

SCHWEITZER MAUDUIT INTERNATIONAL INC
Form DEF 14A
March 07, 2008

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant

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 Pursuant to §240.14a-12

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

(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:

- (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:

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

March 13, 2008

Wayne H. Deitrich
Chairman of the Board and
Chief Executive Officer

TO OUR STOCKHOLDERS:

On behalf of the Board of Directors and management of Schweitzer-Mauduit International, Inc., I cordially invite you to the Annual Meeting of Stockholders to be held on Thursday, April 24, 2008 at 11:00 a.m. at the Company's corporate headquarters located at 100 North Point Center East, Suite 600, Alpharetta, Georgia.

At the Annual Meeting, stockholders will be asked to elect 2 directors for a 3-year term and to approve the Company's Restricted Stock Plan. The Company's Board of Directors recommends unanimously that you vote in favor of these proposals, which are more fully described in the accompanying Notice of Annual Meeting and Proxy Statement.

It is important that your stock be represented at the meeting regardless of the number of shares you hold. You are encouraged to specify your voting preferences by so marking and dating the enclosed proxy card. But, if you wish to vote in accordance with the directors recommendation, all you need do is sign and date the card.

Please complete and return the proxy card in the enclosed envelope whether or not you plan to attend the meeting. If you do attend and wish to vote in person, you may revoke your proxy at that time.

If you plan to attend the meeting, please check the card in the space provided. This will assist us with meeting preparations and will enable us to expedite your admittance. If your shares are not registered in your own name and you would like to attend the meeting, please ask the broker, trust, bank or other nominee which holds the shares to provide you with evidence of your share ownership, which will enable you to gain admission to the meeting.

Sincerely,

WAYNE H. DEITRICH

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

**100 North Point Center East, Suite 600
Alpharetta, Georgia 30022-8246**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 24, 2008

The Annual Meeting of Stockholders of Schweitzer-Mauduit International, Inc. will be held at the Company's corporate headquarters located at 100 North Point Center East, Suite 600, Alpharetta, Georgia, on Thursday, April 24, 2008 at 11:00 a.m. for the following purposes:

1. To elect 2 directors for a 3-year term to expire at the 2011 Annual Meeting of Stockholders;
2. To approve the Schweitzer-Mauduit International, Inc. Restricted Stock Plan; and
3. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

You may vote all shares that you owned as of February 28, 2008, which is the record date for the Annual Meeting. I urge you to sign, date and promptly return the enclosed proxy card in the enclosed business reply envelope. No postage is required if mailed in the United States.

JOHN W. RUMELY, Jr.
Secretary and General Counsel

March 13, 2008

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

**100 North Point Center East, Suite 600
Alpharetta, Georgia 30022-8246**

PROXY STATEMENT

INTRODUCTION

This Proxy Statement and the accompanying proxy card are furnished to the stockholders of Schweitzer-Mauduit International, Inc., a Delaware corporation, referred to as either the Company or SWM, in connection with the solicitation of proxies by the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on April 24, 2008 ("Annual Meeting") and at any adjournment thereof. Proxies in the accompanying form, properly signed and received in time for the meeting, will be voted as instructed. If no instructions are given, proxies will be voted for the election of the 2 directors nominated for election and for approval of the Company's Restricted Stock Plan. Any proxy may be revoked by the stockholder granting it at any time before it is voted by delivering to the Secretary of the Company another signed proxy card, or a signed document revoking the earlier proxy or by attending the meeting and voting in person. The Company intends to mail this Proxy Statement and proxy card, together with the 2007 Annual Report to Stockholders, on or about March 13, 2008.

Each stockholder of record at the close of business on February 28, 2008 will be entitled to 1 vote for each share registered in such stockholder's name. Proxies cannot be voted for a greater number of persons than the number of nominees named in this Proxy Statement. As of February 28, 2008, there were 15,493,609 shares outstanding of the Company's common stock, par value \$0.10 per share (the "Common Stock").

The Company will pay the entire cost of the proxy solicitation. The Company has retained American Stock Transfer & Trust Company, the Company's transfer agent, to aid in the solicitation of proxies. Proxy solicitation services on routine proxy matters are included in the fees paid to American Stock Transfer & Trust Company to act as the Company's stock transfer agent and registrar. Only reasonable out-of-pocket expenses on proxy solicitation services are charged separately. The Company will reimburse brokers, fiduciaries and other nominees for their reasonable expenses in forwarding proxy materials to beneficial owners. In addition to solicitation by mail, directors, officers and employees of the Company may solicit proxies in person, by telephone or by other means of communication.

If a stockholder is a participant in the Schweitzer-Mauduit International, Inc. Retirement Savings Plan ("Plan"), the proxy card represents the number of full shares of Common Stock held for the benefit of the participant in the Plan as well as any shares of Common Stock registered in the participant's name. Thus, a proxy card for such a participant grants a proxy for shares registered in the participant's name and serves as a voting instruction for the trustee of the Plan for the account in the participant's name. Information as to the voting instructions given by individuals who are participants in the Plan will not be disclosed to the Company.

Pursuant to Section 216 of the Delaware General Corporation Law and the Company's By-Laws, a quorum for the Annual Meeting will be a majority of the issued and outstanding shares of the Company's Common Stock, present in person or represented by proxy. Directors shall be elected by a plurality of the votes present in person or represented by proxy and entitled to vote on the election of directors. Votes may be cast in favor of or withheld from each nominee; votes that are withheld will be

excluded entirely from the vote and will have no effect. Under applicable Delaware law, a broker non-vote will have no effect on the outcome of the election of directors. In all matters other than the election of directors that are presented for action at the Annual Meeting, the affirmative vote of a majority of shares present in person or represented by proxy and entitled to vote on the subject matter shall be the act of the stockholders.

NOMINATION OF DIRECTORS

Directors may be nominated by the Board of Directors or by stockholders in accordance with the By-Laws of the Company. The Nominating & Governance Committee, which is composed of 3 independent directors, identifies potential candidates and reviews all proposed nominees for the Board of Directors, including those proposed by stockholders. The candidate review process includes an assessment of the person's judgment, experience, independence, understanding of the Company's business or other related industries, commitment and availability to prepare for and attend Board and Board Standing Committee meetings and such other factors as the Nominating & Governance Committee determines are relevant in light of the needs of the Board of Directors and the Company. The Nominating & Governance Committee selects qualified candidates and presents them to the full Board of Directors, which body decides whether to invite the candidate to be a nominee for election to the Board of Directors. The Nominating & Governance Committee Charter authorizes the Nominating & Governance Committee to retain such outside experts as it deems necessary and appropriate to assist it in the execution of its duties.

Any stockholder of record entitled to vote generally in the election of directors may submit a candidate for consideration by the Nominating & Governance Committee by notifying the Secretary and General Counsel in writing at the address noted on the face page of this Proxy Statement. The notice of intent to nominate a candidate for the Board of Directors must satisfy the requirements described below and must be delivered, either by personal delivery or by United States mail, postage prepaid, to the Secretary and General Counsel of the Company and received by the Company, not less than 120 calendar days before the anniversary date of the Company's proxy statement released to stockholders in connection with the previous year's annual meeting; provided, however, if and only if the annual meeting is not scheduled to be held within a period that commences 30 days before such anniversary date and ends 30 days after such anniversary date (an annual meeting date outside such period being referred to herein as an "Other Meeting Date"), such stockholder notice shall be given in the manner provided herein by the later of the close of business on (i) the date 90 days prior to such Other Meeting date or (ii) the 10th day following the date such Other Meeting Date is first publicly announced or disclosed.

The stockholder's notice of intent to nominate a candidate for the Board of Directors shall state the following:

the name and address of record of the stockholder who intends to make the nomination;

a representation that the stockholder is a holder of record of shares of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice;

the name, age, business and residence addresses, and principal occupation or employment of each nominee;

a description of all arrangements or understandings between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder;

such other information regarding each nominee proposed by such stockholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; and

the consent of each nominee to serve as a director of the Company if so elected.

The Company may require any proposed nominee to furnish such other information as may reasonably be required by the Company to determine the eligibility of such proposed nominee to serve as a director of the Company.

In the event that the number of directors to be elected to the Board of Directors of the Company is increased and either all of the nominees for Director or the size of the increased Board of Directors is not publicly announced or disclosed by the Company at least 100 days prior to the first anniversary of the preceding year's annual meeting, a stockholder notice shall also be considered timely hereunder, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary of the Company at the principal executive office of the Company not later than the close of business on the 10th day following the first date all of such nominees or the size of the increased Board of Directors shall have been publicly announced or disclosed.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board of Directors presently has 8 members, 5 of whom are independent. The Board of Directors is divided into 3 classes that are elected on a staggered basis with 1 class elected each year for a 3-year term. All of the current directors, excepting Mr. McCullough and Mr. Villoutreix have served on the Company's Board of Directors since November 30, 1995. Mr. McCullough was first elected to serve as a director effective October 1, 2006 and Mr. Villoutreix was first elected to serve as a director effective June 1, 2007.

The incumbent Class I directors are Mrs. Claire L. Arnold, Mr. Robert F. McCullough and Mr. Laurent G. Chambaz. Mr. Chambaz has informed the Board that he intends to retire at the end of his current term that expires on April 24, 2008. Mrs. Arnold and Mr. McCullough are nominated for re-election at the 2008 Annual Meeting to serve for a term to expire at the 2011 Annual Meeting of Stockholders, and until their successors are elected and have qualified. The Board of Directors has determined that Mrs. Arnold and Mr. McCullough are independent. Should the nominees become unable to serve, proxies may be voted for another person designated by the Board of Directors. The nominees have advised the Company that they will serve if elected. The remaining directors will continue to serve as directors for the terms set forth on page 5.

Certain Information Regarding Directors and Nominees

The names of the directors continuing in office and nominees, their ages as of the date of the Annual Meeting, their principal occupations during the past 5 years, other directorships currently held by each as of the date hereof and certain other biographical information are set forth on the following pages.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

For a 3-Year Term Expiring at the 2011 Annual Meeting of Stockholders

Name	Age	Period Served as a Director	Class	Expiration of Term of Office	Principal Occupations and Businesses During Last 5 Years and Current Directorships
Claire L. Arnold	61	1995-Present	I	April 2008	Chief Executive Officer of Leapfrog Services, Inc., a computer support company and network integrator, presently and since 1998
Robert F. McCullough	65	2006-Present	I	April 2008	Director Ruby Tuesday, Inc. Private investor, presently and since January 2007 Senior Partner, Invesco Ltd. (formerly AMVESCAP PLC), one of the world's largest mutual fund companies marketing products to individuals, corporations and government institutions under the AIM, INVESCO, and Atlanta Trust brands, from June 2004 to December 2006 Chief Financial Officer, AMVESCAP PLC from April 1996 to May 2004 Director Acuity Brands, Inc. Director Comverge, Inc.

The Board of Directors unanimously recommends a vote FOR the election of the nominees as Class I Directors.

**MEMBERS OF THE BOARD OF DIRECTORS OTHER THAN THOSE
UP FOR ELECTION**

Name	Age	Period Served as a Director	Class	Expiration of Term of Office	Principal Occupations and Businesses During Last 5 Years and Current Directorships
K.C. Caldabaugh	61	1995-Present	II	April 2009	Principal, Heritage Capital Group, an investment banking firm, presently and since July 2001
Richard D. Jackson	71	1995-Present	II	April 2009	Private investor, presently and since August 1995 Chairman of the Board of ebank Financial Services, Inc.
Wayne H. Deitrich	64	1995-Present	III	April 2010	Chief Executive Officer of the Company, presently and since August 1995 Chairman of the Board of the Company
Larry B. Stillman	66	1995-Present	III	April 2010	Vice President, Northwest Group, xpedx, a distributor of printing paper, packaging supplies and equipment, presently and since 1988 Managing General Partner for HEXAD Investment Company, an investment group focusing on equities and real estate, presently and since 1983
Frédéric P. Villoutreix	43	2007-Present	III	April 2010	Advisory Board of the Utah Jazz Chief Operating Officer, presently and since February 2006

PROPOSAL TWO

**APPROVAL OF THE SCHWEITZER-MAUDUIT INTERNATIONAL, INC.
RESTRICTED STOCK PLAN**

Restricted Stock Plan's Purpose

The Restricted Stock Plan performance share component provides an equity award opportunity to its participants based on the accomplishment of performance objectives that are related to the business unit in which the participant is most directly involved over a multi-year performance cycle. The purpose of the Restricted Stock Plan is to further unite the interests of the stockholders of the Company and its key executives through:

- (a) the establishment of corporate and operating unit objectives which are deemed by the Board of Directors to be in the best long-term interests of the Company and its stockholders; and
- (b) the delivery of the Company's stock as an incentive award at the end of an award cycle to each plan participant thereby increasing the participant's equity stake in the Company provided his or her performance has meaningfully contributed to the attainment of the Company's objectives.

The Restricted Stock Plan may also be used to grant restricted shares with vesting after a specific period of time for the purposes of recruitment, retention or special recognition.

The full text of the Restricted Stock Plan has been filed electronically with the Securities and Exchange Commission ("SEC") as Exhibit 10.9 to the Form 10-K.

The following points summarize the material terms of the Restricted Stock Plan.

Administration of the Plan

The Restricted Stock Plan is administered by the Compensation Committee of the Board of Directors ("Compensation Committee"), which is composed of 3 independent directors in accordance with New York Stock Exchange Corporate Governance standards and listing rules. The members of the Compensation Committee also qualify under the "outside director" requirement for purposes of Section 162(m) of the Internal Revenue Code ("Code"). The Compensation Committee determines which officers, including the Chief Executive Officer, shall participate in the plan, establishes the corporate, operating unit and other performance objectives at the beginning of each performance cycle, typically a 2 to 3-year period, and evaluates the progress toward accomplishment of the established performance objectives at the end of the performance cycle.

Objective Areas, Performance Levels and Measurement of Performance Achieved

For each objective (corporate, unit and other), performance levels are established which, whenever possible, shall consist of successively higher standards or ranges. These performance levels are defined as Threshold, Target, Outstanding and Maximum. Performance below the Threshold level will not result in the payment of an award. A percentage weighting is assigned to each objective area for a total percentage weighting of 100%. Certain conditions called Control Measures may be established, but are not required. Failure to achieve a Control Measure may deprive the participants to whom it applies of their right to receive part or all of an award notwithstanding the level of performance attained on any or all other applicable objectives. An example of such a Control Measure used in the past is a year over year increase in earnings per share. The level of performance achieved against the objectives is determined by the Compensation Committee based upon the Company's and its subsidiaries' audited results.

Performance objectives have included such measures as growth in profitability for individual business units, growth in earnings per share for the corporate objective unit and more highly targeted strategic initiatives such as the 13 objectives established for the 2007-2008 award cycle. These objectives are described in further detail in the Comprehensive Compensation Discussion and Analysis at pages 19 - 22 herein.

Determining the Amount of an Incentive Award

Generally, the incentive award a participant is eligible to receive is the sum of the values attributable to performance actually attained for each objective or objective area in which the participant has been assigned objectives or the unit to which he or she belongs. The value of an incentive award is established based on a competitive compensation market survey that is performed by an independent consultant. The nature of the survey and how it is used to set the incentive compensation value for awards granted under the Restricted Stock Plan is discussed in further detail in the Comprehensive Compensation Discussion and Analysis at pages 10 - 11 herein. The amount of any award a participant is eligible to receive depends upon:

- (a) the participant's base salary;
- (b) the target incentive award percentage established for the participant;
- (c) the percentage weighting applicable to the objective or objective area; and
- (d) the performance percentage which applies as a consequence of the performance level attained in that area.

The number of shares to be awarded each year shall be determined by application of the following formula:

Base Salary (adjusted for exchange rate if applicable) × Opportunity Award % × Award Level Achieved % ÷ Average Base Share Price = Base Shares

Target incentive equity opportunities under the Restricted Stock Plan for executive officers, including the Chief Executive Officer, can range from 35% to 177% of a participant's base salary with a maximum payout of up to 200% of the participant's target incentive award percentage, subject, in the case of the 2007-2008 award opportunity, to a stock price multiplier that is based upon the ratio of the current year average share price versus the prior year average share price. In a multi-year plan, earned awards of Restricted Stock are banked at the end of each measurement period in the cycle (typically a fiscal year), but do not vest in the participant until the entire award cycle is completed; provided further, that the participant is still actively employed at the time of vesting excepting only death, retirement or permanent or total disability.

The Restricted Stock Plan may also be used to make targeted grants of Restricted Stock to individual participants for purposes of retention, recruitment or for special recognition of achievement. Such grants are typically for a limited number of shares and have a cliff vesting requirement, which means the recipient must be actively employed by the Company at some point in the future to receive unrestricted shares of stock under the award or they are forfeited. The right to vote both performance share and the target share grants and to receive dividends thereon, attaches at the date of grant. As with performance shares, targeted grants of Restricted Stock must be approved by the Compensation Committee.

Amendment of Objectives, Objective Areas and the Plan Terms

The Compensation Committee or the Board of Directors may, in their discretion, adjust performance measurements, objectives or objective areas during the year. However, this is typically not done except in the case of an extraordinary event that has a material impact on an objective, the

occurrence of which could not reasonably have been foreseen or anticipated in the exercise of reasonable and good management. An example would be an objective that was based on an element of a business plan that was subsequently revised such that the objective no longer made business sense or was no longer capable of being accomplished under the new business plan. Such an instance occurred in the 2007-2008 award cycle where an objective related to the operational survival of the Lee mills was established at the beginning of the award cycle, but due to a subsequent change in the business plan a decision was made to close the Lee mills.

The Board of Directors has the power to amend the plan at any time, order the temporary suspension of its application or terminate it in its entirety; provided, however, that no such action shall adversely affect the rights or interests of participants theretofore vested.

Tax Treatment of the Restricted Stock Plan

Stockholder approval of the material terms of the Restricted Stock Plan is required in order for the Company to comply with the performance-based compensation exception set forth in Code Section 162(m) and the regulations thereunder, so that, to the extent possible, compensation paid under the Restricted Stock Plan will be fully deductible by the Company as to any performance share grants. Target grants of Restricted Stock for purposes of retention, recruitment or special recognition would not likely be deductible as they do not typically satisfy the requirement of performance-based compensation.

The Board of Directors unanimously recommends a vote FOR approval of the material terms of the Restricted Stock Plan.

EXECUTIVE COMPENSATION

COMPREHENSIVE COMPENSATION DISCUSSION & ANALYSIS

Compensation Philosophy

The Company's compensation philosophy centers on 3 tenets:

Pay for performance

Alignment with stockholders

Total compensation set at market value for like skills and responsibilities

Implementation of Philosophy

The Company implements its compensation philosophy through a number of methodologies including:

Allocating a material portion of total compensation to incentive based, at risk, compensation opportunities

Setting incentive plan objectives that directly or indirectly increase earnings

Awarding a material portion of total compensation in the form of equity

Utilizing an annual competitive compensation study to set total and individual compensation components and values

The Company's philosophy is reflected in the breakdown of amounts earned under the 2007 compensation package for the Chief Executive Officer, Chief Financial Officer and next 3 highest compensated officers, the Named Executive Officers, between incentive-based and equity-based compensation as a percentage of total compensation.

Market Value Determination

Annually, the Compensation Committee retains an independent compensation consultant to conduct a competitive compensation analysis (Competitive Compensation Analysis). Towers Perrin has been retained for this purpose since 1995 based on its extensive databases and its ability to provide analyses for each of the geographic regions in which the Company's and its subsidiaries' executive officers are based. Towers Perrin presently has no other business dealings with the Company and is considered to be independent of management in handling this assignment.

The Competitive Compensation Analysis is intended to reflect changes in the scope of an executive's responsibility, experience in their position and labor market conditions. The 2006 Competitive Compensation Analysis used a combination of databases to set 2007 executive compensation for U.S. based executives. Those databases included Towers Perrin's 2006 Executive Compensation Database (825 participating organizations), Watson Wyatt's 2006/2007 Survey Report on Top Management Compensation (2,567 participating organizations) and Mercer's 2006 Executive Benchmark Database (2,150 participating organizations). Data was developed using normative revenue categories that reflect the size and organization level for each SWM position. For 2007, the revenue screen for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer positions was \$711 million and for the President Americas position, the revenue screen was \$289 million. For non-U.S. based executives, manufacturing companies in the Towers Perrin regional databases were used and similarly adjusted using revenue thresholds that reflected the size of the local organization and level of each executive's position. Regression equations and other methodologies were used where applicable to develop data comparisons from the databases employed in the Competitive Compensation Analysis.

In all cases, Towers Perrin utilizes a large grouping of companies and does not base its conclusions on a limited number of specific companies in the Company's industry segment. The Company is in a very specialized niche in the paper industry, that does not have close comparables from whom compensation information is available. Furthermore, the Company recruits from within and from outside the paper-making industry for executive talent requiring the broader analysis performed by Towers Perrin to establish competitive compensation. For example, among 3 recently hired executives, 1 was recruited out of a large French conglomerate, Saint Gobain, 1 came from Alstrom, a large paper corporation and 1 came from Arjowiggins, the world's leading manufacturer of technical and creation papers (notably for image enhancement and value protection).

The Competitive Compensation Analysis provides the Compensation Committee with the 25th, 50th and 75th percentile values for total compensation, total cash compensation, base salary, annual incentive opportunity, long-term incentive opportunity and guidance as to the amount of such compensation that is delivered in the form of cash or equity. The data developed from this process is used when a new executive is hired between studies to determine the initial compensation package. Supplementary information from recruiting and tax consultants is used to test the reasonableness of any recruitment incentives that may be offered to attract new talent.

The Company's philosophy is to compensate its officers at the 50th percentile of the market for base salary plus or minus 15% and at the 50th percentile of the market at Target level performance plus or minus 15% for incentive compensation. The 50th percentile was chosen as the compensation level at which experience indicated quality executive talent could be recruited and retained without overpaying. The variance range is used to account for individual factors such as experience in the position, particular skill sets and performance. To develop competitive references for the executive positions studied, Towers Perrin undertook the following analysis to develop an Executive Peer Group:

gathered position information, updated scope and pay information from the Company;

matched incumbents to survey benchmarks, generally holding benchmarks consistent from prior year;

analyzed competitive data in accordance with the Company's target markets; and

updated market rates to reflect 2007 mid-year salary rates to aid in salary adjustment decisions data was aged with a projected annual update factor specific to each country.

For 2007, the individual components of Named Executive Officer compensation were set at the following levels based on the 2006 Competitive Compensation Analysis:

Base Salary	Annual Performance Bonus	Long-Term Incentive Bonus	Total Compensation
50 th Percentile of the Executive Peer Group	50 th Percentile of the Executive Peer Group at Target	50 th Percentile of the Executive Peer Group at Target	50 th Percentile of the Executive Peer Group at Target

Components of Compensation

Our executive compensation program consists of the following components:

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
Base Salary	Competitive Compensation Analysis is primary with subjective evaluation of performance +/- 15% from 50 th percentile of the market.	Cash	Chief Executive Officer recommends, Compensation Committee approves for all officers other than Chief Executive Officer who is approved by full Board of Directors; Full board evaluates Chief Executive Officer annually, Chief Executive Officer evaluates other officers annually.
Annual Incentive Plan	Competitive Compensation Analysis; performance-based measured over a fiscal year.	Cash	Chief Executive Officer recommends and Compensation Committee approves (i) operating unit objectives at beginning of cycle and (ii) performance against corporate and operating unit objectives at year end. Chief Executive Officer approves officer individual objectives (not more than 30% of total opportunity) and performance against same. Board approves corporate unit and Chief Executive Officer individual objectives (15% of total opportunity) and performance against same.

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Long-Term Incentive Plan	Competitive Compensation Analysis; performance-based and measured over 2-3 fiscal years. (No award opportunity in 2007)	Cash	Chief Executive Officer recommends and Compensation Committee approves (i) unit objectives at beginning of cycle and (ii) performance against unit objectives at end of each year in award cycle.
Restricted Stock Plan	Competitive Compensation Analysis for performance share award opportunities;	Restricted stock performance shares are banked in each year of an award cycle with vesting at final completion of award cycle. Dividends and voting rights attach when banked.	Chief Executive Officer recommends performance share objectives and targeted grants; Compensation Committee approves (i) performance share objectives (ii) performance against objectives and (iii) any targeted grants.
Executive Severance Plan	Chief Executive Officer recommendation on targeted grants for retention, special recognition and recruitment. Board of Directors judgment.(1) Provides a value equal to 3x highest base salary and incentive compensation earned under the Annual Incentive Compensation Plan and certain other benefits over prior 3 years in case of a change of control and between 6-24 months salary in the event of a termination for other than cause or voluntary departure.	Targeted grants are typically time-based with cliff vesting. Cash	Participation in the Executive Severance Plan and the terms of the plan were approved by the full Board of Directors. The multiples of annual compensation awarded by the plan were initially established based on a market assessment. The Board has reevaluated the plan terms at least twice since it was first approved.

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Deferred Compensation Plan	Company contributions may be made to participant accounts, typically to offset tax liabilities associated with targeted restricted stock grants.	Cash deposit to participant's account.	The Chief Executive Officer recommends and the Compensation Committee must approve any company contributions to the Deferred Compensation Plan.
Perquisites	U.S. based officers get a maximum of \$1,500 for a medical exam and financial planning/tax preparation services; foreign officers and officers in expatriate status may get other perquisites based on market conditions where they are assigned, such benefits are determined in consultation with independent consultants.	Typically a cash reimbursement of expenses and company car if normally provided in the country.	The Chief Executive Officer recommends and the Compensation Committee must approve any perquisites provided to officers.
Retirement Plan(2) and Retirement Savings Plan (401-K)	Provided on the same basis as to all other employees.	Per plan terms.	Compensation Committee or the Board of Directors approve the plans.
Supplemental Benefit Plan	Provided on same basis as to all other highly compensated employees.	Per plan terms.	
Health, Welfare and Vacation Benefits	Provided on the same basis as to all other employees.	Per plan terms.	Company policy

- (1) Based on the Board's judgment, severance benefits reflect the fact that it may be difficult for employees to find comparable employment within a short period of time and the value placed on being able to quickly disentangle the Company from an executive employee in the event of a termination by payment of a lump sum. Change of control benefits are contingent upon providing continued services, as requested, through a change of control thereby increasing the ability of the Company to accomplish that task with an intact management team, while recognizing a degree of security must be provided to retain those officers through a change in control who may well be out of a position following the implementation of such a change in control. Further information concerning the severance benefits are found at pages 35 - 41.
- (2) Retirement Plan benefits for all U.S. salaried employees, including officers, were frozen effective January 1, 2006. Further details concerning the pension plan benefit are provided in the narrative following the Pension Benefits Table found at page 32 hereof.

Base Salary 2007

The base salary established for each Named Executive Officer against the competitive market median base salary is set forth below:

Named Executive Officer Position	2007 Base Salary	2007 Competitive Market Median Base Salary
Chief Executive Officer	\$ 600,000	\$ 655,000
Chief Operating Officer	\$ 417,072(3)	\$ 400,000(4)
Chief Financial Officer	\$ 312,000	\$ 315,000
President Americas	\$ 335,000	\$ 335,000
Vice President Strategic Planning and Implementation	\$ 330,200	NA(5)

(3) The Chief Operating Officer's salary of Euro 300,000 was converted into U.S.\$ using the September 2007 exchange rate of Euro .7193 for every U.S.\$1.

(4) The Chief Operating Officer's base salary was evaluated on the basis of U.S. and France-based positions.

(5) The Vice President Strategic Planning and Implementation was the former Chief Financial Officer who agreed to delay his retirement for 1 year to facilitate the transition of the new Chief Financial Officer and to assume enhanced duties relative to various strategic initiatives. As this was a temporary position, no competitive analysis was performed and his 2006 salary was increased by the actual annual increase from 2006 to 2007 for U.S. based executives as determined by the Competitive Compensation Analysis.

Incentive Compensation 2007 Objectives and Results Against Objectives

Based on full-year 2007 financial performance, the following results were achieved under the Company's incentive compensation programs:

Annual Incentive Plan

A. 2007 Objectives. The objectives for the 2007 incentive award opportunity under the Annual Incentive Plan applicable to the Named Executive Officers are set out below. These objectives were selected because they were deemed to be the primary drivers for delivering increased stockholder value. The amounts established for each performance level relate to actual prior-year earnings, budget which sets an aggressive goal for growing the business and thereafter increasingly more aggressive growth targets. All 2007 corporate and unit objectives exclude the impact of restructuring charges.

Named Executive Officer Position	2007 Objectives
Chief Executive Officer	Corporate Unit: Earnings per Share Threshold \$1.00
Chief Financial Officer	Target \$1.25 Outstanding \$1.38
Vice President Strategic Planning and Implementation	Maximum \$1.50
President Americas	Continental U.S. & Brazil Operating Profit (000) (A proportional allocation between U.S. and Brazil units)
75% U.S. Unit	Threshold \$10,400
25% Brazilian Unit	Target \$14,700 Outstanding \$17,200 Maximum \$19,700
Chief Operating Officer	Unit: Chief Operating Officer Operating Profit (000) Threshold \$41,200 Target \$54,450 Outstanding \$59,450 Maximum \$64,450

B. Performance Against Objectives

Actual 2007 performance against 2007 objectives for each Named Executive Officer under the annual incentive plan were:

Named Executive Officer Position	Pay out(6)/Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%	Objectives at Target Level
Chief Executive Officer	\$428,625/\$589,500	Unit Objective: 90% of Target Individual Objectives: 125% of Target.	Unit Objective: EPS \$1.25 Individual Objectives: (15% of total award opportunity) achieve plan results; implementation of succession plan; sales and earnings growth.

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Named Executive Officer Position	Pay out(6)/Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%	Objectives at Target Level
Chief Operating Officer	\$225,967/\$240,000	Unit Objective: 94% of Target Individual Objectives: 107% of Target.	Unit Objective: Operating Profit All Units (000) \$54,450 Individual Objectives: (10% of total award opportunity) address French cost structure issues; deliver significant improvement in operating profit of SWM Americas; achieve 2007 budget sales growth and contribution margins; strengthen SWM senior management team.
Chief Financial Officer	\$144,472/\$157,500	Unit Objectives: 90% of Target Individual Objectives: 133% of Target.	Unit Objective: EPS \$1.25 Individual Objectives: (30% of total award opportunity) improve financial forecasting methods; streamline financial reporting process; assess actions and implement Information Technology improvement; enhance CFO development and address Controller succession.

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Named Executive Officer Position	Pay out(6)/Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%	Objectives at Target Level
President Americas	\$180,900/\$184,250	Unit Objective: 150% of Target Individual Objectives: 120% of Target.	Unit Objective: 75% US Unit/25% Brazil Unit Operating Profit (000) \$14,700 Individual Objectives: (20% of total award opportunity) deliver budgeted sales, operating profit and working capital reductions for U.S. unit; deliver budgeted sales and operating profit for Brazilian unit; establish Brazilian unit as center of excellence for base tipping papers; continue development and strengthen lower ignition propensity papers franchise; successfully execute Lee Mills restructuring; strengthen organization and build synergies between north & south American teams.

Named Executive Officer Position	Pay out(6)/Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%	Objectives at Target Level
Vice President Strategic Planning and Implementation	\$160,477/NA	Unit Objective: 90% of Target Individual Objectives: 150% of Target.	Unit Objective: EPS \$1.25 Individual Objectives: (30% of total award opportunity) manage the plan to construct the new joint venture mill in China within budget and on schedule; complete acquisition of minority interest in LTRI not to exceed 35 million Euro; assess Project **** acquisition and if decision to proceed, implement plan for acquisition; Project ***** support negotiations and execution of primary contracts in 2007 regarding *****.

(6) The amount earned by each Named Executive Officer is reflected in the column labeled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table found on page 26.

C. Named Executive Officer Award Opportunity at Each Annual Incentive Plan Objective Level

The Target Incentive Award Percentages (percentage of 2007 base salary) for each Named Executive Officer at the various performance levels were:

Named Executive Officer Position	Threshold	Target	Outstanding	Maximum
Chairman and Chief Executive Officer	37.50%	75.00%	112.50%	150.00%
Chief Operating Officer	27.50%	55.00%	82.50%	110.00%
President Americas	22.50%	45.00%	67.50%	90.00%
Chief Financial Officer	22.50%	45.00%	67.50%	90.00%
Vice President Strategic Planning and Implementation	22.50%	45.00%	67.50%	90.00%

The Target Incentive Award Percentages for each Named Executive Officer were established based on the Competitive Compensation Study data and were generally set at the market median at the Target Level for annual bonus opportunity by position. The difference between each performance level was set based on the Committee's judgment of various factors, including the difficulty of obtaining the objectives, the incentive value to the participant and the net return to stockholders at each performance level.

Restricted Stock Plan Performance Shares: Year 2007 of 2007-2008 Award Opportunity

A. Performance Against 2007 Objectives. In 2007, the Company refocused the business plan to address a number of major restructuring efforts. As a result, the Compensation Committee terminated the 2006-2008 Long-Term Incentive Plan cash award opportunity as its objectives were no longer in line

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with the Company's strategic goals. In its place, the Compensation Committee instituted a new set of objectives for the remaining 2 years of the award cycle, 2007 and 2008, under the Restricted Stock Plan that covered 13 separate objectives.

Named Executive Officer Position	Target Objective	Objective Achieved Target = 100%	SWM Stock Price Multiplier	Shares Earned and Banked in Year 2007(7)
Chief Executive Officer	100% average on objectives 1-13	101.1%	114.4%	53,614 shares
Chief Financial Officer	100% average on objectives 1-13	101.1%	114.4%	14,175 shares
Chief Operating Officer	100% average on objectives 1-13	101.1%	114.4%	25,913 shares
President Americas	100% average on objectives 2, 3, 5 and 8	93.2%	114.4%	14,031 shares
Vice President Strategic Planning and Implementation	100% average on objectives 10, 11 and 12	130.5%	114.4%	20,441 shares

(7) The amount earned by each Named Executive Officer is reflected in the column labeled "Stock Awards" in the Summary Compensation Table found on page 26.

B. Performance Objectives. The objectives selected cover a wide range of strategic initiatives, each of which was considered essential to the accomplishment of near-term or longer-term growth in the Company's earnings and hence the Company's ability to deliver increased value to stockholders over the long term. To the maximum extent possible, objectives were framed so as to be capable of objective measurement by the Compensation Committee against audited financial results or other measurable criteria. The specific objectives that applied to each officer were assigned based on the individual's duties and position within the company. Each assigned objective was weighted equally and any subparts within an objective also carried equal weighting. The 13 objectives at the performance level achieved are stated below:

Objective Number	Description of Objectiv
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