

EASTMAN CHEMICAL CO

Form DEF 14A

March 20, 2008

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities

Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

- o Preliminary Proxy Statement
- o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- x Definitive Proxy Statement
- o Definitive Additional Materials
- o Soliciting Material Pursuant to §240.14a-12

Eastman Chemical Company

(Name of Registrant as Specified In Its Charter)

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March 14, 2008

Dear Fellow Stockholder:

Our 2008 Annual Meeting of Stockholders will be held at the Toy F. Reid Employee Center, located at 400 South Wilcox Drive, in Kingsport, Tennessee, on May 1, 2008, 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 2007 Annual Report to Stockholders is also included with 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 in advance of the meeting 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, I urge you to vote as soon as possible.** If you are a record holder of Eastman stock, an admission ticket for the 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.

Thank you for your support of our Company.

Sincerely,

J. Brian Ferguson
Chairman and Chief Executive Officer

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EASTMAN CHEMICAL COMPANY
200 South Wilcox Drive
Kingsport, Tennessee 37660
(423) 229-2000

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD ON MAY 1, 2008

To Our Stockholders:

The 2008 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 1, 2008, at 11:30 a.m., local time. The purposes of the meeting are:

Elect Directors. To elect three directors to serve in the class for which the term in office expires at the 2011 Annual Meeting of Stockholders and until their successors are duly elected and qualified;

Ratify Appointment of Independent Auditors. To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors for the Company for 2008;

Vote on Stockholder Proposals. To vote on two proposals submitted by stockholders if properly presented at the meeting; and

Transact Any Other Business. To transact such other business as may properly come before the meeting.

Only stockholders of record at the close of business on March 10, 2008 are entitled to vote at the meeting.

It is important that your shares be represented and voted at the 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 meeting.

By order of the Board of Directors

Theresa K. Lee

Chief Legal Officer and Corporate Secretary

March 14, 2008

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**PROXY STATEMENT
FOR
ANNUAL MEETING OF STOCKHOLDERS OF
EASTMAN CHEMICAL COMPANY
TO BE HELD ON MAY 1, 2008**

INFORMATION ABOUT THE MEETING AND VOTING

Proxy Statement and Annual Meeting

This proxy statement is dated March 14, 2008 and is first being mailed and delivered electronically to Eastman stockholders, and made available on the Internet at the Company's website (www.eastman.com), on or about March 21, 2008. Our Board of Directors (the Board) is furnishing you this proxy statement to solicit proxies on its behalf to be voted at the Annual Meeting of Stockholders of the Company to be held on May 1, 2008, and at any adjournments or postponements of the meeting. A proxy statement is a document that Securities and Exchange Commission (SEC) regulations require us to give you when we ask you to vote your stock by proxy. At the meeting, stockholders will be asked to consider and vote on the items of business listed in the accompanying Notice of Annual Meeting and described in more detail in this proxy statement.

Voting By Proxy

A proxy is a legal designation of another person to vote the stock you own. That other person is called a proxy. If you designate someone as your proxy in a written document, that document is also called a proxy, a proxy card, or a form of proxy.

By completing 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 Richard A. Lorraine, the Company's Chief Financial Officer, and Theresa K. Lee, the Company's Chief Legal Officer and Corporate Secretary, to represent you at the meeting and direct them to vote your shares at the meeting according to your instructions. Shares of common stock represented by proxy will be voted by the proxy holders at the meeting in accordance with your instructions as indicated in the proxy. **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 as to the matters identified in this proxy statement and in the best judgment of the proxy holders as to any other matters.**

If your shares are registered in your name, you are a stockholder of record. **Stockholders of record may vote by proxy in one of three ways:**

by telephone: call (888) 693-8683 and follow the instructions on your proxy card;

via the Internet: visit the www.cesvote.com website and follow the instructions 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.

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 shares through certain banks and brokers.

How to Revoke Your Proxy

You may revoke your proxy at any time before its exercise at the meeting by:

giving written notice of revocation to the Corporate 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 meeting; or

voting in person at the meeting.

All written notices of revocation or other communications with respect to revocation of proxies should be sent to Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-5280, Attention: Corporate Secretary, so that they are received before the meeting.

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Record Date; Stockholders Entitled to Vote; Voting Rights

The record date for the 2008 Annual Meeting of Stockholders is March 10, 2008. Owners of record of common stock at the close of business on the record date are entitled to receive notice of the meeting and to vote at the meeting. The record date is established by the Board as required by Delaware law. If your shares are held in street name through 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 meeting.

On the record date, there were 77,544,913 shares of common stock issued and outstanding. Holders of common stock are entitled to one vote on each matter voted upon at the meeting for each share of common stock they hold of record on 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 meeting is necessary to constitute a quorum to conduct business. Abstentions 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 registered holder (such as a broker or bank) holding shares in street name for a beneficial owner does not vote on a particular proposal because the registered holder does not have discretionary voting power for that particular item and has not received voting instructions from the beneficial owner. Please note that banks and brokers which have not received voting instructions from their clients cannot vote on their clients behalf on adoption of the stockholder proposals, but may vote their clients shares on the election of directors and the ratification of the appointment of independent auditors.

Vote Required for Approval of Matters to be Considered

Each director who receives a majority of votes cast (number of shares voted for a director must exceed the number of shares voted against that director) will be elected as a director. With respect to the election of directors, stockholders may by proxy (1) vote for all three of the nominees, (2) vote against all three of the nominees, (3) vote against any individual nominee or nominees but vote for the other nominee(s), or (4) abstain from voting on one or more nominees. Shares not present at the meeting and abstentions will have no effect on the outcome of the election of directors. 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 each of the ratification of the appointment of independent auditors and adoption of the recommendations of the stockholder proposals. With respect to each of these items, stockholders may (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 these proposals.

Proxy Solicitation Costs

We will bear the cost of soliciting proxies and the cost of the meeting. In addition to the solicitation of stockholders by mail and electronic means, proxies may be solicited by telephone, facsimile, personal contact, and similar means by our directors, officers, or employees, none of whom will be specially compensated for these activities. We have also contacted brokerage houses, banks, nominees, custodians, and fiduciaries which can be identified as record holders of common stock. Such holders, after inquiry by us, have provided 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 we will reimburse such record holders for the expense of providing such beneficial ownership information and of mailing proxy materials and annual reports to beneficial owners. We

have retained Georgeson Inc. to assist with the solicitation of proxies and vote projections for a fee of \$17,000 plus reimbursement of out-of-pocket expenses.

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Matters Raised at the Annual Meeting Not Included in this Proxy Statement

We do not expect any business to be acted upon at the meeting other than as described in this proxy statement. If, however, other matters are properly brought before the meeting, the persons appointed as proxies will have the discretion to vote or act on those matters for you according to their best judgment.

Stockholder Proposals for the 2009 Annual Meeting

In accordance with rules of the SEC, if you wish to submit a proposal for presentation at Eastman's 2009 Annual Meeting of Stockholders, it must be received by the Company at its principal executive offices on or before November 21, 2008 in order to be included in the Company's proxy materials relating to its 2009 Annual Meeting of Stockholders. Any such proposal should be sent to Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-5280, Attention: Corporate Secretary.

In addition, our Bylaws require that a proposal to be submitted by a stockholder for a vote of the Company's stockholders at an annual meeting of stockholders, whether or not also submitted for inclusion in the Company's proxy materials, must be preceded by adequate and timely notice to the Corporate Secretary of the Company. To be adequate, the notice must set forth certain information specified in our Bylaws about the stockholder and the proposal. The Bylaws are available through the Investors' Corporate Governance section of the Company's website, and also will be provided to any stockholder upon written request. To be timely, the notice must be delivered to the Corporate Secretary of the Company not less than 45 days prior to the day of the month on which the notice of the immediately preceding year's annual meeting of stockholders was first sent to the stockholders of the Company. If, as expected, notice of the 2008 Annual Meeting of Stockholders is first sent to stockholders on March 21, 2008, then such advance notice would be timely if delivered on or before February 4, 2009.

Nominations by Stockholders for Election to the Board of Directors

Our Bylaws provide that nominations by stockholders of persons for election to the Board may be made by giving adequate and timely notice to the Corporate Secretary of the Company. To be adequate, the nomination notice must set forth certain information specified in our Bylaws about each stockholder submitting a nomination and each person being nominated. The Bylaws are available through the Investors' Corporate Governance section of the Company's website, and also will be provided to any stockholder upon written request. To be timely, the nomination notice must be delivered to the Corporate Secretary of the Company not less than 45 days prior to the day of the month on which the notice of the immediately preceding year's annual meeting of stockholders was first sent to the stockholders of the Company. The Nominating and Corporate Governance Committee of the Board will consider persons properly and timely nominated by stockholders and recommend to the full Board whether such nominee should be included with the Board's nominees for election by stockholders.

Annual Report to Stockholders, Annual Report on Form 10-K, and Corporate Governance Materials

Our Annual Report to Stockholders for 2007, including consolidated financial statements for the year ended December 31, 2007, is being mailed and delivered electronically to stockholders, and made available on the Internet at the Company's website, concurrently with this proxy statement but does not form any part of the proxy solicitation material. This year's Annual Report to Stockholders includes the Company's Annual Report on Form 10-K for the year ended December 31, 2007 as filed with the SEC. This information is also available via the Internet at the Company's website (www.eastman.com), and the version of such report (with exhibits) filed with the SEC is available at the SEC's website (www.sec.gov).

We also make available free of charge, through the Investors Corporate Governance section of the Eastman website, the Corporate Governance Guidelines, the charters of each of the committees of the Board, and codes of business conduct and ethics for our directors, officers, and employees. Such materials are also available in print upon written request of any stockholder to Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-5280, Attention: Investor Relations.

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Communications to the Board of Directors

Stockholders, and other interested parties, may communicate with non-management directors in writing by directing such communications to the Chair of the Nominating and Corporate Governance Committee, Eastman Chemical Company, P.O. Box 1976, Kingsport, Tennessee 37662-5075 or by telephone toll free by calling 800-782-2515. Any communications concerning substantive Board or Company matters are promptly forwarded by the office of the Corporate Secretary to the Chair of the Nominating and Corporate Governance Committee, and the office of the Corporate Secretary keeps and regularly provides to the Chair of the Nominating and Corporate Governance Committee a summary of any communications received.

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PROPOSALS TO BE VOTED ON AT THE ANNUAL MEETING

ITEM 1 ELECTION OF DIRECTORS

The Company's Certificate of Incorporation divides the Board 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, until the next annual meeting following his or her 71st birthday). Unless additional terms of office are approved by the Board in certain circumstances, the maximum number of consecutive full three-year terms of office that may be served by any director (other than a director who is the Chief Executive Officer) is three.

Four directors are currently in the class for which the term in office expires at the 2008 Annual Meeting; three of these four directors have been nominated for reelection for a new three-year term. Under the Board retirement and term limit policies, Donald W. Griffin, whose current term expires at the Annual Meeting, is not standing for re-election. The terms of the other eight directors continue after the meeting.

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 Stockholders in 2011 and their successors are duly elected and qualified. If any nominee is unable or unwilling to serve (which we do not anticipate), 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 meeting.

Director Changes Since the 2007 Annual Meeting. In August 2007, the Board elected Gary E. Anderson as a director.

Majority Vote Standard for Election of Directors. The Company's Bylaws provide that directors be elected by a majority vote of stockholders. If a nominee who is serving as a director is not reelected by a majority vote at an annual meeting, under Delaware law the director would continue to serve on the Board as a holdover director. However, under the director election provision of our Bylaws, any incumbent director who does not receive a majority of votes in favor of reelection and whose successor has not been elected by stockholders would offer to resign from the Board. The Nominating and Corporate Governance Committee would then make a recommendation to the Board whether to accept or reject the resignation, or whether other action should be taken. The Board would act on the recommendation and publicly disclose its decision and the rationale behind it within 90 days from the date the election results are certified. The director who tenders his or her resignation would not participate in the Board's decision. If a nominee who was not already serving as a director was not elected at an annual meeting, under Delaware law that nominee would not become a director and would not serve on the Board as a holdover director. In 2008, all nominees for director are currently serving on the Board.

The nominees have been recommended to the Board of Directors by the Nominating and Corporate Governance Committee of the Board. The Board of Directors recommends that you vote FOR election of the three nominees identified below.

Set forth below is information about each director nominated for reelection or whose term in office will continue after the meeting.

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NOMINEES FOR DIRECTOR
Term Expiring Annual Meeting 2011

MICHAEL P. CONNORS (director since March 2005)

Mr. Connors has been Chairman of the Board and Chief Executive Officer of Information Services Group, Inc., a company formed for the purpose of acquiring one or more operating businesses in the information services industry, since July 2006. Mr. Connors served as a member of the Executive Board of VNU N.V., a major worldwide media and marketing information company, from the merger of ACNielsen into VNU in 2001 until 2005, and served as Chairman and Chief Executive Officer of VNU Media Measurement & Information Group and Chairman of VNU World Directories until 2005. He previously was Vice Chairman of the Board of ACNielsen from its spin-off from the Dun & Bradstreet Corporation in 1996 until 2001, was Senior Vice President of American Express Travel Related Services from 1989 until 1995, and before that was a Corporate Vice President of Sprint Corporation. Mr. Connors is also a member of the Board of Directors of R.H. Donnelley Corporation. Mr. Connors is 52.

J. BRIAN FERGUSON (director since January 2002)

Mr. Ferguson has been Chairman of the Board and Chief Executive Officer of the Company since 2002. He joined Eastman in 1977. Mr. Ferguson was named Vice President, Industry and Federal Affairs in 1994, became Managing Director, Greater China 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 also a member of the Board of Directors of FPL Group, Inc., parent company of Florida Power & Light Company. Mr. Ferguson serves as a member of the American Chemistry Council Board of Directors, on the Executive Committee of the Business Roundtable, on the President's Export Council, and as a Trustee of the United States Council for International Business. Mr. Ferguson is 53.

HOWARD L. LANCE (director since December 2005)

Mr. Lance has served as President, Chief Executive Officer, and a director of Harris Corporation since January 2003, and was appointed Chairman of the Board in June 2003. Harris is an international communications and information technology company serving government and commercial markets. Mr. Lance was President of NCR Corporation, an information technology services provider, and Chief Operating Officer of its Retail and Financial Group from July 2001 until October 2002. Prior to joining NCR, he spent 17 years with Emerson Electric Company, an electronic products and systems company, where he held increasingly senior management positions. Earlier, Mr. Lance held sales and marketing positions with the Scott-Fetzer Company and Caterpillar, Inc. Mr. Lance is also a member of the Board of Directors of Harris Stratex Networks, Inc. Mr. Lance is 52.

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**MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE
Term Expiring Annual Meeting 2009**

STEPHEN R. DEMERITT (director since February 2003)

Mr. Demeritt served as Vice Chairman of General Mills, Inc. from 1999 until his retirement in 2005. General Mills is a leading producer of packaged consumer foods. He joined General Mills in 1969 and served in a variety of marketing positions, including President, International Foods from 1991 to 1993 and Chief Executive Officer of Cereal Partners Worldwide, General Mills' global cereal joint venture with Nestle, from 1993 to 1999. Mr. Demeritt is 64.

ROBERT M. HERNANDEZ (director since August 2002)

Mr. Hernandez has been Chairman of the Board of RTI International Metals, Inc. since 1990, and was Vice Chairman of the Board and Chief Financial Officer of USX Corporation from 1994 until his retirement in 2001. He joined U.S. Steel Corporation, the predecessor of USX, in 1968, and held positions of increasing responsibility in the financial and operating organizations, including Vice President and Treasurer from 1984 to 1987, Senior Vice President and Controller from 1987 to 1989, President, U.S. Diversified Group from 1989 to 1990, Senior Vice President, Finance from 1990 to 1991, and Executive Vice President and Chief Financial Officer from 1991 to 1994. RTI, a NYSE listed company, is a leading U.S. producer of titanium mill products and fabricated-metal parts for the global market, and was affiliated with USX prior to 2000. Mr. Hernandez is also Lead Director of American Casualty Excess (ACE) Ltd., Chairman of the Board of Trustees of BlackRock Open End Long Term Bond & Equity Funds, and a member of the Board of Directors of Tyco Electronics Ltd. Mr. Hernandez is 63.

LEWIS M. KLING (director since October 2006)

Mr. Kling has served as President, Chief Executive Officer, and a director of Flowserve Corporation, a provider of industrial flow management products and services, since 2005, and was Chief Operating Officer of Flowserve from 2004 to 2005. Before joining Flowserve, he was Group Vice President and Corporate Vice President of SPX Corporation from 1999 to 2004, and served as President of Dielectric Communications, a division of General Signal Corporation, purchased by SPX Corporation, from 1997 to 1999. Mr. Kling is 63.

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 appointed President of Cargill's Financial Markets Division in 1988 and President of Cargill's Trading Sector in 1993, was elected 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 Cardinal Health, Inc. Mr. Raisbeck is 58.

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Term Expiring Annual Meeting 2010

GARY E. ANDERSON (director since August 2007)

Mr. Anderson is retired Chairman of the Board of the Dow Corning Corporation. He joined Dow Corning, a diversified company specializing in the development, manufacture, and marketing of silicones and related silicone-based products, in 1967 and served in various executive capacities for over 25 years, including Chairman, President, and Chief Executive Officer, retiring as Chairman in 2005. Mr. Anderson is also a member of the Board of Directors of Chemical Financial Corporation. Mr. Anderson is 62.

RENÉE J. HORNBAKER (director since September 2003)

Ms. Hornbaker has served as Chief Financial Officer of Shared Technologies, Inc., a provider of converged voice and data networking solutions, since October 2006, and was Consultant to the Chief Executive Officer of CompuCom Systems, Inc., an information technology services provider, from 2005 to 2006. She was Vice President and Chief Financial Officer of Flowserve Corporation from 1997 until 2004. In 1977, Ms. Hornbaker joined the accounting firm Deloitte, Haskins & Sells, now Deloitte & Touche Tohmatsu, where she became a senior manager of its audit practice in the firm's Chicago office. Following that, she served in senior financial positions with several major companies from 1986 until 1996, when she joined BW/IP, Inc., a predecessor of Flowserve, as Vice President, Business Development. Ms. Hornbaker is 55.

THOMAS H. MCLAIN (director since February 2004)

Mr. McLain served as Chairman, Chief Executive Officer, and President of Nabi Biopharmaceuticals from 2004 until his resignation in February 2007, and was Chief Executive Officer, President and a director of Nabi from 2002 until 2004. Nabi is a biotechnology company that applies its knowledge of the human immune system to develop and market products that address serious medical conditions. Previously, Mr. McLain served as President, Chief Operating Officer and a director in 2002 and 2003, and in 2001 and 2002, he served as Executive Vice President and Chief Operating Officer. From 1998 to 2001, Mr. McLain served as Senior Vice President, Corporate Services and Chief Financial Officer. From 1988 to 1998, Mr. McLain was employed by Bausch & Lomb, Inc., a global eye care company, where he held various senior financial management positions of increasing responsibility. Before joining Bausch & Lomb, Mr. McLain practiced with the accounting firm of Ernst & Young LLP. Mr. McLain is 50.

PETER M. WOOD (director since May 2000)

Mr. Wood served as Managing Director of J.P. Morgan & Company, an investment banking firm, from 1986 until his retirement in 1996, and was Vice President, Mergers & Acquisitions, of Kidder, Peabody & Company, Inc., an investment banking firm, from 1981

to 1986. From 1966 to 1981 Mr. Wood was a member (and a partner since 1971) of the international management consulting firm of McKinsey & Company. Mr. Wood was non-executive Chairman of the Board of Stone & Webster, Incorporated from 2000 to 2004. He is also a member of the Boards of Directors of Middlesex Mutual Assurance Company, Holyoke Mutual Insurance Company, and MSI Preferred Insurance Company. Mr. Wood is 69.

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Information About the Board of Directors and Corporate Governance

The Board is elected by the stockholders to oversee management and to assure that the long-term interests of the stockholders are being served. The primary role of the Board is to maximize stockholder value over the long-term. Eastman's business is conducted by its employees, managers, and officers, under the direction of the Chief Executive Officer and the oversight of the Board. The Nominating and Corporate Governance Committee of the Board periodically reviews and assesses the Company's Corporate Governance Guidelines and governance practices.

The Board held seven meetings during 2007. 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).

The non-management directors meet in an executive session (*i.e.*, without management) at each regularly scheduled Board meeting and at such other times as the Board or one or more committees of the Board may determine. The presiding director of each such executive session is the chair of the committee with authority and expertise pertinent to the subject matters to be discussed or, if the subjects to be addressed do not directly pertain to one of the committees, a presiding director is appointed by the Chairman of the Board on a rotating basis.

The Board meets before each annual meeting of stockholders, and the directors in attendance at such Board meeting attend the annual meeting of stockholders. All directors then in office attended the 2007 Annual Meeting of Stockholders.

Director Independence

The Board and its Nominating and Corporate Governance Committee have reviewed the standards of independence for directors established by applicable laws and regulations, including the listing standards of the New York Stock Exchange, and by the Company's Corporate Governance Guidelines and have reviewed and evaluated the relationships of directors with the Company and its management. Based upon this review and evaluation, the Board has determined that none of the current non-management members of the Board has a relationship with the Company or its management that would interfere with such director's exercise of independent judgment, and that each non-employee member of the Board is an independent director.

In making this determination, the Nominating and Corporate Governance Committee and the Board reviewed and evaluated all direct and indirect transactions and relationships between the Company and non-management directors and their affiliates and immediate family members. Under the New York Stock Exchange listing standards and the Corporate Governance Guidelines, an independent director is one who has no direct or indirect material relationship with the Company or its management and who:

has not been employed by the Company or any of its subsidiaries or affiliates, and who has no immediate family member who has been an executive officer of the Company, within the previous three years;

has not received, and whose immediate family member has not received, in any 12-month period within the previous three years more than \$100,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service;

as to the Company's internal or external auditor, is not, and whose immediate family member is not, a partner; is not employed by, and whose immediate family member is not employed by and does not participate in the

firm's audit, assurance, or tax compliance (but not tax planning) practice; has not been, and whose immediate family member has not been, within the last three years, and is not currently, a partner or employee and personally worked on the Company's audit;

is not and has not in the past three years been employed, and whose immediate family member is not and has not in the past three years been employed, as an executive officer of another company where any of the Company's present executives at the same time serve or served on that company's compensation committee;

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is not an employee of, and whose immediate family member is not an executive officer of, another company that has made payments to, or received payments from, the Company for property or services in an amount that exceeds, in any of the last three years, the greater of \$1 million or 2% of such other company's consolidated gross revenues;

has no personal services contract with the Company, any subsidiary or affiliate of the Company or any executive officer;

does not have any other business relationship with the Company or any of its subsidiaries or affiliates (other than service as a director) that the Company would be required to disclose in proxy statements or in annual reports on Form 10-K filed with the SEC;

is not an executive officer of another company that is indebted to the Company or to which the Company is indebted and the total amount of either company's indebtedness to the other is more than 1% of the total consolidated assets of the company that he or she serves as an executive officer;

is not an officer, director, or trustee of a charitable organization to which discretionary charitable contributions to the organization by the Company or an affiliate are more than 1% of that organization's total annual charitable receipts or \$100,000, whichever is less; and

is not a director, executive officer, partner, or greater than 10% equity holder of an entity that provides advisory, consulting, or professional services to the Company, any of its affiliates, or any executive officer.

Transactions with Directors, Executive Officers, and Related Persons

As described above, at least annually the Board reviews and evaluates all current and recent past transactions involving the Company in which non-management directors and their affiliates (including immediate family members and other firms, corporations, or entities with which the director has a relationship) have or had a direct or indirect interest. The Board also reviews any such transactions and relationships in which executive officers of the Company or members of their immediate families have or had an interest. In the most recent such review, the Board considered purchases and sales of products and services in the ordinary course of business to and from companies of which non-employee directors or members of their family are executive officers. Each such transaction was below the thresholds of the categorical standards listed above and determined by the Board not to be a material transaction or relationship.

The Board also reviewed the employment by the Company as an engineer of the son of one of the executive officers and determined that such executive officer does not have a material interest in such employment relationship or transactions that creates a conflict of interest. The terms of such employment, including compensation and benefits, are in all respects according to standard Company policies and practices for professional employees. The executive officer's son works in an organization that is not in the executive's line of management and the executive has no direct or indirect reporting relationship with his son.

Written Company policies require approval by the Board (in the case of the Chief Executive Officer) or senior management (in the case of all other employees) of each transaction in which an employee has a direct or indirect financial or other personal interest, and restrict direct or indirect reporting relationships between immediate family member employees.

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Board Committees

The Board has an Audit Committee, a Nominating and Corporate Governance Committee, a Compensation and Management Development Committee, a Finance Committee, and a Health, Safety, Environmental and Security Committee. All committee members are non-management, independent directors. The written charter of each committee of the Board is available in the Investors Corporate Governance section of the Company's Internet website (www.eastman.com).

Audit Committee. The members of the Audit Committee are Ms. Hornbaker (Chair) and Messrs. Anderson, Hernandez, Lance, and McLain. The Audit Committee held nine meetings during 2007. The purpose of the Audit Committee is to assist the Board in fulfilling the Board's oversight responsibilities relating to:

the integrity of the financial statements of the Company and the Company's system of internal controls;

the Company's management of and compliance with legal and regulatory requirements;

the independence and performance of the Company's internal auditors;

the qualifications, independence, and performance of the Company's independent auditors; and

the retention and termination of the Company's independent auditors, including the approval of fees and other terms of their engagement, and the approval of non-audit relationships with the independent auditors.

The Board of Directors has determined that each current member of the Audit Committee is independent and that Ms. Hornbaker and Messrs. Anderson, Hernandez, and McLain each is an audit committee financial expert under applicable provisions of the New York Stock Exchange's listing standards and of the Securities Exchange Act of 1934. In making such determination, the Board took into consideration, among other things, the express provision in Item 407(d) of SEC Regulation S-K that the determination that a person has the attributes of an audit committee financial expert shall not impose any greater responsibility or liability on that person than the responsibility and liability imposed on such person as a member of the Audit Committee and the Board of Directors, nor shall it affect the duties and obligations of other Audit Committee members or the Board.

Audit Committee Report

The Audit Committee has reviewed and discussed with the Company's management and PricewaterhouseCoopers LLP, the Company's independent auditors, the audited financial statements of the Company contained in the Company's Annual Report to Stockholders for the year ended December 31, 2007. The Audit Committee has also discussed with the Company's independent auditors the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards*, Vol. 1, AU Section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received and reviewed the written disclosures and the letter from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (*Independence Discussions with Audit Committees*), as adopted by the Public Company Accounting Oversight Board in Rule 3600T, 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, 2007 filed with the SEC.

Audit Committee
Renée J. Hornbaker (Chair)
Gary E. Anderson
Robert M. Hernandez
Howard L. Lance
Thomas H. McLain

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Nominating and Corporate Governance Committee. The members of the Nominating and Corporate Governance Committee are Messrs. Demeritt (Chair), Connors, Griffin, Kling, Raisbeck, and Wood. The Nominating and Corporate Governance Committee held four meetings during 2007. The purpose of the Nominating and Corporate Governance Committee is to:

- identify individuals qualified to become Board members;
- recommend to the Board candidates to fill Board vacancies and newly-created director positions;
- recommend to the Board whether incumbent directors should be nominated for re-election to the Board upon the expiration of their terms;
- develop and recommend corporate governance principles;
- review and make recommendations to the Board regarding director compensation; and
- recommend committee structures, membership, and chairs.

Director Nominations. The Nominating and Corporate Governance Committee is responsible for reviewing and selecting potential directors who possess the skills, knowledge, and understanding necessary for the Board to successfully perform its role in corporate governance. The Nominating and Corporate Governance Committee considers not only an individual director's or possible nominee's qualities, performance, and professional responsibilities, but also the then-current composition of the Board and the challenges and needs of the Board as a whole at that time. In general, the desired attributes of individual directors, including those of any nominees of stockholders, are as follows:

- integrity and demonstrated high ethical standards;
- experience with business administration processes and principles;
- the ability to express opinions, raise difficult questions, and make informed, independent judgments;
- knowledge, experience, and skills in at least one specialty area, for example:
 - accounting or finance,
 - corporate management,
 - marketing,
 - manufacturing,
 - technology,
 - information systems,
 - the chemical industry,

international business, or

legal or governmental expertise;

the ability to devote sufficient time to prepare for and attend Board meetings (it is assumed that service on up to three other boards of directors will not impair a director's service on the Company's Board; the Nominating and Corporate Governance Committee reviews instances in which a director serves on more than three other for-profit companies' boards of directors);

willingness and ability to work with other members of the Board in an open and constructive manner;

the ability to communicate clearly and persuasively; and

diversity in gender, ethnic background, geographic origin, or personal and professional experience.

The Nominating and Corporate Governance Committee will consider persons nominated by stockholders and recommend to the full Board whether such nominee should be included with the Board's nominees for election by

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stockholders. The Board and the Nominating and Corporate Governance Committee have from time to time engaged the services of director search firms to assist in the identification of qualified potential director nominees.

Compensation and Management Development Committee. The members of the Compensation and Management Development Committee (the Compensation Committee) are Messrs. Connors (Chair), Demeritt, Griffin, Kling, Raisbeck, and Wood. The Compensation Committee held seven meetings during 2007. The purpose of the Compensation Committee is to establish and administer the Company's policies, programs, and procedures for evaluating, developing, and compensating the Company's senior management. Among other things, the committee discharges the Board's responsibilities relating to compensation of the Company's executive officers, reviews and approves the adoption of cash and equity-based incentive management compensation plans, and oversees the administration of the Company's benefits plans.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis which appears later in this proxy statement. Based on the review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2007 filed with the SEC and in this proxy statement.

Compensation and Management Development Committee

Michael P. Connors (Chair)

Stephen R. Demeritt

Donald W. Griffin

Lewis M. Kling

David W. Raisbeck

Peter M. Wood

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 2007. The purpose of the Finance Committee is to review with management and, where appropriate, make recommendations to the Board regarding the Company's financial position and financing activities, including consideration of the Company's financing plans, corporate transactions (including acquisitions and divestitures), capital expenditures, financial status of the Eastman Retirement Assistance Plan (the Company's defined benefit pension plan), payment of dividends, and use of financial instruments, commodity purchasing, and other hedging arrangements and strategies to manage exposure to market risks.

Health, Safety, Environmental and Security Committee. All of the directors except Mr. Ferguson are members, and Mr. Hernandez is the Chair, of the Health, Safety, Environmental and Security Committee