitting a nomination and each person being nominated and be delivered to the Secretary not less than 60 days prior to the meeting. If, however, the meeting is an annual meeting to be held before the first Thursday in May or a special meeting, the nomination notice may be provided up to the 15th day following the date notice of the meeting was given.

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The Committee on Directors of the Board of Directors will consider persons nominated by stockholders and recommend to the full Board whether or not such nominee should be included with the Board's nominees for election by stockholders.

ANNUAL REPORT TO STOCKHOLDERS AND ANNUAL REPORT ON FORM 10-K

The Company's Annual Report to Stockholders for 2001, including consolidated financial statements for the year ended December 31, 2001, is being mailed and delivered electronically to stockholders, and made available on the Internet, concurrently with this Proxy Statement but does not form any part of the proxy solicitation material. Upon the written request of any stockholder, the Company will furnish without charge a copy of the Company's Annual Report on Form 10-K for the year ended December 31, 2001 as filed with the SEC. Requests may be made to Eastman Chemical Company, P.O. Box 511, Kingsport, Tennessee 37662-5075, Attention: Investor Relations. This information is also available via the Internet at the Company's web site (www.eastman.com), and the EDGAR version of such report (with exhibits) is available at the SEC's web site (www.sec.gov).

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PROPOSALS TO BE VOTED UPON AT THE ANNUAL MEETING

ITEM 1 -- ELECTION OF DIRECTORS

The Company's Board of Directors is divided into three classes, with the terms of office of the respective classes ending in successive years. Under the Company's Bylaws, a director reaching age 70 during any term of office continues to be qualified to serve only until the next annual meeting of stockholders following his or her 70th birthday (or, if approved by unanimous action of the Board of Directors, until the next annual meeting following his or her 71st birthday), and, unless additional terms of office are approved by the Board of Directors in certain circumstances, the maximum number of consecutive full three-year terms of office that may be served by any director is three.

Three directors are in the class for which the term in office expires at the Annual Meeting; two of these three directors have each been nominated for re-election for a new three-year term. John W. Donehower has informed the Company that he does not intend to stand for re-election at the Annual Meeting. In order to allow the Board to apportion the number of directors among the classes as nearly equal as reasonably possible in accordance with the Company's Amended and Restated Certificate of Incorporation, Donald W. Griffin has agreed to resign his current position as a director in the class for which the term in office expires at the Annual Meeting of Stockholders in 2003 effective immediately prior to the Annual Meeting, and to stand for re-election as a director this year for a term in office ending at the Annual Meeting of Stockholders in 2005. The terms of the other six directors continue after the Annual Meeting. Lee Liu, a director since January 1994, retired from the Board effective February 7, 2002 and Earnest W. Deavenport, Jr., Chairman of the Board and Chief Executive Officer since November 1993, retired effective December 31, 2001. Messrs. Liu and Deavenport each served in the class for which the term in office expires at the Annual Meeting. The Board elected J. Brian Ferguson to fill the vacancy created by Mr. Deavenport's retirement and did not fill the vacancy created by Mr. Liu's retirement, reducing the class whose term expires at the Annual Meeting from four directors to three directors. Upon the completion of Mr. Donehower's term as a director, the Board will reduce the total number of directors from ten to nine.

The stockholders are being asked to vote on the election of three directors to the class for which the term of office shall expire at the Annual Meeting of

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Stockholders in 2005 and their successors are duly elected and qualified. All shares of common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified. If you execute and return a proxy without instruction, your shares will be voted for the election of the three nominees identified below. If any nominee is unable or unwilling to serve (which is not anticipated), the persons designated as proxies will vote your shares for the remaining nominees and for another nominee proposed by the Board or, as an alternative, the Board could reduce the number of directors to be elected at the Annual Meeting.

THE NOMINEES HAVE BEEN RECOMMENDED TO THE BOARD OF DIRECTORS BY THE COMMITTEE ON DIRECTORS OF THE BOARD. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" ELECTION OF THE THREE NOMINEES IDENTIFIED BELOW.

Set forth below is certain information regarding each director nominated for re-election or whose term in office will continue after the Annual Meeting, including the date of his or her first election to the Board; a description of his or her positions and offices with the Company (other than as a director), if any; a brief description of his or her principal occupation and business experience during at least the last five years; directorships and similar positions presently held by him or her in publicly traded and certain other companies, organizations, or associations; and his or her age.

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NOMINEES FOR DIRECTOR TERM EXPIRING ANNUAL MEETING 2005

[PHOTO]

CALVIN A. CAMPBELL, JR. (director since January 1994)
Mr. Campbell has been Chairman of the Board, President and Chief Executive Officer of Goodman Equipment Corporation since 1971. Goodman Equipment designs, manufactures, and markets worldwide underground mining locomotives and personnel carriers and services and parts for injection molding machines. He was also President and Chief Executive Officer of Cyprus Amax Mineral Company, a producer of copper and molybdenum, in 1992, Chairman of the Board in 1991 and 1992, and a director from 1985 through 1994. Mr. Campbell is a member of the boards of directors of Mine Safety Appliances Company and Bulley & Andrews Company. He is also a director and former Chairman of the National Association of Manufacturers, is a director of the National Mining Association, is a director and former Chairman of the Illinois Manufacturing Association, and serves as Chairman of Armour College of Engineering and Science, and as a trustee of the Illinois Institute of Technology. Mr. Campbell is 67.

[PHOTO]

J. BRIAN FERGUSON (director since January 2002)
Mr. Ferguson is Chairman of the Board and Chief Executive Officer of the Company. He joined Eastman in 1977. Mr. Ferguson was named Vice President, Industry and Federal Affairs in 1994, became Managing Director, Greater Eastman in 1997, was named President, Eastman Chemical Asia Pacific in 1998, became President, Polymers Group in 1999, and became President, Chemicals Group in 2001. He is 47.

[PHOTO]

DONALD W. GRIFFIN (director since May 1999)
Mr. Griffin is Chairman of the Board of Olin Corporation, a manufacturer of chemicals, metals, and ammunition. He joined Olin in 1961, served in a number of marketing and management positions prior to appointment to the position of President and Chief Operating Officer in 1994, became Chairman, President

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Chief Executive Officer in 1996, and retired as President and Chief Executive Officer in 2002. Mr. Griffin is also a member of the board of directors of Barnes Group, Inc., and serves as a trustee of the University of Evansville and the Buffalo Bill Historical Center. He is 65.

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MEMBERS OF BOARD OF DIRECTORS CONTINUING IN OFFICE TERM EXPIRING ANNUAL MEETING 2003

[PHOTO]

JERRY E. DEMPSEY (director since May 1997)
Mr. Dempsey served as Chairman of the Board and Chief Executive Officer of PPG Industries, Inc., a manufacturer of protective and decorative coatings, fiberglass products, and specialty chemicals, from 1993 until his retirement in 1997. From 1991 until he joined PPG, he was Senior Vice President of Waste Technologies, Inc., a waste treatment and disposal company, and Chairman of its publicly-traded, majority-owned subsidiary, Chemical Waste Management, Inc., having served as President and Chief Executive Officer of Chemical Waste Management, Inc. since 1985. Mr. Dempsey is also a member of the boards of directors of Birmingham Steel Corporation and Navistar International Corporation. He is 69.

[PHOTO]

MARILYN R. MARKS (director since January 1994)
Miss Marks was Chairman of the Board of Dorsey Trailers, Inc., a truck trailer manufacturer, from 1987 until her resignation in March 2001. She was Chairman and Chief Executive Officer and President of Dorsey from 1987 to 1997 and was Chairman and Chief Executive Officer of Dorsey from 1997 until 1999. Miss Marks was Chairman and Chief Executive Officer of TruckBay.com, Inc., an Internet source of goods, services, and information serving the trucking industry, from 1999 to 2000. On December 5, 2000, Dorsey filed a voluntary petition for relief under Chapter 11 of the U.S. Bankruptcy Code in the Bankruptcy Court for the Middle District of Alabama. Miss Marks is also a member of the board of directors of Dana Corporation. She is 49.

[PHOTO]

DAVID W. RAISBECK (director since December 2000)
Mr. Raisbeck is Vice Chairman of Cargill, Incorporated, an agricultural trading and processing company. He joined Cargill in 1971 and has held a variety of merchandising and management positions focused primarily in the commodity and financial trading businesses. Mr. Raisbeck was elected President of Cargill's Financial Markets Division in 1988, President of Cargill's Trading Sector in 1993, a director of Cargill in 1994, Executive Vice President in 1995, and to his current position in 1999. He is also a member of the board of directors of Armstrong World Industries, Inc. Mr. Raisbeck

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TERM EXPIRING ANNUAL MEETING 2004

[PHOTO]

H. JESSE ARNELLE (director since January 1994)
Mr. Arnelle is of counsel to the Winston-Salem, North Carolina-based law firm of Womble, Carlyle, Sandridge & Rice. He was a partner of the San Francisco-based law firm of Arnelle, Hastie, McGee, Willis & Greene or i

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predecessor from 1985 until 1996. Mr. Arnelle is a Past Chairman of the Board of Trustees of Pennsylvania State University, is a director of the National Football Foundation and Collegiate Hall of Fame, and is a member of the Board of directors of Armstrong World Industries, Inc., FPL Group, Inc., Gannett Corporation, Metropolitan Series Funds, Inc., Textron, Inc., and Waste Management, Inc. He is 68.

[PHOTO]

DR. JOHN A. WHITE (director since January 1994)
Dr. White is Chancellor of, and Distinguished Professor of Industrial Engineering at, the University of Arkansas. From 1991 to 1997, he was Dean of the College of Engineering at the Georgia Institute of Technology. From 1988 to September 1991, he was Assistant Director of the National Science Foundation in Washington, D.C., and served on the faculty of the Georgia Institute of Technology from 1975 to 1997. Dr. White is also a member of the National Science Board, a member of the National Academy of Engineering, member of the boards of directors of J. B. Hunt Transport Services, Inc., Logility, Inc., Motorola, Inc., and Russell Corporation. He is 62.

[PHOTO]

PETER M. WOOD (director since May 2000)
Mr. Wood is non-executive Chairman of the Board of Stone & Webster, Incorporated, an engineering and construction firm, and served as Managing Director of J. P. Morgan & Company, an investment banking firm, from 1986 until his retirement in 1996. He is also a member of the boards of directors of American D. Little, Inc. and Middlesex Mutual Assurance Company. Mr. Wood is 63.

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BOARD COMMITTEES

The Board of Directors has an Audit Committee, a Committee on Directors, a Compensation and Management Development Committee, a Finance Committee, and a Health, Safety & Environmental and Public Policy Committee. All committee members are non-employee, independent directors.

AUDIT COMMITTEE. The members of the Audit Committee are Messrs. Wood (Chair), Campbell, and Raisbeck, and Dr. White. The Audit Committee held seven meetings during 2001. The Audit Committee assists the Board in fulfilling its oversight responsibilities relating to:

- the integrity of the financial statements of the Company;
- the Company's system of internal controls; and
- the independence and performance of the Company's internal and outside auditors.

AUDIT COMMITTEE REPORT

The Board of Directors has adopted a written Audit Committee Charter, a copy of which was included as Appendix A to the Company's Proxy Statement for the 2001 Annual Meeting of Stockholders and which is also available in the investor information section of the Eastman website (www.eastman.com). All members of the Audit Committee are "independent" as defined in Section 303.01(B) (2) (a) and (3) of the New York Stock Exchange's listing standards.

The Audit Committee has reviewed and discussed with the Company's management and PricewaterhouseCoopers LLP, the Company's independent auditors,

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the audited financial statements of the Company contained in the Company's Annual Report to Stockholders for the year ended December 31, 2001. The Audit Committee has also discussed with the Company's independent auditors the matters required to be discussed pursuant to SAS No. 61 (Codification of Statements on Auditing Standards, Communication with Audit Committees), as amended.

The Audit Committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (titled, "Independence Discussions with Audit Committees"), and has discussed with PricewaterhouseCoopers LLP their independence. The Audit Committee has also considered whether the provision of non-audit services to the Company by PricewaterhouseCoopers LLP is compatible with maintaining their independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2001 filed with the SEC.

Audit Committee
Peter M. Wood (Chair)
Calvin A. Campbell, Jr.
David W. Raisbeck
John A. White

COMMITTEE ON DIRECTORS. The members of the Committee on Directors are Messrs. Dempsey (Chair), Arnelle, and Griffin, and Miss Marks. The Committee on Directors held three meetings during 2001. The Committee on Directors:

- conducts an assessment of the Board's performance every two years, for discussion with the full Board;
 - recommends to the Board criteria for Board membership and annually reviews the Board's composition for purposes of assessing its independence, diversity and skills;
 - annually reviews and makes recommendations regarding compensation of non-employee directors, and acts as the administrator of certain non-employee director compensation plans, and can amend or take actions with respect to such plans where permitted by such plans;
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- reviews the qualifications of candidates for Board membership and recommends to the Board the slate of director candidates to be proposed for election by stockholders at each annual meeting;
 - recommends to the Board criteria relating to the tenure of a director;
 - when appropriate, recommends to the Board that it recommend to the stockholders removal of a director for cause;
 - periodically reviews the Board's committee structure and committee assignments and recommends to the Board any appropriate changes thereto;
 - periodically reviews the Company's Corporate Governance Guidelines and recommends to the Board any appropriate changes thereto; and
 - reviews and makes recommendations to the Board on other Board and corporate governance matters.

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COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE. The members of the Compensation and Management Development Committee (the "Compensation Committee") are Messrs. Griffin (Chair), Arnelle, and Dempsey, and Miss Marks. The Compensation Committee held seven meetings during 2001. The Compensation Committee:

- determines the compensation of employees who are members of the Board;
- determines, based upon the recommendations of the Chairman and Chief Executive Officer, compensation of the Company's other executive officers;
- reviews proposed employee benefit plans and executive compensation plans, and proposed changes to existing plans under certain circumstances;
- acts as the administrator of certain employee benefit plans and executive compensation plans;
- reviews management development and succession plans relating to the Company's senior officers;
- makes recommendations to the Board regarding the foregoing matters; and
- can amend or take actions with respect to the Company's employee compensation and benefit plans where permitted by such plans.

FINANCE COMMITTEE. All of the directors except Mr. Ferguson are members, and Mr. Raisbeck is the Chair, of the Finance Committee. The Finance Committee held four meetings during 2001. The Finance Committee:

- reviews the Company's short-and long-term financing plans, its financial position and forecasts, and its capital expenditure budgets and certain capital projects;
- reviews transactions, such as acquisitions and divestitures, that may have a material impact on the Company's financial profile;
- makes recommendations to the Board regarding those matters and regarding dividends; and
- reviews the results of the Eastman Retirement Assistance Plan and the activities of the Eastman Retirement Assistance Plan Committee.

HEALTH, SAFETY & ENVIRONMENTAL AND PUBLIC POLICY COMMITTEE. All of the directors except Mr. Ferguson are members, and Miss Marks is the Chair, of the Health, Safety & Environmental and Public Policy Committee. The Health, Safety & Environmental and Public Policy Committee held three meetings during 2001. The Health, Safety & Environmental Public Policy Committee:

- reviews and makes recommendations to the Board regarding the Company's policies and practices concerning health, safety, and environmental matters;
- reviews with the Company's management and reports to the Board on the Company's health, safety, and environment assessment practices, and its processes for complying with related laws and

regulations and on health, safety, and environmental matters involving the Company, including any significant liabilities or anticipated

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expenditures with respect thereto, and periodically reviews with management the Company's public disclosure policies and practices, and coordinates with the Audit and Finance Committees, with respect thereto;

- reviews and monitors, and makes recommendations to the Board regarding, significant matters of health, safety, and environmental public policy concerning the Company;
- reviews and makes recommendations to the Board regarding certain significant matters of public policy concerning the Company;
- periodically reviews with management the Company's list of public policy issues; and
- monitors and periodically reports to the Board on federal and state legislative and regulatory initiatives and the Company's lobbying and advocacy activities.

MEETING ATTENDANCE

The Board of Directors held 13 meetings during 2001. Each director attended at least 75% of the aggregate of the total number of meetings of the Board (held during the period for which he or she was a director) and the total number of meetings held by all committees of the Board on which he or she served (during the period that he or she served).

DIRECTOR COMPENSATION

DIRECTORS' ANNUAL COMPENSATION. Each director who is not an employee of the Company receives an annual cash retainer fee of \$30,000, payable in semi-annual installments of \$15,000 each. In addition, each such director receives a fee of \$1,100 for each Board meeting attended and for each committee meeting attended, and reimbursement of expenses related to attendance. The chairperson of each committee receives an additional annual retainer of \$5,000, payable in semi-annual installments of \$2,500 each. Directors who are also employees of the Company receive no Board or committee fees.

DIRECTOR LONG-TERM COMPENSATION PLAN. The Company's 1999 Director Long-Term Compensation Plan (the "DLTP") provides for an automatic one-time restricted stock award and annual option grants and restricted stock awards to each non-employee director. (The DLTP replaced the 1994 Director Long-Term Compensation Plan, under which each non-employee director received a one-time restricted stock award and option grant on the first day of his or her initial term of service as a director.) The maximum number of shares of common stock that may be granted or subject to awards under the DLTP is 60,000, subject to adjustment in the event of stock splits, stock dividends, or changes in capital structure affecting common stock. No award may be made under the DLTP after the later of May 1, 2004 or the 2004 Annual Meeting of Stockholders of the Company. The Board of Directors has adopted a new 2002 Director Long-Term Compensation Plan, subject to stockholder approval at the Annual Meeting, which is substantially similar to, and intended to replace, the current DLTP. See "Item 3 -- Approval of the 2002 Director Long-Term Compensation Plan."

ANNUAL OPTION GRANTS. Under the DLTP, immediately following each annual meeting of the Company's stockholders, each non-employee director receives a non-qualified stock option to purchase 2,000 shares of Eastman common stock. Such options have an exercise price equal to the fair market value of the underlying shares of common stock on the date the options are granted. The options vest and become exercisable with respect to one-half of the option shares on the first anniversary of the date of the grant and with respect to the remaining shares on the second anniversary of the date of the grant. Each such option has a term of ten years and is nonassignable (except by will or the laws

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of descent and distribution). If the grantee ceases to be a director for any reason other than death, disability or completion of his or her normal term of service, all outstanding unexercised options, whether or not vested, will expire.

If an option is exercised by the surrender of previously-owned shares of Eastman common stock while the director is still a director or within 60 days thereafter, then the director exercising the option will be granted a new "reload" option for the number of shares so surrendered. Such replacement option will have a

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term equal to the remaining term of the original option, will have an exercise price equal to the fair market value of the underlying shares as of the date of exercise of the original option, and will otherwise have the same terms and conditions as the original option. Reload options will not, however, have similar replacement rights, and will be exercisable on the earlier of six months from the date of grant or the date of the grantee's termination as a director.

ANNUAL RESTRICTED STOCK AWARDS. Immediately following each annual meeting of the Company's stockholders, each non-employee director is granted an award of shares of common stock having a fair market value equal to \$5,000 as of such date, subject to certain restrictions. The restricted shares are not transferable (except by will or the laws of descent and distribution) and are subject to forfeiture until the earlier of: (i) the third anniversary of grant (provided the grantee is still a director), (ii) death, disability or resignation due to term limit or retirement age during the three years after grant, or (iii) departure from the Board at the end of the term of service to which elected. If none of the three alternative vesting events occurs by the third anniversary of the grant date, then the shares are forfeited. During the restricted period, the director has all of the rights of a stockholder (other than the right to transfer the shares) with respect to the restricted shares, including voting and dividend rights.

ONE-TIME RESTRICTED STOCK AWARDS. In addition to the options and restricted shares described above, each non-employee director is granted, on the first date of such director's term of service as a director, an award of shares of common stock having a fair market value equal to \$10,000 as of such date, subject to certain restrictions. These restricted shares are not transferable (except by will or the laws of descent and distribution) and are subject to forfeiture until the earlier of: (i) the third anniversary of grant (provided the grantee is still a director), (ii) death, disability or resignation due to term limit or retirement age during the three years after grant, or (iii) failure to be reelected as a director during the three years after grant. If none of the three alternative vesting events occurs by the third anniversary of the grant date, then the shares are forfeited. During the restricted period, the director has all of the rights of a stockholder (other than the right to transfer the shares) with respect to the restricted shares, including voting and dividend rights.

TREATMENT OF OPTIONS AND RESTRICTED STOCK UPON "CHANGE IN CONTROL." The DLTP contains provisions regarding the treatment of options and restricted shares in the event of a "change in control" of the Company (as defined in the DLTP, generally involving circumstances in which the Company is acquired by another entity or its controlling ownership is changed). In such event, all outstanding options would immediately vest and become exercisable and all outstanding shares of restricted stock would immediately vest and become transferable, and such options and shares would be valued and cashed out on the basis of the change in control price as soon as practicable but in no event more than 90 days after the change in control. However, the Committee on Directors

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has the discretion, notwithstanding any particular event constituting a change in control, to determine that the event is of the type that does not warrant the described consequences with respect to options and restricted shares under the DLTP, in which case such consequences would not occur.

NON-EMPLOYEE DIRECTOR STOCK OPTION PLAN. Under the Company's 1996 Non-Employee Director Stock Option Plan (the "Director Stock Option Plan"), each non-employee director may elect to receive options to purchase Eastman common stock in lieu of his or her annual retainer (but not meeting fees or other compensation as a director). A maximum of 150,000 shares of common stock are available for the grant of stock options under the Director Stock Option Plan, subject to adjustment in the event of stock splits, stock dividends or changes in capital structure affecting common stock. No grant may be made under the Director Stock Option Plan after May 2, 2006.

OPTIONS IN LIEU OF RETAINER FEES. Each non-employee director may make an annual advance irrevocable election to receive all or a portion of his or her retainer to be earned in the following year in options to purchase Eastman common stock. The number of shares of common stock underlying stock options granted is determined by multiplying the amount of the semi-annual retainer the director elects to receive in stock options by three and one-third, then dividing by the fair market value per share of common stock on the date the options are granted. The exercise price per share of all stock options granted under the Director Stock Option Plan is the fair market value per share of common stock on the grant date. Options granted under the

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Director Stock Option Plan are not exercisable until six months from the date of grant, and remain exercisable thereafter until the tenth anniversary of the date of grant, regardless of whether the participant is still a director.

TREATMENT OF OPTIONS UPON "CHANGE IN CONTROL." Upon the occurrence of a "change in control" of the Company (as defined in the Director Stock Option Plan, generally circumstances in which the Company is acquired by another entity or its controlling ownership is changed), any and all outstanding options under the Director Stock Option Plan become immediately exercisable.

DIRECTORS' DEFERRED COMPENSATION PLAN. The Company maintains the Directors' Deferred Compensation Plan (the "DDCP"), an unfunded, non-qualified, deferred compensation plan under which non-employee directors of the Company may elect to defer compensation received as a director until such time as they cease to serve as a director. Non-employee directors may make an annual advance irrevocable election to defer compensation for services to be rendered the following year. Compensation that may be deferred includes all cash compensation for service as a director, including retainer and meeting fees.

TERMS OF DEFERRAL OF DIRECTOR COMPENSATION. The deferred amounts may be credited to individual "Interest Accounts" under the DDCP (which are credited with interest until transfer or distribution at the prime rate as quoted in The Wall Street Journal), to individual "Stock Accounts" under the DDCP (which increase or decrease in value depending upon the market price of Eastman common stock), or to a combination thereof. Under the Stock Account, dollar amounts are "invested" in hypothetical shares of the Company's common stock. If cash dividends are declared on shares of common stock, then any participant who has hypothetical shares in the Stock Account receives a dividend equivalent which is used to "purchase" additional hypothetical shares under the DDCP. A participant may elect to transfer the dollar amount of all or any portion of his or her Stock Account to the Interest Account, or vice versa.

Upon termination as a director, the value of a participant's Interest

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Account and Stock Account will be paid, in cash, in a single lump sum or up to ten annual installments, as determined in the sole discretion of the Committee on Directors. Payment will commence in any year up through the tenth year following termination of directorship, as determined by the Committee on Directors, except that payment must commence no later than the year in which the participant reaches age 71.

The DDCP provides that a participant, whether or not still a director, may request that part or all of such participant's Interest Account and Stock Account be distributed immediately in the event of a severe financial hardship. The determination of whether a hardship exists will be made by the Committee on Directors.

The DDCP also provides that a participant may withdraw at any time all or a portion of his or her balances in the Interest and Stock Accounts, provided that the participant forfeits 10% of the balance of his or her Accounts and not be permitted to participate in the DDCP for a period of 36 months from the date of the early withdrawal payment. In addition, if, within any six month period, either 50% or more of the DDCP participants elect such early withdrawal from the DDCP or 20% or more of DDCP participants with aggregate Account balances valued at 50% or more of the total value of all DDCP Accounts elect such early withdrawal, then the Accounts of each remaining DDCP participant will be distributed in a single lump sum.

TREATMENT OF DEFERRED COMPENSATION UPON "CHANGE IN CONTROL." If the Company undergoes a "change in control" (as defined in the DDCP, generally circumstances in which the Company is acquired by another entity or its controlling ownership is changed), then the Accounts of each participant, whether or not the participant is still a director, will be paid in a single lump sum no later than 90 days following the change in control.

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ITEM 2 -- APPROVAL OF THE 2002 OMNIBUS LONG-TERM COMPENSATION PLAN

The Board of Directors adopted the Eastman Chemical Company 2002 Omnibus Long-Term Compensation Plan (the "2002 Omnibus Plan") on March 7, 2002, subject to approval by stockholders at the Annual Meeting. The 2002 Omnibus Plan is substantially similar to, and is intended to replace, the Company's 1997 Omnibus Long-Term Compensation Plan (the "1997 Omnibus Plan"), under which no new awards may be made after April 30, 2002. See "Executive Compensation -- Compensation and Management Development Committee Report on Executive Compensation -- Components of Executive Compensation -- Long-Term Stock-Based Incentive Pay" for a description of the current option award program, which is expected to be continued under the 2002 Omnibus Plan.

A summary of the 2002 Omnibus Plan is set forth below. The summary is qualified in its entirety by the full text of the 2002 Omnibus Plan, which is attached to this Proxy Statement as Appendix A.

PLAN PURPOSE AND ELIGIBLE PARTICIPANTS

Like the 1997 Omnibus Plan, the purpose of the 2002 Omnibus Plan is to provide motivation to employees of the Company and its subsidiaries to put forth maximum efforts toward the growth, profitability, and success of the Company by providing incentives through the ownership and performance of common stock of the Company. As described under "Compensation and Management Development Committee Report on Executive Compensation," equity-based compensation is designed to facilitate stock ownership and to make a portion of employee pay dependent on long-term return to all stockholders. Employees of the Company or its subsidiaries will be eligible to receive awards under the 2002 Omnibus Plan.

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As of December 31, 2001, the Company had approximately 15,800 employees.

ADMINISTRATION

The 2002 Omnibus Plan will be administered by the Compensation Committee or another committee designated by the Board of Directors to administer the Plan (the "Committee"). The Committee will have the authority to interpret the 2002 Omnibus Plan, establish rules and regulations for the operation and administration of the Plan, select employees to receive awards, determine the form, size, terms, conditions, limitations, and restrictions of awards, and take all other action it deems necessary or advisable to administer the 2002 Omnibus Plan.

AWARDS

The 2002 Omnibus Plan authorizes the grant to employees of the Company or its subsidiaries of non-qualified and incentive stock options, stock appreciation rights ("SARs"), stock awards, performance shares (which are stock or stock-based awards contingent upon the attainment during a performance period of certain performance objectives), and other stock or stock-based incentive awards (collectively, "Awards"). The 2002 Omnibus Plan also provides for the award of dividends and dividend equivalents on Awards. Options and SARs granted under the 2002 Omnibus Plan must be exercisable at a price not less than the fair market value of the underlying common stock on the date of grant, and may not have a term of more than 10 years. The original term of any stock option or SAR may not be extended, and the exercise price of any stock option or SAR may not be reduced, without the prior approval of stockholders.

The 2002 Omnibus Plan contains provisions regarding the treatment of Awards in the event of a "change in ownership" (as defined in the Plan, generally concerning circumstances in which the common stock is no longer publicly traded) and of a "change in control" (as defined in the Plan, generally concerning circumstances in which the Company is acquired by another entity or its controlling ownership is changed). Upon a change in ownership or change in control, the rules described below will apply to Awards granted under the 2002 Omnibus Plan. However, the Committee will have the discretion in certain circumstances, notwithstanding any particular transaction constituting a change in ownership or a change in control, either to determine that such transaction is of the type that does not warrant the described consequences with respect to Awards (in which event such consequences would not occur) or to alter the way in which Awards are treated from the consequences outlined in the 2002 Omnibus Plan.

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If a change in ownership occurs (and the Committee has not exercised its discretion outlined above) during the term of one or more performance periods for which the Committee has granted performance shares, the term of such performance period will immediately terminate and, except with respect to performance periods for which the Committee has previously reached a determination regarding the degree to which the performance objectives have been attained, it will be assumed that the performance objectives have been attained at a level of 100%. Participants, as a result, will be considered to have earned and therefore be entitled to receive a prorated share of the Awards previously granted for such performance period. In addition, upon a change in ownership, all outstanding Awards will be valued and cashed out on the basis of the change in ownership price as soon as practicable but in no event more than 90 days after the change in ownership.

In the event of a change in control (assuming the Committee has not exercised its discretion outlined above), if a participant's employment terminates within two years following the change in control, unless such

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termination is due to (i) death, (ii) disability (as defined in the 2002 Omnibus Plan), (iii) cause (as defined in the 2002 Omnibus Plan), (iv) resignation (other than as a result of certain actions by the Company and any successor), or (v) retirement, participants will be entitled to the following treatment. All conditions, restrictions and limitations in effect with respect to any unexercised Award will immediately lapse and no other terms or conditions will be applied. Any unexercised, unvested, unearned, or unpaid Award will automatically become 100% vested. Performance shares will be treated in a manner similar to that described above in the case of a change in ownership. A participant will be entitled to a lump sum cash payment as soon as practicable but in no event more than 90 days after the date of such participant's termination of employment with respect to all of such participant's Awards.

A participant's rights under the 2002 Omnibus Plan will be forfeited, and all outstanding Awards cancelled, if, in the determination of the Committee the participant has breached certain noncompete or confidentiality obligations, or if the participant terminates employment for an unapproved reason (as defined under the 2002 Omnibus Plan).

The 2002 Omnibus Plan provides that equitable adjustments will be made in the number of shares of Common Stock covered by outstanding Awards, the price per share applicable to outstanding Awards, and the number of shares that are thereafter available for Awards in the event of a change in the capital or capital stock of the Company or any special distribution to stockholders.

SECTION 162(M)

Pursuant to Section 162(m) of the Internal Revenue Code, the Company may not deduct compensation in excess of \$1 million paid to the Chief Executive Officer and the four next most highly compensated executive officers of the Company (each, a "Covered Employee"), except that compensation that qualifies as "performance-based" is excluded from such limitation. The Board has submitted the 2002 Omnibus Plan for approval by stockholders in order to permit the grant of certain Awards thereunder, such as options, SARs and certain performance shares, that will constitute "performance-based" compensation, which will be excluded from the calculation of annual compensation of Covered Employees for purposes of Section 162(m) and will be fully deductible by the Company. The Committee may grant Awards under the Plan that do not qualify as performance-based compensation under Section 162(m). The payment of any such non-qualifying Awards to a Covered Employee could be non-deductible by the Company, in whole or in part, under Section 162(m), depending on such Covered Employee's total compensation in the applicable year. See "Executive Compensation -- Compensation and Management Development Committee Report on Executive Compensation -- Omnibus Budget Reconciliation Act of 1993."

Performance Goals for Certain Section 162(m) Awards. Under the 2002 Omnibus Plan, the Committee may determine that, in order to meet the "performance-based" award criteria of Section 162(m) and the regulations thereunder, a particular Award granted under the 2002 Omnibus Plan will be determined solely on the basis of one or more of the following measures of corporate performance, alone or in combination, for the Company as a whole or for a subsidiary, division, region, department, or function within the Company: (a) return on capital, equity or assets (including economic value created, defined as after-tax operating profit minus a computed capital charge for average debt and equity employed during the year), (b) productivity,

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(c) cost improvement, (d) cash flow, (e) sales revenue growth, (f) net income, earnings per share, or earnings from operations, (g) quality, (h) customer satisfaction, or (i) stock price or total stockholder return. Measurement of the

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Company's performance against such goals established by the Committee shall be objectively determinable, and to the extent such goals are expressed in standard accounting terms, performance shall be measured in accordance with generally accepted accounting principles. The Committee shall have the right for any reason to reduce (but not increase) any such Award, notwithstanding the achievement of a specified goal. If an Award is made on such basis, the Committee shall establish goals prior to the beginning of the period to which such performance goal relates (or such later date as may be permitted under Section 162(m) or the regulations thereunder). Any payment of an Award granted with performance goals under this section of the 2002 Omnibus Plan will be conditioned on the written certification of the Committee in each case that the performance goals and any other material conditions were satisfied.

SHARES AVAILABLE FOR AWARDS

Subject to adjustment as provided in the 2002 Omnibus Plan, the maximum number of shares of common stock that will be available for grant of Awards during the term of the 2002 Omnibus Plan is 7,500,000, of which no more than 1,500,000 are available for Awards in the form of shares of common stock or performance shares. Awards may not be granted under the 2002 Omnibus Plan after May 2, 2007. The maximum number of shares of common stock with respect to one or more options and/or SARs that may be granted during any one calendar year under the 2002 Omnibus Plan to any one employee is 300,000. The maximum fair market value of any Awards (other than options and SARs) that may be received by an employee (less any consideration paid by the employee for such Award) during any one calendar year under the 2002 Omnibus Plan is equal to the fair market value of 200,000 shares of common stock as of January 1 of that year.

TERMINATION AND AMENDMENT

The Board of Directors or the Committee may, at any time and from time to time, suspend, amend, modify or terminate the 2002 Omnibus Plan without stockholder approval; provided, however, that stockholder approval would be required for any amendment that would materially increase the benefits to 2002 Omnibus Plan participants, materially increase the number of shares of common stock available under the 2002 Omnibus Plan, or materially modify the requirements for eligibility under the 2002 Omnibus Plan. In addition, the Board or Committee may condition any amendment or modification on the approval of stockholders if such approval is necessary or deemed advisable with respect to certain tax, securities or other applicable laws, policies or regulations.

CERTAIN FEDERAL INCOME TAX EFFECTS

Non-qualified Stock Options. Under present federal income tax regulations, there will be no federal income tax consequences to either the Company or the participant upon the grant of a non-qualified stock option. However, the participant will realize ordinary income on the exercise of the option in an amount equal to the excess of the fair market value of the common stock acquired upon the exercise of such option over the exercise price, and the Company will receive a corresponding deduction. The gain, if any, realized upon the subsequent disposition by the participant of the common stock will constitute short- or long-term capital gain, depending on the participant's holding period.

Incentive Stock Options. Under present federal income tax regulations, there will be no federal income tax consequences to either the Company or the participant upon the grant of a non-discounted incentive stock option (an option that meets the requirement of Section 422 of the Internal Revenue Code) or the exercise thereof by the participant. If the participant holds the shares of common stock underlying the option for the greater of two years after the date the option was granted or one year after the acquisition of such shares of common stock (the "required holding period"), the difference between the aggregate exercise price and the amount realized upon disposition of the shares

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of common stock will constitute a long-term capital gain or loss, and the Company will not be entitled to a federal income tax deduction. If the shares of common stock are disposed of in a sale, exchange or other disqualifying disposition during the required holding period, the

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participant will realize taxable ordinary income in an amount equal to the lesser of (i) the excess of the fair market value of the common stock purchased at the time of exercise over the aggregate exercise price or (ii) the excess of the amount realized upon disposition of the shares over the aggregate exercise price, and the Company will be entitled to a federal income tax deduction equal to such amount.

SARs. Under present federal income tax regulations, a participant receiving an SAR will not recognize income, and the Company will not be allowed a tax deduction, at the time the Award is granted. When a participant exercises the SAR, the amount of cash and the fair market value of any shares of common stock received will be ordinary income to the participant and will be allowed as a deduction for federal income tax purposes to the Company. The gain, if any, realized upon the subsequent disposition by the participant of any shares of common stock acquired upon exercise of the SAR will constitute short- or long-term capital gain, depending on the participant's holding period.

Performance Shares. Under present federal income tax regulations, a participant receiving performance shares will not recognize income and the Company will not be allowed a tax deduction at the time the Award is granted. When a participant receives payment of performance shares, the amount of cash and the fair market value of any shares of Common Stock received will be ordinary income to the participant and, subject to Code Section 162(m) limitations, if applicable, will be allowed as a deduction for federal income tax purposes to the Company.

Restricted Stock. Under present federal income tax regulations, and unless the participant makes an election to accelerate recognition of the income to the date of grant as described below, a participant receiving a restricted stock award will not recognize income, and the Company will not be allowed a tax deduction, at the time the Award is granted. When the restrictions lapse, the participant will recognize ordinary income equal to the fair market value of the shares, as to which the restrictions are lapsing, measured as of that date, and the Company will be entitled to a corresponding tax deduction at that time, subject to Code Section 162(m) limitations, if applicable. If the participant elects, pursuant to Code Section 83(b), to accelerate the recognition of income to the date of grant, the participant will recognize income equal to the fair market value of the shares at the time the Award is granted, and the Company will be entitled to a corresponding deduction at that time, subject to Code Section 162(m) limitations, if applicable. If a participant making an accelerated tax election subsequently forfeits the restricted shares, he or she will not be entitled to recover the tax paid.

Unrestricted Stock. Under present federal income tax regulations, at the time an unrestricted stock award is granted, the participant will recognize ordinary income and the Company will be allowed a tax deduction, subject to Code Section 162(m) limitations, if applicable.

BENEFITS TO NAMED EXECUTIVE OFFICERS AND OTHERS

No Awards have been granted or approved for grant under the 2002 Omnibus Plan. Future Awards under the 2002 Omnibus Plan will be made at the discretion of the Committee. Therefore, it is not presently possible to determine, with respect to the executive officers named in the Summary Compensation Table, all current executive officers, or all employees, including all current officers who

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are not executive officers, either the benefits or amounts that will be received by such persons or groups pursuant to the 2002 Omnibus Plan or the benefits or amounts that would have been received by such persons or groups under the 2002 Omnibus Plan if it had been in effect during 2001. See "Compensation and Management Development Committee Report on Executive Compensation" for information concerning grants and awards under the 1997 Omnibus Plan during 2001 and for the Compensation Committee's current philosophy, policies and practices concerning long-term, stock-based compensation. The closing price per share of Eastman common stock on the New York Stock Exchange was \$46.20 on March 15, 2002.

VOTE REQUIRED TO APPROVE THE 2002 OMNIBUS PLAN

All shares of common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified. If you execute and return a proxy without instruction, your shares will be voted for approval of the 2002 Omnibus Plan. Approval of the 2002

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Omnibus Plan will require the affirmative vote of the holders of a majority of the shares of common stock which are represented in person or by proxy at the Annual Meeting and voting on this proposal. If the 2002 Omnibus Plan is approved by stockholders, it will be effective immediately. If the 2002 Omnibus Plan is not approved by stockholders, it will not be implemented.

THE 2002 OMNIBUS LONG-TERM COMPENSATION PLAN HAS BEEN RECOMMENDED TO THE COMPANY'S BOARD OF DIRECTORS BY THE COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE OF THE BOARD. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE 2002 OMNIBUS LONG-TERM COMPENSATION PLAN.

ITEM 3 -- APPROVAL OF THE 2002 DIRECTOR LONG-TERM COMPENSATION PLAN

On March 7, 2002, the Board of Directors adopted, subject to stockholder approval at the Annual Meeting, the 2002 Director Long-Term Compensation Plan (the "2002 DLTP"), as a replacement for the 1999 Director Long-Term Compensation Plan (the "Predecessor DLTP"), under which the shares available for awards have been exhausted. If the 2002 DLTP becomes effective, no new awards may be made under the Predecessor DLTP.

A summary of the 2002 DLTP is set forth below. The summary is qualified in its entirety by the full text of the 2002 DLTP, which is attached to this Proxy Statement as Appendix B.

OPERATION OF AND AWARDS UNDER PLAN

PLAN PURPOSE AND DESIGN. Like the Predecessor DLTP, the purpose of the 2002 DLTP is to provide motivation to non-employee directors to put forth maximum efforts toward the growth, profitability and success of the Company by providing incentives through the ownership and performance of common stock. The 2002 DLTP provides for an automatic, one-time restricted stock award and annual option grants and restricted stock awards to each non-employee director.

ELIGIBLE DIRECTORS. The 2002 DLTP is a compensation plan for all non-employee directors of the Company.

ADMINISTRATION. The 2002 DLTP will be administered by the Committee on Directors. The Committee will have the authority to interpret the 2002 DLTP and establish rules and regulations for the operation and administration of the 2002 DLTP. The Committee may not, however, vary the directors eligible to participate

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under the 2002 DLTP or the form, type, terms, timing, conditions, restrictions, or limitations of, or other aspects of, the automatic stock option grants and restricted stock awards provided for by the 2002 DLTP.

ANNUAL OPTION GRANTS. Under the 2002 DLTP, immediately following each annual meeting of the Company's stockholders, each non-employee director will receive a non-qualified stock option to purchase 2,000 shares of Eastman common stock. Such options will have an exercise price equal to the fair market value (defined as the closing price per share reported on the New York Stock Exchange) of the underlying shares of common stock on the date the options are granted. The options will vest and become exercisable with respect to one half of the option shares on the first anniversary of the date of the grant and with respect to the remaining shares on the second anniversary of the date of the grant. Each such option will have a term of ten years and be nonassignable (except by will or the laws of descent and distribution). If the grantee ceases to be a director for any reason other than death, disability or completion of his or her normal term of service, all outstanding unexercised options, whether or not vested, will expire.

If an option is exercised by the surrender of previously-owned shares of Eastman common stock while the director is still a director or within 60 days thereafter, then the director exercising the option will be granted a new "reload" option for the number of shares so surrendered. Such replacement option will have a term equal to the remaining term of the original option, will have an exercise price equal to the fair market value of the underlying shares as of the date of exercise of the original option, and will otherwise have the same terms and

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conditions as the original option. Reload options will not, however, have similar replacement rights, and will be exercisable on the earlier of six months from the date of grant or the grantee's termination as a director.

ANNUAL RESTRICTED STOCK AWARDS. Immediately following each annual meeting of the Company's stockholders, each non-employee director will be granted an award of shares of common stock having a fair market value equal to \$5,000 as of such date, subject to certain restrictions. The restricted shares will not be transferable (except by will or the laws of descent and distribution) and will be subject to forfeiture until the earlier of: (i) the third anniversary of grant (provided the grantee is still a director), (ii) death, disability or resignation due to term limit or retirement age during the three years after grant, or (iii) departure from the Board at the end of the term of service to which elected. If none of the three alternative vesting events occurs by the third anniversary of the grant date, then the shares will be forfeited. During the restricted period, the director will have all of the rights of a stockholder (other than the right to transfer the shares) with respect to the restricted shares, including voting and dividend rights

ONE-TIME RESTRICTED STOCK AWARDS. In addition to the options and restricted shares described above, each non-employee director whose initial term of service as a director begins on or after January 1, 2002 shall be granted, on the first date of such director's term of service as a director, an award of shares of common stock having a fair market value equal to \$10,000 as of such date, subject to certain restrictions. These restricted shares will not be transferable (except by will or the laws of descent and distribution) and will be subject to forfeiture until the earlier of: (i) the third anniversary of grant (provided the grantee is still a director), (ii) death, disability or resignation due to term limit or retirement age during the three years after grant, or (iii) failure to be reelected as a director during the three years after grant. If none of the three alternative vesting events occurs by the third

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anniversary of the grant date, then the shares will be forfeited. During the restricted period, the director will have all of the rights of a stockholder (other than the right to transfer the shares) with respect to the restricted shares, including voting and dividend rights.

TREATMENT OF OPTIONS AND RESTRICTED STOCK UPON "CHANGE IN CONTROL." The 2002 DLTP contains provisions regarding the treatment of options and restricted shares in the event of a "change in control" of the Company (as defined in the 2002 DLTP, generally involving circumstances in which the Company is acquired by another entity or the controlling ownership is changed). In such event, all outstanding options would immediately vest and become exercisable and all outstanding shares of restricted stock would immediately vest and become transferable, and such options and shares would be valued and cashed out on the basis of the change in control price as soon as practicable but in no event more than 90 days after the change in control. However, the Committee on Directors will have the discretion, notwithstanding any particular event constituting a change in control, to determine that the event is of the type that does not warrant the described consequences with respect to options and restricted shares under the DLTP, in which event such consequences would not occur.

SHARES AVAILABLE FOR AWARDS. Subject to adjustment as provided in the 2002 DLTP, the maximum number of shares of common stock that may be granted or subject to awards under the 2002 DLTP is 200,000. No award may be made after the later of May 1, 2007 or the 2007 annual meeting of stockholders of the Company.

TERMINATION AND AMENDMENT OF PLAN; MODIFICATION OF OUTSTANDING AWARDS

The Board of Directors or the Committee on Directors may suspend, amend, modify or terminate the 2002 DLTP at any time without stockholder approval. However, the Board or such Committee may condition any amendment or modification on the approval of stockholders if such approval is necessary or deemed advisable with respect to tax, securities or other applicable laws, policies or regulations. The Committee on Directors may not amend, modify or terminate any outstanding option previously granted or restricted shares previously awarded under the 2002 DLTP without the approval of the affected non-employee directors. The original term of any stock option may not be extended, and the exercise price of any stock option may not be reduced, without the prior approval of stockholders.

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CERTAIN FEDERAL INCOME TAX EFFECTS

Under present federal income tax regulations, the following are the general federal income tax consequences arising with respect to grants and awards under the 2002 DLTP. The grant of a stock option will have no tax consequences for the director or the Company. Upon exercising a stock option, the director will recognize ordinary income in an amount equal to the difference between the exercise price and the fair market value of the stock on the exercise date and the Company will be entitled to take a deduction for the same amount. The gain, if any, realized upon the subsequent disposition of the shares acquired upon exercise of a stock option will constitute short- or long-term capital gain depending upon how long such shares were held. With respect to restricted shares, absent an election to accelerate recognition of income to the date of grant, the director will recognize ordinary income in an amount equal to the fair market value of the shares received at the time they become either transferable or not subject to a substantial risk of forfeiture. The Company will be entitled to a deduction for the same amount at that time. If the director elects, pursuant to Code Section 83(b), to accelerate the recognition of income to the date of grant, the director will recognize income equal to the fair market value of the shares at the date of grant, and the Company will be

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entitled to a corresponding deduction at that time. If a participant making an accelerated tax election subsequently forfeits the restricted shares, he or she will not be entitled to recover the tax paid. The tax treatment upon disposition of shares acquired under the 2002 DLTP will depend upon how long the shares have been held. There are no tax consequences to the Company upon a director's disposition of shares acquired under the 2002 DLTP.

BENEFITS TO NON-EMPLOYEE DIRECTORS

The 2002 DLTP is substantially similar to the Predecessor DLTP and the 1994 Director Long-Term Compensation Plan (under which each non-employee director received a one-time restricted stock award and option grant on the first day of his or her initial term of service as a director). Under the Predecessor DLTP and the 1994 Director Long-Term Compensation Plan, all current and former non-employee directors as a group have received options to purchase a total of 42,507 shares, a total of 3,749 restricted shares, and a total of 2,216 unrestricted shares of common stock. Only non-employee directors of the Company may receive grants and awards under the 2002 DLTP. As described above, only new directors (and no current directors) would receive a one-time award of restricted shares under the 2002 DLTP, and each non-employee director would receive an option to purchase 2,000 shares of common stock and additional shares of restricted stock immediately following each annual meeting of stockholders. It is not presently determinable whether any non-employee director will receive 5% or more of the total options or restricted shares available under the 2002 DLTP. The closing price per share of Eastman common stock on the New York Stock Exchange was \$46.20 on March 15, 2002.

VOTE REQUIRED TO APPROVE THE 2002 DLTP

All shares of common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified. If you execute and return a proxy without instruction, your shares will be voted for approval of the 2002 DLTP. Approval of the 2002 DLTP will require the affirmative vote of the holders of a majority of the shares of common stock which are represented in person or by proxy at the Annual Meeting and voting on this proposal. If the 2002 DLTP is approved by stockholders, it will be effective immediately. If the 2002 DLTP is not approved by stockholders, it will not be implemented.

THE 2002 DIRECTOR LONG-TERM COMPENSATION PLAN HAS BEEN RECOMMENDED TO THE COMPANY'S BOARD OF DIRECTORS BY THE COMMITTEE ON DIRECTORS OF THE BOARD. THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" APPROVAL OF THE 2002 DIRECTOR LONG-TERM COMPENSATION PLAN.

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ITEM 4 -- RATIFICATION OF APPOINTMENT OF INDEPENDENT ACCOUNTANTS

The Board of Directors, upon the recommendation of the Audit Committee, has appointed PricewaterhouseCoopers LLP as independent accountants for the Company and its subsidiaries until the Annual Meeting of Stockholders in 2003.

PricewaterhouseCoopers LLP has billed the Company the following amounts for professional services rendered during 2001:

AUDIT FEES: \$1,623,077, in the aggregate, for the audit of the Company's and its subsidiaries' annual financial statements for the fiscal year ended December 31, 2001 and the reviews of the interim financial statements included in the Company's Forms 10-Q filed during the fiscal year ended December 31, 2001; and

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ALL OTHER FEES: \$4,517,160, in the aggregate, for all services other than those covered above under "Audit Fees". "All Other Fees" consist primarily of the audit of separate company financial statements and assistance in accounting and financial reporting matters related to the proposed spin-off of the Company's specialty chemicals and plastics businesses, tax compliance and consulting services, expatriate tax compliance services, benefit plan audits, and limited internal audit projects. PricewaterhouseCoopers LLP did not during 2001 render any of the financial information systems design and implementation services described in Paragraph (c) (4) (ii) of Rule 2-01 of Regulation S-X.

The stockholders are being asked to ratify the Board's appointment of PricewaterhouseCoopers LLP. All shares of common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified. If you execute and return a proxy without instruction, your shares will be voted for ratification of the appointment of PricewaterhouseCoopers LLP as independent accountants for the Company.

A representative of PricewaterhouseCoopers LLP is expected to attend the Annual Meeting and will have the opportunity to make a statement on behalf of the firm if he desires to do so. The representative is also expected to be available to respond to appropriate questions from stockholders.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "FOR" RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT ACCOUNTANTS.

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STOCKHOLDER PROPOSALS

The following two stockholder proposals have been submitted for a vote of the stockholders at the Annual Meeting. The proposals and the proponents' supporting statements are set forth below along with the Company's reasons for recommending a vote "AGAINST" each proposal. All shares of common stock represented by valid proxies received pursuant to this solicitation, and not revoked before they are exercised, will be voted in the manner specified. If you execute and return a proxy without instruction concerning a proposal, your shares will be voted against adoption of the proposal.

ITEM 5 -- PROPOSAL TO STUDY POTENTIAL HEALTH RISKS FROM CELLULOSE ACETATE FIBERS

Stockholders Trinity Health, 29000 Eleven Mile Road, Farmington Hills, Michigan 48336, holder of 775 shares of Eastman common stock; Walden/BBT Domestic Social Index Fund, 40 Court Street, Boston, Massachusetts 02108, holder of 300 shares of Eastman common stock; and Carla A. Kleefeld, 711 Atlantic Avenue, Boston, Massachusetts 02111-2809, holder of 150 shares of Eastman common stock, have given notice that they intend to submit the following proposal and supporting statement:

WHEREAS Eastman Chemical is a major producer of cellulose acetate tow, which is used in the manufacture of cigarette filters:

- During smoking, cigarette filter fibers become coated with carcinogen-laden deposits from cigarette smoke;
- Also cellulose acetate cigarette filter fibers can dislodge from cigarettes and become transported into the lungs of consumers;
- Scientists at the Roswell Park Cancer Institute have demonstrated the presence of cigarette filter fibers like the ones this company

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- manufactures in the lungs of smokers;
- These scientists have hypothesized that such fibers in the lungs of smokers might serve as reservoirs for carcinogens over a long period of time. This suggests that cellulose acetate filters may contribute to diseases caused by cigarettes in smokers;
 - If cellulose acetate filters contribute to cigarette-caused disease, Eastman Chemical may be liable for injuries to smokers as the tobacco litigation net gets thrown wider and wider;
 - The importance of studying the health impact of Eastman Chemical's cigarette filters is highlighted by a recent federal appeals court decision supporting a Massachusetts State law requiring tobacco companies to disclose the ingredients in their products. The law requires tobacco companies to submit lists and amounts of substances added so that they can be studied and the public warned about additional health risks.

RESOLVED: That shareholders request that management conduct a study examining possible health risks posed by our filter tows among consumers who smoke cigarettes with cellulose acetate filters. This study shall include a review of all information known or available to the company on this subject but need not involve any new primary research. The study and any recommendations that emerge from it are to be completed within one year of the 2002 Annual Meeting. Copies of the complete report shall be made available to requesting shareholders.

Supporting Statement of Proponent

Cigarette smoke contains dozens of potent carcinogens. Cellulose acetate fibers that are supposed to trap these poisons can themselves be transported into the lungs, laden with these dangerous substances. We believe this resolution and the study it requests are in the best interests of consumers as well as in the interests of our company and shareholders.

Certainly it is in our interest as management and investors to be fully informed about any and all health risks to smokers to which Eastman Chemical contributes. We need to know, for example, if our products are

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deemed to contribute to cancer or if we may be faced with legal and financial liabilities. It is only fair to consumers as well that they are fully aware of all of the dangers of smoking.

If you believe that Eastman Chemical and its shareholders should be fully apprised as to whether the cellulose acetate tow the company sells to the cigarette manufacturers is contributing to the various illnesses caused by cigarettes, please vote YES in support of this resolution.

RESPONSE OF THE COMPANY

The proposal on its face requests that management conduct a "study" of health issues related to our cellulose acetate tow product line. In fact, the proposal concerns substantially the same subject matter as proposals concerning this product line which have been submitted in past years to the Company by members of the Interfaith Center on Corporate Responsibility, of which the proponent is also a member. One such proposal, seeking divestiture of the cellulose acetate tow business, also raised litigation, liability, and health issues and received only 2.8% of the votes cast at the 1996 Annual Meeting of Stockholders. A proposal almost identical to the current proposal was submitted last year and was supported by only 7.98% of the votes cast and 6.82% of the shares represented at the 2001 Annual Meeting of Stockholders. Your management's views on the current proposal are the same as those it had concerning these

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previous proposals, which views have been supported overwhelmingly by stockholders.

Eastman is committed to protecting health, safety, and the environment. The Company subscribes to the Responsible Care(R) program of the American Chemistry Council, which includes product stewardship principles. Management continually evaluates the opportunities and challenges facing each of the Company's businesses and major products and develops information and plans in view of changing environments. The Board, as elected by the stockholders, and the officers, as the Board's agents, manage the myriad of factors that affect the Company's business and make business policy to conduct the Company's affairs. The Board and management are cognizant of the scientific, legal, and business developments relative to acetate tow and its uses. The Board believes appropriate management attention and Company resources are directed to these issues.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" ADOPTION OF THIS PROPOSAL.

ITEM 6 -- PROPOSAL TO ISSUE REPORT CONCERNING EMISSION OF "GREENHOUSE GASES" AND POTENTIAL CLIMATE CHANGE

Stockholders Missionary Oblates of Mary Immaculate, 391 Michigan Avenue, NE, Washington, DC 20017, holder of 2,400 shares of Eastman common stock, and Carla A. Kleefeld, 711 Atlantic Avenue, Boston, Massachusetts 02111-2809, holder of 150 shares of Eastman common stock, have given notice that they intend to submit the following proposal and supporting statements:

WHEREAS:

- The Intergovernmental Panel on Climate Change has found "new and stronger evidence that most of the warming observed over the last 50 years is attributed to human activity." (IPCC, 2001)
- Growing evidence indicates that environmental damage from fossil fuel burning will be major and worldwide. Threats to human health and habitats include (IPCC, 2001):
 - widespread increase in the risk of floods inundating the homes of tens of millions of people, resulting in increased drowning, disease and, in developing countries, hunger;
 - increases, in some geographic areas, in droughts, floods, landslides, storms, and incidences of water-borne (cholera) and vector-borne (malaria) diseases; and
 - irreversible damage to vulnerable ecosystems, with increased risk of extinction of more vulnerable species and loss of biodiversity.

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- In July 2001, 178 nations signed the Bonn agreement, requiring industrialized nations to reduce greenhouse emissions to 5.2% less than 1990 levels, by 2008 (Wall Street Journal, 7/24/01)
- Dupont's CEO stated, "We are preparing our company for a long journey to a more climate-friendly . . . global economy. We have already reduced our global greenhouse gases by nearly 60%; [and are] committed to . . . setting new goals for 2010: reducing global carbon-equivalent greenhouse gas emissions by 65% [from 1990 levels]; holding total energy use flat [at 1990 levels]; and using renewable resources for 10% of our global

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energy use." (11/00)

- Major automakers are developing alternative non-combustion engines and technologies to reduce vehicles' fossil fuel demands. Ford's Chairman has said, "We are committed to an improvement in fuel economy for all of our vehicles . . . [and] a reduction in carbon dioxide emissions. We know greenhouse gases and global temperatures are increasing." (4/14/00)
- Royal Dutch/Shell and BP have invested in renewables for years. Royal Dutch/Shell added a penalty of \$5/ton of carbon produced when evaluating investment returns on new projects, anticipating more stringent carbon-related regulatory regimes. (Financial Times, 9/12/00).
- Companies with top-rated environmental records are faring significantly better financially than those with worse records. From 1997-2000, they had 3.53% higher annual returns on investment than a broader universe of companies, and 7.80% higher annual returns than companies with low-rated environmental records. (QED International , 2001)
- Thirty-nine top religious leaders stated, ". . . global warming is a scientific fact. . . . More investment in renewable energy and fuel efficiency is now a moral imperative, especially because these are technologically feasible and economically viable." (National Council of Churches, 5/21/01)
- We believe that good stewardship of Eastman Chemical resources requires that we reduce polluting emissions when possible and prudent.

RESOLVED: that Eastman Chemical report to shareholders (at reasonable cost and omitting proprietary information) by August 2002 on (a) total annual greenhouse gas emissions (i) from our company's own operations and (ii) from its products (as best as the Company can estimate); and (b) an estimate of the feasibility and cost of substantially reducing these emissions, together with an evaluation of whether our Company would need such changes to be made on an industry-wide basis and, if so, how that could be accomplished.

RESPONSE OF THE COMPANY

This proposal is substantially the same as proposals considered by stockholders at the 2000 and 2001 Annual Meetings of Stockholders. These proposals received only 6.9% and 7.9% of the votes cast, respectively, and your management's views, which have been supported overwhelmingly by stockholders, are unchanged.

At Eastman, environmental accountability is not taken lightly. The Company's policy is to operate its plants and facilities in a manner that protects the environment and the health and safety of its employees and the public, and in full compliance with all applicable laws and regulations. Health, safety, and environmental considerations are a priority in the Company's planning for all existing and new products and processes. The Company makes significant expenditures for environmental protection and improvement.

The Company's careful consideration of health, safety, and the environment includes the issue of potential climate change. The Company's expenditures for environmental protection and improvement include significant capital expenditures for the updating and maintenance of facilities to enhance energy efficiency and reduce emissions. The Company advocates increased funding of both public and private scientific research to enhance the understanding of the possible causes and implications of climate change. The Company also supports voluntary measures by all economic sectors that lead to emission reductions, improved energy efficiency, removal of greenhouse gases from the atmosphere, and the development and deployment of advanced technologies that support these

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goals. As with any matter potentially affecting the Company's operations, the Company will continue to monitor the global warming issue and, if and when material

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information regarding its potential impact upon the Company is known, will fulfill its obligation to convey such information to stockholders. However, the Board does not believe that a report of the type requested by the proponents would be useful or informative for stockholders.

The Board believes that any report attempting to quantify potential financial effects of the climate change issue on the Company at this time would be entirely speculative and, consequently, of little, if any, value to stockholders. To the extent that the Company's research or other activities undertaken to address the climate change issue are material, information regarding such activities will necessarily be communicated to stockholders through the Company's regular reports filed with the SEC. We believe, therefore, that an additional report of the type requested by the proponent would be duplicative and unnecessary.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS THAT YOU VOTE "AGAINST" ADOPTION OF THIS PROPOSAL.

STOCK OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS

COMMON STOCK

The following table sets forth certain information regarding the beneficial ownership of Eastman common stock as of December 31, 2001 by each current director, by each executive officer named in the Summary Compensation Table (under "Executive Compensation -- Compensation Tables"), and by the current directors, the named executive officers, and the other current executive officers, as a group.

NAME -----	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED (1) (2) -----
Earnest W. Deavenport, Jr.....	412,726 (3)
J. Brian Ferguson.....	41,367 (4)
Roger K. Mowen, Jr.....	40,839 (5)
James P. Rogers.....	385,058 (6)
Allan R. Rothwell.....	62,128 (7)
H. Jesse Arnelle.....	2,641 (8)
Calvin A. Campbell, Jr.....	7,045 (9)
Jerry E. Dempsey.....	7,600 (10)
John W. Donehower.....	2,889 (11)
Donald W. Griffin.....	1,782 (12)
Marilyn R. Marks.....	7,363 (13)
David W. Raisbeck.....	317 (14)
John A. White.....	7,140 (15)
Peter M. Wood.....	1,787 (16)
Current directors, named executives, and other current executive officers, as a group (18 persons).....	1,108,520 (17)

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- (1) Information relating to beneficial ownership is based upon information furnished by each person using "beneficial ownership" concepts set forth in rules of the Securities and Exchange Commission (the "SEC"). Under those rules, a person is deemed to be a "beneficial owner" of a security if that person has or shares "voting power," which includes the power to vote or to direct the voting of such security, or "investment power," which includes the power to dispose or to direct the disposition of such security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership (such as by exercise of options) within 60 days. Under such rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may disclaim any beneficial interest. Except as indicated in other notes to this table, directors and executive officers possessed sole voting and investment power with respect to all shares of common stock referred to in the table.
- (2) The total number of shares of common stock beneficially owned by the current directors, the named executive officers, and the other current executive officers, as a group represents approximately 1.42% of the shares of common stock outstanding as of December 31, 2001. The percentage beneficially owned by any individual director or executive officer does not exceed one percent of the outstanding shares of common stock. Shares not outstanding which are subject to options exercisable within 60 days by

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persons in the group or a named individual are deemed to be outstanding for the purpose of computing the percentage of outstanding shares of common stock owned by the group or such individual.

- (3) Includes 328,940 shares that may be acquired upon exercise of options and 30,000 restricted shares that generally vest on December 7, 2004, but as to which Mr. Deavenport currently has voting power.
- (4) Includes 35,120 shares that may be acquired upon exercise of options and 578 shares allocated to Mr. Ferguson's ESOP account.
- (5) Includes 37,442 shares that may be acquired upon exercise of options and 784 shares allocated to Mr. Mowen's ESOP account.
- (6) Includes 199,500 shares that may be acquired upon exercise of options, 322 shares allocated to Mr. Rogers' ESOP account, and 11,300 restricted shares that generally vest in August 2002 but as to which Mr. Rogers currently has voting power. Also includes 158,424 shares owned by the Eastman Chemical Company Foundation, Inc., of which shares Mr. Rogers may also be deemed a beneficial owner by virtue of his shared voting and investment power as a director of the foundation.
- (7) Includes 56,900 shares that may be acquired upon exercise of options and 770 shares allocated to Mr. Rothwell's ESOP account.
- (8) Includes 1,778 shares that may be acquired upon exercise of options and 95 restricted shares that generally vest on May 3, 2004, but as to which Mr. Arnelle currently has voting power.
- (9) Includes 2,078 shares that may be acquired upon exercise of options and 95 restricted shares that generally vest on May 3, 2004, but as to which Mr. Campbell currently has voting power.
- (10) Includes 1,976 shares that may be acquired upon exercise of options and 95 restricted shares that generally vest on May 3, 2004, but as to which Mr. Dempsey currently has voting power.
- (11) Includes 1,907 shares that may be acquired upon exercise of options and 95 restricted shares that generally vest on May 3, 2004, but as to which Mr. Donehower currently has voting power.
- (12) Includes 1,500 shares that may be acquired upon exercise of options, 175 restricted shares that generally vest on May 6, 2002, but as to which Mr. Griffin currently has voting power, and 95 restricted shares that generally

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- vest on May 3, 2004, but as to which Mr. Griffin currently has voting power.
- (13) Includes 4,258 shares that may be acquired upon exercise of options and 95 restricted shares that generally vest on May 3, 2004, but as to which Miss Marks currently has voting power.
 - (14) Consists of 222 restricted shares that generally vest on December 7, 2003, but as to which Mr. Raisbeck currently has voting power, and 95 restricted shares that generally vest on May 3, 2004, but as to which Mr. Raisbeck currently has voting power.
 - (15) Includes 3,688 shares that may be acquired upon exercise of options and 95 restricted shares that generally vest on May 3, 2004, but as to which Dr. White currently has voting power.
 - (16) Includes 500 shares that may be acquired upon exercise of options, 192 restricted shares that generally vest on May 4, 2003, but as to which Mr. Wood currently has voting power, and 95 restricted shares that generally vest on May 3, 2004, but as to which Mr. Wood currently has voting power.
 - (17) Includes a total of 763,142 shares that may be acquired upon exercise of options and 4,686 shares allocated to executive officers' ESOP accounts. Includes options held by the spouse of an executive officer not named above, as to which shares and options such executive officer disclaims beneficial ownership. Includes 158,424 shares owned by the Eastman Chemical Company Foundation, Inc., of which shares Mr. Rogers and two other executive officers not named above may each be deemed a beneficial owner by virtue of their shared voting and investment power as directors of the Foundation.

COMMON STOCK AND COMMON STOCK UNITS

In addition to shares of Eastman common stock beneficially owned, the executive officers have units of common stock ("Common Stock Units") credited to their individual Stock Accounts in the Eastman Executive Deferred Compensation Plan (the "EDCP"), and certain of the directors have Common Stock Units credited to their individual Stock Accounts in the DDCP. See "Item 1 -- Election of Directors -- Director Compensation -- Directors' Deferred Compensation Plan" and "Executive Compensation -- Compensation Tables -- Summary Compensation Table" and "-- Compensation and Management Development Committee Report on Executive Compensation."

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The following table shows, for each current director and each executive officer named in the Summary Compensation Table, and for the current directors, the named executive officers, and the other current executive officers, as a group, the aggregate of the number of shares of common stock beneficially owned by such person and group, as set forth in the preceding table, and the number of Common Stock Units credited to the Stock Accounts of such person and group as of December 31, 2001. Common Stock Units represent hypothetical "investments" in Eastman common stock. The value of one Common Stock Unit is equal to the market value of one share of Eastman common stock. Although the DDCP and EDCP allow Common Stock Units to be paid out only in the form of cash, and not in shares of common stock, Common Stock Units create essentially the same stake in the market performance of the Company's common stock as do actual shares of common stock. As a result, Common Stock Units are counted with certain shares of common stock beneficially owned (excluding certain shares that may be deemed beneficially owned under SEC rules, such as shares underlying options, shares owned by the individual's spouse, and shares over which the individual shares voting and investment power, but in which the individual has no pecuniary interest) for purposes of the Company's stock ownership guidelines -- four times target total annual compensation for the Chief Executive Officer, three times target total annual compensation for the other executive officers named in the Summary Compensation Table, and three times the annual retainer fee for non-employee

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directors. See "Executive Compensation -- Compensation and Management Development Committee Report on Executive Compensation." The table below is included to provide a better indication of the stake of the named individuals, and of the group, with respect to Eastman common stock.

NAME -----	NUMBER OF SHARES OF COMMON STOCK AND COMMON STOCK UNITS BENEFICIALLY OWNED -----
Earnest W. Deavenport, Jr.	421,185
J. Brian Ferguson.....	41,565
Roger K. Mowen, Jr.	50,035
James P. Rogers.....	452,924 (1)
Allan R. Rothwell.....	65,571
H. Jesse Arnelle.....	4,834
Calvin A. Campbell, Jr.	7,045
Jerry E. Dempsey.....	7,600
John W. Donehower.....	5,119
Donald W. Griffin.....	1,782
Marilyn R. Marks.....	8,537
David W. Raisbeck.....	1,575
John A. White.....	11,824
Peter M. Wood.....	1,787
Current directors, named executives, and other current executive officers, as a group (18 persons).....	1,231,109 (2)

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- (1) Includes 158,424 shares owned by the Eastman Chemical Company Foundation, Inc., over which shares Mr. Rogers shares voting and investment power as a director of the Foundation but in which shares Mr. Rogers has no pecuniary interest.
 - (2) Includes 158,424 shares owned by the Eastman Chemical Company Foundation, Inc., over which shares Mr. Rogers and two other executive officers not named above share voting and investment power as directors of the Foundation but in which shares such executive officers have no pecuniary interest.

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STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the only known beneficial owners of more than 5% of Eastman common stock.

NAME AND ADDRESS OF BENEFICIAL OWNER -----	NUMBER OF SHARES OF COMMON STOCK BENEFICIALLY OWNED -----	PERCENT OF CLASS (1) -----
AXA Financial, Inc..... 1290 Avenue of the Americas New York, New York 10104	10,447,046 (2)	13.49%
Barclays Global Investors N.A..... 45 Fremont Street	4,069,706 (3)	5.25%

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San Francisco, California 94105
 Dodge & Cox..... 6,094,961 (4) 7.87%
 One Sansome St., 35th Floor
 San Francisco, California 94104

- (1) Based upon the number of shares of common stock outstanding and entitled to be voted at the Annual Meeting as of the record date.
- (2) As of December 31, 2001, based on a Schedule 13G filed with the SEC by AXA Financial, Inc., an investment company, and certain investment advisor, insurance company, and broker-dealer subsidiaries of AXA Financial. According to the Schedule 13G, AXA Financial and such subsidiaries together have sole investment power with respect to 10,444,246 of such shares, sole voting power with respect to 5,633,803 of such shares, shared investment power with respect to 2,800 of such shares, and shared voting power with respect to 1,618,577 of such shares.
- (3) As of December 31, 2001, based on a Schedule 13G filed with the SEC by Barclays Global Investors N.A., a bank, and certain affiliated bank entities. According to the Schedule 13G, Barclays Global Investors and such entities together have sole investment power with respect to all of such shares and sole voting power with respect to 4,004,636 of such shares.
- (4) As of December 31, 2001, based on a Schedule 13G filed with the SEC by Dodge & Cox, an investment advisor. According to the Schedule 13G, Dodge & Cox has sole investment power with respect to all of such shares, sole voting power with respect to 5,711,151 of such shares, and shared voting power with respect to 67,200 of such shares.

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EXECUTIVE COMPENSATION

COMPENSATION TABLES

The following Summary Compensation Table sets forth certain information concerning compensation of Eastman Chemical Company's Chief Executive Officer and each of the company's four other most highly compensated executive officers for 2001.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION (1)			LONG-T
		SALARY (2)	BONUS (3)	OTHER ANNUAL COMPENSATION (4)	AWARDS
					RESTRICTED STOCK AWARDS (\$ (5)
Earnest W Deavenport, Jr.	2001	\$990,000	\$ 0	\$27,410	\$ 1,083,30 (8)
Chairman and Chief Executive Officer	2000	960,000	1,171,035	51,982	0
(retired effective December 31, 2001)	1999	775,000	732,375	28,810	0
J. Brian Ferguson	2001	375,268	0	98,132	0
President,	2000	332,450	324,314	88,038	0
Chemicals Group	1999	228,559	95,772	66,443	0

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(elected Chairman and Chief Executive Officer effective January 1, 2002)						
Roger K. Mowen, Jr.	2001	326,013	50,000	779		0
Senior Vice President, Global Customer Services Group	2000	284,450	246,314	1,163		0
	1999	227,217	105,805	247		0
James P. Rogers (12)	2001	384,981	25,000	6,154		469,628(13)
Senior Vice President and Chief Financial Officer	2000	357,500	306,323	2,100		520,506(13)
	1999	127,273	253,923	5,714		579,125(13)
Allan R. Rothwell	2001	404,763	0	2,689		0
President, Polymers Group	2000	359,500	197,775	2,784		0
(named Executive Vice President effective January 1, 2002)	1999	265,700	235,315	3,073		0

NAME AND PRINCIPAL POSITION	ALL OTHER COMPENSATION (7)
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Earnest W Deavenport, Jr. Chairman and Chief Executive Officer (retired effective December 31, 2001)	\$106,148 50,527 40,789
J. Brian Ferguson President, Chemicals Group (elected Chairman and Chief Executive Officer effective January 1, 2002)	34,224 17,500 9,707
Roger K. Mowen, Jr. Senior Vice President, Global Customer Services Group	29,211 14,974 11,915
James P. Rogers (12) Senior Vice President and Chief Financial Officer	33,543 20,395 8,756
Allan R. Rothwell President, Polymers Group (named Executive Vice President effective January 1, 2002)	29,318 18,921 14,611

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- (1) Includes both amounts paid for the indicated years and amounts earned during the indicated years but deferred under the Executive Deferred Compensation Plan.
 - (2) Base salary amount is reduced to below competitive base pay levels, and the difference between base salary and competitive base pay levels is made variable under the Eastman Performance Plan. See "Bonus" column and

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"Compensation and Management Development Committee Report on Executive Compensation."

- (3) Cash payments in the year following for services rendered in the year indicated under the Eastman Performance Plan and the Unit Performance Plan for 2000, and for 1999 under the Eastman Performance Plan and the Annual Performance Plan. The Eastman Performance Plan, unlike traditional bonus plans, reduces participants' base salary levels to below-competitive base salary levels and puts such pay "at risk." The Eastman Performance Plan and Annual Performance Plan are both variable pay programs which make a portion of participants' total annual compensation dependent upon the success of the Company. The Unit Performance Plan is a variable pay program which makes a portion of participants' total annual compensation dependent upon organizational unit and individual performance. For 2001, 45% of Mr. Deavenport's target annual compensation and 35% of the target annual compensation for Messrs. Ferguson, Mowen, Rogers, and Rothwell, was made variable under the Eastman Performance Plan and Unit Performance Plan. For 2001, no awards were made under the Eastman Performance Plan or the Unit Performance Plan. Amounts in the "Bonus" column also

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include special recognition awards paid to Mr. Rogers in 2001 and 2000, and to Mr. Rothwell in 1999; awards paid to Mr. Mowen in 2001 and 2000 under a compensation program for employees supporting Company initiatives in e-business and digital business ventures; and a signing bonus paid to Mr. Rogers upon commencement of his employment with the Company in August 1999. Under the terms of his employment, the Company waived the then-normal time of service condition for participation and paid Mr. Rogers a prorated award under the Eastman Performance Plan for 1999. See "Compensation and Management Development Committee Report on Executive Compensation."

- (4) Includes amounts reimbursed for payment of taxes on certain compensation and benefits, and the portion of interest accrued on deferred compensation under the Executive Deferred Compensation Plan and on certain stock options at a rate that exceeded 120 percent of the then-applicable Federal long-term rate. The amounts reported for Mr. Ferguson also include tax gross-up payments attributed to an overseas assignment.
- (5) Represents fair market value of awards of restricted stock, based upon the closing price of the common stock on the New York Stock Exchange on the date of grant. At December 31, 2001, Mr. Deavenport and Mr. Rogers held 30,000 and 11,300 restricted shares of common stock, respectively, with a fair market value of \$1,170,600 and \$440,926, respectively, based on the per share closing price of the common stock on the New York Stock Exchange on December 31, 2001. Dividends are paid on these shares as and when dividends are paid on common stock.
- (6) Represents fair market value of payout during the year following of stock earned under performance shares awarded at the beginning of the three-year performance period ended in the year indicated, with shares earned based upon total return to stockholders during the three-year performance period relative to that of peer companies. The payout, unless deferred at the election of the participant, is in the form of unrestricted shares of Eastman common stock. The amount reported represents the fair market value of the shares earned, based upon the per share closing price of the common stock on the New York Stock Exchange on the payment date. Mr. Ferguson was first awarded performance shares for the 1998-2000 performance period; accordingly, he was not eligible to receive a payout for the performance period ended 1999. Mr. Rogers was first awarded performance shares for the 2000-2002 performance period, and was not eligible to receive payouts for the performance periods ended 1999, 2000, and 2001. See "Long-Term Incentive Plan -- Awards in Last Fiscal Year" table and "Compensation and Management Development Committee Report on Executive Compensation."
- (7) The amounts are annual Company contributions to the accounts of Messrs.

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Deavenport, Ferguson, Mowen, and Rothwell in the Eastman Investment Plan, a 401(k) retirement plan, and to Mr. Rogers' accounts in the ESOP and Executive Deferred Compensation Plan. Under the terms of his employment, the Company waived the then-normal time of service condition for participation under the ESOP for Mr. Rogers. Beginning in 2001, the formula for calculating annual Company contributions for all employees was changed in order to align the calculation more closely with Company retirement plans. The annual Company contribution for 2001 was based upon actual compensation paid during the calendar year, rather than targeted annual compensation. See "Compensation and Management Development Committee Report on Executive Compensation."

- (8) Pursuant to an agreement with the Company in December 2001, Mr. Deavenport was awarded 30,000 restricted shares of common stock, with restrictions lapsing on the third anniversary of the date of the award. These shares are also subject to forfeiture in the event of violation of specific prohibitions concerning competition, solicitation, confidentiality, and other activity adverse to the interests of the Company. See "Retirement and Change-in-Control Arrangements."
- (9) Includes "reload" options received by Mr. Deavenport (38,599 in 2001 and 36,481 in 2000) to purchase a number of shares equal to the number of previously owned shares of Eastman common stock surrendered in payment of the exercise price of options. See "Option Grants in Last Fiscal Year" and "Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values" tables.
- (10) Includes an option granted to Mr. Deavenport to purchase 100,000 shares of Eastman common stock pursuant to an agreeme