SCHWEITZER MAUDUIT INTERNATIONAL INC
Form DEF 14A
March 06, 2009

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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 ý

Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement

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

ý Definitive Proxy Statement

o Definitive Additional Materials

o 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):

ý No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

March 12, 2009

Frédéric Villoutreix
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 23, 2009 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 Annual Incentive 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,

Frédéric Villoutreix

SCHWEITZER-MAUDUIT INTERNATIONAL, INC.

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

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

April 23, 2009

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 23, 2009 at 11:00 a.m. for the following purposes:

1. To elect 2 directors for a 3-year term to expire at the 2012 Annual Meeting of Stockholders;
2. To approve the Schweitzer-Mauduit International, Inc. Annual Incentive 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 26, 2009, 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 12, 2009

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 23, 2009 ("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 in favor of approving the Annual Incentive 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 2008 Annual Report to Stockholders, on or about March 12, 2009.

Each stockholder of record at the close of business on February 26, 2009 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 26, 2009, there were 15,344,452 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 that are presented for action at the Annual Meeting, other than the election of directors, 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. 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 10^{th} 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 6 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. Ms. Arnold, Mr. Caldabaugh and Mr. Jackson have served on the Company's Board of Directors since November 30, 1995. Mr. McCullough, Mr. Villoutreix and Mr. Finn were first elected to serve as directors effective October 1, 2006, June 1, 2007 and April 24, 2008, respectively.

The incumbent Class II directors are Mr. K.C. Caldabaugh and Mr. William A. Finn. They are nominated for re-election at the 2009 Annual Meeting to serve for a term to expire at the 2012 Annual Meeting of Stockholders, and until their successors are elected and have qualified. The Board of Directors has determined that Mr. Caldabaugh and Mr. Finn 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 2012 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
K.C. Caldabaugh	62	1995-Present	II	April 2009	Principal, Heritage Capital Group, an investment banking firm, presently and since July 2001
William A. Finn	63	April 2008-Present	II	April 2009	Chairman, AstenJohnson Holding Ltd, a holding company that has interests in paper machine clothing manufacturers, presently and since 2006
					Chairman and Chief Executive Officer, AstenJohnson, Inc., a paper machine clothing manufacturer, 1999-2006.

The Board of Directors unanimously recommends a vote FOR the election of the nominees as Class II 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
Claire L. Arnold	62	1995-Present	I	April 2011	Chief Executive Officer of Leapfrog Services, Inc., a computer support company and network integrator, presently and since 1998
					Director Ruby Tuesday, Inc.
Robert F. McCullough	66	2006-Present	I	April 2011	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.
Richard D. Jackson	72	1995-Present	III	April 2010	Private investor, presently and since August 1995
Frédéric P. Villoutreix	44	2007-Present	III	April 2010	Chief Executive Officer and Chairman of the Board, presently and since January 1, 2009
					Chief Operating Officer, February 2006 December 2008
					Vice President, Abrasives Europe and Coated Abrasives World, Compaigne de Saint-Gobain 2004 January 2006

PROPOSAL TWO

**APPROVAL OF THE SCHWEITZER-MAUDUIT INTERNATIONAL, INC.
ANNUAL INCENTIVE PLAN**

The Annual Incentive Plan has been in place since 1996 and was last submitted to and approved by stockholders in 2004. The Annual Incentive Plan is being submitted for approval by stockholders at this meeting in order to comply with the requirement under Internal Revenue Code ("Code") Section 162(m) that incentive compensation plans be approved by stockholders every 5 years for plan payments to qualify as exempt performance based compensation. The plan has not been materially changed since 1996.

Annual Incentive Plan's Purpose

The Annual Incentive Plan provides a cash 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 and to individual performance objectives over an annual performance cycle. The purpose of the Annual Incentive Plan is to further unite the interests of the stockholders of the Company and its key executives through:

(a) the annual establishment of Company objectives which are deemed by the Board of Directors Compensation Committee ("Compensation Committee") to be in the best short-and long-range interests of the Company; and

(b) the annual payment of incentive awards to each plan participant provided his or her performance has meaningfully contributed to the attainment of the Company's objectives.

The full text of the Annual Incentive Plan is included as Appendix A to this document.

The following points summarize the material terms of the Annual Incentive Plan.

Administration of the Plan

The Annual Incentive Plan is administered by the 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). The Compensation Committee determines which officers will participate in the plan, establishes the business unit and Chief Executive Officer's ("CEO") individual performance objectives at the beginning of each performance cycle and evaluates the progress toward accomplishment of the established performance objectives at the end of the performance cycle. The full Board of Directors establishes the performance objectives for the corporate unit. The CEO may designate non-officer employees as participants in the plan and establish officer and non-officer individual performance objectives. Currently 14 officers and 149 non-officers are participants in the Annual Incentive Plan.

Objective Areas, Performance Levels and Ascertainment of Performance Achieved

For each objective (corporate, unit and individual), 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 also be established which are either personal to an individual or general as to a group of individuals. Failure to achieve a Control Measure may deprive the person to whom it applies of his or her right to receive part or all of an award notwithstanding the level of performance attained on any or all other applicable objectives. Performance achieved against objectives is determined based on the Company's and it subsidiaries' audited results and is confirmed by the person or group that was authorized to set the objectives, which means the Board of Directors or the Compensation Committee, except in the case of non-CEO individual performance objectives.

Unit objectives have typically included such measures as growth in profitability for individual business units and growth in earnings per share for the corporate objective, although other objective measures may be used including, but not limited to, metrics such as return on invested capital, earnings before interest, taxes, depreciation or amortization and operating profit return on sales. Individual objectives may include specific target areas on which the participant should focus during the year.

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 against the individual, unit or corporate objectives the participant has been assigned. 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 individual and unit or corporate objectives assigned; and

(d) the performance percentage which applies as a consequence of the performance level attained against each assigned objective.

The amount of the award for each objective or objective area (unit or corporate) shall be determined by multiplying (a) times (b) times (c) times (d). Target incentive cash opportunities under the Annual Incentive Plan for executive officers, including the CEO, can range from 30% to 75% of a participant's base salary with a maximum payout of up to 192.5% of the participant's Target incentive award percentage. Awards earned are paid in cash in a lump sum provided the participant is still actively employed at the time of payment excepting only death or permanent or total disability. Amounts earned by the Named Executive Officers, as heretofore defined, under the Annual Incentive Plan in 2008 are disclosed at pages 16-18. Total amounts earned by all participants in the Annual Incentive Plan in 2008 were approximately $2,840,507.

As discussed in further detail in the Comprehensive Compensation Discussion and Analysis at pages 10-12, the Target incentive award percentage for each officer is based on the Competitive Compensation Analysis and is set at approximately the market median for annual bonus awards by position.

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, as may the CEO for non-CEO individual performance. However, this is typically not done except in extraordinary events that have 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. In making any such adjustment the Board or the Compensation Committee evaluates, but is not bound by, the impact of any such change on the continued exempt status of an Annual Incentive Plan payment under Code Section 162(m).

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 Annual Incentive Plan

Stockholder approval of the material terms of the Annual Incentive Plan is required in order for it 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 Annual Incentive Plan will be fully deductible by the Company.

The Board of Directors unanimously recommends a vote FOR approval of the Company's Annual Incentive 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 contribute to increased shareholder value
- Awarding a material portion of total compensation in the form of equity
- Utilizing an annual competitive compensation study to guide total and individual compensation components and values

The Company's philosophy is reflected in the components of the compensation opportunity provided for in the 2008 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 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 Compensation Committee periodically places this consulting assignment out for competitive bid and to evaluate the capabilities of other potential consultants.

The Competitive Compensation Analysis is intended to reflect changes in the scope of an executive's responsibility, experience in the position and labor market conditions. Towers Perrin utilizes a large grouping of companies or a combination of data derived from databases and does not base its conclusions on a limited number of specific companies in the Company's industry segment, or a "peer group," to establish the competitive market reference. The Company is in a very specialized niche in the paper industry, that does not have close comparables from whom compensation information is available which could form a valid peer group. 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 Ahlstrom, a large paper company and 1 came from Chesapeake Corporation, a packaging company. This trend continued in 2008 with the hiring of a Chief Financial Officer and President Americas, both of whom were recruited from outside of the paper industry.

The 2007 Competitive Compensation Analysis utilized a combination of databases to evaluate the proposed 2008 executive compensation for U.S. based executives in lieu of a peer group of companies. Those databases included Towers Perrin's 2007 Executive Compensation Database (803 participating organizations), Watson Wyatt's 2007/2008 Survey Report on Top Management Compensation (2,309 participating organizations) and Mercer's 2007 Executive Benchmark Database (2,478 participating organizations). Data was developed using normative revenue categories that reflect the size and organization level for each executive position being evaluated. The 2007 Competitive Compensation Analysis used a revenue screen of $723.9 million for the Chief Executive Officer, Chief Financial Officer and Chief Operating Officer positions; a revenue screen of $291.7 million for the President Americas position; and a revenue screen of $414.9 million for the President European Operations (single profit center). For non-U.S. based executives, primarily 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 France, 14 benchmark entities were used.(1)

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.

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(1) The benchmark entities referenced in France included Air Liquide, Alcatel Lucent, Alstom, Areva, Bic, Essilor, Faurecia, Imerys, Michelin, PPR, Rhodia, Schneider Electric, Technip and Valeo.

The Company's philosophy is to compensate its officers at the 50th percentile of the market for each component of compensation, +/- 15%. 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 of +/- 15% is used to account for individual factors such as experience in the position, particular skill sets, performance and specific recruitment needs. To develop competitive references for the executive positions studied for 2008, Towers Perrin engaged in the following process:

- 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 2008 mid-year salary rates to aid in salary adjustment decisions data was aged with a projected annual update factor specific to each country.

For 2008, the individual components of Named Executive Officer compensation were set at the following levels based on the 2007 Competitive Compensation Analysis:

Base Salary	**Annual Performance Bonus**	**Long-Term Incentive Bonus**	**Total Compensation**
50th Percentile of the market reference point	50th Percentile of the market reference point at Target	50th Percentile of the market reference point at Target	50th Percentile of the market reference point at Target

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; subjective evaluation of performance applied to adjust +/- 15% from 50th percentile of the market reference point.	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.

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
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 objectives and Chief Executive Officer individual objectives (15% of total opportunity) and performance against same.
Long-Term Incentive Plan	Competitive Compensation Analysis; performance-based and measured over 2-3 fiscal years (no award opportunity established for 2008). This plan remains in effect, but has not been utilized the past few years.	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.	Chief Executive Officer recommends performance share objectives and targeted grants; Compensation Committee approves (i) performance share objectives and (ii) performance against objectives.
	Chief Executive Officer recommendation on targeted grants for retention, special recognition and recruitment.	Dividends and voting rights attach when banked. Targeted grants are typically time-based with cliff vesting.	Chief Executive Officer recommends and Compensation Committee approves any targeted grants

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
Executive Severance Plan	Board of Directors judgment.(2) 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.	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 in 1996.
Deferred Compensation Plan	In addition to a participant's voluntary deferral of salary or bonus that has been earned, 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 certain 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.

Compensation Element	Method for Establishing Its Value	Form of Payment	Who Establishes Objectives and Participation
Retirement Plan(3) 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 approves the plans.
Supplemental Benefit Plan(4)	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

(2) Based on the Board's judgment, severance benefits reflect the fact that it may be difficult for very senior 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 officers who may well be out of a position following their implementation of such a change in control. Further information concerning the severance benefits are found at pages 34-42.

(3) 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 31 hereof.

(4) The Supplemental Benefit Plan was amended in December 2008 to comply with the requirements of Code Section 409A. The amended plan provided participants with lump sum, three-year and five-year distribution options. The only Executive Officer in the Supplemental Benefit Plan opted for a lump sum distribution, which will be paid out on July 1, 2009, 6 months following his retirement on December 31, 2008. There are no other Executive Officers among the remaining participants in the Supplemental Benefit Plan and with Retirement Plan benefits frozen for all salaried participants in January 2006, there have been no new participants added and no further benefits have accrued in the Supplemental Benefit Plan since that date.

Base Salary 2008

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

Named Executive Officer Position	2008 Base Salary	2008 Competitive Market Median Base Salary
Chief Executive Officer	$ 670,000	$ 670,000
Chief Operating Officer	$ 434,055(5)	$ 435,000(6)
Chief Financial Officer	$ 325,000	$ 325,000
President Americas	$ 348,400	$ 345,000
Vice President Strategic Planning and Implementation	$ 325,000	NA(7)
President European Operations	$ 386,753	$ 326,932(8)

(5) The Chief Operating Officer was based in France during part of 2008 and his salary was converted into U.S. $ using the December 31, 2008 exchange rate of 1.3912 to the U.S. dollar.

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

(7) The Vice President Strategic Planning and Implementation was the former Chief Financial Officer who agreed to stay on with the Company during a transition period until a new Chief Financial Officer was in place and functioning. As this was a temporary position, no competitive analysis was performed and the 2008 salary for this position was maintained at the incumbent's compensation when he held the position of Chief Financial Officer.

(8) The President European Operations was based in France. His compensation is paid in euros and was converted using the December 31, 2008 exchange rate of 1.3912 to the U.S. dollar.

Incentive Compensation 2008 Objectives and Results Against Objectives

Based on full-year 2008 financial performance, the following results were achieved under the Company's incentive compensation programs:

Annual Incentive Plan

The Annual Incentive Plan provides a cash-based award opportunity that may be earned if performance objectives are achieved over a fiscal year period. Objectives are established for unit and individual performance with the individual award component not exceeding 30% of the total award opportunity. Incentive cash opportunities can range from 17.5% to 150% of a participant's base salary depending on the position held by the participant. Unit objectives, excepting the corporate unit and the Chief Executive Officer's individual objectives, are approved by the Compensation Committee. The full Board of Directors approves the corporate unit objective and the Chief Executive Officer's individual objectives. The Chief Executive Officer approves all other officer's individual objectives.

A. 2008 Objectives.

The objectives for the 2008 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 succeeding 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 in the range of a 6%-10% increase between each objective level. All 2008 corporate and unit objectives exclude the impact of restructuring charges.

Named Executive Officer Position	2008 Objectives
Chief Executive Officer Chief Financial Officer Vice President Strategic Planning and Implementation	Corporate Unit(9): Earnings per Share Threshold $1.20 Target $1.50 Outstanding $1.65 Maximum $1.80
Chief Operating Officer	Unit: Chief Operating Officer Operating Profit (000) Threshold $62,400 Target $70,800 Outstanding $79,500 Maximum $86,400
President Americas 75% U.S. Unit 25% Brazilian Unit	Unit: Americas, Continental U.S. & Brazil Operating Profit (000) (A proportional allocation between U.S. and Brazil units) Threshold $13,400 Target $14,575 Outstanding $16,175 Maximum $17,800
President European Operations	Unit: European Operations Threshold $44,200 Target $49,400 Outstanding $54,800 Maximum $58,800

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(9) 80% of the corporate unit Target award opportunity is earned at Diluted Earnings Per Share ("EPS") $1.50; 20% of the corporate Target award opportunity is earned at $0.27 in Diluted Earnings Per Share contributed by the incremental ownership (28%) of LTR Industries acquired in January 2008.

B. 2008 Performance Against Objectives

Actual 2008 performance against 2008 objectives for each Named Executive Officer under the Annual Incentive Plan was:

Named Executive Officer Position	2008 Earned Pay out(10)/ Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%
Chief Executive Officer	$254,013 vs. $536,000	Corporate Objective: 80% of opportunity = 0% earn out 20% of opportunity = 167% of Target (overall average of 33% of Target) Individual Objectives: 150% of Target (15% of total award opportunity). Individual objectives included achieving plan results, progress in establishing sales and earnings growth plan and succession implementation.

Named Executive Officer Position	2008 Earned Pay out(10)/ Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%
Chief Operating Officer	$69,565 vs. $260,278	Unit Objective: 0% earn out Corp Objective: 33% of Target Corp (combined) Individual Objectives: 115% of Target (10% of total award opportunity). Individual objectives included resolution of French cost structure issues, improvement in operating profit Americas, achieve specified paper operation performance targets, achieve 2008 budget sales growth and contribution margins and strengthen the senior management team.
Chief Financial Officer	$30,131 vs. $162,500	Unit Objectives: 80% of opportunity = 0% earn out 20% of opportunity = 167% of Target Individual Objectives: 115% of Target (30% of total award opportunity). Individual objectives consisted of picking up work items from former CFO (reported below as V.P. Strategic Planning and Implementation) following September 2008 transition.
President Americas	$130,128 vs. $174,200	Unit Objective: 122% of Target Individual Objectives: 105% of Target (20% of total award opportunity). Individual objectives included meeting U.S. budgeted sales and operating profit targets, further development of LIP franchise, execute Lee mills shutdown, achieve SWM-Brazil sales, operating profit and working capital targets, establish SWM-Brazil as global center of excellence for base tipping papers and strengthen organization and build synergies south and north American teams.

Named Executive Officer Position	2008 Earned Pay out(10)/ Median Opportunity per Competitive Compensation Study	Unit/Individual Objectives Rating Achieved Target = 100%
Vice President Strategic Planning and Implementation(11)	$84,240 vs. NA	Unit Objective: 80% of opportunity = 0% earn out 20% of opportunity = 167% of Target Individual Objectives: 115% of Target (30% of total award opportunity). Individual objectives included modifying existing credit facility to accommodate potential acquisition, enhance controls and compliance training, evaluate and plan enterprise risk management strategy, enhance management reporting systems and content, analytic and other support of multiple major projects, support major IT project and completion of specified human resource and transition actions for finance group.
President European Operations	$44,205 vs. $152,834	Unit Objective: 0% Corporate Objectives: 33% of Target Corp (combined) Individual Objective: 91.25% (20% total award opportunity). Individual objectives included meeting budgeted sales, operating profit and working capital targets for French unit, meet improved safety targets in France, deliver Project Leader improvements, successful implementation of restructuring plan at Malaucène mill, successful deployment of French IT project, achieve certain operating targets at LTR Industries and strengthen the SWM-France management organization.

(10) The amount earned by each Named Executive Officer is also reflected in the column labeled "Non-Equity Incentive Plan Compensation" in the Summary Compensation Table found on page 27.

(11) The incumbent, Peter Thompson, was CFO from January 1 to August 10, 2008 and the Vice President Strategic Planning and Implementation from August 11, 2008 to December 31, 2008.

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

The Target Incentive Award Percentages (percentage of 2008 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%
Chief Financial Officer	22.50%	45.00%	67.50%	83.25%
President Americas	22.50%	45.00%	67.50%	90.00%
Vice President Strategic Planning and Implementation	22.50%	45.00%	67.50%	90.00%
President European Operations	20.00%	40.00%	60.00%	80.00%

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.

D. 2009 Annual Incentive Plan Award Opportunity

The Compensation Committee established a 2009 award opportunity under the Annual Incentive Plan that uses objectives based on improved earnings per share, excluding restructuring costs, for the Named Executive Officers at the corporate level and improvement in operating profit, excluding restructuring costs, for officers at the operating unit level. The Threshold and Maximum award opportunities for the Chief Executive Officer and President European operations range from 37.5% to 150% and from 20% to 80%, respectively, of their 2009 base salary with the other Named Executive Officers' opportunity falling within that range. The Threshold level objective is based on the prior year actual results, Target level objective at the annual budget, Outstanding level objective at approximately 6% over Target and Maximum level objective at approximately 12% over Target. The Committee considers these to be challenging objectives in light of the negative impacts of ongoing operations that continue to result from restructuring activities in certain units, macro economic conditions likely to prevail in 2009, continuing competitive pressures on certain product segments and the high degree of successful execution required to hit these objectives. For a historical perspective on the difficulty of achieving the performance objectives, during the past four years no Annual Incentive Plan award was earned by the Corporate unit in 2005 or 2006. An award equal to 90% and 33% of Target was earned in 2007 and 2008, respectively.

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

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 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, which covered 13 separate objectives. The award opportunity was conditioned on achieving a year-over-year increase in earnings per share for any award payout (EPS condition), which condition applied notwithstanding actual performance against the other 13 performance objectives. The EPS condition was not met in year 2008 resulting in 0 payout under the Restricted Stock Plan Performance Share Award Opportunity for year 2008 of the 2007-2008 award cycle.

A. Year 2008 Performance Objectives.

The 2007-2008 objectives covered 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 Target performance level are stated below:

Objective Number	Description of Objective at Level Achieved
1.	Project Leader Restructuring Papeteries de Mauduit: a. not exceed authorized €17.8 million for capital expenditure items b. permanent employee reduction of 209 from 2006 headcount c. achieve appropriation savings of €10.0 million
2.	Spotswood Transformation a. reduce headcount by 10% from 2006 average b. achieve flax cigarette cost of $******(12)/ s.u.
3.(13)	Lee Mills Survival a. Break even site operating profit b. non-financial printing sales of 9MMT c. 22 person employment reduction from 2006 year-end levels d. restructuring expenses not exceeding $7.6 million
4.	Papeteries de Malaucène a. limit operating loss to €2.0 million, excluding restructuring costs b. permanent employee reduction of 40 from year-end and shutdown paper machine by December 2008 c. 45% of Malaucène base tipping paper needs qualified on SWM-Brazil base paper
5.	Brazil Paper Machine No. a. achieve US$2.8 million incremental operating profit if SWM-Brazil capacity replaces other unit base tipping papers b. by year-end, achieve base tipping cost of US$***** /mt at pulp price of US$*****start-up curve as measured by kg/hour production rates c. achieve sustained end-of-curve speed on PM #6 of*****/min on all base tipping grades d. increase base tipping sales volumes ***** MMT

Objective Number	Description of Objective at Level Achieved
6.	Project ***** a. achieve 50% of ***** planned annual savings b. complete all implementation phase activities for systems start-up c. do not exceed total project spending of € ***** d. do not exceed € ***** authorized severance costs
7.	LTR Industries a. achieve 2008 AIP target level operating profit of ***** b. achieve 60.3MMT sales volume c. value for money grade sales of 4MMT
8.	Lower Ignition Propensity Papers a. achieve budget gross profit of ***** b. achieve cost per s.u. of ***** by year-end c. achieve print banded paper sales of > ***** s.u.
9.	PdM Philippines Industries a. achieve ***** operating profit b. achieve PM #2 appropriation speed of ***** c. do not exceed authorized capital spending of ***** d. achieve July 2007 start-up
10.	China Tobacco Mauduit a. achieve annual sales of *****mt b. progress toward year-end wood cp cost of *****mt c. project spending within ***** million RMB authorized amount
11.	[*****************] a. complete qualification b. consume ****** metric tons c. develop plan for utilization of *******
12.	Acquisitions a. develop plan to broaden footprint in ***** b. if decision to proceed, complete acquisition of ***** at a price accretive to earnings

Objective Number	Description of Objective at Level Achieved
13.	Cash/Debt Management a. maintain bank covenants b. no quarter more than 30% total debt to capital ratio

(12)
******** indicates no disclosure due to the confidential and competitively sensitive nature of the information.

(13)
Subsequent to the establishment of this objective a decision was made to permanently close the Lee Mills effective May 1, 2008.

B. Performance against 2008 Objectives.

The following tables show the Named Executives combined performance against the objectives they were assigned, which would have resulted in equity awards being earned but for the application of the EPS condition.

Named Executive Officer Position	Target Objective	Objective Achieved Target = 100%	SWM Stock Price Multiplier	Shares Earned and Banked in Year 2008
Chief Executive Officer	100% average on objectives 1-13	48%	NA	0 shares
Chief Financial Officer	100% average on objectives 1-13	48%	NA	0 shares
Chief Operating Officer	100% average on objectives 1-13	48%	NA	0 shares
President Americas	100% average on objectives 2, 3, 5 and 8	57%	NA	0 shares
Vice President Strategic Planning and Implementation	100% average on objectives 10, 11 and 12	48%	NA	0 shares
President European Operations	100% average on objectives 1, 4, 6 and 7	31%	NA	0 shares

Restricted Stock Plan Performance Shares: Year 2009-2010 Award Opportunity

A. Performance Objectives.

The Compensation Committee established a new, two-year Performance Share Award Opportunity under the Restricted Stock Plan that commenced January 1, 2009 and ends on December 31, 2010. The performance objectives, performance metrics and assignment of same to the expected Named Executive Officers in 2009 are summarized in the following tables:

Named Executive Officer Position	**Applicable 2009 Performance Objectives for 2009-2010 Performance Share Award Opportunity Restricted Stock Plan**
Corporate	
Chairman and Chief Executive Officer Chief Operating Officer Treasurer, Chief Financial and Strategic Planning Officer Secretary and General Counsel	*Common objectives for the group, including:* 70% of award is based on a 68% improvement in return on invested capital ("ROIC") on continuing operations in 2009 10% of award is based on development and successful execution of new restructuring plan to ensure earnings before interest, taxes, depreciation and amortization ("EBITDA") improvement > $9 million in 2010; restructuring expense to <€18 million in France 20% of award is based on business development which requires finalized structures for global lower ignition propensity paper and reconstituted tobacco franchises and strategy to reach sustainable ROIC > weighted avg. cost of capital
Business Unit Officers and Staff	
President European Operations	20% of award opportunity is based on a 68% improvement in ROIC on continuing operations in 2009 20% of award opportunity is based on development and successful execution of new restructure plan to ensure EBITDA improvement > $9 million in 2010; restructuring expense to <€18 million in France 20% of the award is based on a 145% increase in ROIC at Papeteries de Mauduit 20% of award opportunity is based on an 11% increase in ROIC at LTR Industries 20% of the award is based on improvement in EBITDA > $2.2 million at St. Girons

B. 2009 Performance Share Award Opportunity as a % of 2009 Base Salary and Relative to Competitive Long-Term Incentive Market Multiples at Target.(14)

Named Executive Officer Position	**25% Threshold**	**100% Target/Market Median**	**150% Outstanding**	**200% Maximum**
Chairman and Chief Executive Officer	42.50%	170%/168%	255%	340%
Chief Operating Officer	28.75%	115%/112%	173%	230%
Secretary and General Counsel	17.50%	70%/64%	105%	140%
Treasurer, Chief Financial and Strategic Planning Officer(15)	22.50%	90%/82%	135%	180%
President European Operations	15.00%	60%/50%	90%	120%

(14) The Company previously used the Black-Scholes valuation methodology to set long-term incentive awards and decided to convert to the FAS 123R methodology in 2009, but subjective judgment was used in making this conversion where the impact from changing methodologies caused a dramatic change in the incentive award opportunity.

(15) A specific competitive analysis of long-term incentive opportunity was not performed for this position as it was newly created in January 2009. The compensation package, including incentive compensation opportunities, was based on the market median for the Chief Financial Officer position. It will be evaluated as part of the 2009 Executive Compensation Competitive Analysis.

Except as noted in footnote 15, the Performance Share Award Opportunity as a percent of base salary at each level was established for each Named Executive Officer based on competitive market data as approved by the Compensation Committee.

Stockholder Return

The return to stockholders in 2008 from the actions accomplished under the Annual Incentive Plan and Restricted Stock Plan long-term incentive opportunity are noted below:

% of gross Net Income, excluding restructuring and impairment expenses, retained for stockholders	97%
% of gross Net Income increase paid to all AIP/LTIP participants including Named Executive Officers	3%

Director Compensation

The compensation paid to directors generally follows the same principles as apply to Named Executive Officer compensation. Director compensation is market based and closely aligned with the interests of stockholders by allocating more than 50% of the total compensation to equity. Director compensation is established based on the same type of competitive compensation analysis as is used to set executive compensation. Total Director compensation is targeted at the 50th percentile of the selected peer group, which consisted of the companies noted below in 2007:

Buckeye Technologies, Inc.

Caraustar Industries, Inc.

Chesapeake Corporation

Nashua Corporation

Neenah Paper, Inc.

P.H. Glatfelter Company

Pope & Talbot Inc.

Potlatch Corporation

Wausau Paper Corporation

Director compensation is more heavily weighted toward meeting fees and equity than the peer group, which reflects the value the Company places on meeting attendance and alignment with stockholders.

The Board of Directors typically adjusts director compensation every 2 years. In 2007, the Board of Directors approved changes in director compensation that were effective January 1, 2008 and discussed in the Company's 2008 Proxy Statement. The current compensation for directors is summarized below:

	Current
Chairperson's Committee Meeting Fee (including audit committee quarterly conference calls)	$2,500 per meeting
Committee Meeting Fee for Other Members (including audit committee quarterly conference calls)	$1,750 per meeting
Annual Retainer Fee (paid in the form of common stock)	$47,000 per annum
Lead Non-Management Director (payable in equal quarterly installments in cash or stock at the director's election)	$16,000 per annum
Board Meeting Fee	$5,000 per meeting

Corporate Income Tax Treatment The incentive compensation earned under the Annual Incentive Plan and the Performance Shares earned under the Restricted Stock Plan qualify as performance-based compensation for purposes of excluding them from the $1 million limit on non-performance based compensation that can be taken as a corporate income tax deduction under Code Section 162(m). To date, the Company has not lost any income tax deductions associated with executive compensation. The Compensation Committee and the Board of Directors evaluates the objective of maximizing the Company's income tax deductions, but does not have a firm policy prohibiting payment of compensation that would not qualify for favorable tax treatment under Code Section 162(m).

Compensation Approval Process Each year, the Chief Executive Officer meets with the Chairman of the Compensation Committee and the Compensation Committee's independent consultant to develop and review an executive compensation package for the upcoming year. The annual Competitive Compensation Analysis is also reviewed at that time and any questions concerning its conclusions or the process are vetted. At the Compensation Committee Chairman's discretion, he may meet separately with the independent compensation consultant. Based on this pre-meeting and any follow-up work identified at that time, an executive compensation proposal is prepared and provided to the full Compensation Committee for their review. The Compensation Committee typically meets in November to discuss the executive compensation program. At this meeting, the Compensation Committee will take action on the various components of the executive compensation plan and conclude on its recommendations to the full Board of Directors concerning the establishment of the Corporate Unit Objectives under the Annual Incentive Plan for the upcoming award cycle. The Compensation Committee will also provide recommendations for the Chief Executive Officer's base salary and individual performance objectives for the upcoming year and evaluate his performance against the current year objectives.

Typically at the December Board of Directors meeting, the Compensation Committee provides a full report on its actions on executive compensation for the upcoming year as well as its estimate of payouts, if any, under the incentive compensation award opportunities for the current year. The Compensation Committee also reports on any targeted equity grants made during the year outside of the equity opportunity provided by the incentive compensation plan awards. The Board of Directors will take action on the Corporate Unit Objective under the Annual Incentive Plan for the upcoming year and will address the current and upcoming year compensation for the Chief Executive Officer in the non-management directors meeting. When audited financial results are available, or known, the Compensation Committee completes its evaluation of the performance attained against objectives and approves the final award payments.

Compensation Committee Report

The Compensation Committee has reviewed and discussed the Comprehensive Compensation Discussion & Analysis with management.

Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Comprehensive Compensation Discussion & Analysis be included in the Company's Proxy Statement and incorporated by reference in the Company's Annual Report on Form 10-K.

COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

Richard D. Jackson (Chairman)
Claire L. Arnold
William A. Finn

Summary Compensation

The executive compensation information reported in the Summary Compensation Table set forth below is for services rendered to the Company and its subsidiaries commencing on January 1, 2008 and ending on December 31, 2008, the last day of the Company's 2008 fiscal year. All compensation earned in the 2008 fiscal year is reported in that year without regard to when actually paid by the Company or deferred by the recipient and therefore not technically received by the recipient in the 2008 fiscal year.

Summary Compensation Table 2008

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Wayne H. Deitrich Chairman of the Board and Chief Executive Officer	2008	747,309(1)	8,042(2)	0	254,013	0	41,451(3)	1,050,815
	2007	606,923(1)	0	1,279,230	428,625	0	17,382	2,332,160
	2006	580,962(1)	0	213,739(4)	0	0	14,900	809,601
Torben Wetche Chief Financial Officer and Treasurer(5)	2008	153,448(1)	0	10,141(6)	30,131	0	13,906(7)	207,626
Peter J. Thompson Vice-President Strategic Planning and Implementation(8)	2008	325,000	2,126(2)	0	84,240	5,769(11)	44,206(9)	461,341
	2007	312,000	0	320,857(10)	144,472	5,717(11)	31,486	814,532
	2006	285,883	0	11,027(4)	59,573	5,506(11)	17,834	379,823
Frédéric P. Villoutreix Chief Operating Officer	2008	488,501	36,860(12)	104,775(6)	69,565	0	284,433(13)	984,134
	2007	439,410	36,618	657,110(10)	225,967	0	286,062	1,645,167
	2006	347,491	65,002(14)	61,475(4)	0	0	187,000	660,968
Michel Fievez President European Operations(15)	2008	382,085	815(2)	37,550(6)	76,230	0	16,702(16)	513,382
Otto R. Herbst President Americas(17)	2008	354,430(1)	2,105(2)	55,420(6)	130,128	0	100,551(18)	642,634
	2007	335,000	0	364,681(10)	180,900	0	175,264	1,055,845
	2006	390,324(19)	0	60,959(4)	22,200	0	39,545	513,028

(1) Includes unused regular vacation earned in the following amounts: for Mr. Deitrich $77,309 in 2008, $6,923 in 2007 and $10,962 in 2006; for Mr. Wetche $25,770 and for Mr. Herbst $6,030. As Mr. Deitrich and Mr. Wetche were employed at 12/31/2008, but subsequently retired and left the Company's employ, respectively, per Company policy they earned a 2009 vacation benefit as of that date. The 2008 amounts reflect amounts earned in 2008 for 2009 vacation.

(2)

A one-time bonus equal to the amount of dividends that participants who earned Restricted Stock Plan Performance Share awards in 2007 would have earned had the shares earned been issued by the February 18, 2008 dividend record date.

(3)

Other Compensation consisted of $13,825 in matching contributions to the 401(k) savings plan, $24,126 in dividends on restricted stock, $1,000 reimbursement of tax preparation fees and $2,500 in matching charitable contributions.

(4)

Restricted stock grants: Mr. Deitrich 100% of the FAS 123R value of an award granted on December 15, 2006 at a share price of $26.96 that vested on December 14, 2007; Mr. Thompson, 1/2 of the total FAS 123R value of an award granted on December 15, 2006 at a share price of $26.96 that vested on December 14, 2007; Mr. Herbst, approximately 1/4, 1/3 and 1/2 of the total FAS 123R value of awards granted on January 3, 2006, August 1, 2006 and December 15, 2006 at a share prices of $24.59, $19.75 and $26.96, respectively that vest on January 1, 2010 and August 1, 2010 and December 14, 2007, and Mr. Villoutreix, 1/4 of the FAS 123R value of an award granted on January 3, 2006 at a share price of $24.59 that vests on January 1, 2010. Dividends are not included in the disclosed stock award value.

(5)

Mr. Wetche became Chief Financial Officer and Treasurer on August 11, 2008.

(6)

Included the following restricted stock grants: Mr. Wetche, approximately a prorated 1/4 of the total FAS 123R value of an award granted on August 11, 2008 at a share price of 19.47 that was to vest on August 10, 2012; Mr. Fievez, 1/4 of the total FAS 123R value of an award granted on June 1, 2007 at a share price of 30.04, that vests on May 31, 2011, Mr. Herbst, approximately 1/4 and 1/3 of the total FAS 123R value of awards granted on January 3, 2006 and August 1, 2006 at share prices of $24.59 and $19.75, respectively that vest on January 1, 2010 and August 1, 2010 and Mr. Villoutreix, 1/4 of the FAS 123 value of an award granted on January 3, 2006 at a share price of $24.59 that vests on January 1, 2010. Dividends are not included in the disclosed stock award value.

(7) Other Compensation consisted of $12,406 in matching contributions to the 401(k) savings plan and $1,500 in dividends on restricted stock.

(8) Mr. Thompson was Chief Financial Officer and Treasurer from August 1, 2006 August 10, 2008 at which point he became Vice President Strategic Planning and Implementation. Prior to August 2006 he was President U.S. Operations.

(9) Other Compensation consisted of $29,327 in 401(k) savings plan matching contributions, $5,000 to partially offset tax liabilities associated with restricted stock grants, $1,000 reimbursement of tax preparations fees, $7,879 in dividends on restricted stock and $1,000 in company match on charitable donations.

(10) Included the following restricted stock grants: Mr. Thompson, 1/2 of the total FAS 123R value of an award granted on December 15, 2006 at a share price of $26.96, that vested on December 14, 2007 and 1/3 of the total FAS 123R value of an award granted on January 3, 2007 at a share price of 25.98 that vests on January 3, 2010; Mr. Herbst, approximately 1/4, 1/3 and 1/2 of the total FAS 123R value of awards granted on January 3, 2006, August 1, 2006 and December 15, 2006 at share prices of $24.59, $19.75 and $26.96, respectively that vest on January 1, 2010, August 1, 2010 and December 14, 2007, respectively; Mr. Villoutreix, 1/4 of the total FAS 123R value of an award granted on January 3, 2006 at a share price of $24.5 and 1/3 of the total FAS 123R value of an award granted on January 3, 2007 at a share price of $25.98 that vests on January 1, 2010 and January 3, 2010. Dividends are not included in the disclosed stock award value.

(11) An increase representing market-based interest on Mr. Thompson's cash balance retirement fund account balance in the Schweitzer-Mauduit International, Inc. Retirement Plan.

(12) Includes a completion bonus of $32,973 and a one time bonus of $3,887 equal to the amount of dividends that participants who earned Restricted Stock Plan Share awards would have earned had the shares earned been issued by the February 18, 2008 dividend record date.

(13) Other Compensation consisted of $16,468 in the 401(k) savings plan matching contributions, $10,000 to partially offset tax liabilities associated with restricted stock grants $20,661 in dividends on restricted stock; $59,625 foreign service premium; $72,000 estimated income tax gross-up, $877 Medicare gross-up, and $86,707 in relocation expenses. In addition, Mr. Villoutreix received certain benefits directly in France which are reimbursed in euros and were converted at the December 31, 2008 exchange rate of 1.3912 euros to the U.S. dollar. These benefits include: $14,920 car rental; $2,959 apartment rental and $216 for utilities.

(14) Includes a completion bonus of $33,002 and a guaranteed minimum payment of $132,000 under the Company's Annual Incentive Plan in 2006. Mr. Villoutreix's guaranteed Annual Incentive Plan bonus was converted at the December 31, 2006 exchange rate of 1.32 euros to the U.S. dollar.

(15) Mr. Fievez first became a Named Executive Officer in 2008. His compensation is paid in euros and it has been converted at the 12/31/2008 exchange rate of 1.3912 euros to the U.S. dollar with the exception of the AIP payment which has been converted at the 3/4/2009 exchange rate of $1.264 euros to the U.S. dollar.

(16) Other Compensation consisted of $5,445 in dividends on restricted stock, $103 for an annual physical, $4,691 for car allowance, and $6,463 for life insurance.

(17) Mr. Herbst was President Brazilian Operations until August 1, 2006 when he became President Americas. His 2006 compensation was paid in Brazilian reais and was converted at the December 31, 2006 exchange rate of 0.46773 reais to the U.S. dollar.

(18) Other Compensation consisted of $32,022 in 401(k) savings plan matching contributions, $4,000 to partially offset tax liabilities associated with restricted stock grants, $12,314 in dividends on restricted stock, $4,215 for relocation expenses and $48,000 in estimated income tax gross-ups.

(19) Includes vacation pay in the amount of $83,215. The vacation amount represents 92 days of accumulated and unused vacation that was payable to Mr. Herbst upon his transfer of employment to the Company under applicable Brazilian law and company vacation policy.

Mr. Villoutreix was compensated as an expatriate from February 2006 through June 2008. Mr. Villoutreix, who became the Company's Chief Operating Officer in February 2006, was based in France until July 1, 2008 when he returned to the United States. He received certain income and Medicare tax gross-ups, educational allowances and foreign service payments as a result of this foreign assignment. In order to induce Mr. Villoutreix to join the Company, his employment offer included a signing bonus, a guaranteed Annual Incentive Plan payout in 2006, a grant of 10,000 shares of restricted stock and a completion bonus of 25,000 euros per year for a 4-year period.

The expatriate package for Mr. Villoutreix was developed in consultation with KPMG and Towers Perrin, internationally recognized tax and compensation consultants, respectively. The compensation package was reviewed with and approved by the Company's Compensation Committee.

Mr. Fievez joined the Company on May 30, 2007 as its President European Operations. His base salary was set above the 50th percentile indicated by the Competitive Compensation Analysis to attract him to the Company and in recognition of the fact that the Competitive Compensation Analysis was based on a position with responsibility for only one profit center whereas Mr. Fievez's responsibilities included multiple profit centers. He was guaranteed an Annual Incentive Plan bonus at Target in 2007 to offset a loss of bonus with his former employer and a signing bonus to attract him and to compensate for the loss of a supplemental pension benefit. A restricted stock grant was made to compensate him for the loss of stock options upon leaving his former employer.

GRANTS OF PLAN-BASED AWARDS

Name	Compensation Committee Action	Grant Date	All Other Stock Awards: Number of Shares of Stock or Units (#)(1)	Full Grant Date Fair Value ($)(2)
Wayne H. Deitrich			0	0
Torben Wetche	7/22/2008	8/11/08	5,000	97,350
Peter J. Thompson			0	0
Frédéric P. Villoutreix			0	0
Michel Fievez			0	
Otto R. Herbst			0	

(1) Grants of restricted stock under the Restricted Stock Plan. Dividends are paid on unvested restricted stock at the standard rate of 60 cents per year per share from the date of grant.

(2) The value is the total FAS 123R value using the August 11, 2008 share price of $19.47. This amount is not the same as the portion of the award expensed in 2008 under FAS 123R.

A new performance share award opportunity was established under the Restricted Stock Plan in February 2009 that is discussed at pages 22-23 herein.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards			Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)(1)
Wayne H. Deitrich				53,614(2)	1,073,352
1/8/2001	56,216	19.35	1/7/2011		
1/15/2002	88,911	23.045	1/14/2012		
1/2/2003	85,450	24.525	1/1/2013		
1/2/2004	60,800	30.165	1/1/2014		
1/3/2005	52,100	33.55	1/2/2015		
Torben Wetche	0			5,000(3)	100,100
Peter J. Thompson				16,675(4)	333,834
1/8/2001	9,528	19.35	1/7/2011		
1/15/2002	6,660	23.045	1/14/2012		
1/2/2003	15,900	24.525	1/1/2013		
1/2/2004	9,650	30.165	1/1/2014		
1/3/2005	12,300	33.55	1/2/2015		
Michel Fievez	0			10,434(5)	208,889
Otto R. Herbst				24,031(6)	481,101
1/8/2001	3,000	19.35	1/7/2011		
1/15/2002	4,700	23.045	1/14/2012		
1/2/2003	3,750	24.525	1/1/2013		
1/2/2004	5,200	30.165	1/1/2014		
1/3/2005	5,250	33.55	1/2/2015		
Frédéric P. Villoutreix	0			40,913(7)	819,078

(1) Grants of restricted stock under the Restricted Stock Plan. Dividends are paid on unvested restricted stock at a rate of $0.60 per year per share from the date of grant. Value calculated using December 31, 2008 share price of $20.02 per share.

(2) The restricted stock vests on the date of the 10-K filing, anticipated to be March 6, 2009, but in any event no later than March 14, 2009.

(3) The restricted stock was forfeited on January 21, 2009.

(4) The restricted stock vests 2,500 shares on January 1, 2010 and 14,175 shares on the date of the 10-K filing, anticipated to be March 6, 2009, but in any event no later than March 14, 2009.

(5) The restricted stock vests 5,000 shares on May 31, 2011 and 5,434 shares on the date of the 10-K filing, anticipated to be March 6, 2009, but in any event no later than March 14, 2009. The shares are not transferrable for 2 years from the vesting date.

(6) The restricted stock vests 5, 000 shares on January 1, 2010, 5,000 shares on August 1, 2010 and 14,031 shares on the date of the 10-K filing, anticipated to be March 6, 2009, but in any event no later than March 14, 2009.

(7) The restricted stock vests 10,000 shares on January 1, 2010, 5,000 shares on January 3, 2010 and 25,913 shares the date of the 10-K filing, anticipated to be March 6, 2009, but in any event no later than March 14, 2009.

OPTION EXERCISES AND STOCK VESTED

	Option Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**
Wayne H. Deitrich		