

SCHWEITZER MAUDUIT INTERNATIONAL INC
Form DEF 14A
March 07, 2003

SCHEDULE 14A
(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

- | | |
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| <input type="checkbox"/> o Preliminary Proxy Statement | <input type="checkbox"/> o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> x Definitive Proxy Statement | |
| <input type="checkbox"/> o Definitive Additional Materials | |
| <input type="checkbox"/> o Soliciting Material under Rule 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):

- x No fee required.
 o 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:

(5) Total fee paid:

- o Fee paid previously with preliminary materials:

- o 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:

March 13, 2003

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, 2003 at 11:00 a.m. at the Corporation's corporate headquarters located at 100 North Point Center East, Suite 600, Alpharetta, Georgia.

At the Annual Meeting, stockholders will be asked to elect three (3) directors for a three-year term. The Corporation's Board of Directors recommends unanimously that you vote in favor of this proposal, which is 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

Printed in the United States

**on Schweitzer-Mauduit International, Inc. paper
manufactured in Lee, Massachusetts**

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

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

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
April 24, 2003**

The Annual Meeting of Stockholders of Schweitzer-Mauduit International, Inc. will be held at the Corporation's corporate headquarters located at 100 North Point Center East, Suite 600, Alpharetta, Georgia, on Thursday, April 24, 2003 at 11:00 a.m. for the following purposes:

1. To elect three (3) directors for a three-year term to expire at the 2006 Annual Meeting of Stockholders; and
2. To transact such other business as may properly be brought before the meeting or any adjournment thereof.

Stockholders of record at the close of business on February 27, 2003 are entitled to notice of and to vote at the meeting and any adjournment thereof. It is important that your shares be represented at the 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, 2003

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 (the "Corporation"), in connection with the solicitation of proxies by the Board of Directors of the Corporation for use at the Annual Meeting of Stockholders to be held on April 24, 2003 ("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 three (3) directors nominated for election. Any proxy may be revoked by the stockholder granting it at any time before it is voted by delivering to the Secretary of the Corporation another signed proxy card, or a signed document revoking the earlier proxy or by attending the meeting and voting in person. The Corporation intends to mail this Proxy Statement and proxy card, together with the 2002 Annual Report to Stockholders, on or about March 13, 2003.

Each stockholder of record at the close of business on February 27, 2003 will be entitled to one vote for each share registered in such stockholder's name. As of that date, there were outstanding 14,922,357 shares of the Corporation's common stock, par value \$0.10 per share (the "Common Stock").

The entire cost of the proxy solicitation will be borne by the Corporation. The Corporation has retained American Stock Transfer & Trust Company to aid in the solicitation of proxies. Solicitation services on routine proxy matters are included in the fees paid to American Stock Transfer & Trust Company to act as the Corporation's stock transfer agent and registrar and such service is not separately compensated beyond reimbursement of reasonable out-of-pocket expenses. The Corporation does not otherwise expect to pay any compensation for the solicitation of proxies, but 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 Corporation 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 Corporation.

Under Section 216 of the Delaware General Corporation Law and pursuant to the Corporation's By-Laws, a majority of the issued and outstanding shares of the Corporation's Common Stock, present in person or represented by proxy, shall constitute a quorum for purposes of the Annual Meeting. Directors shall be elected by a plurality of the votes present in person or represented by proxy at the Annual Meeting 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, the affirmative vote of a majority of shares present in person or represented by proxy at the Annual Meeting and entitled to vote on the subject matter shall be the act of the stockholders.

PROPOSAL ONE: ELECTION OF DIRECTORS

The Certificate of Incorporation of the Corporation provides that the number of directors constituting the entire Board of Directors shall be as authorized from time to time exclusively by the affirmative vote of a majority of the entire Board of Directors. The By-Laws of the Corporation provide that the number of directors of the Corporation shall not be less than six (6) nor more than nine (9) and further provide that the Board of Directors shall be divided into three (3) classes of directors, who are elected for staggered terms. Directors of one class are elected each year for a term of three (3) years. As of the date of this Proxy Statement, the Board of Directors consists of nine (9) members, three (3) of whom have terms which expire at the 2003 Annual Meeting (Class II Directors), three (3) of whom have terms which expire at the 2004 Annual Meeting (Class III Directors), and three (3) of whom have terms which expire at the 2005 Annual Meeting (Class I Directors). Eight (8) of the current directors have served on the Corporation's Board of Directors since November 30, 1995. Alan R. Batkin, a Class I Director, has served on the Corporation's Board of Directors since May 1, 1999.

The current Class II Directors, Mr. K.C. Caldabaugh, Mr. Jean-Pierre Le Hétet and Mr. Richard D. Jackson, are nominated for re-election at the 2003 Annual Meeting to serve for a term to expire at the 2006 Annual Meeting of Stockholders, and until their successors are elected and have qualified. Should any nominee become unable to serve, proxies may be voted for another person designated by management. The nominees have advised the Corporation that they will serve if elected. The remaining six (6) directors will continue to serve as directors for the terms set forth on the following pages.

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 five (5) years, other directorships held by each as of the date hereof and certain other biographical information are as set forth on the following pages by class, in the order of the next class to stand for election.

NOMINEES FOR ELECTION TO THE BOARD OF DIRECTORS

Class II Directors

For a Three-Year Term Expiring at the 2006 Annual Meeting of Stockholders

Name	Age	Year First Elected a Director	Principal Occupation and Businesses During Last Five (5) Years and Current Directorships
K.C. Caldabaugh	56	1995	<p>Managing Principal, Southbank Consulting Group, a provider of operational and financial restructuring services, presently and since January 2002</p> <p>Principal, Heritage Capital Group, an investment banking firm, presently and since July 2001</p> <p>Chairman and Chief Executive Officer of Spinnaker Coating, Inc., a manufacturer of adhesive coated papers, from 1994 to March 2001. Spinnaker Coating, Inc. filed for Chapter 11 bankruptcy protection on November 13, 2001</p> <p>Member of the Board of Trustees of West Virginia Wesleyan College</p>

Jean-Pierre Le Hétet

59 1995 Chief Operating Officer of the Corporation, presently and since April 1998
 President French Operations of the Corporation from August 1995 through October 31, 2002

Richard D. Jackson

66 1995 Private investor, presently and since

August 1995 Chairman of the Board of ebank Financial Services, Inc. (formerly ebank.com, Inc.)

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

MEMBERS OF THE BOARD OF DIRECTORS CONTINUING IN OFFICE

Class III Directors

Term Expiring at the 2004 Annual Meeting of Stockholders

Name	Age	Year First Elected a Director	Principal Occupation and Businesses During Last Five (5) Years and Current Directorships
Wayne H. Deitrich	59	1995	Chief Executive Officer of the Corporation, presently and since August 1995 Chairman of the Board of the Corporation, presently and since November 1995
Leonard J. Kujawa	70	1995	Independent international consultant, presently and since 1995 Director American Electric Power Company
Larry B. Stillman	61	1995	Vice President, Northwest Group, xpedx, (formerly Dixon Paper), 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 Director Advisory Board of the Utah Jazz

Class I Directors

Term Expiring at the 2005 Annual Meeting of Stockholders

Name	Age	Year First Elected a Director	Principal Occupation and Businesses During Last Five (5) Years and Current Directorships
Claire L. Arnold	56	1995	Chief Executive Officer of Leapfrog Services, Inc., a computer support company and network integrator, presently and since 1998 Director Ruby Tuesday, Inc. Director International Multifoods, Inc. Chairman of the Board of Trustees of Mary Baldwin College
Alan R. Batkin	58	1999	Vice-Chairman of Kissinger Associates, Inc., a geopolitical consulting firm, presently and since May 1990 Director Hasbro, Inc. Director Overseas Shipholding Group, Inc. Director Diamond Offshore Drilling, Inc.
Laurent G. Chambaz	55	1995	Partner in the law firm of UGGC & Associés, presently and since January 2001 Partner in the law firm of Chambaz in association with UGGC & Associés from October 1999 to December 2000 Partner in the law firm of Lafarge Flécheux Chambaz from January 1999 to September 1999 Partner in the law firm of Chambaz & Suermondt from 1971 to 1998

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth information as of December 31, 2002 and for the succeeding sixty (60) calendar days regarding the number of shares of the Corporation's Common Stock beneficially owned by all directors and nominees, the Corporation's Chief Executive Officer and each of the Corporation's next four (4) highest paid executive officers (collectively, the Chief Executive Officer and the next four (4) highest paid executive officers are called the Named Executive Officers herein), and by all directors and executive officers as a group. Unless otherwise indicated in a footnote, each person listed below possesses sole voting and investment power with respect to the shares indicated as beneficially owned by that person.

Name of Individual or Identity of Group	Title of Class	Amount and Nature of Beneficial Ownership	Percent of Class(1)
Claire L. Arnold	Common Stock	4,210(2)	*
Alan R. Batkin			
Common Stock		1,956(2) *	
K.C. Caldabaugh			
Common Stock		4,210(2) *	
Laurent G. Chambaz			
Common Stock		6,487(3) *	
Wayne H. Deitrich			
Common Stock		491,889(4) 3.3	
Richard D. Jackson			
Common Stock		9,087(3)(5) *	
Leonard J. Kujawa			
Common Stock		4,010(2) *	
Jean-Pierre Le Héétet			
Common Stock		194,945(6) 1.3	
Paul C. Roberts			
Common Stock		130,490(7) *	
John W. Rumely, Jr.			
Common Stock		39,949(8) *	
Larry B. Stillman			
Common Stock		8,539(3) *	
Peter J. Thompson			
Common Stock		70,611(9) *	
All Directors, Named Executive Officers and executive officers as a group (15 Persons)			
Common Stock		1,049,185(10) 7.0	

- (1) Percent of Class is calculated as a percentage of the shares of Common Stock outstanding as of March 1, 2003, plus unexercised options vested as of March 1, 2003, for a total of 14,922,357 shares deemed outstanding. Individuals with an asterisk own less than one percent (1%) of the shares outstanding.
- (2) As of March 15, 2000, each of these directors elected to defer one hundred percent (100%) of their quarterly retainer pursuant to the Deferred Compensation Plan for Outside Directors. In addition to the stock they beneficially own, their individual deferred compensation plan accounts have been credited with the equivalent of 3,428 stock units, including accumulated dividends, that are convertible into the Corporation's Common Stock at its fair market value or cash upon the director's retirement or earlier death or disability. This total includes the equivalent of 224 stock units received by the director pursuant to the Outside Directors Stock Plan on January 2, 2003.
- (3) Includes 224 shares of stock received by the director pursuant to the Outside Directors Stock Plan on January 2, 2003.
- (4) Includes: 100 shares held by a Charitable Remainder Unitrust, of which Mr. Deitrich is the Trustee; 382,891 shares which Mr. Deitrich has the right to acquire upon the exercise of vested stock options as of December 31, 2002; options to purchase 42,773 shares vesting in January 2003 and 15,000 shares of restricted stock granted on January 1, 2000 that include the power to vote such shares.
- (5) Includes 1,600 shares held by Mr. Jackson's wife, Elaine M. Jackson.
- (6) Includes 168,735 shares which Mr. Le Héétet has the right to acquire upon the exercise of vested stock options as of December 31, 2002 and options to purchase 21,760 shares vesting in January 2003.

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- (7) Includes: 2,200 shares which Mr. Roberts acquired on February 10, 2003 upon the exercise of vested options; 86,040 shares which Mr. Roberts has the right to acquire upon the exercise of vested stock options as of December 31, 2002; options to purchase 13,110 shares vesting in January 2003; restricted stock grants consisting of 7,500 shares granted on January 1, 2000, 5,000 shares granted on January 1, 2001 and 2,500 shares granted on January 1, 2002 that include the power to vote the restricted shares; 200 shares held by a custodial account with Mr. Roberts's wife, Jane H. Roberts, as trustee; 200 shares held by Jane H. Roberts individually; and 4,332 shares in which Mr. Roberts has shared voting and investment power with his wife.
- (8) Includes: 2,000 shares which Mr. Rumely acquired on February 13, 2003 pursuant to the exercise of vested options; 18,630 shares which Mr. Rumely has the right to acquire upon the exercise of vested stock options as of December 31, 2002; options to purchase 9,485 shares vesting in January 2003; restricted stock grants consisting of 5,000 shares granted on January 1, 2001 and 2,500 shares granted on January 1, 2002 that include the power to vote the restricted shares.
- (9) Includes: 41,405 shares which Mr. Thompson has the right to acquire upon the exercise of vested stock options as of December 31, 2002; options to purchase 11,700 shares vesting in January 2003; restricted stock grants consisting of 7,500 shares granted on January 1, 2000, 5,000 shares granted on January 1, 2001 and 2,500 shares granted on January 1, 2002 that include the power to vote the restricted shares.
- (10) Includes as to executive officers other than the Named Executive Officers 61,470 shares which may be acquired upon the exercise of vested stock options as of December 31, 2002; options to purchase 13,875 shares vesting in January 2003 and 2,500 restricted shares granted on January 1, 2003 that include the power to vote the restricted shares.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL HOLDERS

The following table sets forth certain information as of December 31, 2002 regarding the number of shares of Common Stock of the Corporation beneficially owned by each person who is known to the Corporation to own, directly or indirectly, more than five percent (5%) of the outstanding shares of the Corporation's Common Stock, and reflects the information presented in each such person's Schedule 13G (and amendments, if any, thereto) as filed with the Securities and Exchange Commission (SEC) and provided to the Corporation. Unless otherwise indicated in a footnote, each person listed below possesses sole voting and investment power with respect to the shares indicated as beneficially owned by that person.

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Gardner Russo & Gardner and Thomas A. Russo (1) 223 East Chestnut Street Lancaster, Pennsylvania 17602-2783	1,334,031	8.92
Wellington Management Company, LLP (2) 1,236,800 8.28 75 State Street Boston, Massachusetts 02109		
Barclays Private Bank and Trust Limited (3) 973,706 6.52 10 Rue d'Italie CH-1204 Geneva Switzerland		
AXA Financial, Inc. (4) 816,443 5.50 1290 Avenue of the Americas New York, New York 10104		
Dimensional Fund Advisors, Inc. (5) 772,195 5.17 1299 Ocean Avenue 11th Floor Santa Monica, California 90401-1005		

- (1) Based on a Schedule 13G/A filed on February 12, 2003 Gardner Russo & Gardner reported that it beneficially owns an aggregate of 1,334,031 shares with shared power to vote or to direct the vote and 1,334,031 shares with shared power to dispose or to direct the disposition of all such shares. Thomas Russo, a principal in Gardner Russo & Gardner and using the same reporting address, reported that of the 1,268,731 shares he beneficially owns, he holds sole power to vote or to direct the vote and sole power to dispose or to direct the disposition of 300,500 shares and shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of 968,231 shares. Collectively, Thomas Russo and Gardner Russo & Gardner beneficially own 1,334,031 shares.

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- (2) Based on a 13G/A filed on February 12, 2003, Wellington Management Company (WMC) reported that, in its capacity as investment adviser, it may be deemed to beneficially own in the aggregate 1,236,800 shares of the Issuer which are held of record by clients of WMC. Of those shares, WMC has shared power to vote or to direct the vote of 834,900 shares and has shared power to dispose or to direct the disposition of 1,236,800 shares.
- (3) Based on a Schedule 13G filed on February 12, 2003 Barclays Private Bank and Trust Limited (Sussie) reported that it has beneficial ownership of 973,706 shares. Of those 973,706 shares, Barclays Global Investors N.A., has the sole power to vote or to direct the vote of 750,473 shares and the sole power to dispose or to direct the disposition of 750,473 shares. Barclays Global Fund Advisors has the sole power to vote or to direct the vote of 223,233 shares and the sole power to dispose or to direct the disposition of 223,233 shares.
- (4) Based on a Schedule 13G/A filed February 12, 2003, AXA Financial, Inc.; four French mutual insurance companies, AXA Assurances I.A.R.D. Mutuelle, AXA Assurances Vie Mutuelle, AXA Conseil Vie Assurance Mutuelle and AXA Courtage Assurance Mutuelle (collectively, the Mutuelles AXA), as a group; AXA; and their respective subsidiaries owned a majority of shares of Common Stock which are held by unaffiliated third-party client accounts managed by Alliance Capital Management L.P., a majority-owned subsidiary of AXA Financial, Inc. AXA Rosenberg Investment Management LLC, a subsidiary of AXA, has the sole power to vote or to direct the vote of 51,000 shares and the shared power to dispose or to direct the disposition of 56,100 shares. Alliance Capital Management L.P., has the sole power to vote or to direct the vote of 645,643 shares, the shared power to vote or to direct the vote of 9,800 shares and the sole power to dispose or to direct the disposition of 760,343 shares.
- (5) Based on a Schedule 13G/A filed on February 7, 2003 Dimensional Fund Advisors Inc. (Dimensional) reported that as an investment advisor registered under Section 203 of the Investment Advisors Act of 1940, it furnishes investment advice to four investment companies registered under the Investment Company Act of 1940, and serves as investment manager to certain other commingled group trusts and separate accounts. These investment companies, trusts and accounts are the Funds. In its role as investment advisor or investment manager, Dimensional possess voting and/or investment power over the securities of the Issuer described in the Schedule 13G that are owned by the Funds. All securities reported in the Schedule 13G are owned by the Funds. Dimensional disclaims beneficial ownership of such securities.

BOARD AND COMMITTEE GOVERNANCE

Board of Directors and Standing Committees

The Board of Directors currently consists of nine (9) members, eight (8) of whom have served on the Board of Directors since November 30, 1995, with the ninth director commencing his service on the Board of Directors on May 1, 1999. From January 1, 2002 through December 31, 2002, the Board of Directors met on five (5) occasions and acted by unanimous written consent on one (1) occasion.

The standing committees of the Board of Directors include the Audit Committee, the Compensation Committee and the Nominating & Governance Committee, formerly the Nominating Committee.

The Audit Committee is currently composed of Leonard J. Kujawa, Chairman, Claire L. Arnold, Alan R. Batkin and K.C. Caldabaugh, all of whom are independent directors. The Audit Committee met on three (3) occasions in 2002. The Audit Committee recommends to the Board of Directors appointment of the outside auditors to audit the books, records and accounts of the Corporation, retains and compensates the outside auditors, reviews the scope of such audits, provides oversight in connection with internal control, financial reporting and disclosure systems of the Corporation and performs such other duties as the Board of Directors may from time to time prescribe. The nature and scope of the Audit Committee's responsibilities are set forth in the Audit Committee Charter, a copy of which is attached hereto as Exhibit A and on file with the SEC, and its duties are described more fully herein under the caption Audit Committee Report.

The Compensation Committee, currently composed of Richard D. Jackson, Chairman, Claire L. Arnold and Larry B. Stillman, all of whom are independent directors, met on three (3) occasions and acted by unanimous written consent on four (4) occasions in 2002. The Compensation Committee is responsible for the evaluation, review and approval of officer compensation and acts as the administrator under a number of the Corporation's executive compensation plans. The Compensation Committee also reviews the Corporation's salaried employee compensation plan and evaluates and makes recommendations on director compensation to the full Board of Directors for its action. The nature and scope of the Committee's responsibilities are set forth herein in further detail under the caption Compensation Committee Report and in the Compensation Committee Charter, which will be posted on the Corporation's website at www.schweitzer-mauduit.com in 2003.

The Nominating & Governance Committee, formerly the Nominating Committee, is currently composed of K.C. Caldabaugh, Chairman, Claire L. Arnold and Alan R. Batkin, all of whom are independent directors. The Nominating & Governance Committee met on two (2) occasions in 2002. The Nominating & Governance Committee evaluates and proposes candidates for membership on the Board of Directors, recommends candidates to fill vacancies on the Board of Directors, supervises the Board of Directors, Board Committee and individual director evaluation processes, evaluates, monitors and recommends changes in the Corporation's governance policies and monitors the Corporation's practices and procedures concerning compliance with applicable laws and regulations, excluding state and federal securities laws and regulations, which are monitored by the Audit Committee. The Nominating & Governance Committee also evaluates nominees recommended by stockholders as candidates for election to the Board of Directors at the Annual Meeting of Stockholders. A stockholder wishing to nominate a candidate for election to the Board of Directors at the Annual Meeting of Stockholders is required to follow the procedures set forth in the Corporation's By-Laws, which procedures are hereinafter discussed under the caption Other Matters Stockholder Proposals. The Nominating & Governance Committee was formed as a Standing Board Committee in December 2002, as successor to the Nominating Committee, which was dissolved at that time. The Nominating & Governance Committee Charter will be posted on the Corporation's website at www.schweitzer-mauduit.com in 2003.

Director Independence

At its September 2002 meeting, the Board of Directors established a special purpose ad-hoc committee composed of K.C. Caldabaugh, Claire L. Arnold, Alan R. Batkin and Leonard J. Kujawa, all independent directors, to develop and recommend to the full Board of Directors a standard for determining a director's independence. This ad-hoc committee completed its work and proposed the following standard for determining a director's independence, which was adopted unanimously by the full Board of Directors at its December 2002 meeting:

An independent director is a person who is free from any relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. Annually, the Board of Directors will assess the independence of each non-management director based on the existence or absence of a material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). The following persons shall not be considered independent:

- a) A director who is employed by the Company or any of its affiliates for the current year or any of the past five (5) years.
- b) A director who is, or in the past five (5) years has been, affiliated with or employed by a (present or former) auditor of the Company (or of an affiliate).
- c) A director who is, or in the past five (5) years has been, part of an interlocking directorate in which an executive officer of the Company serves on the compensation committee of another company that concurrently employs the director.
- d) A director who is, or in the past five (5) years has been, a Family Member of an individual who was employed by the Company or any of its affiliates as an executive officer. The term "Family Member" shall mean a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than household employees) who shares such person's home.
- e) A director who, during the current fiscal year or any of the past five (5) fiscal years, personally provided services to the Company or its affiliates that had an annual value in excess of \$60,000; or who was paid or accepted, or who has a non-employee Family Member who was paid or accepted, any payments from the Company or any of its affiliates in excess of \$60,000 other than compensation for board service, benefits under a tax-qualified retirement plan, or non-discretionary compensation.
- f) A director who is a partner in, or a controlling shareholder or an executive officer of, any organization (profit or non-profit) to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities) that exceed one percent (1%) of the recipient's annual consolidated gross revenues in the current year or any of the past five (5) fiscal years; unless, for provisions (e) and (f), the Board of Directors expressly determines in its business judgment that the relationship does not interfere with the director's exercise of independent judgment.

There are currently nine (9) directors. Two (2) directors, Wayne H. Deitrich and Jean-Pierre Le Hétet, are also members of management and are therefore not considered independent under the above definition. Of the remaining seven (7) directors, six (6) are considered to be independent under the above definition and one (1), Laurent G. Chambaz, is not considered independent due to sums paid within the last five (5) years by a subsidiary of the Corporation to law firms in which Mr. Chambaz was a partner.

Director Attendance at Meetings

During the year ended December 31, 2002, each director attended one hundred percent (100%) of the Board of Directors meetings with the exception of Laurent G. Chambaz who was unable to attend one (1) Board of Directors meeting due to an unexpected and irreconcilable scheduling conflict. Each director attended one hundred percent (100%) of the meetings of Board committees on which he or she served as a member.

Compensation of Directors

As of April 1, 2002, each director who is not an officer or employee of the Corporation or any of its subsidiaries or affiliates (a non-employee director) receives an annual retainer fee of \$22,000, payable *pro rata* quarterly in advance, which retainer fee is payable in Common Stock of the Corporation pursuant to the Outside Directors Stock Plan (the Directors Plan). In 2002, each non-employee director received 910 shares of Common Stock under the Directors Plan or a similar amount in stock unit equivalents pursuant to the Schweitzer-Mauduit International, Inc. Deferred Compensation Plan for Non-Employee Directors for those directors who elected to participate in that plan. Each non-employee director also receives a meeting fee of \$3,000 for each Board of Directors meeting attended and a committee fee of \$1,000 for each committee meeting attended. As of April 1, 2002 each chairperson of a committee receives an additional \$750 for each committee meeting attended. The Chairman of the Audit Committee is paid an additional fee of \$1,000 for each quarterly conference call attended by the Chairman with the Company's management and outside auditors to review the Company's quarterly disclosure of its financial results. The members of the Audit Committee receive no direct or indirect compensation from the Corporation other than the compensation paid for service as a Director. In 2002, the Corporation paid Leonard J. Kujawa \$5,000 for his time spent traveling overseas with senior members of management as a representative of the Board of Directors with regard to a potential joint venture opportunity located in a country where Mr. Kujawa had particular expertise. This payment is not related to the implementation of the joint venture or its financial results if implemented. In addition, the Corporation reimburses the non-employee directors for expenses incurred as a result of attending such meetings. A director who is an officer or an employee of the Corporation or any of its subsidiaries or affiliates does not receive any fees for service as a member of the Board of Directors or any committee thereof, but is reimbursed for expenses incurred as a result of such service.

Directors who so elect annually, can defer all or part of their compensation received from the Corporation pursuant to the Corporation's Non-Employee Directors Deferred Compensation Plan. Participation in this plan allows a director to defer receipt of compensation and to thereby also defer certain state and federal income taxes until the deferred compensation is paid upon the director's retirement from the Board of Directors or earlier death or disability.

Audit Committee Report

The following report summarizes the Audit Committee's actions during 2002. This report shall not be deemed to be incorporated by reference by any general statement incorporating this Proxy Statement by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Corporation specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

In accordance with its written charter, the Audit Committee of the Board of Directors (Audit Committee) assists the Board of Directors in fulfilling its responsibility for oversight of the quality and integrity of the accounting, internal control and financial reporting and disclosure practices of the Corporation. The members of the Audit Committee meet the applicable independence and experience requirements of the

New York Stock Exchange and the standards for determining a director's independence adopted by the Board of Directors. During 2002, the Audit Committee met three (3) times, and the Audit Committee chairman, as representative of the Audit Committee, discussed the interim financial information and earnings guidance contained in each quarterly earnings announcement with the Chief Financial Officer, Controller and outside auditor prior to public release.

The following table discloses the aggregate audit and non-audit fees relating to amounts paid by the Corporation to its outside auditor, Deloitte & Touche LLP, the member firms of Deloitte Touche Tohmatsu and their respective affiliates, (collectively, Deloitte) for the fiscal year ended December 31, 2002:

Audit Fees
\$411,600
Financial Information Systems Design and Implementation Fees
\$0
All Other Fees
\$164,527

All Other Fees paid by the Corporation to Deloitte for the fiscal year ended December 31, 2002 can be categorized as follows:

Tax Services Fees The aggregate fees for tax planning and compliance were \$128,874.

Attestation and Other Fees The aggregate fees for attestation services for matters such as audits of employee benefit plans, comfort letters and consents related to SEC and other registration statements and fees for consultation on regulatory matters, accounting standards, procedures or transactions were \$35,653.

It is the Corporation's policy to restrict its outside auditor to the non-audit work detailed under All Other Fees and not to utilize its outside auditor for Financial Information Systems Design and Implementation, merger and acquisition due diligence, internal audit outsourcing services, record keeping or strategic consulting. The Corporation may depart from this policy if the non-audit services may be provided by the auditor under applicable laws, the related fees are immaterial or if there is an exceptional business consideration, the work and associated fees are not deemed to present a conflict of interest with the independent audit function and the Audit Committee approves such exception.

In discharging its oversight responsibility as to the audit process, the Audit Committee obtained from the outside auditor a formal written statement describing all relationships between the outside auditor and the Corporation that might bear on the outside auditor's independence consistent with Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, discussed with the outside auditor any relationships that may impact their objectivity and independence, including the services and amounts reflected in the above table, and satisfied itself as to the outside auditor's independence.

The Audit Committee reviewed with the outside auditor their audit plans, audit scope and identification of audit risks. The Audit Committee also discussed with management and the outside auditor the quality and adequacy of the Corporation's internal controls.

The Audit Committee discussed and reviewed with the outside auditor all communications required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 61, as amended, Communication with Audit Committees and, with and without management present, discussed and reviewed the results of the outside auditor's examination of the financial statements.

The Audit Committee reviewed and discussed the audited financial statements of the Corporation as of and for the fiscal year ended December 31, 2002, with management and the outside auditor. Management has the responsibility for the preparation of the Corporation's financial statements and the outside auditor has the responsibility for conducting an audit of those statements.

Based on the above-mentioned review and discussions with management and the outside auditor, the Audit Committee recommended to the Board of Directors that the Corporation's audited financial statements be included in its Annual Report on Form 10-K for the fiscal year ended December 31, 2002, for filing with the SEC. The Audit Committee also recommended the reappointment of the outside auditor and the Board of Directors concurred in such recommendation.

AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS

Leonard J. Kujawa (Chairman)
Claire L. Arnold
Alan R. Batkin
K. C. Caldabaugh

EXECUTIVE COMPENSATION

Compensation Committee Report

The following report summarizes the Compensation Committee's actions during 2002. This report shall not be deemed to be incorporated by reference by any general statement incorporating this Proxy Statement by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Corporation specifically incorporates this information by reference, and shall not otherwise be deemed filed under such acts.

The Compensation Committee was established by the Board of Directors on December 1, 1995, and is composed entirely of independent directors. The Board of Directors elects the members and the chairperson of such committee. The Compensation Committee's duties include establishing and administering the Corporation's compensation and benefit policies and practices for executive officers and key managerial employees. The Compensation Committee also administers the Annual Incentive Plan, the Equity Participation Plan, pursuant to which stock options are granted, the Restricted Stock Plan and the Long-Term Incentive Compensation Plan, as well as approving any contributions by the Corporation to the account of any participant in the Deferred Compensation Plan.

The executive compensation information reported in the Summary Compensation Table of this Proxy Statement is for services rendered to the Corporation and its subsidiaries commencing on January 1, 2000 and ending on December 31, 2002, the last day of the Corporation's 2002 fiscal year.

Executive Compensation Policies

The Corporation's executive compensation policies are designed to attract and retain qualified executives, to appropriately reward individual achievement, and to enhance the financial performance of the Corporation, and thus stockholder value, by significantly aligning the financial interests of the Corporation's executives with those of its stockholders. To accomplish these objectives, the executive compensation program as administered by the Compensation Committee consists primarily of (i) annual cash compensation, the components of which are base salary and an annual variable cash incentive payable pursuant to the Corporation's Annual Incentive Plan and (ii) long-term incentive compensation plans consisting of stock options and restricted stock awards pursuant to the Corporation's Equity Participation Plan and Restricted Stock Plan, respectively, and a long-term performance incentive plan payable in cash pursuant to the Corporation's Long-Term Incentive Plan. Base salary and annual bonuses are designed to recognize individual performance and achievement of business objectives each year. The value of long-term incentives is directly linked to the financial performance

of the Corporation including, in the case of stock options and restricted stock, the performance of the Corporation's Common Stock, and, therefore, total stockholder return. Executive officers also participate in other benefit plans available to employees generally, including the Corporation's Retirement Savings Plan and a medical plan.

In developing the Corporation's executive compensation programs and to assist in determining appropriate compensation levels for executives, the Compensation Committee retained a national compensation consulting firm to provide information and advice regarding plan design and industry pay practices for executives holding specified positions. Comparative compensation information was drawn from a broader range of companies than those included in the industry index used in the performance graph on page 25 of this Proxy Statement, and not all of the companies included in the performance graph were included in the surveys utilized. The Compensation Committee's objective is to provide opportunities to an executive officer for compensation, both on an overall basis and on the basis of each respective component, which is targeted in each case at the 50th percentile of the market groups studied.

Annual Salary and Incentive Bonuses

In determining the base salaries of executive officers effective as of January 1, 2002, the Compensation Committee reviewed salaries paid to similarly situated executives in the companies reflected in the above-described compensation study. In establishing base salary levels, the Compensation Committee considers such factors as job complexity, performance, level of responsibility, the relationship of the position to the Corporation's long-term strategic goals, and the particular individual's skills, experience and background. While no pre-established weightings are given to these factors, particular emphasis is placed on attracting and retaining quality individuals in order to develop and retain an effective executive team for the Corporation.

The purpose of the Corporation's Annual Incentive Plan is to further unite the interests of the stockholders of the Corporation and its key employees through:

- (i) the annual establishment of Corporate objectives and
- (ii) the annual payment of cash incentive awards to key employees based on individual performance and the attainment of the Corporation's objectives.

Target incentive cash opportunities under the Annual Incentive Plan for executive officers, including the Chief Executive Officer, can range from thirty percent (30%) to seventy-five percent (75%) of a participant's base salary with a maximum payout of up to one hundred ninety-five percent (195%) of the participant's target incentive award percentage. Actual annual cash bonuses are determined by measuring performance against specific goals established at the beginning of each year. The goals take into account, depending on the responsibility of the individual, two (2) or more of the following:

the individual's performance;

the performance of the functional group or unit with which the individual is associated (primarily based upon the operating profit of such unit); and

the overall performance of the Corporation (primarily based upon diluted earnings per share).

Such goals may or may not be equally weighted and may vary from one executive officer to another. Individual performance goals do not constitute more than thirty percent (30%) of any executive officer's total Annual Incentive Plan award opportunity. Annual Incentive Plan awards for the functional unit's and the Corporation's performance comprise the majority of any award opportunity.

Long-Term Incentive Compensation

The Corporation's long-term incentive compensation for its key executives consists of:

- (i) grants of stock options pursuant to the Corporation's Equity Participation Plan;
- (ii) grants of restricted stock pursuant to the Restricted Stock Plan; and
- (iii) a cash opportunity that is payable based on achievement of objectives over a three-year performance period pursuant to the Corporation's Long-Term Incentive Plan.

The Equity Participation Plan is intended to provide a means of encouraging an ownership interest in the Corporation by those employees who have contributed or are determined to be in a position to contribute materially to the success of the Corporation, thereby increasing their motivation for and interest in the achievement of the Corporation's long-term success. Because the value of a stock option bears a direct relationship to the price of shares of the Corporation's Common Stock, stock options are viewed as a means of encouraging executives and other key management employees to increase long-term stockholder value. The Compensation Committee grants stock option awards based on such factors as the competitive target long-term incentive opportunity for executives with comparable responsibilities in similarly sized corporations, individual contributions to corporate performance and management recommendations. The Equity Participation Plan mandates that the strike price of any options awarded be set at no less than the fair market value of the Common Stock at the time of grant.

The Restricted Stock Plan is intended to promote the long-term financial success of the Corporation by attracting to and retaining for the Corporation and its Affiliates outstanding executive personnel and to motivate such personnel by means of restricted stock grants to contribute to the Corporation's success. The Compensation Committee designates the participants in the Restricted Stock Plan and establishes the terms on which grants of restricted stock are made. Awards of restricted stock will be made from the Corporation's treasury stock and constitute an immediate transfer of ownership to the participant of shares of the Corporation's Common Stock, including the right to vote the shares and to receive dividends thereon, at a share price established by the Compensation Committee in its discretion. The participant's continued ownership of and right to freely transfer the restricted stock is subject to such conditions on transferability and to such risks of forfeiture as are established by the Compensation Committee at the time of the grant, which may include continued employment with the Corporation for a defined period, achievement of specified management performance objectives or other conditions. As with stock options, a portion of the value of restricted stock bears a direct relationship to the value of the Corporation's Common Stock and, therefore, total stockholder return.

The Long-Term Incentive Plan is designed to enable the Corporation to attract and retain key executives by providing a competitive and diversified total compensation package and to help focus executives' attention on the long-term performance of the Corporation. The Compensation Committee designates participants in the Long-Term Incentive Plan, determines cash award opportunities on the basis of a three-year performance period and is otherwise responsible for administration of the Long-Term Incentive Plan. Performance is measured on a cumulative basis and a portion of the overall cash award opportunity for any performance cycle may be earned annually. A part of the award opportunity may also still be earned in each year even if the cumulative performance objectives are not met provided that pre-established stand-alone annual objectives are achieved. Payment of any earned awards is made at the end of the performance period and is subject to the participant's continued employment at the time of payment. New award opportunities are not established until the current performance period is concluded thereby maintaining a clearer focus on the long-term performance objectives established by the Compensation Committee for each performance cycle. The Long-Term Incentive Plan award opportunities are based on a competitive market analysis of long-term incentive

opportunities for executive management positions in comparable companies. Under the Long-Term Incentive Plan, a target cash award is established for each participant, which, taken together with a participant's stock option and restricted stock grants, is structured to provide the participant with a total long-term incentive award commensurate with the participant's responsibilities. The award opportunity is allocated fifty percent (50%) in cash and fifty percent (50%) in equity opportunity in the form of stock options granted under the Equity Participation Plan or restricted stock granted under the Restricted Stock Plan. A participant in the Long-Term Incentive Plan can earn awards that range from zero percent (0%) up to two hundred and thirty percent (230%) of the performance award opportunity allocated by the Compensation Committee. The Compensation Committee may, in its discretion, adjust the award opportunity ranges up or down through the use of special conditions established when the performance objectives are determined for a performance cycle under the Long-Term Incentive Plan. An award opportunity was established by the Compensation Committee and approved by the Board of Directors for the 2001-2003 performance period.

Deferred Compensation

As an adjunct to the annual salary and to the annual bonus and long-term incentive bonus that may be earned under the Annual Incentive Plan and Long-Term Incentive Plan, respectively, by the Named Executive Officers and other key employees, the Corporation has adopted a Deferred Compensation Plan. The Deferred Compensation Plan permits eligible employees who elect to participate to defer receipt and taxation of a portion of their annual salary and incentive bonuses. The amount of annual salary and incentive bonus awards that may be deferred is limited to twenty five percent (25%) and fifty percent (50%), respectively. Eligibility to participate in the Deferred Compensation Plan is limited to management and highly compensated employees as defined in the Employee Retirement Income Security Act of 1974, as amended. The Corporation may, with Compensation Committee approval, make cash contributions to a participant's account in the Deferred Compensation Plan.

Compensation of Chief Executive Officer

The Compensation Committee used the same compensation policy described above for all executive officers to determine the compensation for Wayne H. Deitrich, the Chief Executive Officer of the Corporation. Mr. Deitrich is a participant in or is entitled to participate in each of the executive compensation plans described above on the same terms as the other executive officers. In setting both the cash-based and equity-based elements of Mr. Deitrich's compensation, the Committee attempted to target the 50th percentile of such compensation as paid to chief executive officers of the companies analyzed in the outside consultant's study.

Corporate Tax Deduction for Executive Compensation

Pursuant to the Omnibus Budget Reconciliation Act of 1993 (OBRA), annual compensation payable to the chief executive officer and each of the four (4) highest paid executive officers of a public corporation will not be deductible by the corporation for Federal Income Tax purposes to the extent any such officer's overall compensation exceeds \$1,000,000. Certain types of compensation, including qualifying performance-based incentive compensation, are both deductible and excluded for purposes of calculating the \$1,000,000 base under Code Section 162(m). OBRA recognizes stock option plans as performance-based if such plans meet certain requirements. The Compensation Committee will take advantage of qualifying compensation paid to the Named Executive Officers under OBRA to maintain the Corporation's deduction for such expenses where it deems appropriate and advisable. However, all executive compensation plans and compensation paid to the Named Executive Officers may not be so qualified.

COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS

Richard D. Jackson (Chairman)

Claire L. Arnold
Larry B. Stillman
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EXECUTIVE COMPENSATION

For the 2000, 2001 and 2002 fiscal years, compensation paid to, earned by or awarded to the Named Executive Officers for services rendered to the Corporation and its subsidiaries is set forth below, in accordance with the rules and regulations of the SEC.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation			Long Term Compensation Awards	
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Restricted Stock Awards (\$)	Securities Underlying Options (#)(1)
Wayne H. Deitrich Chairman of the Board and Chief Executive	2002	\$510,577(2)	\$752,560(3)	\$5,500(4)	0	93,250
	2001	490,000	470,915(5)	5,100(4)	0	66,550
	2000	480,846(2)	0			