

EASTMAN CHEMICAL CO  
Form DEF 14A  
March 22, 2019  
**Table of Contents**

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A**

**(Rule 14a-101)**

**INFORMATION REQUIRED IN PROXY STATEMENT**

**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:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under §240.14a-12

**EASTMAN CHEMICAL COMPANY**

**(Name of Registrant as Specified In Its Charter)**

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11

(1) Title of each class of securities to which transaction applies:

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

- (2) Aggregate number of securities to which transaction applies:
  
  
  
  
  
  
  
  
  
  
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  
  
  
  
  
  
  
  
  
  
- (4) Proposed maximum aggregate value of transaction:
  
  
  
  
  
  
  
  
  
  
- (5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
  
  
  
  
  
  
  
  
  
  
- (2) Form, Schedule or Registration Statement No.:
  
  
  
  
  
  
  
  
  
  
- (3) Filing Party:
  
  
  
  
  
  
  
  
  
  
- (4) Date Filed:



**Table of Contents**

**Table of Contents**

March 19, 2019

**Dear Fellow Stockholder:**

Our 2019 Annual Meeting of Stockholders will be held in the Cumberland Amphitheatre of the MeadowView Marriott Conference Resort & Convention Center, 1901 Meadowview Parkway, Kingsport, Tennessee, on May 2, 2019 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 this proxy statement. A copy of Eastman's 2018 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 by 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 or by telephone or the Internet, 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 or electronic form of proxy. Please bring this ticket with you if you plan to attend the meeting in person. 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,

Mark J. Costa

*Board of Directors Chair and*

*Chief Executive Officer*

**Table of Contents**

# **Table of Contents**

## **Notice of Annual Meeting and Proxy Statement**

**Notice of Annual Meeting**

<b><u>Information about Eastman, the Meeting, and Voting</u></b>	<b>1</b>
<b><u>Eastman Overview</u></b>	<b>1</b>
<b><u>Proxy Statement and Annual Meeting</u></b>	<b>1</b>
<b><u>Voting by Proxy</u></b>	<b>1</b>
<b><u>How to Revoke Your Proxy</u></b>	<b>2</b>
<b><u>Record Date; Stockholders Entitled to Vote; Voting Rights</u></b>	<b>2</b>
<b><u>Quorum; Abstentions and Broker Non-Votes</u></b>	<b>2</b>
<b><u>Votes Required for Approval of Matters to be Considered</u></b>	<b>3</b>
<b><u>Proxy Solicitation Costs</u></b>	<b>3</b>
<b><u>Matters to be Acted Upon at the Meeting Not Included in Proxy Statement</u></b>	<b>3</b>
<b><u>Stockholder Proposals for the 2020 Annual Meeting</u></b>	<b>3</b>
<b><u>Nominations by Stockholders for Election to the Board of Directors and Stockholder Nomination Proxy Access</u></b>	<b>4</b>
<b><u>Annual Report to Stockholders, Annual Report on Form 10-K, and Corporate Governance Materials</u></b>	<b>4</b>
<b><u>Communications to the Board of Directors</u></b>	<b>5</b>
<b><u>Stock Ownership of Directors and Executive Officers</u></b>	<b>6</b>
<b><u>Principal Stockholders</u></b>	<b>9</b>
<b><u>Proposals to be Voted on at the Annual Meeting</u></b>	<b>10</b>
<b><u>Item 1 Election of Directors</u></b>	<b>10</b>
<b><u>Nominees for Director</u></b>	<b>11</b>
<b><u>The Board of Directors and Corporate Governance</u></b>	<b>19</b>
<b><u>Board Composition and Culture</u></b>	<b>19</b>
<b><u>Board Leadership Structure</u></b>	<b>20</b>
<b><u>Corporate Strategy and Business Performance Oversight</u></b>	<b>21</b>

<u>Human Capital Management Oversight</u>	22
<u>Risk Oversight</u>	22
<u>Investor Engagement</u>	23
<u>Director Independence</u>	23
<u>Transactions with Directors, Executive Officers, and Related Persons</u>	24
<u>Board Committees</u>	24
<u>Audit Committee</u>	24
<u>Audit Committee Report</u>	25
<u>Nominating and Corporate Governance Committee</u>	27
<u>Director Nominations</u>	27
<u>Compensation and Management Development Committee</u>	27
<u>Compensation Consultant</u>	28
<u>Compensation Committee Report</u>	29
<u>Finance Committee</u>	29
<u>Health, Safety, Environmental and Security Committee</u>	29
<u>Director Compensation</u>	30
<u>Item 2 Advisory Approval of Executive Compensation</u>	33
<u>Executive Compensation</u>	34
<u>Compensation Discussion and Analysis</u>	34
<u>Compensation Tables</u>	52
<u>Termination and Change-in-Control Arrangements</u>	62
<u>Pay Ratio</u>	66
<u>Item 3 Ratification of Appointment of Independent Registered Public Accounting Firm</u>	67
<u>Item 4 Advisory Vote on Stockholder Proposal Requesting that the Board Take Steps Necessary to Permit Stockholders to Act by Written Consent</u>	68

2019 Proxy Statement

**Table of Contents**

**Eastman Chemical Company**

200 South Wilcox Drive

Kingsport, Tennessee 37662

(423) 229-2000

## **Notice of Annual Meeting of Stockholders**

To Our Stockholders:

The 2019 Annual Meeting of Stockholders of Eastman Chemical Company ( Eastman or the Company ) will be held in the Cumberland Amphitheatre of the MeadowView Marriott Conference Resort & Convention Center, 1901 Meadowview Parkway, Kingsport, Tennessee, on May 2, 2019 at 11:30 a.m. The purposes of the meeting are:

1. **Elect Directors.** To elect eleven directors to serve until the 2020 Annual Meeting of Stockholders and until their successors are duly elected and qualified;
2. **Advisory Approval of Executive Compensation.** To approve, on an advisory basis, the compensation of certain of the Company's executive officers;
3. **Ratify Appointment of Independent Registered Public Accounting Firm.** To ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for the Company for 2019;
4. **Advisory Vote on Stockholder Proposal.** To vote on a proposal submitted by a stockholder, if properly presented at the meeting, requesting that the Board take steps necessary to permit stockholders to act by written consent; and
5. **Transact Any Other Business.** To transact such other business as may properly come before the meeting.

By order of the Board of Directors

David A. Golden

Chief Legal & Sustainability Officer

and Corporate Secretary



## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

March 19, 2019

### Meeting information

DATE: Thursday, May 2, 2019

TIME: 11:30 a.m. (EDT)

PLACE: MeadowView Marriott Conference Resort  
& Convention Center

Cumberland Amphitheatre

1901 Meadowview Parkway

Kingsport, Tennessee 37660

### How to Vote by Proxy

Only stockholders of record at the close of business on March 15, 2019 are entitled to notice of, and 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:

#### By Phone

Use the toll-free telephone number shown on your proxy card, electronic form of proxy, or voting instruction form (if you received the proxy materials by mail from a broker or bank).

#### By Internet

By Internet at the web address shown on your proxy card, electronic form of proxy, or voting instruction form.

#### By Mail

Mark, sign, date, and promptly return or submit your proxy card, electronic form of proxy, or voting instruction form (in the postage-paid envelope provided if you are returning a paper proxy card).

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

**Table of Contents**

# **Proxy Statement for Annual Meeting of Stockholders of Eastman Chemical Company to be Held on May 2, 2019 Information about Eastman, the Meeting, and Voting**

## **Eastman Overview**

Eastman is a global advanced materials and specialty additives company that produces a broad range of products found in items people use every day. With the purpose of enhancing the quality of life in a material way, Eastman works with customers to deliver innovative products and solutions while maintaining a commitment to safety and sustainability. Eastman's objective is to be an outperforming specialty chemical company with consistent, sustainable earnings growth and strong cash flow. Integral to the Company's strategy for growth is leveraging its heritage of expertise and innovation within its cellulose and acetyl, olefins, polyester, and alkylamine chemistries. For each of these streams, the Company has developed and acquired a combination of assets and technologies that combine scale and integration across multiple manufacturing units and sites. The Company uses an innovation-driven growth model which leverages its world-class scalable technology platforms, delivers differentiated application development, and relentlessly engages attractive end-markets such as transportation, building and construction, and consumables. The Company sells differentiated products into diverse markets and geographic regions and engages the market by working directly with customers and downstream users to meet their needs in existing and new niche markets. Management believes that this innovation-driven growth model will result in consistent financial results by leveraging the Company's proven technology capabilities to improve product mix, increasing emphasis on specialty businesses, and sustaining and expanding leadership in attractive niche markets. As a globally inclusive and diverse company, Eastman employs approximately 14,500 people around the world and serves customers in more than 100 countries. The Company had 2018 revenues of approximately \$10 billion and is headquartered in Kingsport, Tennessee, USA.

## **Proxy Statement and Annual Meeting**

This proxy statement is dated March 19, 2019 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](http://www.eastman.com)) and at [www.ReadMaterial.com/EMN](http://www.ReadMaterial.com/EMN), on or about March 22, 2019. Our Board of Directors (the Board) is furnishing you this proxy statement in connection with its solicitation of proxies to be voted at the Annual Meeting of Stockholders of the Company to be held on May 2, 2019 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 and described in this proxy statement.

## **Voting By Proxy**

A proxy is a legal designation of another person to vote stock you own. That other person is called a proxy. If you designate someone as your proxy in a written or electronic 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, by submitting your proxy electronically by Internet, or by telephone), you appoint Curtis E. Espeland, the Company's Chief Financial Officer, and David A. Golden, the Company's Chief Legal & Sustainability Officer and Corporate Secretary, to represent you at the meeting and direct them to vote your shares at the meeting. 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 by 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.**



## **Table of Contents**

### **Information about Eastman, the Meeting, and Voting**

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 or electronic form of proxy;

by Internet: visit the website [www.cesvote.com](http://www.cesvote.com) and follow the instructions on your proxy card or electronic form of proxy; or

by mail (if you received a paper proxy card): mark, sign, date, and mail your proxy card in the enclosed postage-paid envelope.

If you received the Important Notice Regarding the Availability of Proxy Materials, follow the instructions on that notice to access an electronic form of proxy. 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 that registered holder that you must follow in order for your shares to be voted for you by that record holder.** Telephone and Internet voting may be offered to stockholders who own their shares through certain brokers or banks.

### **How to Revoke Your Proxy**

If you give a proxy, you may revoke it 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 by 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 37662-0431, Attention: Corporate Secretary, so that they are received before the meeting.

### **Record Date; Stockholders Entitled to Vote; Voting Rights**

The record date for the 2019 Annual Meeting of Stockholders is March 15, 2019. Stockholders 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 138,785,884 shares of common stock issued and outstanding. Holders of common stock are entitled to one vote on each of the eleven director-nominees and one vote on each other matter voted upon at the meeting for each share of common stock they hold of record on the record date.

## **Quorum; Abstentions and Broker Non-Votes**

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

## **2 2019 Proxy Statement**

## **Table of Contents**

### **Information about Eastman, the Meeting, and Voting**

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. Brokers which have not received voting instructions from their clients cannot vote on their clients' behalf on the election of directors, the advisory approval of executive compensation, or the advisory vote on the stockholder proposal, but may, although they are not required to, vote their clients' shares on the ratification of the appointment of the independent registered public accounting firm.

### **Votes Required for Approval of Matters to be Considered**

Each director nominee who receives a majority of votes cast (number of shares voted for exceeds the number of shares voted against) will be elected as a director. With respect to the election of directors, stockholders may (1) vote for all eleven of the nominees, (2) vote against all eleven 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, in person or by proxy, at the meeting and abstentions will have no effect on the outcome of the election of directors. Similarly, broker non-votes will not be considered to be votes cast and therefore will have no effect on the outcome of the election of directors.

The affirmative vote of a majority of the votes cast is required for the advisory approval of executive compensation, the ratification of the appointment of the independent registered public accounting firm, and the advisory approval of the stockholder proposal. 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 will not be considered to be votes cast and therefore will have no effect on the outcome of the vote on these matters.

### **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 or otherwise delivering proxy materials and annual reports to beneficial owners. We have retained Georgeson LLC to assist with the solicitation of proxies and vote projections for a fee of \$26,000 plus reimbursement of out-of-pocket expenses.

### **Matters to be Acted Upon at the Meeting Not Included in 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 2020 Annual Meeting**

In accordance with the rules of the SEC, if you wish to submit a proposal for presentation at Eastman's 2020 Annual Meeting of Stockholders, it must be received by the Company at its principal executive offices no later than November 23, 2019 in order to be included in the Company's proxy materials for its 2020 Annual Meeting of Stockholders. Any such proposal should be sent to Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-0431, Attention: Corporate Secretary.

---

## **Table of Contents**

### **Information about Eastman, the Meeting, and Voting**

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 Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-0431, Attention: Investor Relations. To be timely, the notice must be delivered to the Corporate Secretary of the Company no earlier than 150 days and not later than 120 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 2019 Annual Meeting of Stockholders is first sent to stockholders on March 22, 2019, then such advance notice must be delivered no earlier than October 24, 2019 and not later than November 23, 2019.

### **Nominations by Stockholders for Election to the Board of Directors and Stockholder Nomination Proxy Access**

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. 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 any such nominees should be included with the Board's nominees for election by stockholders. In addition, our proxy access Bylaw provision allows qualifying stockholders to include their director nominees in the Company's proxy materials by giving adequate and timely notice to the Corporate Secretary. See [Nominating and Corporate Governance Committee Director Nominations](#) later in this proxy statement. To be adequate, the nomination notice or the notice of proxy access nomination, as applicable, 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 Eastman Chemical Company, P.O. Box 431, Kingsport, Tennessee 37662-0431, Attention: Investor Relations. To be timely, the nomination notice and the notice of proxy access nomination each must be delivered to the Corporate Secretary of the Company no earlier than 150 days and not later than 120 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 2019 Annual Meeting of Stockholders is first sent to stockholders on March 22, 2019, then such notice must be delivered no earlier than October 24, 2019 and not later than November 23, 2019.

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

Our Annual Report to Stockholders for 2018, including our consolidated financial statements for the year ended December 31, 2018, is being mailed and delivered electronically to stockholders, and made available on the Internet at the Company's website ([www.eastman.com](http://www.eastman.com)) and at [www.ReadMaterial.com/EMN](http://www.ReadMaterial.com/EMN), concurrently with this proxy statement. The Company's Annual Report on Form 10-K for the year ended December 31, 2018 as filed with the SEC is also available on the Internet on the Company's website and on the SEC's website ([www.sec.gov](http://www.sec.gov)).

We also make available free of charge, through the [Investors Corporate Governance](#) section of the Eastman website, the Company's 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 37662-0431, Attention: Investor Relations.

## **4 2019 Proxy Statement**

**Table of Contents**

**Information about Eastman, the Meeting, and Voting**

**Communications to the Board of Directors**

We believe that communication and engagement with the Company's stockholders and other interested parties is an essential component of the Company's corporate governance practices. We have adopted a Board Stockholder Communication and Engagement Policy to facilitate communication between stockholders and other interested parties and the Board. Stockholders and other interested parties may send communications to the Board, any individual director, or the independent directors as a group in writing by mail or email to: Board of Directors, Eastman Chemical Company, c/o Corporate Secretary, P.O. Box 1976, Kingsport, Tennessee 37662-1976, email: corpsecy@eastman.com and leaddirector@eastman.com. Stockholders should indicate in the ATTN: line of the envelope or the subject line of the email, as applicable, whether the communication is directed to the Board, an individual director, or the independent directors as a group.

The Board Stockholder Communication and Engagement Policy is available in the [Investors Corporate Governance](#) section of the Eastman website ([www.eastman.com](http://www.eastman.com)).

**2019 Proxy Statement 5**



**Table of Contents****Stock Ownership of Directors and Executive Officers****Common Stock**

Unless otherwise noted, the table below sets forth certain information regarding the beneficial ownership of Eastman common stock as of December 31, 2018 by each director (which includes each director nominee) and by each executive officer named in the Summary Compensation Table (under Executive Compensation Compensation Tables below, referred to as the named executive officers ) and by the directors, the named executive officers, and the other executive officers as a group.

	Number of Shares of Common Stock Beneficially Owned(1)(2)
<b>Name</b>	
Mark J. Costa	806,892(3)
Curtis E. Espeland	276,713(4)
Brad A. Lich	131,000(5)
Lucian Boldea	50,333(6)
David A. Golden	157,540(7)
Humberto P. Alfonso	6,128
Brett D. Begemann	8,020(8)
Michael P. Connors	12,832(8)
Stephen R. Demeritt	13,732
Robert M. Hernandez	47,510(8)
Julie F. Holder	7,079(8)
Renée J. Hornbaker	18,752(8)
Lewis M. Kling	12,520(8)
Kim A. Mink	101(9)
James J. O'Brien	2,177
David W. Raisbeck	35,148(8)
Directors, named executive officers, and other executive officers as a group (21 persons)	1,912,077(10)

- (1) Information relating to beneficial ownership is based upon information furnished by each person using beneficial ownership concepts set forth in rules of 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 of, or to direct the disposition of, such security. A person is also deemed to be the 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 (on or before March 1, 2019). 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 of their respective shares of common stock in the table.

**6 2019 Proxy Statement**

**Table of Contents**

**Stock Ownership of Directors and Executive Officers**

- (2) The total number of shares of common stock beneficially owned by the directors, the named executive officers, and the other executive officers as a group is 1.36 percent of the shares of common stock outstanding as of December 31, 2018. The number of shares beneficially owned by each director and executive officer is less than one percent of the shares of common stock outstanding as of December 31, 2018. Shares not outstanding which are subject to options exercisable within 60 days by 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 each individual and the group.
- (3) Includes 613,812 shares that may be acquired upon exercise of options.
- (4) Includes 179,908 shares that may be acquired upon exercise of options, 10,915 shares held by spouse, and 6,500 shares held indirectly in a family trust of which Mr. Espeland is trustee.
- (5) Includes 114,694 shares that may be acquired upon exercise of options.
- (6) Consists of shares that may be acquired upon exercise of options.
- (7) Includes 83,937 shares that may be acquired upon exercise of options. Also includes 50,798 shares owned by the Eastman Foundation (the Foundation ), of which shares Mr. Golden may also have been deemed a beneficial owner by virtue of his shared voting and investment power as a director of the Foundation but in which he had no pecuniary interest.
- (8) Includes 827 restricted shares that generally vest in May 2019, but as to which the director has voting power.
- (9) Restricted shares that generally vest in July 2019, but as to which Dr. Mink has voting power.
- (10) Includes a total of 1,255,722 shares that may be acquired upon exercise of options and 5,890 restricted shares as to which directors have voting power but no investment power. Also includes 50,798 shares owned by the Eastman Foundation, of which shares two executive officers each may have been deemed a beneficial owner by virtue of shared voting and investment power as a director of the Foundation but as to which they have no pecuniary interest.

**Table of Contents****Stock Ownership of Directors and Executive Officers****Director and Executive Stock Ownership Expectations; No Hedging or Pledging of Company Stock**

Eastman has stock ownership expectations for its directors and executive officers. These persons are expected to acquire and maintain a stake in the Company valued at \$287,500 for non-employee directors (five times the portion of the annual retainer fee designated as "service retainer"), five times annual base pay for the Chief Executive Officer, and two and one-half times annual base pay for the other executive officers. Directors and executive officers are expected to attain these levels of stock ownership within five years of first becoming a director or an executive officer. Hypothetical units of the Eastman common stock fund that are credited to an executive's account under the Eastman Executive Deferred Compensation Plan (the "EDCP") and to a director's account under the Directors' Deferred Compensation Plan (the "DDCP") are counted with shares of common stock actually owned for purposes of determining stock ownership under the director and executive ownership expectations. See Director Compensation note (4) and Executive Compensation Compensation Tables 2018 Nonqualified Deferred Compensation later in this proxy statement.

Company directors and executive officers are prohibited from use of derivative financial instruments to hedge or mitigate their exposure to changes in the market price of Eastman common stock, and are prohibited from pledging Eastman common stock as security or collateral for loans or in margin brokerage accounts.

The table below shows the number of shares of common stock and EDCP and DDCP common stock units owned under the ownership expectations as of December 31, 2018 (other than as noted below) by each director and each named executive officer. All directors and executive officers have met or are on schedule to meet their ownership expectations.

Name	Number of Shares of
	Common Stock and Common
	Stock Units Owned <sup>(1)</sup>
Mark J. Costa	236,072
Curtis E. Espeland	108,070
Brad A. Lich	29,641
Lucian Boldea	3,308
David A. Golden	33,049
Humberto P. Alfonso	27,650
Brett D. Begemann	27,368
Michael P. Connors	41,345
Stephen R. Demeritt	59,347
Robert M. Hernandez	65,825
Julie F. Holder	13,463
Renée J. Hornbaker	48,469
Lewis M. Kling	43,150
Kim A. Mink	437
James J. O'Brien	6,392
David W. Raisbeck	73,527

(1) The number of shares owned by executive officers include shares of common stock received in early 2019 in payout of each of their respective 2016-2018 performance shares.

**Table of Contents****Principal Stockholders**

The following table sets forth information about persons we know to be the beneficial owners of more than five percent of Eastman common stock as of December 31, 2018.

<b>Name and Address of Beneficial Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class(1)</b>
The Vanguard Group	14,351,387(2)	10.34%
100 Vanguard Boulevard Malvern, Pennsylvania 19355 BlackRock, Inc. 55 East 52nd Street New York, New York 10055	10,489,086(3)	7.55%

- (1) Based upon the number of shares of common stock outstanding and entitled to be voted at the meeting as of March 15, 2019, the record date for the Annual Meeting.
- (2) As of December 31, 2018, based on a Schedule 13G filed with the SEC by The Vanguard Group, Inc., an investment adviser. According to the Schedule 13G, The Vanguard Group has sole investment power with respect to 14,152,806 of such shares, shared investment power with respect to 198,581 of such shares, sole voting power with respect to 164,087 of such shares, and shared voting power with respect to 38,589 of such shares.
- (3) As of December 31, 2018, based on a Schedule 13G filed with the SEC by BlackRock, Inc. as parent holding company of certain broker-dealer and investment adviser entities, including certain non-U.S. institutions. According to the Schedule 13G, BlackRock and such affiliated entities together have sole investment power with respect to all of such shares and sole voting power with respect to 9,126,158 of such shares.

**2019 Proxy Statement 9**

**Table of Contents**

## **Proposals to be Voted on at the Annual Meeting**

### **Item 1 Election of Directors**

**Stockholders are being asked to vote on the election of eleven directors to serve until the 2020 Annual Meeting of Stockholders and their successors are duly elected and qualified.** The terms of office of all twelve current directors will expire at the 2019 Annual Meeting, and eleven of those directors have been nominated for reelection for a one-year term. Stephen R. Demeritt, who has served as a director since 2003, is not eligible for reelection at the Annual Meeting under the director age limit of the Company's Bylaws. Accordingly, effective as of the Annual Meeting the size of the Board will be reduced from twelve to eleven directors. 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 Annual Meeting.

*Majority Vote Standard for Election of Directors.* The Company's Bylaws provide that directors are elected by a majority of votes cast by stockholders. If a nominee who is serving as a director is not reelected by a majority of votes cast at a 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 is a holdover director whose successor has not been elected by stockholders would be required to 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 rationale 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. Under Delaware law, if a nominee who was not already serving as a director is not elected by a majority of votes cast by stockholders at an annual meeting, such nominee would not become a director.

Set forth below is certain information about the background, skills, and expertise of each director nominated for election relevant to their service as a director. The skills matrix that the Nominating and Corporate Governance Committee uses in its review of director qualifications is under The Board of Directors and Corporate Governance Board Composition and Culture following the individual director biographical information below.

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

**Table of Contents**

**Item 1 Election of Directors Nominees for Director**

## Nominees for Director

(For One-Year Terms Expiring at the 2020 Annual Meeting)

**Retired Chief Executive Officer, Global, of Yowie Group Ltd.**

**Humberto P. Alfonso**

**Age: 61**

**(Director since  
January 2011)**

**Background:** Mr. Alfonso served as Chief Executive Officer, Global, of Yowie Group Ltd. from June 2016, and a director from March 2017, until January 2018. Yowie is a global brand licensing company specializing in the development of Yowie character children's consumer products. Mr. Alfonso was President, International, of The Hershey Company, the largest producer of quality chocolate in North America and a global leader in chocolate and sugar confectionery, from April 2013 until his retirement in June 2015. He was Executive Vice President, Chief Financial Officer, and Chief Administrative Officer of Hershey from November 2011 to April 2013, and Senior Vice President and Chief Financial Officer from July 2007 to November 2011. He joined Hershey in July 2006, initially serving as Vice President, Finance and Planning, U.S. Commercial Group from July 2006 to October 2006, and then serving as Vice President, Finance and Planning, North American Commercial Group from October 2006 to July 2007. Before joining Hershey, Mr. Alfonso held a variety of finance positions at Cadbury Schweppes, a producer of soft drinks and premium beverages, serving as Executive Vice President Finance and Chief Financial Officer of Cadbury Schweppes Americas Beverages from March 2005 to July 2006 and Vice President Finance, Global Supply Chain from May 2003 to March 2005. Prior to that, Mr. Alfonso held a number of senior financial positions at Pfizer, Inc.

**Committees:**

Audit (Chair)

Finance

Health, Safety,  
Environmental  
and Security

**Skills and Expertise:** In addition to serving on the Board, Mr. Alfonso is Chair of the Audit Committee and a member of the Finance Committee and the Health, Safety, Environmental and Security Committee. Mr. Alfonso possesses a strong financial management and accounting background. His experience includes various senior financial positions held during his career, including his service as an executive vice president and chief financial officer, which provide a solid platform for his service on the Audit Committee, especially concerning financial and audit-related matters and, as Chair of the Audit Committee, to lead the Audit Committee's oversight of the Company's financial reporting process and its internal and disclosure controls and of the work of the independent registered public accounting firm. In addition, Mr. Alfonso's substantial senior level management experience, including his previous position as a chief executive officer, brings significant operational insight to the Board.

**2019 Proxy Statement 11**

## Table of Contents

### **Item 1 Election of Directors Nominees for Director**

#### **Chief Operating Officer of Crop Science Division of Bayer AG**

#### **Brett D. Begemann**

**Age: 58**

**(Director since February 2011)**

**Background:** Mr. Begemann became the Chief Operating Officer for the Crop Science Division of Bayer AG, a German global life sciences company with core competencies in the areas of health care and agriculture, upon the completion of Bayer's acquisition of Monsanto Company, a leading global provider of technology-based solutions and agricultural products that improve farm productivity and food quality, in June 2018. Previously, Mr. Begemann served as President and Chief Operating Officer of Monsanto, with responsibility for worldwide sales and operations, corporate affairs, and global business organization since October 2013. He joined Monsanto in 1983, initially serving in the company's sales and marketing organization and later in various senior management and executive positions with increasing responsibility, including Executive Vice President, Global Commercial from October 2007 to October 2009, Executive Vice President and Chief Commercial Officer until August 2012, and President and Chief Commercial Officer from August 2012 to October 2013.

#### **Committees:**

Compensation and Management Development (Chair)

Finance

Health, Safety, Environmental and Security

Nominating and Corporate Governance

**Skills and Expertise:** In addition to serving on the Board, Mr. Begemann serves as Chair of the Compensation and Management Development Committee and as a member of the Finance Committee, the Health, Safety, Environmental and Security Committee, and the Nominating and Corporate Governance Committee. His substantial and varied experience as an executive of an international public company, including working closely with the Board of Directors of Monsanto and the Supervisory Board and the Board of Management of Bayer, brings to the Board a significant depth of knowledge and experience in global biotechnology and chemicals business operations and international and emerging markets growth strategies, and public company management development and compensation. His wide-ranging experience and knowledge contributes to the Board and its Committees significant insight into a number of functional areas critical to Eastman, including as Chair of the Compensation and Management Development Committee.

#### **Chairman of the Board and Chief Executive Officer of Information Services Group, Inc.**

#### **Michael P. Connors**

**Age: 63**

**Background:** Mr. Connors has been Chairman of the Board and Chief Executive Officer of Information Services Group, Inc., an information-based services company, 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

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

(Director since  
March 2005)

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 Chubb Limited.

### Committees:

Compensation and  
Management Development

Nominating and  
Corporate Governance

Finance

Health, Safety,  
Environmental  
and Security

**Skills and Expertise:** Mr. Connors brings to the Board substantial corporate management experience in a variety of industries as well as expertise in marketing through his high-level positions at marketing and information-based companies. Mr. Connors' skills are enhanced through his experience serving on several public company boards, which furthers his ability to provide valued oversight and guidance to the Company and strategies to inform the Board's general decision-making, including with respect to management development and compensation. For these reasons, Mr. Connors is a member of the Compensation and Management Development Committee, the Nominating and Corporate Governance Committee, the Finance Committee, and the Health, Safety, Environmental and Security Committee.

**12 2019 Proxy Statement**



**Table of Contents**

**Item 1 Election of Directors Nominees for Director**

**Chief Executive Officer and Board of Directors Chair of Eastman Chemical Company**

**Mark J. Costa**

**Age: 53**

**(Director since**

**May 2013)**

**Background:** Mr. Costa has been Chief Executive Officer since January 2014 and Board of Directors Chair since July 2014. Since joining Eastman in 2006, he has held a number of executive positions. He has been instrumental in developing Eastman's growth strategies, and has led Eastman's manufacturing and global supply chain. Mr. Costa has served as Executive Vice President of the Polymers Group, Executive Vice President, Specialty Polymers, Coatings, and Adhesives, and Executive Vice President, Additives & Functional Products and Advanced Materials. In addition, he served as Chief Marketing Officer and had responsibility for the Company's corporate innovation organization. He was appointed President in May 2013 and served in that position until he became Chief Executive Officer. Before joining Eastman, Mr. Costa was a senior partner with Monitor Group, a global management consulting firm. He played a crucial role in developing Monitor's techniques in corporate transformations and portfolio management and designing client business and marketing capability building programs.

**Skills and Expertise:** Since he joined the Company, Mr. Costa has led a variety of business, marketing, functional, and strategic areas and initiatives, currently serving as Chief Executive Officer, and has senior management, corporate transformation and portfolio management, and business and marketing capability experience and expertise from both his years with the Company and previously as a consultant. As a result, he is appropriately and uniquely able to advise the Board on the opportunities and challenges of managing the Company and its strategy for value creating growth, as well as its day-to-day operations and risks. We believe the perspective of the Chief Executive Officer of the Company is critical for the Board in order for it effectively to oversee the affairs of the Company and its strategy for growth. Through serving in a number of executive positions at Eastman and being instrumental in developing Eastman's growth strategies for its businesses, Mr. Costa's unique knowledge of the opportunities and challenges associated with our business and familiarity with the Company, as well as of the chemical industry and various market participants, also make him uniquely qualified to lead and advise the Board as Chair. See The Board of Directors and Corporate Governance Board Leadership Structure.

## Table of Contents

### Item 1 Election of Directors Nominees for Director

#### Retired Vice Chairman and Chief Financial Officer of USX Corporation

#### Robert M. Hernandez

Age: 74

**Background:** Mr. Hernandez was Vice Chairman of the Board and Chief Financial Officer of USX Corporation, an integrated oil and gas and steel producer, 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. Mr. Hernandez is Lead Director of Chubb Limited and a member of the Board of Trustees of BlackRock Open-End Mutual Fund Boards. He was non-executive Chairman of the Board of RTI International Metals, Inc. from 1990 until 2015 and a member of the Board of Directors of USX from 1991 until 2001.

(Director since

August 2002)

Lead Director

**Skills and Expertise:** Mr. Hernandez brings a diverse financial and business management background to the Board and to his responsibilities as Lead Director. In addition, Mr. Hernandez also serves as a member of the Compensation and Management Development Committee, the Health, Safety, Environmental and Security Committee, the Finance Committee, and the Nominating and Corporate Governance Committee. He has held a variety of senior management positions throughout his career in a company producing basic materials and commodity-type products. This history and experience is critical to the Board's knowledge base in a variety of areas. Mr. Hernandez has also served as a member of several boards of directors, which allows him to leverage his experience as Lead Director for the further benefit of the Company.

#### Committees:

Compensation and  
Management Development

Health, Safety,  
Environmental  
and Security

Finance

Nominating and  
Corporate Governance

**Table of Contents**

**Item 1 Election of Directors Nominees for Director**

**Retired Senior Vice President of The Dow Chemical Company**

**Julie F. Holder**

**Age: 66**

**Background:** Ms. Holder has been the Chief Executive Officer of JFH Insights LLC, a consulting firm primarily dedicated to leadership coaching for high potential women executives, since founding the company in 2009. She developed and teaches executive education courses for the Eli Broad College of Management at Michigan State University designed to help women be more successful in their careers and help senior leadership build a more inclusive corporate culture. Previously, Ms. Holder served as Senior Vice President, Chief Marketing, Sales and Reputation Officer, U.S. Area Executive Oversight of The Dow Chemical Company, a diversified, worldwide manufacturer and supplier of products used primarily as raw materials in the manufacture of customer products and services, from 2007 until her retirement in 2009, and before that was Vice President, Human Resources, Public Affairs and Diversity and Inclusion of Dow from 2006. Prior to that, Ms. Holder served in various positions with increasing seniority at Dow from 1975 to 2006. Ms. Holder is also a member of the Board of Directors of W.R. Grace & Co., a leading global supplier of catalysts and engineered materials.

**(Director since**

**November 2011)**

**Committees:**

Health, Safety,  
Environmental  
and Security (Chair)

Compensation and  
Management Development

Finance

Nominating and  
Corporate Governance

**Skills and Expertise:** In addition to serving on the Board, Ms. Holder is Chair of the Health, Safety, Environmental and Security Committee and is a member of the Compensation and Management Development Committee, the Finance Committee, and the Nominating and Corporate Governance Committee. Ms. Holder brings to the Board substantial corporate management experience as well as expertise in international sales and marketing and the chemicals industry through her various senior management positions at Dow. Ms. Holder's long history at Dow provides her substantial chemical industry experience across a broad range of functional areas and allows her to offer management and operational insight to the Board with an in-depth understanding of the opportunities and challenges associated with our business, including as Chair of the Health, Safety, Environmental and Security Committee. In addition, Ms. Holder's experience in human resources management adds to the Compensation and Management Development Committee's oversight of and decisions concerning management development and compensation and her professional background of overseeing increasingly large and diverse business units results in her having the financial sophistication and understanding of a company similar to Eastman, which is of great benefit to the Board and the Finance Committee.

**Table of Contents**

**Item 1 Election of Directors Nominees for Director**

**Retired Executive Vice President and Chief Financial Officer of Stream Energy**

**Renée J. Hornbaker**

**Age: 66**

**(Director since**

**September 2003)**

**Committees:**

Audit

Finance

Health, Safety,  
Environmental  
and Security

**Background:** Ms. Hornbaker has been Chief Executive Officer of Storey & Gates LLC, a consulting firm providing business advisory services including executive coaching and board governance training for boards, since founding the company in 2018. She served as Executive Vice President and Chief Financial Officer of Stream Energy, a retail energy, wireless, and protective services provider operating in Texas, Georgia, Pennsylvania, Maryland, and New Jersey, from 2011 to December 2017, and has been a member of the Board of Directors since 2011. Ms. Hornbaker served as Chief Financial Officer of Shared Technologies, Inc., a provider of converged voice and data networking solutions, from 2006 to May 2011, 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, a global provider of industrial flow management products and services, from 1997 until 2004, and served as Vice President of Business Development and Chief Information Officer from 1997 to 1998. In 1977, Ms. Hornbaker joined the accounting firm Deloitte, Haskins & Sells, 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, including five years at Phelps Dodge Corporation where she had financial responsibilities for its international businesses including Columbian Chemicals Corporation. Ms. Hornbaker is also a member of the Boards of Directors of Tri Global Energy, LLC, a private clean energy development company, The Freeman Company, a family and employee-owned company which produces expositions, conventions, trade shows, and other corporate events and exhibits, and WatchGuard Video, Inc., a private company which provides mobile video solutions for law enforcement.

**Skills and Expertise:** Ms. Hornbaker's expertise in a variety of financial and accounting matters, experience in business development, strategy and technology, and service with large global businesses makes her a valuable member of the Board, and enhances the value of her service as a member of the Audit Committee, the Finance Committee, and the Health, Safety, Environmental and Security Committee. Ms. Hornbaker's significant experience in several senior financial positions at various companies, including her previous service as a chief financial officer and as a senior manager at an accounting firm, provides a solid platform for her to advise and consult with the Board on financial and audit-related matters.

**Retired Vice Chairman and Chief Executive Officer of Flowserve Corporation**

**Lewis M. Kling**

**Background:** Mr. Kling served as President, Chief Executive Officer, and a director of Flowserve Corporation, a global provider of industrial flow management products and services, from 2005 until October 2009, and was Executive Vice Chairman of the Board of Directors of Flowserve until his retirement in February 2010. He was Chief Operating Officer of Flowserve from 2004 to 2005. Before joining Flowserve, Mr. Kling 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 also is a member of the Board of Directors of Alclear, LLC, a private company doing business as CLEAR, which provides a secure identity platform for faster entry at airports and other venues, and was a member of the Board of Directors of Accuride Corporation during the last five years.

Age: 74

(Director since  
October 2006)

Committees:

- Finance (Chair)
- Compensation and  
Management Development
- Nominating and  
Corporate Governance
- Health, Safety,  
Environmental  
and Security

**Skills and Expertise:** In addition to his Board service, Mr. Kling also serves as Chair of the Finance Committee and as a member of the Compensation and Management Development Committee, the Nominating and Corporate Governance Committee, and the Health, Safety, Environmental and Security Committee. Mr. Kling’s extensive corporate management experience and expertise in manufacturing through his high-level positions at several industrial product companies, including as CEO of a global manufacturer and aftermarket service provider of flow control systems to oil and gas, basic materials, and chemical manufacturing companies, allow him to offer a unique perspective on long-term growth strategies for manufacturing companies. In addition, his significant experience on various committees of Eastman’s Board, and his prior and current directorships, provide Mr. Kling with the background and knowledge to effectively lead the Finance Committee.

**Table of Contents**

**Item 1 Election of Directors Nominees for Director**

**President and Chief Executive Officer of Innophos Holdings, Inc.**

**Kim Ann Mink**

**Age: 59**

**(Director since July 2018)**

**Background:** Dr. Mink has been President and Chief Executive Officer of Innophos Holdings, Inc., a leading international producer of performance-critical and nutritional functional ingredients, with applications in food, health, nutrition and industrial specialties markets, since December 2015, a director of Innophos since January 2016, and Chairman of the Board since February 2017. Dr. Mink previously served as Business President of Elastomers, Electrical and Telecommunications at The Dow Chemical Company from September 2012 to December 2015. Dr. Mink joined Dow in April 2009 as Global General Manager, Performance Materials and President and Chief Executive Officer of ANGUS Chemical Co. (then a subsidiary of Dow). Prior to joining Dow, she had previously served for more than 20 years at the Rohm and Haas Company (which was acquired by Dow) where she held roles of increasing responsibility, including corporate vice president and general manager for the Ion Exchange Resins business. Dr. Mink is also a member of the Board of Directors of PolyOne Corp.

**Committees:**

Audit  
Finance  
Health, Safety,  
Environmental  
and Security

**Skills and Expertise:** Dr. Mink provides valuable guidance to the Board with her extensive background and experience as an executive in the specialty chemical industry and her role as chief executive officer overseeing business and developing growth initiatives. Dr. Mink brings specialty materials experience and technical expertise to the Board. Dr. Mink's proven leadership and deep understanding of key end markets enhance the Board's innovation-driven growth strategy. Dr. Mink is a member of the Audit, Finance, and Health, Safety, Environmental and Security Committees.

**Retired Chairman of the Board and Chief Executive Officer of Ashland, Inc.**

**James J. O'Brien**

**Age: 64**

**(Director since  
February 2016)**

**Background:** Mr. O'Brien served as Chairman of the Board and Chief Executive Officer of Ashland Inc., a leading global specialty chemical company, from 2002 until his retirement in December 2014, and previously served as President and Chief Operating Officer and Senior Vice President and Group Operating Officer from 2001 to 2002. He joined Ashland (then known as Ashland Chemical Company) in 1976, and after serving in various positions, became President of the Valvoline business in 1995. Mr. O'Brien is also a member of the Boards of Directors of Albemarle Corporation and Humana Inc., and was during the last five years a member of the Board of Directors of WESCO International, Inc.

**Skills and Expertise:** In addition to serving as a member of the Board, Mr. O'Brien serves on the Audit Committee, the Finance Committee, and the Health, Safety, Environmental and Security Committee. Mr. O'Brien brings to the Board extensive knowledge of the chemical industry and substantial experience as an executive of an international public company that allow him to offer management insight and understanding of industry challenges to the Board.

**Committees:**

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Audit	Under his leadership, Ashland was transformed to a global specialty chemical company. His significant experience serving on other public company boards and management experience and knowledge in the areas of finance, accounting, international business operations, risk oversight, and corporate governance provide a solid platform for his service on the Board and the Audit Committee, the Finance Committee, and the Health, Safety, Environmental and Security Committee.
Finance	
Health, Safety, Environmental and Security	

**2019 Proxy Statement** 17

## **Table of Contents**

### **Item 1 Election of Directors Nominees for Director**

#### **Retired Vice Chairman of Cargill, Incorporated**

#### **David W. Raisbeck**

**Age: 69**

**Background:** Mr. Raisbeck was Vice Chairman of Cargill, Incorporated, an agricultural trading and processing company, from 1999 until his retirement in 2008, and was a director of Cargill until September 2009. He joined Cargill in 1971 and 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 and Executive Vice President in 1995. Mr. Raisbeck was a director of CarVal, a distressed asset management company owned by Cargill, and of Black River Asset Management, a hedge fund owned by Cargill, until 2009.

**(Director since  
December 2000)**

#### **Committees:**

Nominating and  
Corporate Governance  
(Chair)

Compensation and  
Management Development

Health, Safety,  
Environmental  
and Security

Finance

**Skills and Expertise:** Mr. Raisbeck's depth of experience in the areas of trading and risks related to commodities and raw materials, which are significant components of our operations and the manufacturing of our products, is a valuable addition to our Board and its Finance Committee. Given his professional experience managing trading businesses and other risk-based, finance-related transactions, Mr. Raisbeck has unique capabilities and insight with respect to the managing of risk exposure and execution of financing transactions. His substantial experience serving on the boards of directors of other companies and his varied corporate management experience allows us to leverage his experiences with respect to, among other things, appropriate oversight and related actions utilized in the board environment, including corporate governance matters as Chair of the Nominating and Corporate Governance Committee and as a member of the Compensation and Management Development Committee, the Health, Safety, Environmental and Security Committee, and the Finance Committee.

### **18 2019 Proxy Statement**



**Table of Contents**

**Item 1 Election of Directors The Board of Directors and Corporate Governance**

**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 with 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 six meetings during 2018. Each director attended at least 75% of the aggregate of the total number of meetings of the Board and the total number of meetings held by all Committees of the Board on which he or she served. The Board meets immediately before each annual meeting of stockholders, and the directors in attendance at such Board meeting attend the annual meeting of stockholders. All directors then serving on the Board attended the 2018 Annual Meeting of Stockholders.

**Board Composition and Culture**

Under the Corporate Governance Guidelines, the desired attributes of individual directors are:

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 affairs;

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 with respect to other characteristics, which may include, at any time, gender, ethnic background, geographic origin, or personal, educational, and professional experience.

**2019 Proxy Statement 19**

**Table of Contents****Item 1 Election of Directors The Board of Directors and Corporate Governance**

The Nominating and Corporate Governance Committee and the Board use the following matrix in its review of each non-employee director's skills and qualifications:

	Alfonso	Begemann	Connors	Demeritt*	Hernandez	Holder	Hornbaker	Kling	Mink	O'Brien	Raisbeck
Accounting or finance experience	CFO				CFO		CFO				
Corporate management experience	CFO	COO	CEO	Vice Chair	Vice Chair	SVP	CFO	CEO	CEO	CEO	Vice Chair
Marketing experience											
Manufacturing experience											
Technology experience											
Information systems experience											
Chemical industry experience											
International business experience											
Legal, governmental, or environmental expertise											
Gender or ethnic diversity											

\* Mr. Demeritt is not standing for reelection at the Annual Meeting.

The Board recognizes that its success hinges on its ability to meet a broad spectrum of challenges that the Company will encounter over the long-term. Variable challenges demand not only a diverse set of perspectives, backgrounds, and skills, but strong communication and collaboration among the whole Board. To the end, the Board's composition and culture is critical. Continuing non-employee directors' average tenure is 10 years, with five of ten of such directors having a tenure less than ten years. The non-employee directors together possess a diverse inventory of relevant skills and experience, but all of the non-employee directors have experience in corporate management and strategy as well as international business experience. Five of the ten non-employee director nominees represent either gender or ethnic diversity. The Company believes the Board is equipped by its composition and culture to effectively oversee key risks and challenges the Company faces.

**Board Leadership Structure**

The Chair of the Board provides leadership to the Board and works with the Board to define its structure and activities in the fulfillment of its responsibilities. The Company believes that the members of the Board possess considerable experience and unique knowledge of the challenges and opportunities the Company may face from time to time, and therefore are in the best position to evaluate the needs of the Company and how best to organize the capabilities of our directors and senior executives to meet those needs at any time. As a result, the Company believes that the decision as to who should serve as Chair and as Chief Executive Officer, and whether the offices should be combined or separate, is properly the responsibility of the Board, to be exercised from time to time in appropriate consideration of then-existing facts and circumstances. Our Corporate Governance Guidelines provide the Board the flexibility to determine whether or not the separation or combination of the Chair and Chief Executive Officer offices is in the best interests of the Company.

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Chief Executive Officer and director Mark J. Costa has since 2014 served as Chair, the Board having determined that this is the most efficient manner to facilitate effective communication between management and the Board and provide strong

### **20** 2019 Proxy Statement

---

**Table of Contents**

**Item 1 Election of Directors The Board of Directors and Corporate Governance**

and consistent leadership as well as a unified voice for the Company. In addition, the Board believes that combining the roles of Chair and Chief Executive Officer helps ensure that the Chief Executive Officer understands and can effectively and efficiently manage the implementation of the recommendations and decisions of the Board.

In order to give a significant voice to our non-management directors and to reinforce effective, independent leadership on the Board, when the same person holds the Chief Executive Officer and Chair positions or if the Chair is not otherwise independent, the Company's Bylaws and Corporate Governance Guidelines provide that the Company has a Lead Director. The Lead Director's responsibilities, which are described in more detail in the Company's Corporate Governance Guidelines, include:

calling, setting agendas for, and presiding over executive sessions of the non-management directors at each regularly scheduled meeting of the Board, or at such other times as the non-management directors may determine;

calling special meetings of the full Board or the non-employee, independent directors;

presiding over Board meetings in the absence of the Chair;

collaborating and consulting with the Chair and Chief Executive Officer and other senior management concerning and approving or directing the approval of agendas, schedules, and materials for Board meetings;

acting as a liaison between the independent directors and the Chair; and

being available with the Chair for consultation and direct communication with stockholders.

Robert M. Hernandez has served as Lead Director since May 2016.

In addition to the Lead Director providing independent leadership of the Board, certain key Company functions have completely independent Board oversight. As described below under Board Committees, the Finance Committee and the Health, Safety, Environmental and Security Committee each consists of all the non-employee, independent directors and is chaired by an independent director. Under this hybrid leadership structure with two Board committees of the whole, the Company's financial and financing functions and health, safety, environmental, security, and sustainability functions are overseen by all of the independent directors under independent director leadership. See Board Committees Finance Committee and Health, Safety, Environmental and Security Committee below.

We believe that the foregoing structure, policies, and practices, when combined with the Company's other governance policies, procedures, and practices described below, provide appropriate opportunities for oversight, discussion, and evaluation of decisions and direction from the Board.

**Corporate Strategy and Business Performance Oversight**

With the leadership of the Chair and Chief Executive Officer, the Board actively oversees development, implementation, and results of executive management's corporate growth and business strategy, including the current innovation-driven growth model. See Information about Eastman, the Meeting, and Voting Eastman Overview. Corporate strategy and business and financial results, expectations, prospects, and opportunities are reviewed and discussed with the CEO and senior management throughout the year at each Board meeting and at meetings of the Audit, Compensation and Management Development, Finance, and Health, Safety, Environmental and Security Committees, including in separate

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

private (or executive ) sessions with the CEO and other individual executive and senior managers. As described below under Board Committees Compensation and Management Development Committee and Executive Compensation Compensation Discussion and Analysis , the Compensation and Management Development Committee oversees compensation of senior management and determines the compensation of executive officers, with a significant portion based on the measures of performance that the Committee and the Board have determined are most relevant to management s corporate business strategy. Throughout the year the Compensation Committee monitors and evaluates corporate, business, and individual executive performance in its oversight and determination of annual management performance-based incentive compensation.

**2019 Proxy Statement 21**

## **Table of Contents**

### **Item 1 Election of Directors The Board of Directors and Corporate Governance**

#### **Human Capital Management Oversight**

The Board believes that effective attraction, development, and retention of human resource talent (or human capital), including diversity and inclusion initiatives and succession planning, are vital to the success of Eastman's innovation-driven growth strategy. The Board oversees workforce and senior management development primarily through its Compensation and Management Development Committee. In its oversight of senior management evaluation, development, and compensation and its evaluation of executive officer performance and determination of executive compensation, the Compensation Committee regularly reviews with management and the Board employee composition, talent, and diversity and senior management development and succession plans. In addition, the CEO regularly reviews and discusses privately with the Board executive succession plans, and the Lead Director and the Chair of the Compensation Committee at least annually privately review CEO succession plans with the independent directors. The Board also monitors the culture of the Company and leadership quality, morale, and development with scheduled one-on-one breakfast meetings with key senior managers, senior manager presentations at Board and Committees meetings, and luncheons, dinners, and other social gatherings before and after Board and Committees meetings.

#### **Risk Oversight**

The Board maintains oversight responsibility for the management of the Company's risks, and oversees an enterprise-wide approach to risk management, designed to provide a holistic view of organizational objectives, including strategic objectives, to improve long-term organizational performance, to prioritize and manage identified risks, and to enhance stockholder value. A fundamental part of risk management is not only understanding the risks the Company faces and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for the Company. The full Board reviews with management its process for managing enterprise risk. Additionally, the Audit Committee is charged with overseeing our risk assessment and management process each year, including ensuring that management has instituted processes to identify major risks and has developed plans to manage such risks and reviewing with management the identified most significant risks and management's plans for addressing and mitigating the potential effects of such risks. During the Company's risk management review process, risk is assessed throughout our entire business, and is reported to a management corporate risk committee comprised of members of our various business units and control functions. Risks that are identified as high-level risks are reported to the Audit Committee and thereafter assigned, as appropriate, to various of the Board's Committees, or to the Board as a whole, for further review, analysis, and development of appropriate plans for management and mitigation.

While the Board maintains the ultimate oversight responsibility for risk management and responsibility for risk management oversight of certain specific areas, each of the various Committees of the Board have been assigned responsibility for risk management oversight of specific identified areas. In particular, and in addition to its responsibility to conduct an annual assessment of the risk management process and report its findings to the Board, the Audit Committee maintains responsibility for overseeing risks related to the Company's financial reporting, audit process, internal controls over financial reporting and disclosure controls and procedures, and cyber security and security of Company information. The Finance Committee has oversight responsibility related to the Company's financial position and financing activities, including such areas as capital structure, raw material and energy costs, availability, and price volatility and hedging, large capital projects, pension obligations and funding, and acquisitions, divestitures, and joint ventures. The Health, Safety, Environmental and Security Committee assists the Board in fulfilling its oversight responsibility with respect to health, safety, environmental, security, sustainability, and political activities issues that affect the Company and works closely with the Company's legal and regulatory management with respect to such matters. In addition, in setting compensation, the Compensation and Management Development Committee endeavors to develop a program of incentives that encourage an appropriate level of risk-taking behavior consistent with the Company's long-term business strategy and also reviews the leadership development of our employees. Finally, the Nominating and Corporate Governance Committee conducts an annual assessment of nominees to our Board and is charged with developing and recommending to the Board corporate

### **22 2019 Proxy Statement**

## **Table of Contents**

### **Item 1 Election of Directors The Board of Directors and Corporate Governance**

governance principles and policies and Board Committees structure, leadership, and membership, including those related to, affecting, or concerning the Board's and its Committees' risk oversight.

#### **Investor Engagement**

The Board believes that communication and engagement with the Company's stockholders and other interested parties is an important component of the Company's corporate governance practices. To create opportunities for directors and management to listen to the views of the Company's stockholders and to provide stockholders explanation of the Company's publicly available material information, from time to time directors and certain senior members of management may meet with certain stockholders of the Company. In 2018, the Lead Director and management met with institutional investor stockholders through in-person meetings and telephone calls to discuss the Company's environmental, social, and governance programs and practices. These discussions were reported to the Board, and resulted in additional and enhanced description of certain governance and compensation items in this proxy statement.

#### **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 non-employee members of the Board (that is, all directors but Mr. Costa) has or had 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 these determinations, the Nominating and Corporate Governance Committee and the Board reviewed and evaluated all direct and indirect transactions and relationships between the Company and the non-employee directors and their affiliates and immediate family members. Under the New York Stock Exchange listing standards and Eastman's 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 \$120,000 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; 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;



## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

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;

**2019 Proxy Statement** **23**

## **Table of Contents**

### **Item 1 Election of Directors Board Committees**

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-employee 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. 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 Company transaction in which an employee has a direct or indirect financial or other personal interest, and restrict reporting relationships between immediate family member employees.

In the most recent 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 are officers and a payment by a third party to a partnership of which a non-employee director is a partner for professional services to the third party for which the Company paid fees to the third party. 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 employment by the Company of immediate family members of certain executive officers, and determined that no such executive officer has a material interest in his immediate family member's employment relationship or transactions that creates a conflict of interest. The terms of such employment, including compensation and benefits, were in all respects according to standard Company employment policies and practices. Each executive's immediate family member worked in an organization that was not in the executive's line of management or the executive had no direct reporting relationship with his immediate family member, and in each case the executive made no hiring, compensation, promotion, or evaluation decisions regarding his immediately family member.

### **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-employee, independent directors. The written charter of each committee of the Board is available in the [Investors Corporate Governance](#) section of the Company's website ([www.eastman.com](http://www.eastman.com)).

**Audit Committee.** The members of the Audit Committee are Messrs. Alfonso (Chair), Demeritt, and O'Brien and Mmes. Hornbaker and Mink. The Audit Committee held nine meetings during 2018. 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 and disclosure controls and procedures;

**24 2019 Proxy Statement**

**Table of Contents**

**Item 1 Election of Directors Board Committees**

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 registered public accounting firm;

the retention and termination of the Company's independent registered public accounting firm, including the approval of fees and other terms of their engagement and the approval of non-audit relationships with the independent registered public accounting firm; and

risk assessment and risk management.

The Board of Directors has determined that each member of the Audit Committee is independent and that each of Messrs. Alfonso and O'Brien and Ms. Hornbaker is an audit committee financial expert under applicable provisions of the New York Stock Exchange's listing standards and the Securities Exchange Act of 1934.

**Audit Committee Report**

On behalf of the Board of Directors, the Audit Committee oversees the Company's financial reporting process and its internal control over financial reporting and related disclosure controls and procedures, areas for which management has the primary responsibility. The independent registered public accounting firm is responsible for expressing an opinion on the conformity of the Company's audited financial statements with accounting principles generally accepted in the United States and for issuing its report on the Company's internal control over financial reporting. All audit and non-audit services provided to the Company by the independent registered public accounting firm are pre-approved by the Audit Committee or by the Chair of the Audit Committee pursuant to delegated authority, and the Committee considers the compatibility of such non-audit services with the accounting firm's independence. At the beginning of the year, the Audit Committee reviewed and approved all known audit and non-audit services and fees to be provided by and paid to PricewaterhouseCoopers LLP, the Company's independent registered public accounting firm. During the year, specific audit and non-audit services or fees not previously approved by the Audit Committee were approved in advance by the Audit Committee or by the Chair of the Audit Committee pursuant to delegated authority.

The Audit Committee evaluates the performance of the independent registered public accounting firm, including the senior audit engagement team, each year and determines whether to reengage the current independent registered public accounting firm or consider other independent registered public accounting firms. In doing so, the Audit Committee considers the quality and efficiency of the services provided by the firm, the firm's global capabilities, and the firm's technical expertise, tenure as the Company's independent registered public accounting firm, and knowledge of the Company's global operations and industry. Based on this evaluation, the Audit Committee decided to retain PricewaterhouseCoopers LLP to serve as independent registered public accounting firm for the year ending December 31, 2019. Although the Audit Committee has the sole authority to appoint the independent registered public accounting firm, the Audit Committee has continued its long-standing practice of recommending that the Board ask stockholders to ratify the appointment of the independent registered public accounting firm at the 2019 Annual Meeting (see Item 3 Ratification of Appointment of Independent Registered Public Accounting Firm).

Of the Audit Committee's nine meetings during 2018, five were regular in-person meetings that included separate private (or executive) sessions of the Committee with the Company's independent registered public accounting firm and with Company management, including the director of internal audit, the chief legal officer, the chief financial officer, the chief accounting officer, the corporate controller, the vice president of corporate compliance, the chief information officer, and other financial and legal management employees, and among the Committee members themselves. These executive sessions included discussion of specific financial management, legal, accounting, auditing, internal and disclosure

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

controls, corporate compliance, and risk management matters. As part of its oversight of the Company's risk management process, the Committee reviewed and discussed management's risk assessment and risk management program, including individual

**2019 Proxy Statement** **25**

## **Table of Contents**

### **Item 1 Election of Directors Board Committees**

areas of risk and the overall risk management process. See Risk Oversight earlier in this proxy statement. The Audit Committee also met with the chief legal officer and the director of corporate compliance to discuss the effectiveness of the Company's compliance program and received regular corporate compliance program status reports and updates.

Four of the Audit Committee's meetings were conference calls to review the Company's planned public disclosures of quarterly financial results. These meetings included review with management and the independent registered public accounting firm of the financial statements and management's discussion and analysis of financial condition and results of operations disclosures in the Company's Annual Report on Form 10-K and Quarterly Report on Form 10-Q filings prior to filing with the SEC and of matters relating to the Company's internal control over financial reporting and disclosure controls and procedures for such filings.

Numerous other informal meetings and communications among the Chair, various Committee members, PricewaterhouseCoopers LLP, the director of internal audit, the chief information officer, and other members of the Company's management also occurred. The agenda for each of the Audit Committee's meetings is established by the Audit Committee Chair and the director of internal audit.

Throughout the year, the Committee reviewed with the Company's financial management, PricewaterhouseCoopers LLP, and the director of internal audit the overall audit scope and plans, the results of internal and external audit examinations, evaluations by management and the independent registered public accounting firm of the Company's internal controls over financial reporting, and the quality of the Company's financial reporting.

Management has reviewed and discussed the audited financial statements and related disclosures in the Company's Annual Report on Form 10-K with the Audit Committee. This review and discussion included the quality of accounting principles, the reasonableness of the significant accounting judgments and estimates, the clarity of disclosures in and concerning the financial statements, and the internal controls and disclosure controls and procedures that support management's accounting and disclosure judgments and the certifications of the Chief Executive Officer and the Chief Financial Officer that the financial statements of the Company fairly present, in all material respects, the financial condition, results of operations, and cash flows of the Company.

In its meetings with representatives of PricewaterhouseCoopers LLP, the Audit Committee asked them to address, and discussed their responses to, questions relevant to the Audit Committee's oversight. These discussions included significant accounting judgments or estimates made by management in preparing the financial statements, fair presentation to investors in the financial statements of the Company's financial position and performance in accordance with generally accepted accounting principles and SEC disclosure requirements, and implementation of internal controls and internal audit procedures that are appropriate for the Company.

The Committee also discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the standards of the Public Company Accounting Oversight Board (the "PCAOB"). The Committee has received from PricewaterhouseCoopers LLP the written disclosures and the letter required by applicable requirements of the PCAOB regarding the independent registered public accounting firm's communications with the Audit Committee concerning independence, and discussed with them their independence from the Company and its management. In addition, the Committee has received written materials addressing PricewaterhouseCoopers LLP internal quality control procedures.

In reliance on these reviews and discussions and the reports of PricewaterhouseCoopers LLP, the Audit Committee has recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC.

Audit Committee

Humberto P. Alfonso (Chair)

Stephen R. Demeritt

Renée J. Hornbaker

Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Kim A. Mink

James J. O'Brien

**26** 2019 Proxy Statement

## Table of Contents

### **Item 1 Election of Directors Board Committees**

**Nominating and Corporate Governance Committee.** The members of the Nominating and Corporate Governance Committee are Messrs. Raisbeck (Chair), Begemann, Connors, Hernandez and Kling and Ms. Holder. The Nominating and Corporate Governance Committee held four meetings during 2018. 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 reelection to the Board upon the expiration of their terms;

review, develop, and recommend corporate governance principles and practices, and regularly review and evaluate corporate governance trends and developments;

review and make recommendations to the Board regarding director compensation (*see* Director Compensation ); and

recommend committee structures, membership, and chairs and, if the Chairman is not an independent director, the independent director to serve as Lead Director.

The Board of Directors has determined that each member of the Nominating and Corporate Governance Committee is independent under applicable provisions of the New York Stock Exchange's listing standards.

**Director Nominations.** The Nominating and Corporate Governance Committee is responsible for reviewing and recommending to the Board potential directors who possess the skills, knowledge, and understanding necessary to be valued members of the Board in order to assist it in successfully performing its role in corporate oversight and 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 in an effort to ensure that the Board, at any time, is comprised of a diverse group of members who, individually and collectively, best serve the needs of the Company and its stockholders. In general, and in giving due consideration to the composition of the Board at that time, the desired attributes of individual directors, including those of any nominees of stockholders, are as described under Board Composition and Culture.

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 stockholders. Our Bylaws contain provisions that address the process (including the required information and deadlines) by which a stockholder or group of stockholders may nominate an individual for consideration by the Nominating and Corporate Governance Committee to stand for election at an annual meeting of stockholders. In addition, the proxy access provision in our Bylaws provides that, under certain circumstances, a stockholder, or a group of up to 20 stockholders, owning 3% or more of our outstanding common stock continuously for at least the previous three years may nominate and include director nominees constituting up to 20% of the number of directors then serving on the Board in the Company's proxy materials, provided that such stockholder(s) and nominee(s) satisfy the disclosure and other requirements set forth in our Bylaws. In order to use this proxy access Bylaw provision, stockholders are required to hold shares until the date of the applicable annual meeting. For additional information on how stockholders may submit nominees for election to the Board, *see* Information about Eastman, the Meeting, and Voting Nominations by Stockholders for Election to the Board of Directors and Stockholder Nomination Proxy Access.



## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

The Board and the Nominating and Corporate Governance Committee have from time to time utilized 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. Begemann (Chair), Connors, Hernandez, Kling, and

**2019 Proxy Statement** [27](#)

## Table of Contents

### Item 1 Election of Directors Board Committees

Raisbeck and Ms. Holder. The Compensation Committee held six meetings during 2018. The purpose of the Compensation Committee is to oversee establishment and administration of the Company's policies, programs, and procedures for evaluating, developing, and compensating the Company's senior management. Among other responsibilities included in its charter, the Compensation Committee oversees the Company's management development and succession plans and compensation and benefits philosophy and strategy, including risk assessment of compensation programs and practices, determines the compensation of the Company's executive officers, reviews management's executive compensation disclosures, approves adoption of cash and equity-based incentive management compensation plans, and oversees management's administration of the Company's benefits plans. The Compensation Committee has exclusive authority to grant stock-based incentive awards under the 2017 Omnibus Stock Compensation Plan and has delegated to the Chair and Chief Executive Officer authority to make certain limited stock-based compensation awards to employees other than executive officers. The Compensation Committee receives input from Company management on compensation and benefits matters, and considers such input in establishing and overseeing management's compensation programs and in determining executive compensation. For additional description of the Committee's oversight of workforce and senior management development and its processes and procedures for consideration and determination of executive compensation, including the role of management in recommending compensation, see Human Capital Management Oversight and Executive Compensation Compensation Discussion and Analysis later in this proxy statement.

The Board of Directors has determined that each member of the Compensation Committee is independent under applicable provisions of the New York Stock Exchange's listing standards.

*Compensation Consultant.* The Compensation Committee has directly engaged Aon Consulting as its external compensation consultant. Aon Consulting reports to, and receives its direction from, the Compensation Committee, and a representative of Aon Consulting attends each meeting of the Compensation Committee as its advisor. Aon Consulting provides the Compensation Committee with third-party survey information used in setting short- and long-term compensation levels, perspective on emerging compensation issues and trends, and expertise in incentive compensation structure, terms, and design. See Executive Compensation Compensation Discussion and Analysis. Aon Consulting also provides such services to the Nominating and Corporate Governance Committee for its recommendations to the Board regarding non-employee director compensation. See Director Compensation. Any other services provided by Aon Consulting and its affiliates to Eastman are approved by the Compensation Committee. Company management also uses the services of several other outside firms for compensation analysis, third-party surveys, and management pay research and analysis. None of these other firms provide any consulting services to the Compensation Committee or to the Nominating and Corporate Governance Committee.

In reviewing Aon Consulting's performance in 2018 and considering its continued engagement for 2019, the Compensation Committee evaluated Aon Consulting's independence from Company management and any conflicts of interest in accordance with applicable New York Stock Exchange listing requirements. The Compensation Committee considered Aon Consulting's provision of other services to the Company, the fees paid by the Company to Aon Consulting as a percentage of the firm's total revenue, Aon Consulting's policies and procedures to prevent conflicts of interest, and the confirmation by Aon Consulting that it and its representatives have no business or personal relationship with any member of the Compensation Committee, do not own any stock of the Company, and have no business or personal relationship with any executive officer of the Company. The Compensation Committee concluded that Aon Consulting is independent of the Committee and of Company management and has no conflicts of interest in its performance of services to the Committee.

---

**Table of Contents**

**Item 1 Election of Directors Board Committees**

**Compensation Committee Report**

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis which appears later in this proxy statement. Based on this review and discussion, 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, 2018 filed with the SEC and in this proxy statement.

Compensation and Management Development Committee

Brett D. Begemann (Chair)

Michael P. Connors

Robert M. Hernandez

Julie F. Holder

Lewis M. Kling

David W. Raisbeck

**Finance Committee.** All of the directors except Mr. Costa are members, and Mr. Kling is the Chair, of the Finance Committee. The Finance Committee held four meetings during 2018. 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, cost of capital, significant corporate transactions (including acquisitions, divestitures, and joint ventures), capital expenditures, financial status of the Company's defined benefit pension plans, payment of dividends, issuance and repurchase of stock, and use of financial instruments, commodity purchasing, insurance, and other hedging arrangements and strategies to manage exposure to financial and market risks.

**Health, Safety, Environmental and Security Committee.** All of the directors except Mr. Costa are members, and Ms. Holder is the Chair, of the Health, Safety, Environmental and Security Committee. The Health, Safety, Environmental and Security Committee held two meetings during 2018. The purpose of the Health, Safety, Environmental and Security Committee is to review with management and, where appropriate, make recommendations to the Board regarding the Company's policies and practices concerning health, safety, environmental, security, sustainability, and political activities matters. The Company's sustainability program, and its relationship to our strategy for innovative growth, is described in our annual [Sustainability Report](#) on the Eastman website.

**Table of Contents****Item 1 Election of Directors Director Compensation****Director Compensation**

Director compensation is determined by the Board of Directors based upon the recommendation of the Nominating and Corporate Governance Committee and the Committee's compensation consultant. (See Compensation and Management Development Committee Compensation Consultant ). The Board uses a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve as directors. In setting the compensation of non-employee directors, the Nominating and Corporate Governance Committee and the Board consider the significant amount of time that the Board and its Committees are expected to expend, the skills, knowledge, and understanding needed for service on the Board, and the types and amounts of director pay of similar public companies (including the compensation peer comparison companies listed under Executive Compensation Compensation Discussion and Analysis Review of 2018 Executive Compensation ). The Nominating and Corporate Governance Committee and the Board annually review non-employee director compensation, and the Board, upon the recommendation of the Nominating and Corporate Governance Committee, has from time to time changed the amounts and forms of director pay. The Nominating and Corporate Governance Committee in 2017 concluded that non-employee director total pay was in line with external market comparisons, and accordingly the Board made no changes to non-employee director compensation for 2018. In 2018 the Board increased the annual director retainer and the annual restricted stock award effective January 1, 2019 as described below, in each case to make the value of total non-employee director compensation closer to that of peer director compensation benchmarking companies.

The following table provides information concerning compensation paid to the Company's non-employee directors for 2018. Directors who are also employees of the Company (Mr. Costa) receive no additional compensation for their service on the Board.

**Director Compensation for Year Ended December 31, 2018**

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(3)	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation Earnings \$(4)	All Other Compensation \$(5)	Total(\$)
Humberto P. Alfonso	\$ 132,500	\$ 85,073	\$0	\$0	\$0	\$ 60,000	\$ 277,573
Gary E. Anderson(6)	52,500	0	0	0	0	30,000	82,500
Brett D. Begemann	125,000	85,073	0	0	0	60,000	270,073
Michael P. Connors	105,000	85,073	0	0	0	60,000	250,073
Stephen R. Demeritt	105,000	85,073	0	0	0	60,000	250,073
Robert M. Hernandez	146,500	85,073	0	0	0	60,000	291,573
Julie F. Holder	123,000	85,073	0	0	0	60,000	268,073
Renée J. Hornbaker	114,000	85,073	0	0	0	60,000	259,073
Lewis M. Kling	120,000	85,073	0	0	0	60,000	265,073
Kim A. Mink(7)	52,500	10,096	0	0	0	30,000	92,596
James J. O'Brien	105,000	85,073	0	0	0	60,000	250,073
David W. Raisbeck	121,500	85,073	0	0	0	60,000	266,573

- 1) Compensation in this column consists of director retainer fees and, where applicable, Lead Director or Committee Chair retainer fees. This column also includes compensation paid on an event basis for significant time spent outside Board or Committee meetings for director training, interviewing director candidates, meeting with Company



**Table of Contents****Item 1 Election of Directors Director Compensation**

management, meeting with external auditors, meeting with investors and management, or other meetings or activities as directed by the Board or one of its Committees. Cash fees for 2018 were paid according to the following schedule:

Director Retainers (Service and Meeting Retainers)	\$ 105,000
Lead Director Retainer	40,000
Chair Retainer Audit Committee	23,000
Chair Retainer Compensation and Management Development Committee	20,000
Chair Retainer Nominating and Corporate Governance Committee	15,000
Chair Retainer Finance Committee	15,000
Chair Retainer Health, Safety, Environmental and Security Committee	15,000
Event Fee (Per Event)	1,500

Cash retainers and event fees are paid in two semi-annual payments. Event fees were paid in 2018 to Mr. Alfonso (\$4,500), Mr. Hernandez (\$1,500), Ms. Holder (\$3,000), Ms. Hornbaker (\$9,000), and Mr. Raisbeck (\$1,500).

In 2019 the annual director retainer fee will increase to \$115,000.

- 2) Grant date fair value, computed in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) Topic 718 (*Stock Compensation*), of (i) annual award of restricted shares of common stock to each non-employee director having a fair market value equal to \$85,000 (with the number of restricted shares awarded rounded up in the case of fractional shares) made on the date of his or her election as a director at the 2018 Annual Meeting of Stockholders under the Director Stock Compensation Subplan of the 2017 Omnibus Stock Compensation Plan (the DSCS ) and (ii) one-time award of restricted shares to Dr. Mink upon election as a director under the DSCS having a fair value equal to \$10,000 (with the number of restricted shares awarded rounded up in the case of fractional shares). Messrs. Alfonso, Demeritt, and O'Brien each elected to receive his annual restricted stock award as deferred phantom stock units as described in note (4) below. See note 17 to the Company's consolidated financial statements in the Annual Report to Stockholders for 2018, mailed and delivered electronically with this proxy statement, for a description of the assumptions made in the valuation of stock awards under FASB ASC Topic 718. The value of the annual restricted stock award will increase to \$100,000 in 2019.

The restricted shares are not transferable (except by will or the laws of descent and distribution or as described below) and are subject to forfeiture until the earliest of (i) the 2019 Annual Meeting of Stockholders (provided the grantee is still a director), (ii) death, disability, or resignation due to attaining retirement age or another approved reason during the restricted period, or (iii) departure from the Board at the end of the term of service to which elected. During the restricted period, the director has all of the rights of a stockholder with respect to the restricted shares (other than the right to transfer the shares), including voting and dividend rights. The DSCS contains provisions regarding the treatment of restricted shares in the event of a change in control (as defined in the DSCS, generally circumstances in which the Company is acquired by another entity or its controlling ownership is changed). In such event, all outstanding restricted shares would immediately vest and become transferable, and 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. The Nominating and Corporate Governance Committee has the discretion, even if a change in control event will occur, to determine that immediate vesting of restricted shares under the DSCS should not occur for that event and that the restricted shares will not become fully vested when that event occurs.

Dr. Mink held 101 restricted shares, and Messrs. Begemann, Connors, Hernandez, Kling, and Raisbeck and Mes. Holder and Hornbaker each held 827 restricted shares, at December 31, 2018.

- 3) No stock options were granted in 2018, and non-employee directors held no options at December 31, 2018.

## **Table of Contents**

### **Item 1 Election of Directors Director Compensation**

- 4) The Directors' Deferred Compensation Plan (the "DDCP") is an unfunded, nonqualified, deferred compensation plan under which each non-employee director may elect to defer compensation received as a director until he or she ceases 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 is (i) all or a portion of cash compensation for service as a director, including retainer and event fees and (ii) the annual restricted stock award for service as a director. If a director elects to defer the annual restricted stock award, the value of the award is first converted to an unvested deferred cash equivalent amount in the Eastman phantom stock account of the DDCP which is subject to forfeiture until it vests if the director is still serving as a director immediately prior to election of directors at the next annual meeting of stockholders, after which it remains deferred until the end of service as a director. In addition, as described in note (5) below, each non-employee director receives a non-elective annual deferral of \$60,000 that is initially deferred into the director's Eastman phantom stock account of the DDCP. Directors may elect to credit deferred compensation accounts in the DDCP to individual hypothetical investment alternatives, including Eastman phantom stock. Upon completion of service as a director, the value of the director's DDCP account is paid, in cash, in a single lump sum or in up to ten annual installments as elected in advance by the director. For 2018, no nonqualified deferred compensation earnings are reported because there were no preferential or above-market earnings on amounts in individual hypothetical investment accounts (defined as appreciation in value and dividend equivalents earned at a rate higher than appreciation in value and dividends on the underlying common stock or interest on amounts deferred at a rate exceeding 120% of the federal long-term rate).

Eastman does not have a director pension plan.

- 5) Amount of annual retainer not included in "Fees Earned or Paid in Cash" column that was automatically deferred into the director's Eastman phantom stock investment account of the DDCP. The value of non-employee director perquisites and personal benefits that have an incremental cost to the Company (personal liability insurance and Company-provided insurance for non-employee director travel) are not reported for 2018 since the total amount per individual was less than \$10,000.
- 6) Mr. Anderson served as a director until the 2018 Annual Meeting of Stockholders on May 3, 2018.
- 7) Dr. Mink became a director in July 2018.

### **32 2019 Proxy Statement**



**Table of Contents**

## **Item 2 Advisory Approval of Executive Compensation**

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") provides stockholders with the right to vote to approve, on an advisory (nonbinding) basis, the compensation of the Company's named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC. This advisory vote is commonly referred to as the "say-on-pay" vote. In the Company's advisory say-on-pay vote at the 2018 Annual Meeting, 92% of votes cast were for approval of the executive compensation as disclosed in the 2018 Annual Meeting proxy statement. The Compensation Committee considered the outcome of this vote in its establishment and oversight of the compensation of the executive officers during 2018, as further discussed in Executive Compensation Compensation Discussion and Analysis, and management considered input of institutional investor stockholders in enhancing the description of the terms of long-term performance share awards and of change-in-control vesting of outstanding stock-based pay awards in Executive Compensation as described in The Board of Directors and Corporate Governance, Investor Engagement.

The Company's strategy for value creating business and financial growth from sustainable innovation, market engagement, and differentiated technologies and applications development (see Information about Eastman, the Meeting, and Voting, Eastman Overview) leverages the capabilities of its employees to innovate and execute its growth strategy while remaining committed to maintaining a strong financial position with appropriate financial flexibility and liquidity. Our compensation philosophy supports this strategy by stressing the importance of pay for corporate and individual performance in meeting strategic and business goals for growth, innovative value creation and financial strength and flexibility, while maintaining flexibility to meet changing employee, business, and market conditions. Our executive compensation program is designed to attract and retain a talented and creative team of executives who will provide disciplined leadership for the Company's success in dynamic, competitive markets. The Company seeks to accomplish this by motivating executives with an appropriate mix of compensation elements. Please read the Executive Compensation Compensation Discussion and Analysis section of this proxy statement for additional details about our executive compensation philosophy and programs, including information about the compensation of our named executive officers for 2018 as detailed in the tables and narrative.

The say-on-pay vote gives stockholders the opportunity to indicate their views on the compensation of our named executive officers. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers disclosed and the philosophy, objectives, and practices described in this proxy statement.

Because this vote is advisory, it will not be binding on the Compensation Committee, the Board, or the Company. However, the Compensation Committee and the Board value the opinions of the Company's stockholders, and the Compensation Committee will consider the outcome of the vote in its establishment and oversight of the compensation of the executive officers.

**Stockholders are being asked to approve the compensation of the named executive officers as disclosed in the Executive Compensation section of this proxy statement, including the Compensation Discussion and Analysis, compensation tables, and narrative. The Board recommends that you vote **FOR** the advisory approval of the compensation of the Company's named executive officers as disclosed in this proxy statement.**

2019 Proxy Statement **33**

**Table of Contents****Executive Compensation****Compensation Discussion and Analysis**

This Compensation Discussion and Analysis is intended to provide context for the executive compensation information detailed in the tables and narrative in the following sections of this proxy statement. The Compensation and Management Development Committee of the Board of Directors (the Compensation Committee or the Committee) establishes and oversees the administration of the policies, programs, and procedures for evaluating, developing, and compensating our senior management, and determines the components, structure, forms, terms, and amounts of the compensation of our executive officers. What follows is a summary of compensation philosophy and objectives for executive officers, the relationship of corporate performance to executive compensation, and the bases for the compensation of executive officers.

**Overview**

As described in detail below, the Compensation Committee believes that the compensation of the executive officers is appropriate based on Eastman's performance and the competitive market. For 2018, the compensation of the executive officers named in the Summary Compensation Table below (the named executive officers) consisted of three principal elements: base salary, annual incentive pay opportunities, and long-term stock-based incentive awards in the form of stock options, performance shares, and restricted stock units. Base salary helps us to attract and retain executive talent and is the fixed element of our pay program. The Company uses annual incentive pay opportunities to tie executive compensation to the attainment of key corporate and individual objectives. Long-term stock-based incentive pay is designed to align executive compensation with the long-term interests of the Company's stockholders, focus on achievement of strategic long-term financial objectives, and further attract and retain an outstanding executive team. The Compensation Committee believes that this mix of executive pay components strikes an appropriate balance between the short- and long-term focus of the executives and the types of performance incented and risks encouraged, and aligns the interests of executive officers with those of other stockholders.

Our compensation program includes and does not include the following practices and features:

**What We Do**

Oversight and decisions by a Compensation Committee comprised solely of independent directors with significant executive compensation and management experience who understand drivers of long-term corporate performance.

Use an independent compensation consultant to the Compensation Committee with no conflicts of interest.

Annual assessment by the Compensation Committee of potential risks associated with the compensation program.

Benchmark executive pay and overall program design based on data from the Committee's independent compensation consultant, and use competitive peer company data in making decisions about all components of pay.

Significant portion of pay based on corporate and individual performance.

Robust stock ownership expectations.

Executive pay recoupment (or clawback) policy.

Double trigger change-in-control vesting of outstanding stock-based pay awards.

**What We Don't Do**

✗ Target a specific percentile of competitive peer company pay to set executive pay.

✗ Reprice or change performance criteria for stock options or other long-term stock-based incentive awards after those awards are granted.

- ✗ Include value of equity awards in pension benefit calculations.
- ✗ Allow pledging or hedging of Company stock by our executive officers.
- ✗ Gross-up taxes for any imputed income on limited executive perquisites.
- ✗ Gross-up tax payments, or accelerate equity vesting without termination following change-in-control, under limited change-in-control severance arrangements.

**34 2019 Proxy Statement**

## Table of Contents

### **Executive Compensation Compensation Discussion and Analysis**

In 2018, we continued to make progress in our transformation to a leading innovative additives and advanced materials company despite significant challenges in the fourth quarter. Through the third quarter, Eastman had strong variable margin (revenue minus total cost of raw materials, purchased energy, freight, duty, and warehousing) growth and was on track to be in the higher end of our long-term 8-12% adjusted earnings per share growth projection. However, fourth quarter and full-year results were negatively impacted by deteriorating business conditions attributed to uncertainty from the U.S.-China trade dispute and a slowdown in the European economy resulting in more volatile raw material prices and greater than normal seasonal customer inventory destocking. Despite these challenges in the last few months of 2018, we:

increased adjusted earnings per share 8%;

had 6% higher sales revenue of \$10.2 billion, an all-time Eastman high;

generated \$1.08 billion free cash flow (cash provided by operating activities less net capital expenditures);

increased spending on targeted growth initiatives by \$50 million, including 10 plant startups and expansions to meet global demand for our specialty products;

returned \$718 million to stockholders through a combination of share repurchases and an increased dividend, the ninth consecutive year we have raised our dividend; and

converted top innovation programs into commercial orders with \$365 million in new business revenue. (For a discussion of our use of non-GAAP financial measures and a reconciliation of adjusted earnings per share and free cash flow to the most directly comparable GAAP measures, *see* Management's Discussion and Analysis of Financial Condition and Results of Operations Non-GAAP Financial Measures in the Company's 2018 Annual Report on Form 10-K SEC filing.)

For 2018, executive officers were compensated with a significant portion of the amounts and values of current and future payments and payouts based on the Company's financial, business, and stockholder value performance compared to annual and longer-term performance standards established by the Compensation Committee, the individual performance of each executive, and the competitive market.

Following the Compensation Committee's review of market competitive pay levels and targeted total compensation of the executive officers, executive officer base salaries were increased 3% to 11% to keep executive salaries at competitive levels compared to executives with similar positions at peer companies.

Executive officers received annual incentive pay awards from 76% to 93.5% of target amounts as a result of the Company's below target 2018 adjusted earnings before interest and taxes and slightly below target 2018 free cash flow and the Committee's evaluation of each executive's organizational and individual performance compared to expectations.

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Executive officers received payouts of common stock at 80% of target award levels under previously awarded long-term performance shares as a result of the Company's three-year (2016-2018) total stockholder return ranking in the 3rd quintile (40-49%) of compared companies and the Company attaining an average return on capital of 11.28% (compared to a target return goal of 10.01%).

Executive officers received stock option grants and long-term performance share and restricted stock unit awards which directly link future compensation to stockholder and capital returns and as retention incentives.

The Total amount that is reported in the Summary Compensation Table for each named executive officer (\$15,918,483 for the Chief Executive Officer for 2018) is a combination of actual amounts paid or earned for the year (base salary, annual incentive pay awards, Company contributions to defined contribution plans, and perquisites and personal benefits) and estimated values of payments in future years using accounting and actuarial financial models (grant date fair values of performance share and restricted stock unit awards and option grants made in the year and change in value during the year of defined benefit pension plan retirement benefits) to estimate possible future payments, each as required by SEC compensation disclosure rules. For the Chief Executive Officer, the total of the actual amounts paid or earned for 2018 (\$3,139,778) and of the current values of possible future payout of performance shares awarded in 2018 (\$6,696,803 based

**2019 Proxy Statement 35**

## **Table of Contents**

### **Executive Compensation Compensation Discussion and Analysis**

on actual performance through 2018 and assuming a market value equal to the closing price of the Company's common stock on the New York Stock Exchange on December 31, 2018) and of options granted in 2018 (\$0 based on the difference in the per share option exercise price and the closing price of the Company's common stock on the New York Stock Exchange on December 31, 2018) and the 2018 change in pension value (\$186,226) is \$10,022,807.

## **Management Compensation Philosophy, Objectives, and Program**

**Our Business.** See Information about Eastman, the Meeting, and Voting Eastman Overview . In 2018 the Company's products and operations were managed and reported in four operating segments: Additives & Functional Products ( AFP ), Advanced Materials ( AM ), Fibers, and Chemical Intermediates ( CI ). This reporting structure reflects the Company's organizational structure and management supporting the Company's continuing strategy to increase emphasis on specialty businesses and products. In addition to these segments, the Company manages certain costs and initiatives at the corporate level, including various research and development initiatives.

**Our Pay-for-Performance Compensation Philosophy.** The Company's strategy for business and financial growth from innovation, market development, and differentiated technologies and applications development leverages the capabilities of its employees to innovate and execute its growth strategy while remaining committed to maintaining strong financial flexibility and liquidity. Our pay-for-performance compensation philosophy supports this strategy by stressing the importance of pay for corporate and individual performance in meeting strategic and business goals for growth, innovative value creation and financial strength and flexibility, while maintaining flexibility to meet changing employee, business, and market conditions. Our executive compensation program is designed to attract and retain a talented and creative team of executives who will provide disciplined leadership for the Company's success in dynamic, competitive markets. The Company seeks to accomplish this by motivating executives with an appropriate mix of compensation elements. Eastman leverages all major components of compensation to provide total target executive compensation levels that compete well in the marketplace, benchmarking ourselves against peer pay comparison companies. The Committee has developed a strong linkage of executive pay to each executive's performance commitments using rigorous goal setting.

Eastman recognizes employee contributions to business and financial performance through competitive total pay. For all employees, including executives, incentives and rewards are dependent on contributions to business objectives and successes. This includes, in addition to the quantified corporate financial and business performance, our commitments to recruiting and maintaining a diverse workplace, promoting a strong culture of safety, and taking actions to adjust to the dynamics in a competitive market that may not have immediate financial impact but focus on the long-term for our employees and stockholders.

As described below, our management compensation program has been designed so that a significant portion of compensation is based on the measures of performance that we believe are most relevant to our corporate business strategy and significant to investors, including cumulative total shareholder return and return on capital for multi-year periods, annual adjusted earnings before interest and taxes, cash from operations and free cash flow, and multi-year stock price appreciation. Performance goals for each of these measures are designed to be challenging so that payouts at target levels will only occur if target performance is achieved (as evidenced by the below target payout pool for 2018 annual cash incentive compensation and below target 2016-2018 performance share payouts described below under Annual Incentive Pay Unit Performance Plan and Stock-Based Incentive Pay Long-Term Performance Shares ).

**Our Compensation Objectives.** Within the management compensation program, our primary objectives are to:

Provide the appropriate amount of target annual pay that allows us to compete for talent.

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Attract and retain highly-qualified executives by providing incentive opportunities for the attainment of the Company's strategic business objectives and to achieve superior performance.

Provide appropriate short-term and long-term incentives to reward the attainment of short-term and long-term corporate and individual objectives consistent with corporate growth strategy and objectives.

### **36 2019 Proxy Statement**

**Table of Contents****Executive Compensation    Compensation Discussion and Analysis**

Ensure performance targets are appropriately challenging and properly aligned with business strategy and stockholder interests.

Maintain balance in the types of corporate and individual performance incented and the levels and types of risks managers are encouraged to evaluate and take.

**Primary Components of our Management Compensation Program and How Each Component Complements our Philosophy and Objectives.** Our management compensation program has three primary components:

<b>Annual base salary</b>	Provides a market-based annual salary at a level consistent with the individual's position and contributions.
<b>Annual cash incentive pay opportunity</b>	Designed to align senior managers' financial interests with the Company's short-term business objectives, making a portion of annual cash compensation dependent upon the annual success of the Company, business unit performance, and attainment of individual objectives.
<b>Long-term stock-based incentive pay opportunity</b>	Encourages an ownership mindset by aligning the interests of senior managers with stockholders, focusing on the achievement of strategic long-term financial objectives and outperforming peer companies.

The Compensation Committee, with input from management and the Committee's independent compensation consultant, designs, administers, and assesses the effectiveness of all executive compensation elements considering the market and our overall compensation philosophy and objectives. The Committee's assessment includes review of the value of each element of pay and of total pay on a recognized and a realizable basis. The table below describes each element of pay and its primary links to the objectives of our compensation philosophy.

Compensation Element	Reward				
	Long-Term				
	Performance in				
	Compete in Market	Attract and Retain Executive Talent	Reward Business Performance and Attainment of Individual Objectives	Alignment with Stockholders' Interests	Balance Among Performance Incented and Risk Management
Annual Base Salary	X	X			X
Annual Cash Incentive Pay Opportunity	X	X	X		X
Long-Term Stock-Based Incentive Pay Opportunity    Stock Options	X	X		X	X



Long-Term Stock-Based Incentive Pay Opportunity					
Performance Shares and Restricted Stock Units	X	X	X	X	X
Other Compensation and Benefits	X	X			X

Each year, the Compensation Committee, with the assistance of its independent compensation consultant, compares the relative mix of compensation components with those of peer benchmarking companies. The Compensation Committee does not have a fixed method for determining how the total mix of an executive officer's total compensation should be allocated among these compensation components. Instead, the Compensation Committee uses a flexible approach to compensation to help us better achieve our business objectives from year to year and to attract and retain executive talent. As described below, the Company believes that a significant portion of our executives' compensation should be at risk to business and individual performance, and that the at-risk amount should increase with the executive's level of responsibility. At-risk compensation is only earned if at least a threshold level of targeted business and individual performance is met. We believe it is also important to encourage a balance between the short-term and long-term focus of executives, and in the types of performance incented and risks encouraged, as well as to align their interests with those of stockholders, by providing a meaningful portion of their compensation in the form of stock-based pay.

## **Table of Contents**

### **Executive Compensation Compensation Discussion and Analysis**

**Other Compensation and Benefits.** The Company's executive officers also participate in benefits plans generally available to all other employees, including nonqualified supplemental retirement plans for U.S. employees with pay above Internal Revenue Code limits, and in a deferred compensation plan for management-level employees. These benefits are intended to keep us competitive in attracting and retaining executive and other management-level employees, including by restoring benefits that will not be paid to them under our pension plan or 401(k) plan due to tax law limits. See Pension Benefits and 2018 Nonqualified Deferred Compensation in the Compensation Tables section below. We have also entered into limited change in control severance agreements with certain of our executive officers and provide a modest program of executive perquisites and personal benefits which serve the specific purposes described in this Compensation Discussion and Analysis and under Compensation Tables Summary Compensation Table and Termination and Change-in-Control Arrangements below.

**Mix of Total Target Compensation.** The following charts illustrate the percentage of target total compensation for our CEO and our other named executive officers on average, respectively, represented by each element of compensation for 2018. For 2018, 90% of total target CEO compensation and 84% of total target compensation of the other named executive officers was dependent on corporate and individual performance and relative total stockholder return.

\* Target cash payment for 2018 target corporate and individual performance.

\*\* Grant date fair value of stock options granted in 2018, computed in accordance with FASB ASC Topic 718 (*Stock Compensation*). See Note 1 to the Summary Compensation Table below.

\*\*\* Grant date accounting valuation of shares of Eastman common stock underlying performance shares awarded for the 2018-2020 performance period and of shares underlying restricted stock units awarded in 2018, computed in accordance with FASB ASC Topic 718 (*Stock Compensation*). See Note 1 to the Summary Compensation Table below.

\*\*\*\* For a description of other compensation, see Note 5 to the Summary Compensation Table below.

**Risk Analysis of Executive Compensation.** The balance of short-term and long-term compensation as tools to drive individual behaviors and risk management is carefully considered in the design and administration of the Company's overall employee compensation programs. While a significant portion of our executive compensation is performance-based, we do not believe that our philosophy or objectives encourage excessive risk-taking. The Compensation Committee has focused our management compensation program on aligning compensation with the long-term interests of Eastman and its stockholders, and has designed the elements of our executive compensation program to discourage management decisions that could pose inappropriate long-term risks to the Company and its stockholders.

The compensation of our executive officers is not overly-weighted toward short-term incentives. For instance, our CEO's and the average other named executive officers' target annual cash incentive pay opportunities for 2018 was 12% and

### **38 2019 Proxy Statement**

## Table of Contents

### Executive Compensation Compensation Discussion and Analysis

13%, respectively, of their total target compensation. Moreover, annual cash incentive pay awards are capped at 200% of an executive's target award opportunity to protect against disproportionately large short-term incentives, and the Compensation Committee has broad discretion in determining the amount of the variable cash payout to each executive based upon individual performance and other factors, including whether an executive has caused Eastman to take excessive risk.

Our stock ownership expectations are for the CEO to hold Eastman stock and stock-equivalents having a value of at least five times base annual pay and for the other executive officers to hold Eastman stock and stock-equivalents having a value of at least two-and-one-half times their respective base annual pay. We also prohibit our executive officers from entering into arrangements designed to hedge their exposure to changes in the market price of Eastman stock or from pledging Eastman stock as security or collateral for loans or in margin brokerage accounts. See Stock Ownership of Directors and Executive Officers Director and Executive Stock Ownership Expectations: No Hedging or Pledging of Company Stock. These policies ensure that each executive will have a significant amount of personal wealth tied to the long-term performance of Eastman stock and that their interests will remain aligned with those of our other stockholders.

The largest portion of total target executive pay is long-term, stock-based incentive compensation that vests, if earned, over a period of years. The stock payout opportunity combined with a multi-year vesting period encourages our executives to focus on maximizing Eastman's long-term performance. These awards are made annually, so executives will continue to have unvested awards that will provide value only if our business continues to be appropriately managed and performing over the long term.

A significant portion of executives' long-term incentive compensation opportunities consist of performance share awards. Performance share award payouts are tied to how Eastman performs on certain metrics identified by the Compensation Committee as appropriately driving long-term stockholder value over a three-year period. This approach focuses management on sustaining the Company's long-term performance. These awards also have overlapping performance periods, thereby discouraging excessive risk-taking in the near-term because such behavior could jeopardize the potential long-term payouts under other awards. To further ensure that there is not a significant incentive for excessive risk-taking, the payout of these awards has been capped at 250% of target for the 2016-2018, 2017-2019 and 2018-2020 performance periods.

The variety of corporate and individual performance evaluated by the Compensation Committee to determine various forms of long-term and short-term incentive pay (including earnings before interest and taxes, earnings per share, cash flow, free cash flow, return on capital, employee safety, and total stockholder return relative to peer companies) is designed to minimize the risk that executives will focus excessive attention on a single area of performance or performance measure.

Company policies and the plan under which our long-term stock-based incentive compensation awards are made require repayment of certain variable and incentive compensation amounts in the event of an accounting restatement due to material noncompliance by the Company with financial reporting requirements. See Compensation Recoupment Clawback Policy below.

We believe that this combination of factors and features encourages our executives to manage our businesses and execute our strategy for growth in a prudent manner.

In 2018, Aon Consulting, the Compensation Committee's independent external compensation consultant, conducted a risk assessment of our compensation policies, programs, and practices, including executive compensation and broad-based compensation programs for all employees. Based on the results of Aon Consulting's assessment, the Compensation Committee concluded that the Company's compensation programs and practices are well aligned with corporate strategy, contain appropriate risk balancing and mitigation features, and are not structured in a way that should incent risk taking that is reasonably likely to have a material adverse effect on the Company.



## **Table of Contents**

### **Executive Compensation    Compensation Discussion and Analysis**

## **Review of 2018 Executive Compensation**

The Compensation Committee reviewed overall compensation of the Chief Executive Officer and the other executive officers and determined each component of executive compensation for 2018 as described below. As part of this review, the Compensation Committee:

reviewed the design, terms, and value of each type of compensation and benefit for each executive officer, including annual incentive pay opportunities and long-term stock-based compensation awards, perquisites and personal benefits, deferred accounts, and retirement plans and determined that the amounts, individually and in the aggregate, were appropriate and in line with external market and internal comparisons;

considered the estimated value of outstanding unvested, unexercised, and unrealized stock-based awards in its review of the types and values of each executive officer's compensation; and

determined the design, terms, amount, and forms of compensation considering:

Company and individual performance,

compensation relative to that for similar positions in other companies,

the mix of short- and long-term compensation, and total compensation, relative to other Eastman executive officers and employees,

whether the features of each form of compensation are appropriately balanced in terms of the types of corporate and individual performance being incented, the levels and types of risk they encourage managers to evaluate and take, and whether the compensation encourages managers to take unnecessary risks,

background information and recommendations from the Company's management compensation organization and from the external compensation consultant engaged by the Compensation Committee, and

the recommendations of the Chief Executive Officer regarding pay for the other executive officers.

For 2018, the Compensation Committee compared total annual cash compensation opportunity (base salary and target incentive pay opportunity) design, terms, and levels and the design, terms, value and mix of long-term stock-based incentive pay opportunity levels for the Company's executive officers with those of the following companies, taking into account differences in the relative size and businesses of these companies. Companies were selected with assistance from Aon Consulting based upon similarity of their industry, number of employees, revenues, number and type of commercialized products, and market capitalization with Eastman. In 2017 the Committee reviewed its compensation benchmarking peer group with Aon Consulting, and made no changes for 2018 (other than addition and elimination of companies that had combined with or been acquired by other companies).

Air Products and Chemicals, Inc.  
Ashland Global Holdings Inc.  
Ball Corporation  
Celanese Corporation  
Danaher Corporation  
Dover Corporation  
DowDuPont Inc.  
Eaton Corporation Plc  
Ecolab Inc.  
FMC Corporation  
The Goodyear Tire and Rubber Company  
Ingersoll-Rand Plc  
Monsanto Company  
Mosaic Company  
Parker-Hannifin Corporation  
PPG Industries Inc.  
Praxair Inc.  
Sealed Air Corporation  
Rockwell Automation, Inc.  
The Sherwin-Williams Company

**40 2019 Proxy Statement**

## **Table of Contents**

### **Executive Compensation Compensation Discussion and Analysis**

## **Evaluation of Stockholder Say-on-Pay Vote Results**

As described in Item 2 Advisory Approval of Executive Compensation, at the 2019 Annual Meeting stockholders will again have the opportunity to indicate their views on the compensation of our named executive officers by an advisory say-on-pay vote. At the Company's 2018 Annual Meeting 92% of the votes cast on the say-on-pay proposal were voted in favor of the proposal. The Compensation Committee considered this vote result as general approval of the Company's approach to executive compensation, and it did not make any significant changes in the structure of our executive compensation program for 2018. The Compensation Committee will continue to consider the results of future say-on-pay proposals, and other appropriate executive compensation and corporate governance developments, when making compensation decisions for our named executive officers.

## **Elements of our Executive Compensation**

### **Annual Cash Compensation Base Salary and Incentive Pay**

**How Base Salary and Annual Incentive Pay Levels Are Determined.** For executive officers, targeted total cash compensation is intended to be competitive with comparable pay for similar jobs when target levels of corporate, business and functional organization, and individual performance are achieved. The targeted levels of cash compensation are based upon information provided by Aon Consulting and from publicly available information. For 2018, a significant portion of each executive officer's total pay was variable, as shown under Mix of Total Target Compensation. Depending upon Company, business and functional unit, and individual performance, executive officers could receive more or less than their target amount.

As requested by the Compensation Committee, Aon Consulting provided benchmarking analyses of the total cash compensation for executives with similar positions at the comparator companies listed above. Aon Consulting also advised the Compensation Committee of general market cash compensation practices and trends. In determining each executive officer's targeted total cash compensation, the Compensation Committee considered this benchmarking data and applied its judgment in considering the competitive market for executive talent, comparative pay levels of other executive officers, relative cash compensation of other jobs in the Company, and differences between the Company's executive positions and those of the comparator companies, but did not benchmark specific compensation elements or total compensation to any specific percentile relative to the peer companies or the broader U.S. market. For 2018, the Compensation Committee set the targeted cash pay for executives taking into account not only competitive market data, but also factors such as Company, business and individual performance, scope of responsibilities, critical needs and skill sets, leadership potential, and succession planning.

**Base Salary.** In late 2017 and early 2018, after reviewing market competitive pay levels and the targeted total cash compensation of the executive officers, the Compensation Committee determined that base salary increases were appropriate for each of the executive officers because their targeted total cash compensation was below the median of the comparator companies. In addition to external comparisons, the Committee considered the cash compensation levels of each executive officer relative to that of each other executive officer. Even with these increases in base salary, a significant portion of our executive officers' target total annual compensation for 2018 was variable. The base salary amounts reported in the Salary column of the Summary Compensation Table were determined by the Committee based on the Committee's target total cash compensation decisions for 2018.

**Table of Contents****Executive Compensation Compensation Discussion and Analysis**

**Annual Incentive Pay Unit Performance Plan.** For 2018, the variable portion of cash compensation paid to approximately 900 management level employees, including the executive officers, was determined under the Unit Performance Plan (the "UPP"). Under the UPP, the Compensation Committee sets a cash payout pool target amount at the beginning of each year, with the total available payout ranging from 0 to 200 percent of target amount depending on the Company's financial performance. Notwithstanding the payout pool calculated based on actual corporate financial performance against the pre-set target measures, the Committee reserves discretion to adjust the total payout pool amount to reflect overall corporate performance, business and financial conditions and other corporate objectives. The total UPP award pool is determined after the end of the performance year as the aggregate of the UPP payouts for each participant if the individual's organizational and individual performance were at target levels, multiplied by a performance factor determined by calculated actual corporate performance compared to the pre-set performance goals, subject to adjustment for overall corporate performance and business and financial conditions.

**HOW THE UPP WORKS**

<b>At the start of the year</b>	<b>Throughout the year</b>	<b>After year end</b>
Compensation Committee establishes corporate performance measures and individual performance goals	Compensation Committee tracks corporate and individual performance, considers adjustments to GAAP corporate performance measures	Compensation Committee determines corporate performance and any adjustments, Committee and management evaluate individual performance, and payout pool funded and individual awards distributed

*2018 UPP named executive officer target opportunities.* Consistent with our compensation objectives, as employees assume greater responsibilities more of their pay is linked to corporate and individual performance. Variable UPP cash pay targets (expressed as a percentage of base salary) are established at the beginning of the performance year based on job responsibilities, relative targets for other Company positions, and comparator company practices. For the named executive officers, the target annual UPP incentive opportunities for 2018 were as follows:

<b>Name</b>	<b>Title</b>	<b>Target UPP Opportunity as % of Base Salary</b>
Mark J. Costa	Chief Executive Officer	145%
Curtis E. Espeland	Executive Vice President and Chief Financial Officer	90%
Brad A. Lich	Executive Vice President and Chief Commercial Officer	90%
Lucian Boldea	Senior Vice President, Additives & Functional Products	80%
David A. Golden	Senior Vice President, Chief Legal & Sustainability Officer and Corporate Secretary	75%

*2018 UPP Company performance measure and targets.* The 2018 UPP payout pool was determined based 75% on Company earnings before interest and taxes ("EBIT"), the Company's primary GAAP measure of operating performance, and 25% on free cash flow ("FCF").

EBIT under the 2018 UPP is GAAP earnings before interest and taxes as adjusted by the Compensation Committee for certain cost, charge, and income items that were not included in the Company's targeted financial performance under management's annual business plan as approved by the Board in early 2018 (the "annual business plan") and that were excluded from EBIT in the non-GAAP financial measures disclosed by the Company in its public disclosures of financial





## Table of Contents

### **Executive Compensation Compensation Discussion and Analysis**

results as non-core or unusual items in its Quarterly Report on Form 10-Q and Annual Report on Form 10-K SEC filings. The selection of adjusted EBIT as a measure of 2018 corporate performance was intended to focus management level employees on both top-line revenue and bottom-line earnings and to allow measurement of UPP performance throughout the year based upon reported Company quarterly financial results.

FCF under the 2018 UPP is GAAP cash provided by operating activities, less net capital expenditures (typically GAAP cash used in additions to properties and equipment, and in 2018 net of proceeds from property insurance). FCF reflects the cash generated in the current year that enables the Company to invest in innovation in the core businesses and inorganic growth through acquisitions, and allows measurement of performance throughout the year based upon reported Company quarterly financial results.

In establishing the 2018 UPP EBIT and FCF performance targets, the Committee considered the targeted 2018 financial and strategic performance under the annual business plan. The UPP payout pools were set for above-target payout if the Company exceeded target annual business plan performance and below-target payout if performance did not meet target annual business plan EBIT and FCF.

*2018 UPP Company performance and payout pool.* Below target adjusted EBIT and slightly below target FCF resulted in a below target payout pool for 2018. The 2018 UPP threshold, target, and maximum adjusted EBIT and FCF targets and corresponding payout multiples, actual adjusted EBIT and FCF, and resulting payout multiples for the UPP award pool are described and shown below.

Adjusted EBIT for 2018 was \$1.633 billion and FCF for 2018 was \$1.08 billion (\$1.543 billion cash provided by operating activities less \$463 million cash used in additions to properties and equipment net of proceeds from property insurance), resulting in a calculated performance factor under the UPP of 85% of target for executives and other senior managers. The calculation of EBIT under the UPP for 2018 was adjusted to exclude from GAAP EBIT as non-core items mark-to-market pension and other post-retirement benefit plans net loss and asset impairments and restructuring charges and as unusual items income from insurance in excess of costs for the disruption, repairs, and reconstruction of the Kingsport site's coal gasification area in fourth quarter 2017 and costs resulting from fourth quarter 2017 tax law changes and related outside-U.S. entity reorganizations. These adjustments increased the calculated EBIT under the UPP by \$81 million and the UPP award pool by \$4.817 million, resulting in a total UPP award pool for all management level employees of 85% of target (\$36.108 million).

**Table of Contents****Executive Compensation    Compensation Discussion and Analysis**

The chart below shows the percentages of target UPP payouts for each of 2016, 2017, and 2018.

**Percentage of UPP Target Payout 2016-2018**

*2018 UPP named executive officer payouts.* The Compensation Committee determined the portions of the overall UPP award pool to be allocated to the CEO and to the other executive officers as a group (both 85% of target). The Chief Executive Officer, in consultation with the other executive officers, determined the allocation of the overall UPP award pool to the various organizations within the Company for payouts to other management-level employees. The allocation was based on their assessment of the performance of each organization relative to objectives established at the beginning of the performance year.

Once each organization's portion of the overall award pool was determined, management within each organization (the Chief Executive Officer and the Compensation Committee in the case of the executive officers other than the CEO and, in the case of the Chief Executive Officer, the Compensation Committee) allocated the organization's portion of the Company award pool for individual payouts, based upon individual performance against the financial, organizational, and strategic performance objectives and expectations established at the beginning of the performance year.

The Compensation Committee determined the CEO's payout based upon the Compensation Committee's assessment of his individual performance as described below. The portion of the overall UPP award pool allocated to the other executive officers which was paid to the named executive officers was based upon the CEO's and the Committee's assessment of each executive's individual performance as described below.

For 2018, the following corporate performance objectives were established for the CEO and the other executive officers based upon targeted 2018 performance under the annual business plan, with no specific weighting among the corporate performance objectives for the purpose of evaluating individual performance. Actual performance against these objectives was assessed by the Compensation Committee (for the CEO) and by the CEO and the Compensation Committee (for the other executive officers) as part of their determination of the amounts of the individual payouts:

Measure	Target	Actual
Adjusted earnings before interest and taxes*	\$1.725 billion	\$1.633 billion
Adjusted earnings per share*	\$8.40	\$8.20
Free cash flow*	\$1.10 billion	\$1.08 billion
Employee safety – days away from work (measured as days away from work per 200,000 hours worked)	£0.12	0.17
OSHA recordable injuries (measured per 200,000 hours worked)	£0.54	0.72
Process safety incident rate	£0.13	0.12

\* Non-GAAP financial measure, with adjustments and calculations as described above and in the Company's Quarterly Reports on Form 10-Q and Annual Report on Form 10-K SEC filings.

**44    2019 Proxy Statement**

**Table of Contents****Executive Compensation    Compensation Discussion and Analysis**

Additionally, each of the executive officers had individual performance commitments specific to each executive's area of responsibility, with no specific weighting among the commitments. Performance of the CEO (as assessed by the Compensation Committee) and of the other named executive officers (as assessed by the CEO and the Compensation Committee) by key result area was as follows:

Named Executive Officer	Commitments	Performance
Mark J. Costa	Overall financial and business performance (including progress in transformation to more specialty product earnings mix)	Met partially
	Growth and innovation (including market development, new business and product commercialization and sales, technology initiatives, and portfolio management)	Met
	Productivity (including productivity improvements and cost control, targeted growth and innovation spending, and reduced energy usage and greenhouse gas emissions)	Met
	Organizational capabilities enhancement (including management development and succession, talent attraction, development and retention, specialty business operating model development and implementation, and diversity and inclusion initiatives)	Met
	Employee safety and wellness	Met partially
Curtis E. Espeland	Earnings (including interest expense and effective tax rate and capital and cash allocation and uses)	Met partially
	Debt repayment and restructuring (including public debt refinancing and credit facility increase and extension)	Met
	Cash flow (including coal gasification incident insurance proceeds and accounts payable and receivable management and financing arrangements)	Met
	Corporate growth strategy leadership and capabilities enhancements (including restructuring and centralization of Eastman treasury intercompany funding operations, enhanced digital capabilities and leadership, and senior financial management development and succession planning)	Met
		Met

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

### Management of response to and impact of tax law changes

Met partially

Brad A. Lich

AM and Fibers segments business results (including revenue and EBIT and revenue and EBIT from new business from market development and innovation initiatives)

AM and Fibers segments organic growth and innovation initiatives (including new technology and product development and commercialization)

Met

Productivity (including cost reductions and quality control initiatives)

Met

Organizational capabilities enhancement (including specialty business operating model and commercial capabilities development and implementation and core business processes capabilities improvement initiatives)

Met

**2019 Proxy Statement 45**

**Table of Contents****Executive Compensation    Compensation Discussion and Analysis**

Named Executive Officer	Commitments	Performance
Lucian Boldea	AFP segment business results (including revenue and EBIT and revenue and EBIT from new business from market development and innovation initiatives)	Met partially
	AFP segment organic growth and innovation initiatives (including new technology and product development and commercialization)	Met
	Productivity (including operational and customer supply quality)	Met
	Organizational capabilities enhancement (including specialty business operating model and commercial capabilities development and implementation and core business processes capabilities improvement initiatives)	Met
David A. Golden	Legal, intellectual property, product safety and regulatory, health, safety and environmental, corporate compliance, government relations, and sustainability leadership and support of organic growth and commercial projects (including new product and technology and cost reduction and productivity initiatives and coal gasification operations repair, reconstruction, and restart)	Exceeded
	Management of commercial dispute resolution and litigation and U.S. and foreign patent and trademark applications, issuance and registration, and renewals (including for new products and technologies)	Met
	Development and leadership of Eastman environmental, social, and governance programs and practices (including meetings with Lead Director with institutional investor stockholders)	Met

The Compensation Committee determined that, based upon actual corporate performance against targets as listed above, each named executive's individual performance and leadership that contributed to this performance was satisfactory and met or exceeded expectations for purposes of determining his allocated individual portion of the respective award pools. The Compensation Committee also evaluated each executive's individual performance against his individual commitments as described above, and concluded that each named executive's individual performance was overall at or above target levels for purposes of determining their individual portions of the respective award pools.

Based upon the amount of the UPP award pool allocated to the CEO and to the other executive officers, respectively, and the assessments of the CEO's and other executives' individual performance against established goals and expectations as described above, the Compensation Committee determined the amounts of the individual payouts from the allocated portions of the UPP award pools based upon the Committee's judgment of overall Company performance and performance of applicable business or functional units, each individual executive's overall contribution and leadership, and external business conditions and circumstances, as follows:

Named Executive Officer	UPP Payout		
	UPP Payout	Target UPP Payout	as % of Target
Mark J. Costa	\$ 1,540,625	\$ 1,812,500	85%

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Curtis E. Espeland	596,700	702,000	85%
Brad A. Lich	535,500	630,000	85%
Lucian Boldea	387,600	456,000	85%
David A. Golden	406,725	435,000	93.5%

### 46 2019 Proxy Statement

## Table of Contents

### Executive Compensation Compensation Discussion and Analysis

The 2018 UPP payouts to the named executive officers are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table below.

#### Stock-Based Incentive Pay

**Equity-Based Compensation Program.** Equity-based compensation is designed to facilitate stock ownership in order to link senior managers pay to the Company's long-term performance to further align those managers' interests with the interests of other stockholders. Important elements of the executive equity-based compensation program are:

Stock Options	Granted under the Company's Omnibus Stock Compensation Plan (the Omnibus Plan), stock options create a direct link between compensation of key Company managers and long-term performance of the Company through appreciation of stock price.
Performance Shares	Awarded under the Omnibus Plan to provide an incentive for key managers to earn stock awards by meeting specified multi-year business or individual performance goals.
Other Stock-Based Incentive Pay	Under the Omnibus Plan, the Compensation Committee may also award additional stock-based compensation (with or without restrictions), including restricted stock units, performance units, stock appreciation rights, and additional stock options with performance-based or other conditions to vesting.
Stock Ownership Expectations	Established for executive officers to encourage long-term stock ownership and the holding of shares awarded under the Omnibus Plan or acquired upon exercise of options. Over a five-year period, executive officers are expected to accumulate stock with a value of two and one-half times their annual base salary (five times base salary for the Chief Executive Officer) in Company stock and stock equivalents. See <u>Stock Ownership of Directors and Executive Officers</u> <u>Director and Executive Stock Ownership Expectations</u> . All executive officers have met or are on schedule to meet their ownership expectations.

**How Stock-Based Incentive Pay Levels Are Determined.** The Compensation Committee establishes the annual value and mix of total stock-based incentive pay opportunities by considering recommendations from Aon Consulting based on long-term compensation survey data for the comparator companies listed under Review of 2018 Executive Compensation.

As requested by the Compensation Committee, Aon Consulting provides benchmarking analysis of this long-term stock-based compensation information, and also advises the Compensation Committee of general market stock-based incentive compensation practices and trends.

The Compensation Committee also regularly reviews with Aon Consulting the potential realizable value of each named executive officer's outstanding unvested, unexercised, and unrealized stock-based awards compared to similar pay of executives at the comparator companies in determining stock-based incentive pay opportunity levels.

For 2018, stock options and performance shares were awarded at a target opportunity level intended to align total stock-based compensation with the mid-range of comparable stock-based compensation of the comparator companies. The grant date values of these awards that are reported in the Summary Compensation Table and 2018 Grants of Plan-Based Awards table are accounting valuations that are calculated as of the effective grant date. Actual payouts for performance shares are determined by actual performance at the end of the three-year performance



period.

**2019 Proxy Statement** **47**

**Table of Contents****Executive Compensation    Compensation Discussion and Analysis**

**Stock Options.** In 2018, the Compensation Committee determined to provide approximately 25% of the value of each executive officer's stock-based compensation in the form of stock options. The Compensation Committee grants time-based vesting stock options with an exercise price equal to the market price of the underlying stock on the grant date, and on the date of its authorization of grants it sets a grant date that is on or after the date of approval of the grant. In determining the size and terms of option awards, the Compensation Committee used the services of Aon Consulting to derive values of options using a variation of the Black-Scholes option-pricing model. In addition, Aon Consulting advises the Compensation Committee on the design of retention and any performance incentive features of option grants. Computation of the value of option awards is comparable to values determined under FASB ASC Topic 718 and reported in the 2018 Grants of Plan-Based Awards table below.

**Long-Term Performance Shares.** Other than the executives who received restricted stock unit awards as described below, the other 75% of each executive officer's 2018 stock-based compensation was in the form of performance shares. Shares of Company common stock are paid under performance shares based on the Company's multi-year performance based on two measures:

a return on capital target established at the beginning of the three-year performance period, and

the Company's total return to stockholders (change in stock price plus dividends declared during the performance period, assuming reinvestment of dividends) relative to a peer group of industrial companies as measured over a three-year period.

The return on capital target is established considering corporate and strategic business plans and expectations for the performance period. Performance relative to the total return to stockholders target is determined by the Company's quintile placement relative to the peer group of industrial companies at the end of the three-year performance period. If earned, awards are paid after the end of the performance period in unrestricted shares of Eastman common stock. Consistent with recent and ongoing changes to the Company's business, products, and strategy for growth, the Committee has designed performance shares awarded since 2015 with greater weight on relative total stockholder return and less relative reward for higher levels of return on capital than for prior periods and removed and added certain companies to the peer group of industrial companies to reflect the strategic emphasis on specialty businesses and products. The comparison companies for currently outstanding awards are the group of companies within the S&P 1500 Materials Sector that are classified by Standard & Poor's as chemical companies, excluding The Chemours Company and Rayonier Advanced Materials and including Celanese Corporation, Westlake Chemical Corporation, and Huntsman Corporation. The S&P Materials Sector index is an index of industrial companies selected from the S&P Super Composite 1500 Index.

*2018-2020 Performance Share Awards*

The targeted number of 2018-2020 performance shares awarded to our named executive officers is provided below under Stock-Based Incentive Awards in 2018. The actual payout for each performance share award will be determined following the end of the three-year performance period based on the following matrix used to establish an award multiplier (as shown in the matrix) for the performance share target awards:

Eastman TSR Relative to Comparison Companies	2018-2020 Performance Shares					
	Weighted Return on Capital					
	<sup>3</sup> 5.01 to 6.0%	6.01 to 7.0%	7.01 to 8.0%	8.01 to 9.0%	9.01 to 10.0%	> 10%
0-19% (5th quintile)	0.0	0.0	0.0	0.2	0.3	0.4
20-39% (4th quintile)	0.0	0.2	0.4	0.6	0.8	0.9
40-49% (3rd quintile)	0.4	0.6	0.8	1.0	1.2	1.4
50-59% (3rd quintile)	0.6	0.8	1.0	1.3	1.5	1.7

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

60-79% (2nd quintile)	1.0	1.2	1.4	1.7	1.9	2.1
80-99% (1st quintile)	1.0	1.8	2.0	2.3	2.4	2.5

### **48** 2019 Proxy Statement

**Table of Contents****Executive Compensation Compensation Discussion and Analysis**

For purposes of these awards, return on capital performance is determined based on the arithmetic average for each of the years during the performance period of our average return on capital.

Return on capital is our earnings from continuing operations divided by the average capital employed, each as defined in the form of the 2018-2020 performance share award filed as Exhibit 10.22 to the Company's 2017 Annual Report on Form 10-K. The resulting ratio is multiplied by 100 in order to convert it to a percentage.

Total stockholder return (or TSR) performance is determined based on our TSR during the performance period relative to the TSRs of the companies in the comparison group during the performance period. TSR generally means total stockholder return as reflected by the sum of (i) change in stock price (measured as the difference between (a) the average of the closing prices of a company's common stock in the period beginning on the tenth trading day preceding the beginning of the performance period and ending on the tenth trading day of the performance period and (b) the average of such closing prices for such stock in the period beginning on the tenth trading day preceding the end of the performance period and ending on the tenth trading day following the end of the performance period) plus (ii) dividends declared, assuming reinvestment of dividends, and expressed as a percentage return on a stockholder's hypothetical investment.

Although the actual payout of the performance share awards in 2018 will not be determinable until after the end of the performance period in 2020, a grant date fair value of such awards (which is an accounting valuation that is calculated as of the award date) is reported in the 2018

Stock Awards column of the Summary Compensation Table and the range of possible share payouts is reported in the Estimated Future Payouts Under Equity Incentive Plan Awards column of the 2018 Grants of Plan-Based Awards table. These awards have challenging long-term targets for returns on capital and to investors. Actual possible payouts are aligned with our pay-for-performance philosophy. The accounting methodology for the valuation of performance shares in the compensation tables uses predictive financial models of company performance, and results in a valuation that may be substantially different than the actual payouts. The performance share values in the pay tables reflect the robust performance expectations underlying the targeted performance. Over the last three performance cycles the actual performance share payouts have been:

	Average			
Performance Share Award Cycle	2014-2016	2015-2017	2016-2018	Payout
Year of Payout	2017	2018	2019	
Payout Percentage of Target	40%	140%	80%	87%
<i>2016-2018 Performance Share Payouts</i>				

In early 2019, the Compensation Committee reviewed performance results and approved a payout of shares to the executive officers under performance shares previously awarded for the 2016-2018 performance period. The payouts to the named executive officers under the 2016-2018 performance shares are reported in the Stock Awards column of the 2018 Option Exercises and Stock Vested table below. The following tables show the targets and the payout matrix for the 2016-2018 performance shares:

	Total Stockholder Return	
Performance Years	Target Return on Capital	(TSR) Target Quintile
2016, 2017 and 2018	10.01%	3rd Quintile 50 59%

Eastman TSR Relative to Comparison Companies	Weighted Return on Capital					
	<sup>3</sup> 7.00 to 8.50 %	8.51 to 10.00 %	10.01 to 11.50 %	11.51 to 13.00 %	13.01 to 14.50 %	> 14.50 %
0-19% (5th quintile)	0.0	0.0	0.0	0.2	0.3	0.4
20-39% (4th quintile)	0.0	0.2	0.4	0.6	0.8	0.9
40-49% (3rd quintile)	0.4	0.6	0.8	1.0	1.2	1.4
50-59% (3rd quintile)	0.6	0.8	1.0	1.3	1.5	1.7
60-79% (2nd quintile)	1.0	1.2	1.4	1.7	1.9	2.1
80-99% (1st quintile)	1.0	1.8	2.0	2.3	2.4	2.5

2019 Proxy Statement **49**

**Table of Contents****Executive Compensation Compensation Discussion and Analysis**

Payouts for the 2016-2018 performance period to the named executive officers ranged from 4,385 shares to 67,912 shares, and represented 80% of each executive's target award (of a possible 250% of the target award) based upon the Company's total stockholder return ranking in the 3rd quintile (40-49%) of the compared companies and an average return on capital of 11.28%. Measurement of return on capital under the performance shares was based on reported GAAP earnings, and did not exclude items excluded in the non-GAAP financial measures disclosed by the Company.

**Stock-Based Incentive Awards in 2018.** In 2018, the named executive officers were awarded stock options and performance shares, as described above in the numbers of shares below:

	M.J.	C.E.	B.A.	L.	D.A.
	Costa	Espeland	Lich	Boldea	Golden
Ten-Year Stock Options (underlying shares)	185,310	44,924	44,924	33,693	26,955
Three-Year Performance Shares (target payout shares)	65,428	15,862	15,862	11,896	9,517

**Restricted Stock Unit Awards.** From time to time, the Committee grants special cash or equity awards for recognition of sustained valuable performance or to retain key individuals who have critical skills of strategic importance.

The Compensation Committee awarded restricted stock units to each of named executive officers Curtis E. Espeland and Lucian Boldea on February 26, 2018. These awards, which will vest and be paid in unrestricted shares of Company common stock on February 26, 2021, subject to each executive's continued employment, were awarded as retention incentives and as recognition and incentive for their continued leadership. Mr. Espeland's special award was for his continued leadership in developing and coordinating the Company's global tax strategy and his management of the Company's financial position and cash flow. Mr. Boldea's special award was for his continued leadership in the Additives & Functional Products segment businesses, including leading the development of several new business units such as the Animal Nutrition business and his leadership in growth of the Tire Additives business.

The Compensation Committee set the values and time-vesting terms of these awards to be consistent with recent similar special retention and performance incentive awards to executive officers.

**Executive Perquisites and Personal Benefits**

The Company provides only limited perquisites to our named executive officers, and those perquisites are designed to provide specific benefits. The Compensation Committee annually reviews the types and amounts of perquisites provided to executives, and tax treatment of those perquisites for both the Company and the executive officers. Perquisites provided to executives for 2018 were:

personal umbrella liability insurance coverage,

home security system,

non-business travel on corporate aircraft by executives, their families, and invited guests when seats are available and the aircraft is otherwise being used for Company business, including added destination of a flight when the plane is otherwise in reasonable proximity to the added destination, and

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

supplemental long-term disability insurance for a portion of executives   annual cash compensation not replaced in the event of their disability under the all-employee long-term disability insurance plan.

In addition, the Compensation Committee has determined that it is appropriate that the Chief Executive Officer use corporate aircraft whenever possible for both business and personal travel (and for his family when they are traveling with him). This is to allow travel time to be used productively for the Company, for security purposes, and to be sure that Mr. Costa can be immediately available to respond to business priorities from any location around the world. This personal use is accounted for and periodically reviewed by the Compensation Committee.

There are no tax gross-up payments made by the Company for any imputed income to the executive officers on perquisites or personal benefits.

### **50   2019 Proxy Statement**

## **Table of Contents**

### **Executive Compensation   Compensation Discussion and Analysis**

## **Executive Termination and Change-in-Control Agreements**

The Company recognizes that the occurrence, or potential occurrence, of a change-in-control transaction can create uncertainty regarding the continued employment of our executive officers. This uncertainty results from the fact that many change-in-control transactions result in significant organizational changes, particularly at the senior executive level. Accordingly, the Company believes that severance protections in the context of a change-in-control transaction can play a valuable role in attracting and retaining key executive officers. In order to encourage our executive officers to remain focused on maximizing stockholder value when their prospects for continued employment following a transaction are often uncertain, we provide certain of our executive officers with severance benefits if their employment is terminated by the Company without cause or by the executive for good reason in connection with a change-in-control. Detailed information regarding these change-in-control severance agreements and the benefits they provide is included in the Termination and Change-in-Control Arrangements section of this proxy statement.

The Compensation Committee evaluates the level of severance benefits payable to each executive officer, and considers these severance protections an important part of executives' compensation and consistent with practices of peer companies. Consistent with recommendations from Aon Consulting and current market and peer company practices, the Compensation Committee has approved and the Company has entered into change-in-control severance agreements with the named executive officers and certain other executive officers that provide for payments of no more than three-times base salary plus target annual variable cash pay opportunity for the CEO and two-times base salary plus target annual variable cash pay opportunity for other executive officers and which do not provide for any tax gross up payments to executives.

## **Tax Treatment of Executive Officer Compensation**

In general, under Section 162(m) of the Internal Revenue Code, all compensation we pay in a given year (other than certain grandfathered compensation under prior tax law) in excess of \$1 million to our CEO, CFO, our next three most highly compensated officers and any other individual who has served as one of our covered executives after 2016, will be non-deductible. The Compensation Committee retains the discretion to pay non-deductible amounts. The Compensation Committee believes such flexibility best serves the interests of the Company and its stockholders by allowing the Committee to recognize and motivate executive officers as circumstances warrant.

## **Compensation Recoupment   Clawback   Policy**

The Sarbanes-Oxley Act of 2002, Company policy, and pending provisions of the Dodd-Frank Act govern the process for reimbursement by executive officers of certain cash bonus or other incentive-based or equity-based compensation (sometimes referred to as clawback) received following public disclosure of an accounting restatement due to material noncompliance by the Company with any financial reporting requirements. In addition, certain outstanding awards under our Omnibus Long-Term Compensation Plans require reimbursement of certain amounts from awards following an accounting restatement due to material noncompliance by the Company with any financial reporting requirement.

The Compensation Committee has adopted an additional executive clawback policy which requires that, if the Company is required to prepare an accounting restatement due to material noncompliance with financial reporting requirements, then any current and former executive officers who willfully committed an act of fraud, dishonesty, or recklessness that contributed to the noncompliance would be required to repay the amount of incentive-based compensation paid or granted to that executive within three years before the accounting restatement that was in excess of the amount that would have been paid or granted to that executive if the restated financial statements had originally been prepared and disclosed. The clawback policy was adopted in advance of final rules or regulations (Final Regulations) expected to be adopted by the SEC and listing requirements expected to be adopted by the New York Stock Exchange that would implement the incentive-based compensation recovery requirements of the Dodd-Frank Act. We expect that the clawback policy will remain operative until it may be amended to conform to any requirements that may be contained in the Final Regulations and, if necessary, the clawback policy will be interpreted and administered consistent with such Final Regulations.





**Table of Contents****Executive Compensation Compensation Tables****Compensation Tables**

The following Summary Compensation Table provides information concerning compensation of the individuals serving as Eastman's Chief Executive Officer and Chief Financial Officer during 2018 and the Company's three other most highly compensated executive officers who were serving as executive officers at December 31, 2018 (the "named executive officers").

**Summary Compensation Table**

							Change in		
							Pension		
							Value		
							And		
							Nonqualified		
							Non-Equity		
							Deferred		
							Incentive		
							Plan		
							Compensation		
							All Other		
Name and		Salary	Bonus	Awards	Option	Compensation	Earnings	Compensation	Total
Principal Position	Year	(\$)	(\$)	\$(1)(2)	\$(1)	\$(3)	\$(4)	\$(5)	(\$)
Mark J. Costa	2018	\$ 1,226,110	\$ 0	\$ 9,646,050	\$ 2,946,429	\$ 1,540,625	\$ 186,226	\$ 373,043	\$ 15,918,483
	2017	1,139,436	0	9,124,531	1,980,237	1,449,000	448,854	347,598	14,489,656
Chief Executive Officer	2016	1,102,895	0	6,295,442	1,771,578	1,301,300	564,900	361,952	11,398,067
Curtis E. Espeland	2018	775,214	0	3,338,534	714,292	596,700	114,926	80,137	5,619,803
	2017	751,506	0	2,035,533	441,748	612,000	356,010	73,631	4,270,428
Executive Vice President									
and Chief Financial Officer	2016	736,887	0	1,445,156	406,680	723,000	436,151	75,450	3,823,324
Brad A. Lich	2018	682,754	0	2,338,535	714,292	535,500	67,641	59,608	4,398,330
	2017	626,161	0	2,105,652	456,980	511,000	329,942	66,481	4,096,216
Executive Vice President		611,007	0	2,949,348	399,056	705,000	328,834	63,900	5,057,145
and Chief Commercial									
Officer	2016								
Lucian Boldea	2018	560,094	0	3,253,826	535,719	387,600	156,783	50,862	4,944,884
	2017	522,729	0	1,286,821	279,270	458,000	141,175	41,596	2,729,591
Senior Vice President,									
Additives & Functional									
Products(6)									
David A. Golden	2018	576,022	0	1,403,091	428,585	406,725	44,301	58,364	2,917,088

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Senior Vice President,	2017	553,248	0	1,199,142	260,229	353,000	179,018	56,146	2,600,783
	2016	531,324	0	858,105	241,472	338,000	309,610	50,350	2,328,861

Chief Legal & Sustainability

Officer and Corporate  
Secretary

- (1) Grant date fair value of awards of performance shares and restricted stock units (reported in the *Stock Awards* column) and options (reported in the *Option Awards* column) made in the year indicated, computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 (*Stock Compensation*). The grant date fair values of performance share awards uses predictive financial models of Company relative stock price and financial performance, including assumptions of potential of achievement of relative TSR and return on capital targets underlying the awards, calculated in accordance with FASB ASC Topic 718 based on a multi-factor Monte Carlo simulation. See note 17 to the Company's consolidated financial statements in the Annual Report to Stockholders for 2018 mailed and delivered electronically with this proxy statement for a description of the assumptions made in the valuation of 2018 stock awards under FASB ASC Topic 718. Based on actual performance through 2018 and assuming a market value equal to the closing price of the Company's common stock on the New York Stock Exchange on December 31, 2018, the value of the payout of the 2018 and 2017 performance shares would be: Mr. Costa 2018 \$6,696,803 and 2017 \$9,235,036; Mr. Espeland 2018 \$1,623,554 and 2017 \$2,060,167; Mr. Lich 2018 \$1,623,554 and 2017 \$2,131,157; Mr. Boldea 2018 \$1,217,574 and 2017 \$1,302,382 and Mr. Golden 2018 \$974,118 and 2017 \$1,213,699. For more information about stock and option awards, see 2018 Grants of Plan-Based Awards, Outstanding Equity Awards at 2018 Year-End, and 2018 Option Exercises and Stock Vested tables.

## 52 2019 Proxy Statement

**Table of Contents**

**Executive Compensation Compensation Tables**

- (2) Value of contingent stock awards ( performance shares and restricted stock units ) with future payment subject to satisfaction of continued employment for specified time periods and the achievement of specified performance-based conditions. Performance share awards were made for performance periods beginning January 1, 2016 and ending December 31, 2018, beginning January 1, 2017 and ending December 31, 2019, and beginning January 1, 2018 and ending December 31, 2020, respectively. Restricted stock units were awarded to Messrs. Boldea and Espeland on February 26, 2018 and to Mr. Lich on February 28, 2016 for the three-year period following the award date. The potential maximum grant date value of the performance share awards assuming the highest level of performance conditions, computed in accordance with FASB ASC Topic 718, were: Mr. Costa (2016 \$9,372,705, 2017 \$9,124,531, 2018 \$10,084,418); Mr. Espeland (2016 \$2,151,560, 2017 \$2,035,533, 2018 \$2,444,810); Mr. Lich (2016 \$2,111,260, 2017 \$2,105,652, 2018 \$2,444,810), Mr. Boldea (2017 \$1,286,821, 2018 \$1,833,530) and Mr. Golden (2016 \$1,277,554, 2017 \$1,199,142, 2018 \$1,466,855).
- (3) Cash payments made in the following year for performance in the year indicated under the Unit Performance Plan (the UPP ). As described in the Compensation Discussion and Analysis preceding these tables and in the 2018 Grants of Plan-Based Awards table below, the UPP is the Company's annual incentive pay program under which a portion of the total annual compensation of executive officers and other management-level employees is dependent upon corporate, organizational, and individual performance.
- (4) Change in Pension Value is the aggregate change in actuarial present value of the executive officer's accumulated benefit under all defined benefit and actuarial retirement plans, which are the Company's tax-qualified defined benefit pension plan (the Eastman Retirement Assistance Plan, or ERAP ) and unfunded, nonqualified retirement plans supplemental to the ERAP that provide benefits in excess of those allowed under the ERAP (the Eastman Unfunded Retirement Income Plan, or URIP , and the Eastman Excess Retirement Income Plan, or ERIP ). These changes in present value are not directly in relation to final payout potential, and can vary significantly year-over-year based on (i) promotions and corresponding changes in salary; (ii) other one-time adjustments to salary or other reasons; (iii) actual age versus predicted age at retirement; (iv) the interest (or discount ) rate used to determine present value of benefit; and (v) other relevant factors. A decrease in the discount rate results in an increase in the present value of the accumulated benefit without any increase in the benefits payable to the named executive officer at retirement and an increase in the discount rate has the opposite effect.

The aggregate increase in actuarial value of the pension plans is computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to the Company's financial statements for 2018, 2017, and 2016. The actuarial present value calculations are based on prescribed IRS mortality tables and assume individual compensation and service through December 31, 2018, December 31, 2017, and December 31, 2016, respectively, with benefit commencement at the normal retirement age of 65. Benefits are discounted using a 4.34% discount rate for the ERAP and a 4.30% discount rate for the URIP for the 2018 calculation, a 3.63% discount rate for the ERAP and a 3.59% discount rate for the URIP for the 2017 calculation, and a 3.97% discount rate for the ERAP and a 3.78% discount rate for the URIP for the 2016 calculation. See the Pension Benefits table for additional information about the named executive officers' benefits under the pension plans.

Nonqualified Deferred Compensation Earnings refers to above-market or preferential earnings on compensation that is deferred on a basis that is not tax-qualified, including such earnings on amounts in nonqualified defined contribution plans. The Company maintains the Executive Deferred Compensation Plan (the EDCP ), an unfunded, nonqualified deferred compensation plan into which executive officers can defer compensation until retirement or termination from the Company. For 2018, 2017, and 2016, there were no preferential or above-market earnings on amounts in individual EDCP accounts (defined as appreciation in value and dividend equivalents earned at a rate higher than appreciation in value and dividends on common stock and interest on amounts deferred at a rate exceeding 120% of the federal long term rate). See the 2018 Nonqualified Deferred Compensation table for additional information about the named executive officers' EDCP accounts.



## **Table of Contents**

### **Executive Compensation Compensation Tables**

(5) All Other Compensation for 2018 consists of the following:

**Annual Company contributions to defined contribution plans.** The amounts reported for 2018 are the total annual Company contributions to the accounts of Messrs. Costa (\$133,604), Espeland (\$69,264), Lich (\$59,608), Boldea (\$50,862), and Golden (\$46,381) in the Eastman Investment Plan, a 401(k) retirement plan, and in the EDCP. Contributions to the Eastman Investment Plan equaled \$13,750 for each named executive officer, with the remaining Company contributions to their respective EDCP accounts. *See* the 2018 Nonqualified Deferred Compensation table for additional information about Company contributions into the named executive officers' EDCP accounts. Annual Company contributions were based upon actual compensation paid during the calendar year.

**Perquisites and other personal benefits.** Perquisites and personal benefits to the named executives (described in Compensation Discussion and Analysis Executive Perquisites and Personal Benefits ) are reported for 2018 for Messrs. Costa, Espeland, and Golden because the total incremental cost to the Company for each was at least \$10,000.

The amount reported for Mr. Costa for 2018 is the aggregate value, based upon the incremental cost to the Company, of the following perquisites and other personal benefits: personal umbrella liability insurance coverage (\$1,660), home security system (\$1,861), supplemental long-term disability insurance (\$11,061), and non-business travel on corporate aircraft by Mr. Costa and his family (\$224,857).

The amount reported for Mr. Espeland and for Mr. Golden, respectively, is the aggregate value, based upon the incremental cost to the Company, of the following perquisites and other personal benefits: personal umbrella liability insurance coverage (each \$1,148), home security system (\$618 and \$4,548), and supplemental long-term disability insurance (\$6,907 and \$6,287), and for Mr. Espeland added destination non-business travel on corporate aircraft of a flight for Company business (\$2,201).

The aggregate incremental cost to the Company for operating the corporate aircraft for personal flights is based upon calculation of direct operating costs including fuel, fuel additives, lubricants, maintenance, reserves for engine restoration and overhaul, landing and parking expenses, crew expenses, and miscellaneous supplies and catering (including for any deadhead segments of such flights when the aircraft flies empty before picking up or dropping off Mr. Costa). The aggregate incremental costs to the Company of the umbrella liability insurance, the home security system, and supplemental long-term disability insurance are the actual amounts paid by the Company.

(6) Mr. Boldea became an executive officer on July 1, 2016 and was a named executive officer in 2017 and 2018.

### **54 2019 Proxy Statement**

**Table of Contents****Executive Compensation Compensation Tables**

The following table provides certain information regarding the 2018 award opportunities under the Unit Performance Plan (the UPP) and equity incentive awards made in 2018 to the individuals named in the Summary Compensation Table.

**2018 Grants of Plan-Based Awards**

Name	Approval Date (1)	Grant Date (2)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(3)			Estimated Future Payouts Under Equity Incentive Plan Awards(4)			All Other Stock Awards: Number of Shares of Stock or Units (#)(5)	All Other Option Awards: Number of Securities Underlying Options (#)(6)	Exercise or Base Price of Option Awards (\$/Share) (7)	Grant Date
			Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				Fair Value of Stock and Option Awards (8)
M. J. Costa		1/1/2018	\$ 906,250	\$ 1,812,500	\$ 3,625,000	13,086	65,428	163,570		185,310	\$ 104.21	
	2/14/2018	1/1/2018										\$ 9,646,050
	2/14/2018	2/26/2018										2,946,429
C. E. Espeland		1/1/2018	351,000	702,000	1,404,000	3,172	15,862	39,655		44,924	104.21	
	2/14/2018	1/1/2018										2,338,535
	2/14/2018	2/26/2018										714,292
	2/14/2018	2/26/2018							9,596			999,999
B. A. Lich		1/1/2018	315,000	630,000	1,260,000	3,172	15,862	39,655		44,924	104.21	
	2/14/2018	1/1/2018										2,338,535
	2/14/2018	2/26/2018										714,292
L. Boldea		1/1/2018	228,000	456,000	912,000	2,379	11,896	29,740		33,693	104.21	
	2/14/2018	1/1/2018										1,753,827
	2/14/2018	2/26/2018										535,719
	2/14/2018	2/26/2018							14,394			1,499,999
D. A. Golden		1/1/2018	217,500	435,000	870,000	1,903	9,517	23,793		26,955	104.21	
	2/14/2018	1/1/2018										1,403,091
	2/14/2018	2/26/2018										428,585

- (1) The Compensation Committee made stock option grants, performance share awards for the 2018-2020 performance period, and special restricted stock unit awards in February 2018.
- (2) Performance share awards for 2018-2020 were effective as of the beginning of the performance period on January 1, 2018. The UPP award opportunities relate to 2018 performance.
- (3) Estimated possible payouts for 2018 under the UPP. The Threshold column reflects the 50% payout level if performance is at minimum of 85% of target levels. The Target column reflects the 100% payout level if performance is at 100% of target levels. The Maximum column reflects the 200% payout level if performance is at or above 115% of target levels for specified above-goal performance. See the Summary Compensation Table for actual payouts under the UPP for 2018 and Compensation Discussion and Analysis for a description of the UPP and how the payouts were determined.

- (4) Estimated future share payouts at threshold, target, and maximum levels for performance shares for the 2018-2020 performance period, assuming performance conditions are satisfied. *See also* Compensation Discussion and Analysis for a description of how performance share payouts are determined, Outstanding Equity Awards at 2018 Year-End table, and Termination and Change-in-Control Arrangements .

**2019 Proxy Statement** **55**



## **Table of Contents**

### **Executive Compensation Compensation Tables**

- (5) Restricted stock units, representing the right to receive the same number of unrestricted shares of common stock on the third anniversary of the award date, subject to continued employment (other than in the event of termination by reason of death or disability). An amount equal to cash dividends paid on common stock during the period that the restricted stock units are outstanding and unvested is payable in cash on the vesting date of the restricted stock units.
- (6) Nonqualified stock options granted during 2018. Options granted in 2018 have an exercise price equal to the closing price on the New York Stock Exchange of the underlying common stock on the date of grant. The stock options vest and become exercisable in one-third increments on each of the first three anniversaries of the grant date, with acceleration of vesting if, following a change in control, (i) the grantee's employment is terminated other than due to death, disability, cause, resignation, or retirement or (ii) the award cannot be continued or replaced with an award for another public company stock because Eastman common stock (or the stock of the successor company) ceases to be publicly traded in a national securities market. For more information about these change in control provisions, see Omnibus Stock Compensation Plans under Termination and Change-in-Control Arrangements. Stock options generally expire ten years from the date of grant. Upon termination by reason of death, disability, or retirement, the stock options remain exercisable for the lesser of five years following the date of termination or the expiration date. If an employee resigns, the stock options remain exercisable for the lesser of ninety days or the expiration date. Stock options not previously exercised are canceled and forfeited upon termination for cause. See Summary Compensation Table, Outstanding Equity Awards at 2018 Year-End and 2018 Option Exercises and Stock Vested tables, and Termination and Change-in-Control Arrangements.
- (7) Per-share exercise prices of the stock options granted in 2018. The exercise price is the closing price of common stock on the New York Stock Exchange on the grant date.
- (8) Grant date fair value of each stock-based award computed in accordance with FASB ASC Topic 718.

### **56 2019 Proxy Statement**

**Table of Contents****Executive Compensation Compensation Tables**

The following table provides information regarding outstanding option grants and stock awards as of December 31, 2018 held by individuals named in the Summary Compensation Table.

**Outstanding Equity Awards at 2018 Year-End**

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards:	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Equity Incentive Plan Awards: Number of Other Rights That Have Not Vested (#)(2)	Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
M. J. Costa	52,000			\$ 39.84	11/1/2020				
	33,000			38.30	10/31/2021				
	30,246			69.73	2/27/2023				
	3,361			69.73	2/27/2023				
	57,580			87.43	2/27/2024				
	102,390			74.46	2/26/2025				
	107,662	53,831(4)		65.16	2/25/2026				
	55,986	111,973(5)		80.25	2/27/2027				
		185,310(6)		104.21	2/25/2028				
								217,916	\$ 15,931,839
C. E. Espeland	35,000			38.30	10/31/2021				
	22,685			69.73	2/27/2023				
	2,521			69.73	2/27/2023				
	16,227			87.43	2/27/2024				
	26,451			74.46	2/26/2025				
	24,714	12,358(4)		65.16	2/25/2026				
	12,489	24,979(5)		80.25	2/27/2027				
		44,924(6)		104.21	2/25/2028				
						9,596(7)	\$ 701,564		
								50,386	3,683,720
B. A. Lich	4,537			69.73	2/27/2023				
	505			69.73	2/27/2023				
	9,423			87.43	2/27/2024				
	23,038			74.46	2/26/2025				
	24,251	12,126(4)		65.16	2/25/2026				
	12,920	25,840(5)		80.25	2/27/2027				

Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

44,924(6)	104.21	2/25/2028	23,500(7)	1,718,085	51,357	3,754,710
-----------	--------	-----------	-----------	-----------	--------	-----------

2019 Proxy Statement [57](#)

**Table of Contents****Executive Compensation Compensation Tables**

Name	Option Awards					Stock Awards		Equity Incentive Plan Awards:	
								Market or Payout Value of	
								Equity Incentive Plan Awards: Number of Unearned	
	Number of Securities Underlying Unexercised Options (#)	Number of Securities Underlying Unexercised Options (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unearned Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(1)	Shares, Units or Other Rights That Have Not Vested (#)(2)	Unearned Shares, Units or Other Rights That Have Not Vested (\$)(3)
L. Boldea	3,706			69.73	2/27/2023				
	412			69.73	2/27/2023				
	3,267			87.43	2/27/2024				
	5,499			74.46	2/26/2025				
	6,951	3,476(4)		65.16	2/25/2026				
	7,895	15,792(5)		80.25	2/27/2027				
		33,693(6)		104.21	2/25/2028				
						14,394(7)	1,052,345	34,468	2,519,955
D. A. Golden	12,099			69.73	2/27/2023				
	1,345			69.73	2/27/2023				
	9,423			87.43	2/27/2024				
	15,359			74.46	2/26/2025				
	14,674	7,338(4)		65.16	2/25/2026				
	7,357	14,715(5)		80.25	2/27/2027				
		26,955(6)		104.21	2/25/2028				
								29,925	2,187,817

(1) Market value of shares of common stock payable under restricted stock units, based on the per share closing price of the common stock on the New York Stock Exchange on December 31, 2018.

(2) Number of shares of common stock to be paid under outstanding performance share awards, based upon actual performance through 2018, for 2017-2019 and 2018-2020 performance periods. See Compensation Discussion and Analysis for a description of how performance share payouts are determined. If earned, the awards will be paid after the end of the performance period in unrestricted shares of common stock (subject to proration if the executive's employment is terminated during the performance period because of retirement, death, or disability, and to cancellation in the event of resignation or termination for cause).

(3) Value of shares of common stock to be paid under outstanding performance share awards, based upon actual performance through 2018, for 2017-2019 and 2018-2020 performance periods, assuming a market value equal to the closing price of the Company's common stock on the New York Stock Exchange on December 31, 2018. Any payments under these performance share awards will be determined based on actual performance through 2019 and 2020, respectively, and not on any interim measure of performance.

- (4) Option became exercisable as to the remaining shares on February 26, 2019.
- (5) Option became exercisable as to one-half of the shares on February 28, 2019 and becomes exercisable for remaining shares on February 28, 2020.
- (6) Option became exercisable as to one-third of the shares on February 26, 2019 and becomes exercisable for remaining shares in equal amounts on February 26, 2020 and February 26, 2021.
- (7) Restricted stock units, representing the right to receive the same number of unrestricted shares of common stock on the third anniversary of the award date, subject to continued employment (other than termination by reason of death or disability). An amount equal to cash dividends paid during the period that the restricted stock units are outstanding and unvested with respect to shares underlying restricted stock units which vest is payable in cash on the vesting date of the restricted stock units.

**58 2019 Proxy Statement**

**Table of Contents****Executive Compensation Compensation Tables**

The following table summarizes aggregate values realized upon exercise of options by, and payouts of vested stock for 2018 to, the individuals named in the Summary Compensation Table.

**2018 Option Exercises and Stock Vested**

Name	Option Awards(1)		Stock Awards(2)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise(\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting(\$)
M. J. Costa	55,000	\$ 3,874,200	67,912	\$ 5,617,002
C. E. Espeland	47,000	2,827,529	33,590	3,087,829
B. A. Lich	8,202	548,500	15,298	1,265,298
L. Boldea	0	0	8,835	829,132
D. A. Golden	0	0	23,857	2,312,224

(1) Number of acquired shares and aggregate net value realized upon exercise of options during 2018.

(2) Number of shares received by each named executive officer upon payout under 2016-2018 performance share award and by Messrs. Espeland, Boldea, and Golden upon vesting and payout of restricted stock units and the aggregate value of such shares of common stock (including dividend equivalent payments) based upon the per share closing price of the common stock on the New York Stock Exchange on the payout date.

The following table summarizes the portion of post-employment benefits payable to the individuals named in the Summary Compensation Table from Company pension plans as of December 31, 2018.

**Pension Benefits**

Name	Plan Name (1)(2)	Number of Years of Credited Service (#)	Present Value of Accumulated Benefit (\$)(3)	Payments
				During Last Year(\$)
M. J. Costa	ERAP	13	\$ 175,190	\$ 0
	ERIP/URIP	13	1,945,477	0
C. E. Espeland	ERAP	23	380,517	0
	ERIP/URIP	23	1,837,959	0
B. A. Lich	ERAP	17	239,916	0
	ERIP/URIP	17	1,123,788	0
L. Boldea	ERAP	22	268,751	0
	ERIP/URIP	22	657,615	0
D. A. Golden	ERAP	24	382,250	0
	ERIP/URIP	24	1,025,534	0

## Table of Contents

### Executive Compensation Compensation Tables

- (1) The Eastman Retirement Assistance Plan ( ERAP ) is a tax-qualified, non-contributory defined benefit pension plan that generally covers employees who became employed on or before December 31, 2006. A participant's total ERAP benefit consists of his or her Pre-2000 Benefit and Pension Equity Benefit, as described below:

**Pre-2000 Benefit.** Prior to 2000, the ERAP used a traditional pension formula which gave each participant a life annuity commencing at age 65. A participant is eligible for an unreduced Pre-2000 Benefit when such participant's aggregate age plus years of eligible service totals 85, or at age 65. At retirement, the actuarial present value of the future annual Pre-2000 Benefit payments may at the election of the participant be paid in a lump sum. Benefits earned during 1998 and 1999, upon the election of the participant, may be payable over five years. The Pre-2000 Benefits payable upon retirement are based upon the participant's years of service with the Company and average participating compensation, which is the average of three years of those earnings described in the ERAP as participating compensation. Participating compensation, in the case of the named executive officers consists of salary, bonus, and non-equity incentive plan compensation, including an allowance in lieu of salary for authorized periods of absence, such as illness, vacation, and holidays. To the extent that any participant's annual Pre-2000 Benefit exceeds the amount payable under the ERAP, such excess will be paid from one or more unfunded, supplementary plans.

**Pension Equity Benefit.** Effective January 1, 2000, the Company redesigned the ERAP to use a pension equity formula. Under the pension equity formula, beginning January 1, 2000, a participant earns a certain percentage of final average earnings each year based upon age and total service with the Company. When a participant terminates employment, he or she is entitled to a pension amount, payable over five years. The amount may also be converted to various forms of annuities. To the extent that any participant's Pension Equity Benefit exceeds the amount payable under the ERAP, such excess will be paid from one or more unfunded, supplementary plans.

- (2) The Company maintains two unfunded, nonqualified plans, the Unfunded Retirement Income Plan ( URIP ) and the Excess Retirement Income Plan ( ERIP ). The ERIP and the URIP will restore to participants in the ERAP benefits that cannot be paid under the ERAP because of applicable tax law limits, and benefits that are not accrued under the ERAP because of a voluntary deferral by the participant of compensation that would otherwise be counted for benefit calculation under the ERAP. The Company has established a Rabbi Trust to provide a degree of financial security for the participants' unfunded account balances under the ERIP and URIP. See Termination and Change-in-Control Arrangements Benefit Security Trust.

- (3) Actuarial present value of the accumulated benefit, computed as of the same pension plan measurement date used for financial statement reporting purposes with respect to the Company's audited financial statements for 2018. The actuarial present value calculation is based on the prescribed IRS mortality tables, and assumes individual compensation and service through December 31, 2018, with benefit commencement at normal retirement age of 65. Benefits are discounted to present value using a 4.34% discount rate for the ERAP and 4.30% discount rate for the URIP.

The following table is a summary of participation by the individuals named in the Summary Compensation Table in the Executive Deferred Compensation Plan (the EDCP ), an unfunded, nonqualified deferred compensation plan into which executive officers and other management-level employees can defer compensation until retirement or termination from the Company. Annual base and incentive cash compensation, stock and stock-based awards which are payable in cash and allowed to be deferred, and special compensation payable in connection with the employee's initial employment with the Company may be deferred into the EDCP. Compensation deferred into the EDCP is credited at the election of the employee to multiple hypothetical investment alternatives, including an Eastman stock fund. Amounts deferred into the Eastman stock account increase or decrease in value depending on the market price of Eastman common stock. When cash dividends are declared on Eastman common stock, each stock account receives a dividend equivalent which is used to hypothetically purchase additional shares. Upon retirement or termination of employment, the value of a participant's EDCP account is paid, in cash, in a single lump sum or in up to ten annual installments as elected in advance by the

**Table of Contents****Executive Compensation Compensation Tables**

participant. The EDCP also provides for early withdrawal by a participant of amounts in his or her EDCP account in certain limited circumstances.

All amounts in the following table have been previously earned by the named executives and reported by the Company as compensation in this proxy statement or in annual meeting proxy statements for previous years, and are not new or additional compensation to the named executives.

**2018 Nonqualified Deferred Compensation**

Name	Executive	Company	Aggregate		
	Contributions	Contributions	Earnings	Aggregate	Aggregate
	in Last	in Last	(Loss)	Withdrawals/	Balance at
	Year	Year	in Last	Distributions	Last
	(\$)	(\$)(1)	(\$)(2)	(\$)	Year-End(\$)(3)
M. J. Costa	\$ 0	\$ 119,854	\$ 14,157	\$ 0	\$ 679,041
C. E. Espeland	7,442	55,514	(14,328)	0	1,531,308
B. A. Lich	153,300	45,858	(87,452)	0	1,119,465
L. Boldea	134,708	37,112	(19,636)	0	247,584
D. A. Golden	52,862	32,631	(66,125)	0	347,550

- (1) Annual Company contributions were made to the accounts of each named executive in the Eastman Investment Plan, a 401(k) retirement plan, and in the EDCP. Amounts shown are the amounts before provision for certain taxes contributed into the EDCP and represent amounts that could not be contributed into the 401(k) retirement plan of the individuals due to Internal Revenue Code restrictions. The total amount of the contributions for each named executive officer in the Eastman Investment Plan and the EDCP was five percent of his 2018 eligible compensation plus 50% of the amount of employee contribution up to 7%. These contributions are included in the Summary Compensation Table in the All Other Compensation column.
- (2) Aggregate amounts credited to participant EDCP accounts during 2018. No earnings on deferred amounts are included in the Summary Compensation Table in the Change in Pension Value and Nonqualified Deferred Compensation Earnings column because there were no preferential or above-market earnings on any of the hypothetical investments. Quarterly dividend equivalents of 56 cents per hypothetical share for the first, second, and third quarters and of 62 cents per hypothetical share for the fourth quarter were credited to amounts in individual Eastman stock accounts.
- (3) Balance in individual EDCP accounts as of December 31, 2018. The portions of the balances from annual Company contributions after provision for certain taxes (\$622,586 for Mr. Costa, \$403,095 for Mr. Espeland, \$209,661 for Mr. Lich, \$87,299 for Mr. Boldea and \$179,751 for Mr. Golden) were reported as All Other Compensation in the Summary Compensation Table in this and applicable prior annual meeting proxy statements; the portions of the balances from deferred salary (\$280,105 for Mr. Espeland, \$68,243 for Mr. Boldea and \$41,416 for Mr. Golden) were included in the amounts reported as Salary in the Summary Compensation Table in this and prior applicable annual meeting proxy statements; the applicable portions of the balances from deferred annual incentive compensation and bonuses (\$698,800 for Mr. Lich, \$144,600 for Mr. Espeland, \$91,600 for Mr. Boldea, and \$119,507 for Mr. Golden) were included in the amounts reported as Non-Equity Incentive Plan Compensation in the Summary Compensation Table in this and applicable prior annual meeting proxy statements; the portions of the balances from deferred stock-based awards (\$251,752 for Mr. Espeland) are not reported in the Summary Compensation Table in this or certain prior annual meeting proxy statements but were previously reported as Long-Term



## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Incentive Plan Payouts in the Summary Compensation Table in certain prior annual meeting proxy statements. The portions of the balances from earnings on deferred amounts were not reported in the Summary Compensation Table in this proxy statement or in the annual meeting proxy statements for previous years because there were no preferential or above-market earnings on any individual EDCP hypothetical investments. Amounts in the Company Contributions in Last Year column were paid in February 2019 and are not included in the aggregate balance as of December 31, 2018.

**2019 Proxy Statement 61**

## **Table of Contents**

### **Executive Compensation Termination and Change-in-Control Arrangements**

#### **Termination and Change-in-Control Arrangements**

The Company's Change-in-Control Agreements with certain executive officers, including the individuals named in the Summary Compensation Table, and the Omnibus Long-Term Compensation Plans, provide for compensation and benefits in certain circumstances upon or following termination of the executive or a change-in-control of the Company. Circumstances that trigger compensation or provision of benefits related to termination or change in control, how such compensation and benefits are determined, and conditions or obligations applicable to the receipt of payments and benefits are described below.

**Change-in-Control Agreements.** For the reasons described in the Compensation Discussion and Analysis, the Company has entered into Change-in-Control Agreements (the "Agreements") with the individuals named in the Summary Compensation Table and certain other executive officers of the Company. The Agreements provide for specified compensation and benefits following a change-in-control of the Company. A change-in-control is generally defined in the Agreements to include the following, subject to certain exceptions: (i) the acquisition by a person of 35% or more of the voting stock of the Company; (ii) the incumbent Board members (and subsequent directors approved by them) ceasing to constitute a majority of the Board; (iii) approval by the Company's stockholders of a reorganization or merger unless, after such proposed transaction, the former stockholders of the Company will own more than 50% of the resulting corporation's voting stock, no person will own 35% or more of the resulting corporation's voting stock, and the incumbent Board members will continue to constitute at least a majority of the Board of the resulting corporation; or (iv) approval by the Company's stockholders of a complete liquidation or dissolution of the Company.

Pursuant to the Agreements, in the event that a change-in-control of the Company occurs during the change-in-control period, the Company agrees to continue to employ the executive for a period of two years after the occurrence of such change-in-control (the "Employment Period"). The change-in-control period means the period commencing on December 1, 2018, and ending two years after such date; provided that on each anniversary of the Agreements, the change-in-control period is automatically extended so as to terminate two years after such anniversary, unless the Company provides timely notice to the executive that it will not extend the period.

During the Employment Period, the executive would be entitled to: (i) an annual base salary at a rate at least equal to the base salary in effect on the date of the change-in-control; (ii) an annual bonus at least equal to the executive's target bonus opportunity for the last full fiscal year prior to the change-in-control; and (iii) continued participation in all incentive, savings, retirement, welfare benefit, and fringe benefit plans applicable to other peer executives of the Company on terms no less favorable than those in effect during the 120-day period preceding the change in control.

The Agreements also specify the payments and benefits to which an executive would be entitled upon a termination of employment during the Employment Period for specified reasons, including death, retirement, disability, termination by the Company with or without cause, and termination by the executive for or without good reason (as such terms are defined in the Agreements).

If an executive's employment were to be terminated by the Company for any reason other than for cause or disability, or by the executive for good reason, during the Employment Period, the Company would be required to:

- (i) pay to the executive a lump sum cash payment equal to his or her accrued obligations (unpaid base salary through the date of termination, a prorated target bonus for the year of termination, and any accrued vacation pay),
- (ii) pay to the executive a lump sum severance payment equal to three-times (in the case of the CEO) or two-times (in the case of the other executives) the sum of his or her then-current annual base salary plus the amount of his or her target annual bonus for the year in which the termination occurs,
- (iii) continue to provide all health and welfare benefits to the executive and his or her eligible dependents, subject to certain limitations, for 18 months following termination,



## Table of Contents

### **Executive Compensation    Termination and Change-in-Control Arrangements**

(iv) accelerate the vesting of the executive's unvested benefits under the Company's retirement plans, and pay to the executive a lump sum cash payment equal to the value of such unvested benefits, and

(v) pay or provide to the executive any other amounts or benefits to which he or she was entitled under any of the Company's plans, programs, policies, practices, contracts, or agreements then in effect.

Upon the termination of an executive's employment by reason of death, disability, or retirement, or upon a termination by the Company for cause or by the executive without good reason, the Agreement would terminate without further obligation of the Company other than the payment of base salary through the date of termination and any other amounts or benefits to which the executive was entitled under any of the Company's plans, programs, policies, practices, contracts, or agreements then in effect.

Cause is defined in the Agreements as a material breach by the executive of any provision of his or her agreement; the conviction of the executive of any criminal act that the Board deems to constitute cause; a material breach by the executive of a published Company code of conduct or code of ethics; or conduct by the executive in his or her office with the Company that is grossly inappropriate and demonstrably likely to lead to material injury to the Company, as determined by the Board.

Good reason is defined in the Agreements as the assignment to the executive of any duties that are materially inconsistent with his or her position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, or any other action by the Company which results in a material diminution in such position, authority, duties, or responsibilities (excluding an isolated, insubstantial, and inadvertent action not taken in bad faith and which is remedied by the Company promptly after notice from the executive); a reduction by the Company in executive's base salary or target annual bonus; any failure by the Company to comply with any provisions of his or her agreement (other than an isolated, insubstantial, and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after notice from the executive); the Company's requiring the executive to be based at any office or location 50 miles or more from his or her current location; any failure by the Company to have a successor to the Company agree to assume the agreement; or a material breach by the Company of any other provision of the executive's agreement.

The Agreements contain certain other typical provisions for agreements of this type, including a requirement that the executive not disclose any confidential information of the Company following termination of employment, and providing that the Company will reimburse the executive on a then-current basis for reasonable fees and expenses in seeking to enforce the Agreement (subject to repayment if his or her claims are determined to be frivolous or in bad faith).

**Omnibus Stock Compensation Plans.** The Company's 2017 Omnibus Stock Compensation Plan (like its predecessor plans, collectively referred to as the Omnibus Plans) provides for grants to employees of nonqualified and incentive stock options, stock appreciation rights, stock awards, performance shares, and other stock and stock-based awards (collectively, awards).

The Omnibus Plans contain provisions regarding the treatment of awards in the event of a change-in-control (as defined, generally involving circumstances in which the Company is acquired by another entity or its controlling ownership is changed). Upon a change-in-control, the rules described below will generally apply to awards granted under the Omnibus Plans.

However, the Compensation Committee has the discretion, notwithstanding any particular transaction constituting 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 case such consequences would not occur) or to alter the way in which awards are treated from the consequences outlined in the Omnibus Plans.

**Table of Contents****Executive Compensation Termination and Change-in-Control Arrangements**

In the event of a change-in-control (assuming the Compensation Committee has not exercised its discretion described above), if (i) a participant's employment terminates within two years following the change-in-control, unless such termination is due to death, disability, cause, resignation (other than as a result of certain actions by the Company and any successor), or retirement, or (ii) Eastman common stock (or the stock of any successor company received in exchange for Eastman common stock) is no longer publicly traded on a national securities market, participants will be entitled to the following treatment. All conditions, restrictions, and limitations in effect with respect to any unvested, unexercised, unpaid, or deferred awards will immediately lapse and no other terms or conditions will be applied. Any unexercised, unvested, unearned, or unpaid awards will automatically become 100% vested. For performance shares, the performance period will immediately terminate and, unless the Committee has already determined actual performance for the applicable performance period, the awards will be earned (pro rata for the number of completed performance periods months) based on (i) the target level of performance if the change in control occurs during the first half of the performance period or (ii) based on actual performance through the end of the last quarter prior to the change in control if the change in control occurs during the second half of the performance period.

In order to comply with Section 409A of the Internal Revenue Code, it may be necessary for the Company to delay payments until six months following the officer's separation from service with the Company.

**Potential Payments Under Termination and Change-in-Control Arrangements.** The following table shows, for each of the named executive officers, the payments and benefits that generally would have been provided under the Change-in-Control Agreements and the Omnibus Plans if the executive had been terminated without cause or had resigned for good reason on December 31, 2018 following a change-in-control (or, in the case of awards under the Omnibus Plans, Eastman Common Stock or the stock of its successor is no longer publicly traded on a national securities exchange following the change-in-control).

Form of Payment	M.J. Costa	C. E. Espeland	B. A. Lich	L. Boldea	D.A. Golden
Cash severance(1)	\$ 9,187,500	\$ 2,964,000	\$ 2,660,000	\$ 2,052,000	\$ 2,030,000
Value of unvested stock-based awards at target(2)	13,781,956	3,854,200	4,894,841	2,674,689	1,868,911
Health and welfare continuation(3)	19,577	19,577	19,577	19,577	19,577
Total Payments	\$ 22,989,033	\$ 6,837,777	\$ 7,574,418	\$ 4,746,266	\$ 3,918,488

(1) Lump sum cash severance payment under the Change-in-Control Agreement equal to three times the sum of annual base salary and the target Unit Performance Plan payout for Mr. Costa and two times the sum of annual base salary and the target Unit Performance Plan payout for the other named executive officers.

(2) Value of unvested awards at target, assuming the awards vest and are paid out under the Omnibus Plans following a change-in-control where there is a qualifying termination or the change in control results in Eastman common stock (or the stock of the successor) no longer being publicly traded on a national securities market. Awards are valued as of year-end 2018 based upon the closing price of Eastman common stock on the New York Stock Exchange on December 31, 2018.

(3) Value of continuation of health and welfare benefits for 18 months following termination under the Change-in-Control Agreement.

**64 2019 Proxy Statement**

## Table of Contents

### **Executive Compensation Termination and Change-in-Control Arrangements**

In addition to the payments described above, the executive officers would also receive the following payments for amounts already earned or vested as the result of participation in compensation or benefit plans on the same basis as other Company employees:

value of outstanding vested stock-based awards (see the Outstanding Equity Awards at 2018 Year-End table),

earned Unit Performance Plan payout (see Estimated Future Payouts Under Non-Equity Incentive Plan Awards column in the 2018 Grants of Plan-Based Awards table),

earned Company contribution to vested and unvested defined contribution plans (see All Other Compensation column in the Summary Compensation Table ),

account balance in the Eastman Investment Plan, a 401(k) retirement plan, and the ESOP,

account balance in the Executive Deferred Compensation Plan (see Aggregate Balance at Last Year-End column in the 2018 Nonqualified Deferred Compensation table), and

lump sum present value of pension under the Company's qualified and non-qualified pension arrangements (see Present Value of Accumulated Benefit column in the Pension Benefits table).

**Benefit Security Trust.** The Company has established a Benefit Security Trust (sometimes referred to as the Rabbi Trust ) to provide a degree of financial security for its unfunded obligations under the Executive Deferred Compensation Plan, the supplemental ERAP plans, and the Change-in-Control Agreements with the Company's executives. The assets of the Rabbi Trust would be subject to the claims of the Company's creditors in the event of insolvency. Upon the occurrence of a change-in-control or a potential change-in-control (each as defined below), or if the Company fails to meet its payment obligations under the covered plans and agreements, the Company would be required to transfer to the trustee cash or other liquid funds in an amount equal to the value of the Company's obligations under the covered plans and agreements. The Company has conveyed to the trustee rights to certain assets as partial security for the Company's funding obligations under the Rabbi Trust.

A change-in-control for purposes of the Rabbi Trust is generally defined to include the following, subject to certain exceptions: (i) the acquisition by a person (other than the Company, certain affiliated entities, or certain institutional investors) of 19% or more of the voting stock of the Company; (ii) the incumbent Board members (and subsequent directors approved by them) ceasing to constitute a majority of the Board; (iii) approval by the Company's stockholders of a reorganization or merger unless, after such proposed transaction, the former stockholders of the Company will own more than 75% of the resulting corporation's voting stock; or (iv) approval by the Company's stockholders of a complete liquidation and dissolution of the Company or the sale or other disposition of substantially all of the assets of the Company, other than to a subsidiary or in a spin-off transaction. A potential change-in-control will generally be deemed to have occurred if (i) the Company enters into an agreement, the consummation of which would result in the occurrence of a change-in-control; (ii) any person (including the Company) publicly announces an intention to take action which, if consummated, would constitute a change-in-control; or (iii) any person (other than the Company, certain affiliated entities, or certain institutional investors) becomes the beneficial owner of 10% or more of the combined voting power of the Company's then-outstanding securities.

The Rabbi Trust is irrevocable until participants and their beneficiaries are no longer entitled to payments under the covered plans and agreements, but may be amended or revoked by agreement of the trustee, the Company, and a committee of individual beneficiaries of the Rabbi Trust.



---

**Table of Contents**

**Executive Compensation Pay Ratio**

**Pay Ratio**

The Dodd-Frank Act and the compensation disclosure rules of the SEC require us to disclose the ratio of the median of the annual total compensation of our employees (other than the Chief Executive Officer (the "CEO")) and the annual total compensation of the CEO. For 2018, the median of the annual total compensation of all employees (other than the CEO) was \$89,284 and the annual total compensation of the CEO was \$15,918,483; accordingly, the CEO's annual total compensation was approximately 178 times that of the median of the annual total compensation of all employees. This calculated pay ratio is a reasonable estimate determined in a manner consistent with SEC pay ratio disclosure requirements. We refer to the employee who received the median of the annual total compensation of all employees as the median employee.

We used the following methodology to make the determinations for calculating the pay ratio:

As of October 31, 2018, our employee population consisted of approximately 15,265 individuals (14,513 full-time and 752 other employees) working at our parent company and consolidated subsidiaries, with 74% of these individuals located in the United States, 15% located in Europe (primarily Belgium, the Netherlands, and Germany), 9% located in Asia (primarily China, Malaysia, and Singapore) and 2% located in Latin America (primarily Mexico and Brazil).

We selected October 31, 2018 as the date upon which we would identify the median employee to allow sufficient time to identify the median employee given the global scope of our operations.

To identify the median employee from our employee population, we conducted an analysis of our population of employees.

Given the distribution of our employee population, we use a variety of pay elements to structure the compensation arrangements of our employees including participation in several annual cash short-term incentive plans. For purposes of measuring the compensation of all employees to determine the median employee, we selected total cash compensation (base salary for salaried employees and wages for hourly employees plus the most recent actual cash incentive payment for both hourly and salaried employees) as a consistently applied compensation measure that reasonably reflects the annual compensation of our employees.

In making this determination, we annualized the compensation of all permanent employees who were hired in 2018.

Using this methodology, we determined that the median employee was a full-time, hourly, manufacturing operations employee with total compensation for 2018 consisting of wages, overtime pay, cash incentive payment, and annual Company contribution to defined contribution retirement plan determined and calculated in the same manner as compensation of the executive officers in the Summary Compensation Table earlier in this Proxy Statement.

The annual total compensation of the CEO is the amount reported for 2018 in the Total column of the Summary Compensation Table. The SEC's rules for identifying the median employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. As a result, the pay ratio reported by other companies may not be comparable to the pay ratio reported above, as other companies have different employee populations and compensation practices and may utilize different methodologies,



exclusions, estimates and assumptions in calculating their own pay ratios.

**66 2019 Proxy Statement**

**Table of Contents**

## **Item 3 Ratification of Appointment of Independent Registered Public Accounting Firm**

The Audit Committee of the Board of Directors has retained PricewaterhouseCoopers LLP to serve as the Company's independent registered public accounting firm for the year ending December 31, 2019.

PricewaterhouseCoopers LLP also served as the Company's independent registered public accounting firm for the years ended December 31, 2018 and 2017, and has billed the Company the following amounts for fees and related expenses for professional services rendered during 2018 and 2017:

*Audit Fees:* \$6.31 million, in the aggregate, for the year ended December 31, 2018 and \$6.39 million, in the aggregate, for the year ended December 31, 2017 for professional services rendered for the audits of the consolidated financial statements of the Company (including the audit of internal controls over financial reporting), statutory and subsidiary audits, issuance of comfort letters, and assistance with review of documents filed with the SEC.

*Audit-Related Fees:* \$79,000, in the aggregate, for the year ended December 31, 2018 and \$928,600, in the aggregate, for the year ended December 31, 2017 for assurance and related services, including audit and related procedures for possible mergers, acquisitions, and divestitures, and consultations concerning application of and compliance with financial accounting and reporting standards. In addition, various employee benefit plans were billed for fees and related expenses of \$65,000 for 2018 and \$65,000 for 2017 for audits of their plan financial statements by PricewaterhouseCoopers LLP.

*Tax Fees:* \$6.15 million, in the aggregate, for the year ended December 31, 2018 and \$6.37 million, in the aggregate, for the year ended December 31, 2017 for services related to domestic and international tax planning, tax compliance, including expatriate tax services and preparation of tax returns and claims for refunds, tax advice, assistance with respect to tax audits, and requests for rulings for technical advice from tax authorities.

*All Other Fees:* \$4,800, in the aggregate, for the year ended December 31, 2018 and \$2,700, in the aggregate, for the year ended December 31, 2017 for all services other than those covered above under *Audit Fees*, *Audit-Related Fees*, and *Tax Fees*. All Other Fees for 2018 and 2017 were for research tools and software access licenses.

As described under [Audit Committee](#) [Audit Committee Report](#) earlier in this proxy statement, all audit and non-audit services provided to the Company by PricewaterhouseCoopers LLP were pre-approved by the Audit Committee or by the Chair of the Audit Committee pursuant to delegated authority.

**The stockholders are being asked to ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP.** If the stockholders fail to ratify this appointment, the Audit Committee may, but is not required to, reconsider whether to retain that firm. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different accounting firm at any time during the year if it determines that such a change would be in the best interests of the Company and its stockholders.

A representative of PricewaterhouseCoopers LLP is expected to attend the 2019 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 recommends that you vote **FOR** ratification of the appointment of PricewaterhouseCoopers LLP as Eastman's independent registered public accounting firm.**

**2019 Proxy Statement 67**

**Table of Contents**

## **Item 4    Advisory Vote on Stockholder Proposal**

### **Requesting that the Board Takes Steps Necessary to Permit Stockholders to Act by Written Consent**

Stockholder John Chevedden, 2215 Nelson Avenue, No. 205, Redondo Beach, California 90278, owner of 50 shares of Eastman common stock, has given notice that he intends to submit the following proposal and supporting statement:

#### **Proposal 4    Right to Act by Written Consent**

Resolved, Shareholders request that our board of directors undertake such steps as may be necessary to permit written consent by shareholders entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. This written consent is to be consistent with applicable law and consistent with giving shareholders the fullest power to act by written consent consistent with applicable law. This includes shareholder ability to initiate any topic for written consent consistent with applicable law.

Hundreds of major companies enable shareholder action by written consent. Taking action by written consent in place of a meeting is a means shareholders can use to raise important matters outside the normal annual meeting cycle.

The support of Eastman Chemical shareholders on this proposal topic since 2012 is greatly appreciated. Shareholders have given 46% to 51% support to this topic 4-times since 2012. The 51%-vote likely meant that between 55% and 60% or more of the shareholders, who have ready access to voting advice independent of Eastman Chemical, voted their support of this proposal topic. Management seems to need our help again in appreciated the importance of this topic    Please vote yes again.

Eastman Chemical shareholders also do not have the full right to call a special meeting that is available under Delaware law and the added protection of an independent Board Chairman. According to the lame Eastman Chemical special meeting provision it would take a challenging 25% of shares (instead of 10% per Delaware law) to call a special meeting.

Adoption of this proposal would at least put shareholders in a better position to engage with the Board and management about improving the qualifications of our directors. For instance there may be an issue with board refreshment. The following directors had long-tenure of more than 15-years:

Stephen Demeritt	15-years	
Renee Hornbaker	15-years	
Robert Hernandez	16-years	Lead Director
David Raisbeck	17-years	

Long-tenure can impair the independence of any director no mater how well qualified. Independence is an all-important quality for a director. Plus these directors had an oversized influence on Eastman Chemical with 7 seats on our most important board committees.

## Edgar Filing: EASTMAN CHEMICAL CO - Form DEF 14A

Plus long-tenured Robert Hernandez was Lead Director, a position that requires the highest standard of independence on the entire board. Also Michael Connors, a director with 12-years tenure, received our highest negative vote as much as 12-times the negative votes as certain other directors on our Board. (Perhaps Mr. Connors should thus transition from the Nomination and Executive Pay Committees.) David Rasibeck, who chaired our governance committee, received 10-times the negative votes as certain other directors.

It can't hurt to improve the governance of our company when our stock has only moved from \$77 to \$83 in the 5-years leading up to the submittal of this proposal.

Please vote yes:

### **Right to Act by Written Consent    Proposal 4**

**68** 2019 Proxy Statement

**Table of Contents**

**Item 4 Advisory Vote on Stockholder Proposal**

**Response of the Company**

The Board of Directors has carefully considered the stockholder proposal that the Board act to permit stockholders to act by written consent without a meeting, and continues to believe that the action requested by this proposal is unnecessary and not in the best interests of the Company or its stockholders. The Company's stockholders have previously agreed with the Board, with less than majority support for similar proposals submitted by the same proponent in 2013, 2016 and 2018.

The Board maintains its demonstrated commitment to corporate governance policies that are in the best interests of the Company and its stockholders by regularly reviewing the Company's governance structure, policies, and practices, including considering input from stockholders and others. Over the years, the Board has made changes to the Company's governance structure, policies, and practices that it determined to be in the best interests of the Company and its stockholders. Recent changes include the adoption of a proxy access bylaw provision that allows qualifying stockholders to include their director nominees in the Company's proxy materials (see Nominating and Corporate Governance Committee Director Nominations) and a Board stockholder communication and engagement policy (see Information about Eastman, the Meeting, and Voting Communications to the Board of Directors). Previous changes include the implementation of majority voting in the election of directors, repeal of the Company's poison pill stockholder rights plan, declassification of the Board, implementation of the right of stockholders to call special meetings, and removal of certain supermajority voting requirements from the Company's Certificate of Incorporation and Bylaws.

The Board continues to believe that permitting stockholder action by written consent would circumvent the proper and usual process of allowing deliberation at a meeting of stockholders, would be contrary to principles of openness and good governance, and would have the potential to inappropriately disenfranchise stockholders. The practices of other large companies reflect that opinion; currently, less than one-third of S&P 500 companies permit shareholders to act by written consent.

Allowing stockholder action by written consent would permit a small group of short-term, special interest or self-interested stockholders, who together hold a threshold amount of shares, and who do not owe any fiduciary responsibilities to other stockholders, to take important actions without the involvement of, and with little or no advance notice to, the Company or other stockholders. These actions may not be in the long-term best interests of the Company and its stockholders or constitute self-interested transactions.

Allowing stockholder action by written consent would also deny all stockholders rights we believe are important, namely the right to receive accurate and complete information on a proposal in advance and to present their opinions and consider presentation of the opinions of the Board and other stockholders on a proposal. It also would deprive both stockholders and the Board of the opportunity to discuss the merits, disadvantages, and implications of a proposal and then to vote on a proposed action. The Board believes that a meeting of stockholders, which provides all stockholders an opportunity to deliberate about a proposed action and vote their shares, is the most appropriate forum for stockholder action.

Currently, our stockholders have the ability to propose matters for consideration at each annual meeting of stockholders. In addition, the Company's Certificate of Incorporation and Bylaws permit holders of 25% or more of outstanding shares, half of the necessary threshold for stockholders to act by written consent under Delaware law and this proposal, to call special meetings of stockholders. This right provides our stockholders an additional opportunity to raise appropriate issues for the Company to consider between annual meetings and on which all stockholders can deliberate and vote. Therefore, any group of stockholders with sufficient holdings of outstanding shares to act by written consent under this proposal may already call a special meeting of stockholders.

The opportunity for stockholders to call special meetings allows stockholder issues to be considered and acted upon, and provides the appropriate mechanism for stockholder action without sacrificing the right of all stockholders to participate in decision making. It also prevents the solicitation of conflicting or duplicative written consents which could result in confusion and inconsistency of implementation, along with imposing significant financial and administrative burdens on

**Table of Contents**

**Item 4 Advisory Vote on Stockholder Proposal**

the Company. The Board continues to believe that the ability of stockholders to call a special meeting is a reasonable and appropriate balance between enhancing stockholder rights and protecting against the risk that a group of short-term, special interest or self-interested stockholders initiate actions that are not in the best interests of the Company or its stockholders. The Board believes that stockholder democracy could be undermined if some stockholders were permitted to bypass this process and instead act by written consent without a meeting. Requiring that all proposals be voted on at a meeting guards against abusive actions by individual stockholders that may be damaging to long-term stockholder interests.

The Board believes that these existing opportunities for stockholder action either at an annual or a special meeting in which all stockholders may participate in a meaningful way continue to be the best and most appropriate governance practices for the Company.

The Board of Directors recommends that you vote **AGAINST** this proposal.

**70 2019 Proxy Statement**

**Table of Contents**

**[FORM OF PAPER PROXY PG.1]**

c/o Corporate Election  
Services

P. O. Box 1150

Pittsburgh PA 15230-1150

**Vote by Telephone or Internet**

**Quick    Easy    Immediate**

Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

**To Vote by Phone:**                      Call anytime toll free **1-888-693-8683**  
There is no charge for this call.  
Follow the simple instructions to record your vote.

**To Vote by Internet or**                      Access **[www.cesvote.com](http://www.cesvote.com)**  
**Review the Proxy Statement**      Follow the simple instructions presented to record your vote.

**IF YOU VOTE BY TELEPHONE OR INTERNET, DO NOT MAIL THE PROXY CARD.**

**PROXY**

***EASTMAN CHEMICAL COMPANY***

**PROXY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

**FOR THE ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON MAY 2, 2019.**

The undersigned hereby appoints Curtis E. Espeland and David A. Golden as proxies with power to act without the other and with power of substitution, and hereby authorizes them to represent and vote, as



designated on the other side of this proxy card, all the shares of stock of Eastman Chemical Company held of record as of March 15, 2019, by the undersigned with all the powers that the undersigned would possess if present at the Annual Meeting of Stockholders of the Company to be held May 2, 2019, or any adjournment or postponement thereof.

**SAID PROXIES WILL VOTE ON THE PROPOSALS SET FORTH IN THE NOTICE OF ANNUAL MEETING AND PROXY STATEMENT AS SPECIFIED ON THE REVERSE SIDE OF THIS CARD AND ARE AUTHORIZED TO VOTE IN THEIR DISCRETION, AS PERMITTED BY APPLICABLE LAW, ON ANY OTHER BUSINESS THAT MAY PROPERLY COME BEFORE THE MEETING. IF A VOTE IS NOT SPECIFIED, SAID PROXIES WILL VOTE FOR EACH OF THE NOMINEES IN ITEM 1, FOR ITEM 2, FOR ITEM 3 AND AGAINST ITEM 4.**

Signature(s)

Signature(s)

Date: \_\_\_\_\_

\_\_\_\_\_  
Please sign exactly as your name(s) appears on this proxy. If shares are held jointly, all joint owners should sign. If signing as executor, administrator, attorney, trustee, guardian, or in any other representative capacity, please also give your full title.

**MARK (ON THE OTHER SIDE), SIGN AND DATE YOUR PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED ENVELOPE.**

**Table of Contents**

**[FORM OF PAPER PROXY PG.2]**

**ADMISSION TICKET**

**Please bring this ticket if you choose to attend the Annual Meeting.**

**It will expedite your admittance when presented upon your arrival.**

**EASTMAN CHEMICAL COMPANY**

**Annual Meeting of Stockholders**

**Thursday, May 2, 2019**

**11:30 a.m.**

**Cumberland Amphitheatre of the**

**MeadowView Marriott Conference Resort & Convention Center**

**1901 Meadowview Parkway**

**Kingsport, Tennessee 37660**

**Important Notice Regarding Internet Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 2, 2019:** the proxy materials, including the 2019 Proxy Statement and 2018 Annual Report, are available at [www.ReadMaterial.com/EMN](http://www.ReadMaterial.com/EMN).

If you need directions to the 2019 Annual Meeting of Stockholders, please call 1-423-229-4647.

**Please fold and detach card at perforation.**

**Please fold and detach card at perforation before mailing.**

**THIS PROXY WILL BE VOTED IN ACCORDANCE WITH THE SPECIFICATIONS INDICATED. IF NO SPECIFICATION IS MADE, IT WILL BE VOTED FOR EACH OF THE NOMINEES IN ITEM 1, FOR ITEMS 2 AND 3 AND AGAINST ITEM 4.**

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES IN ITEM 1.**

1. Election of Directors:

Nominees for election of eleven directors to serve until the Annual Meeting of Stockholders in 2020 and their successors are duly elected and qualified:

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>		<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
(1) HUMBERTO P. ALFONSO				(7) RENÉE J. HORNBAKER			
(2) BRETT D. BEGEMANN				(8) LEWIS M. KLING			
(3) MICHAEL P. CONNORS				(9) KIM ANN MINK			
(4) MARK J. COSTA				(10) JAMES J. O BRIEN			
(5) ROBERT M. HERNANDEZ				(11) DAVID W. RAISBECK			
(6) JULIE F. HOLDER							

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEMS 2 AND 3.**

2. Advisory Approval of Executive Compensation as Disclosed in Proxy Statement

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
------------	----------------	----------------

Ratification of Appointment of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm  
3. Firm

<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
------------	----------------	----------------

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM 4.**

4. Advisory Vote on Stockholder Proposal Requesting that the Board of Directors Take Steps Necessary to Permit Stockholders to Act by Written Consent

**FOR**

**AGAINST**

**ABSTAIN**

**(CONTINUED, AND TO BE SIGNED AND DATED, ON THE OTHER SIDE.)**

**Table of Contents**

[SCRIPT OF DIALOGUE FOR REGISTERED STOCKHOLDER PROXY VOTING BY TELEPHONE]

STOCKHOLDER HEARS THIS SCRIPT

1. Hello. Let's begin your telephone vote.
2. Please enter the 11-digit number located in the box by the arrow.
  - a. I'm sorry, that entry was not recognized.
  - b. Return to #2, or after third attempt go to c.
  - c. I'm sorry you're having difficulty.
  - d. Please try your call again later, or vote, sign, date and mail your proxy card using the envelope provided.
  - e. Goodbye
3. Welcome to the Eastman Chemical Company telephone voting system.
4. Voting by telephone has the same effect as if you returned your proxy card by mail. You hereby direct the named proxies to vote as instructed. In their discretion, the named proxies are authorized to vote upon all such other matters as may properly come before the meeting or any adjournment or postponement thereof.
5. Nominee 1
  - a. To vote For, please press 1.
  - b. To vote Against, please press 6.
  - c. To Abstain, please press 0.
  - d. I'm sorry, that entry was not recognized (repeat a-c)
6. Nominee 2
  - a. To vote For, please press 1.
  - b. To vote Against, please press 6.
  - c. To Abstain, please press 0.
  - d. I'm sorry, that entry was not recognized (repeat a-c)
7. Nominee 3

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

8. Nominee 4

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

9. Nominee 5

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

10. Nominee 6

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

11. Nominee 7

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

12. Nominee 8

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

**Table of Contents**

13. Nominee 9

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

14. Nominee 10

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

15. Nominee 11

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

16. Item 2

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

17. Item 3

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

18. Item 4

- a. To vote For, please press 1.
- b. To vote Against, please press 6.
- c. To Abstain, please press 0.
- d. I m sorry, that entry was not recognized (repeat a-c)

19. Your votes have been cast as follows

- a. Nominee 1, (For, Against or Abstain).
- b. Nominee 2, (For, Against or Abstain).
- c. Nominee 3, (For, Against or Abstain).
- d. Nominee 4, (For, Against or Abstain).
- e. Nominee 5, (For, Against or Abstain).
- f. Nominee 6, (For, Against or Abstain).
- g. Nominee 7, (For, Against or Abstain).
- h. Nominee 8, (For, Against or Abstain).
- i. Nominee 9, (For, Against or Abstain).
- j. Nominee 10, (For, Against or Abstain).
- k. Nominee 11, (For, Against or Abstain).
- l. Item 2, (For, Against or Abstain).
- m. Item 3, (For, Against or Abstain).
- n. Item 4, (For, Against or Abstain).
- o. If this is correct, please press 1
  - i. If you would like to vote another proxy, please press 1; if not please press 0.
  - ii. Thank you for voting.
  - iii. Goodbye
- p. If this is not correct, please press 0
  - iv. If you would like to try again, please press 1, if not, please press 0.
  - v. Please try your call again later, or vote, sign, date and mail your proxy card using the envelope provided.
  - vi. Goodbye



**Table of Contents**

[TEXT OF COMPUTER SCREEN FOR ELECTRONIC DELIVERY OF PROXY STATEMENT AND  
ANNUAL REPORT TO REGISTERED STOCKHOLDERS]

Eastman Chemical Company

[View 2018 Annual Report](#)  
[View 2019 Proxy Statement](#)  
[Request Proxy Material](#)  
[Vote Your Proxy](#)

**Table of Contents**

[TEXT OF COMPUTER SCREENS FOR INTERNET PROXY VOTING BY REGISTERED STOCKHOLDERS]

**When you submit your voting instructions through this site, it is the same as if you mark, sign and return your voting instruction form or proxy card.**

**Please enter your 11-digit electronic voting number, then click the **Submit** button or press ENTER on your keyboard. On your voting instruction form or proxy card, this number is found by an arrow in a box.**

**Enter the 11-digit number here:**

**If you submit voting instructions using the same electronic voting number more than once, only the last instructions you submit will be valid. All previous instructions are revoked.**

Submit

**Table of Contents**

By submitting your voting instructions through this site, you are agreeing with the **appointment of proxy**. Please indicate how you wish to vote and click on **Submit Voting Instructions** at the bottom of this screen. If you submit your voting instructions without making any specifications, your vote will be recorded according to the recommendations of the Board of Directors.

**Click here to view the Eastman Chemical Company**

**Annual Report.**

**Click here to view the Eastman Chemical Company Proxy**

**Statement.**

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR EACH OF THE NOMINEES IN ITEM 1.

1. Election of Directors:

Nominees for election of eleven directors to serve until the Annual Meeting of Stockholders in 2020 and their successors are duly elected and qualified:

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
1. HUMBERTO P. ALFONSO			
2. BRETT D. BEGEMANN			
3. MICHAEL P. CONNORS			
4. MARK J. COSTA			
5. ROBERT M. HERNANDEZ			
6. JULIE F. HOLDER			
7. RENÉE J. HORNBAKER			
8. LEWIS M. KLING			
9. KIM ANN MINK			
10. JAMES J. O BRIEN			
11. DAVID W. RAISBECK			

THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR ITEMS 2 AND 3.

	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
2. Advisory Approval of Executive Compensation as Disclosed in Proxy Statement			
3. Ratification of Appointment of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm			

THE BOARD OF DIRECTORS RECOMMENDS A VOTE AGAINST ITEM

4

4. Advisory Vote on Stockholder Proposal Requesting that the Board of Directors Takes Steps Necessary to Permit Stockholders to Act by Written Consent

**Table of Contents**

**YES NO**

Do you plan to attend the Annual Meeting?

(If so, you will receive an Admission Ticket approximately 10 days before the Meeting.)

Please enter any change of address. (Limit 150 characters)

Please enter any comments. (Limit 1,000 characters)

Please enter your e-mail address to receive confirmation that your instructions were recorded.

**We respect your privacy. Your e-mail address will not be saved or used for any purpose other than sending your confirmation e-mail.**

After reviewing the above selections, click the button below to submit your voting instructions. You should see a screen confirming your instructions as they have been recorded.

**Submit Voting Instructions**