

Connecting science and sustainability

Our journey continues



carbon footprint

Journey

DIVERSITY

responsibility

ENERGY

GRI

future

engage

SAFETY

learnings

EXPLORE

FOCUS

GLOBAL

Evolve

MATERIALS

innovation

Our journey. Our choice.

Journey planner

Continuing along our sustainability path

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Sustainability highlights

GLOBAL LEADER
in producing sustainably advantaged non-phthalate plasticizers following acquisition of **GENOVIQUE SPECIALTIES CORPORATION**



Products containing renewable content accounted for **27%** of all our 2010 sales revenue.




Godefroy Motte
appointed as the company's first Chief Sustainability Officer

Planning to share our performance in accordance with the **Global Reporting Initiative** in 2012

ENERGY STAR® Partner & Save Energy Now LEADER



Eastman is the only U.S. manufacturer that produces acetyl chemicals from coal through gasification.



By 2015, all of Eastman's new product family launches will have a **Preliminary Life Cycle Assessment.**




We convert **70%** of the energy we obtain from fossil fuel into power and steam to run our manufacturing processes through cogeneration.

Regional headquarters in **CAPELLE** and manufacturing site in **MIDDELBURG**, both in The Netherlands, signed a **GREEN ENERGY CONTRACT** to exclusively use renewable energy.

The Eastman Chemical Singapore Pte. Ltd manufacturing site was one of only two worldwide to receive the **Responsible Care® Excellence Award** in Employee Health & Safety for 2010.



Lowered energy intensity by 6% with energy savings of **3 million MMBtu** for our manufacturing sites in Tennessee, Texas and Pennsylvania




Newsweek GREEN RANKINGS
Eastman is one of Newsweek's "Top Greenest Companies in America" for the 2nd year in a row.




ii Introduction

Eastman is proud to share the successes of our sustainability efforts. Marked by continuous improvements and accomplishments, we made meaningful progress on our sustainability journey and recognize the work ahead.

We are always looking for ways to improve still further, which is why we also share our goals and aspirations in this report. We recognize that sustainability is a journey, and we are on a road of continuous discovery and enhancement.

Eastman continues to detail our sustainability performance in accordance with the Global Reporting Initiative (GRI), the international reporting standard. We are currently working to compile all of the necessary information and will release our GRI supplement in 2012. We are committed to increasing our transparency of all aspects of sustainability to assure that we provide the information that all stakeholders — employees, stockholders, customers, suppliers, nongovernmental organizations, community collaborators and others — need.

This is the first year we are integrating our annual American Chemistry Council (ACC) Responsible Care®  performance into our sustainability reporting. The principles of Responsible Care® are central to our sustainability strategy in that they emphasize continuous improvement in the environmental, health, safety and security performance of our technologies, processes and products. Our longstanding commitment to Responsible Care® is and will continue to be the foundation of Eastman's sustainability activities.

Throughout this report you'll see updates on our sustainability successes and where we can target higher performance. You'll see our results as well as our goals and aspirations. You'll find data as well as stories. You'll hear from our senior management as well as our employees, customers, suppliers and others. You'll learn about the various ways that Eastman is exploring,  engaging  and evolving  to protect the safety and well-being of our people, communities and planet. Most of all, we hope you'll see that Eastman is a company with a genuine commitment to sustainability.

iii Letters to our stakeholders

Jim Rogers

Chairman of the Board and Chief Executive Officer

To our stakeholders,

Sustainability has become an essential component of Eastman's business, representing our culture of continuous improvement, innovation and responsibility. Sustainability makes sense for our business, but more importantly, it makes sense for our world.

I am convinced that Eastman's continued growth and future success depend on the intelligent way in which we integrate sustainability across everything we do, from product development and manufacturing processes to strategic acquisitions and our continued protection of the earth's valuable resources.

As I travel the world, I see rapidly growing interest in sustainability. I am encouraged by the lively conversations I have had in such markets as China and Brazil where the field of sustainability is moving forward at a lightning pace. Here at Eastman, we are working hard to incorporate sustainable practices into our products, processes and facilities worldwide.

Eastman is committed to growth — for our employees, customers, suppliers and stockholders. Our corporate strategy centers on growing our core businesses, investing in fast-growing regions with a rising middle class, forming strategic joint ventures and making acquisitions to continuously improve our product portfolio, and leveraging our sustainability advantages today and in the future.

When we first reported our sustainability efforts last year, we shared details of our sustainability approach and actions and illustrated how they add value to our business. In this year's report, we set out clear and measurable goals, showing the advances we have made during the past year and explaining our vision for connecting sustainability with scientific improvements to our products and processes.

During the past year, we made significant strides along our sustainability path, including naming a Chief Sustainability Officer (CSO) — Godefroy Motte. This is an important milestone on our sustainability journey and for our business. Based in The Netherlands, Godefroy is one of two members of our executive team outside the United States and he brings with him Europe's pioneering sustainability thinking and a personal passion for sustainability.

It is my hope that this account of our progress and aspirations will inspire valuable feedback and further collaboration with our customers, suppliers, communities, employees and other stakeholders. We know we cannot make meaningful advances alone, and we welcome comments and questions as our exciting sustainability journey continues.

Our vision is to be recognized as a company with a genuine and deep-rooted commitment to sustainability. I am pleased with Eastman's progress and proud of what we have achieved so far. I recognize we are on a journey, and I appreciate that we have a long road ahead of us.



Jim Rogers
Chairman and CEO
Eastman Chemical Company



Godefroy Motte

Senior Vice President, Chief Regional and Sustainability Officer


Dear reader,

As Eastman's newly appointed CSO, it is a privilege to lead our sustainability efforts. This report includes our progress through 2011 and demonstrates our commitment to continuously improve our sustainability performance.

Eastman believes that sustainability is all about creating value through environmental stewardship, social responsibility and economic growth, both now and for future generations. It's more than complying with laws and regulations. It's about developing innovative, environmentally and socially responsible solutions that satisfy the needs of a changing world.

This concept is not new to our company. We have been an active participant in the chemical industry's voluntary Responsible Care® initiative for nearly a quarter of a century. Responsible Care® is the prevailing ethic that guides our industry. Producing products that benefit society and improve everyday lives is central to Eastman's business philosophy and represents an important element of our sustainability strategy. I am proud to highlight our activities within this report and pledge to expand our reporting within subsequent reviews of our sustainability performance in the coming years.

Our current strategy is not changing under my leadership, but the *speed* at which we execute and the *focus* with which we tackle objectives will be accelerated. We also want to increase the *visibility* of our efforts by expanding our transparency and stakeholder engagement. Sustainability is an important driver for our new product developments. Across all levels of our company, we are seizing the opportunity to use our creativity and technical expertise to provide sustainable solutions for our customers and to deploy our "sustainability lenses" in every aspect of the way we do business.

Last year we established an Innovation & Sustainability Council  comprised of five members of our executive team and two vice presidents with responsibilities for key areas of sustainability. Our regular meetings and deliberations help ensure focus throughout the company.

Finally, we must also enhance the way we communicate what we are doing internally and externally. Communication will play an active role in making our company's sustainability efforts more visible to stakeholders.

Sustainability is an attitude and not an activity to participate in from time to time. It is an opportunity to use our creativity and innovation to be part of the solution, for our world today and for future generations.


We know that we have much to learn and do, and I welcome the opportunity for discussion as we continue our journey.



Godefroy Motte
Senior Vice President
Chief Regional and
Sustainability Officer
Eastman Chemical Company



Corporate overview

Eastman Chemical Company manufactures more than 1,200 chemicals, fibers and plastics that are key ingredients in products used around the world every day. Our commitments to sustainability, innovative thinking and technical expertise help deliver practical solutions that make the world a better place. 



The Eastman difference

At Eastman, we strive to look at the world differently. We ask “what if,” “why” and “how” to bring innovative and sustainable solutions to the world’s marketplace. We work with our customers and their customers to gain a deep understanding of the challenges at hand. We collaborate internally and externally to develop insights and generate ideas that help our customers succeed. We apply our world-class technical and operating expertise to everything we do because we are committed to providing solutions that have a meaningful impact. We live out the Eastman difference in our corporate values and our brand beliefs.

Values for today, hope for tomorrow

At Eastman, we believe that *how* we do business is just as important as what we achieve. As a company, we hold ourselves to very high standards. This same level of discipline extends individually and collectively in the way we manage and

operate our business, from our employees to our manufacturing sites. Our employees at all levels participate in quarterly reviews with their supervisors to ensure standards of excellence are being met and that lines of communication remain open.

Teamwork, quality, responsibility and safety are core values that are ingrained in our corporate culture and in the way we do business. We recognize the importance of treating each other, our customers and the world around us with fairness and respect, and we strive to showcase these values within all of our interactions.

We believe in our brand

We also believe that our values are reflected in our unwavering commitment to our brand. Our brand is centered on innovative approaches and practical solutions.



Culture of sustainability

Sustainability is one of the four lenses through which we view our overarching corporate strategy:

- Growing our core business
- Bias toward fast-expanding regions
- Leveraging our sustainability advantages
- Using joint ventures and acquisitions to execute our strategy



We believe that the success of our business is based on balancing our commitments to the three pillars of sustainability — economic growth, environmental stewardship and social responsibility — now and for future generations.

Economic growth »

Sustainability is a critical driver to our company's financial growth. We are constantly innovating, increasing our ability to adapt and utilizing our best and brightest minds to seek creative solutions to the problems of tomorrow's world — today.

Environmental stewardship »

For 90 years, Eastman has been a responsible steward of the resources we use. We are committed to protecting natural resources, reducing our environmental footprint and reusing materials that could otherwise be considered waste.

Social responsibility »

As a citizen of the global community, we strive to improve the health and vibrancy of the communities in which we live and work. We practice a culture of safety and constantly drive improvements in the performance of our products and processes. We are committed to investing in our employees through advanced training and continuing education opportunities. We donate time and resources to support local philanthropies and programs across the globe.

Core four

Our company is divided into four core segments

Coatings, Adhesives, Specialty Polymers & Inks (CASPI)

In our CASPI segment, we manufacture resins, specialty polymers and solvents, which are integral to the production of paints and coatings, inks, adhesives and other formulated products. In 2010, our CASPI segment represented 27 percent of Eastman's total sales.



Fibers

In our Fibers segment, we manufacture and sell Estron™ acetate tow and Estrobond™ triacetin plasticizers for use in cigarette filters and cellulose acetate flake and acetyl raw materials for other acetate fiber producers. We also manufacture and sell Eastman Estron™ natural and Eastman Chromspun™ solution-dyed acetate yarns for use in apparel, home furnishings and industrial fibers. In 2010, our Fibers segment accounted for 19 percent of Eastman's total sales.



Performance Chemicals & Intermediates (PCI)

In our PCI segment, we manufacture diversified products including both acetyl products and olefin derivatives, which are sold externally and used internally for other segments of the company. In 2010, our PCI segment represented 36 percent of Eastman's total sales.




Specialty Plastics

In our Specialty Plastics segment, we produce specialized copolyesters and cellulosic plastics, which are used in specialty packaging, appliances, consumer housewares, medical devices and packaging, liquid crystal displays for electronics and other end-use products. In 2010, our Specialty Plastics segment accounted for 18 percent of Eastman's total sales.





Our geographic diversity is a source of strength

Headquartered in Kingsport, Tenn., U.S.A., Eastman (NYSE: EMN) is a Fortune 500 company with 2010 sales of \$5.8 billion. Eastman employs more than 10,000 people at 20 manufacturing sites in 10 countries around the globe. Site profiles and specific information about each of our facilities around the world can be found on www.eastman.com. 




Corporate Governance and Code of Business Conduct

Our Board of Directors has five committees — Audit; Compensation and Management Development; Finance; Health, Safety, Environmental, and Security; and Nominating and Corporate Governance — to provide compliance oversight with legal and regulatory requirements and oversee the management, development and maintenance of policies, programs, practices and procedures in their respective areas of responsibility. For Eastman's Corporate Governance Guidelines and Committee Charters, visit www.eastman.com. 

Our decisions and actions, at the Board and management level as well as at the individual employee level, are rooted in our brand beliefs and corporate values, which constitute the Eastman difference. 

Eastman believes that it takes more than strong business results to build a great company. It also requires an unwavering commitment to our core values. The men and women of Eastman have created a culture where integrity is of the utmost importance and unethical behavior is not tolerated.

Eastman is committed to conducting business with the highest standards of ethics and integrity, as well as in accordance with laws and regulations and company policy. Eastman's Code of Business Conduct  was established as a guide and resource to help employees understand the company's expectations and alert them to legal and ethical issues that may arise.

We realize today's business environment is complex, so we ensure that all employees receive training on our Code every year. And we ask each employee to certify his or her compliance with the Code. For more on Eastman's Code of Business Conduct, please visit www.eastman.com.

"In the sixteen years I've been with the company, I've seen countless examples of the commitment that Eastman men and women have to the company's core values. The corporate culture at Eastman is one where ethics and integrity are expected in all that we do."

David Golden

Corporate Secretary and Chief Ethics and Compliance Officer, Eastman

Building a legacy


Eastman's Kingsport, Tenn., site celebrates its 90th anniversary

This year marked a major milestone in Eastman's history — the 90th anniversary of the company's headquarters in Kingsport. Generations of Eastman employees have worked hard to make Eastman the company it is today by carrying on the integrity of our founder, George Eastman. We continue to grow our legacy in the Kingsport community by respecting our surrounding environment, creating a rewarding workplace and supporting the community in which we live and work.



Sustainability goals and progress

From energy efficient operations, to sustainable products, to active engagement in communities across the globe, Eastman knows firsthand that sustainability is beneficial to our business, our customers, our communities and our world. We are proud of the progress we've made against the goals we set in 2009, but we know we have more to do, which is why we are committed to continuously stretching ourselves and aiming higher. The goals we set in 2010 are designed to challenge our company further.

We are working actively to meet or exceed these goals and recognize that our targets will evolve as we engage with our various stakeholders on our journey of continuous improvement and sustainability. 



Our 2010 progress — Economic growth

	2009 goals	2010 progress	2010 details
Short-term goals 1–3 years	Value-creating growth delivers: • Earnings per share (EPS) of between \$5.25 and \$5.50 in 2010* • \$200 million–\$300 million of free cash flow in 2010	✓	• The company reported 2010 earnings per diluted share from continuing operations of \$6.96. • Generated free cash flow in excess of \$400 million ➤ <i>For reconciliation to reported GAAP EPS, see page 94. ➤➤</i>
	Two-thirds (⅔) of revenues from new product launches are advantaged on assessed sustainability criteria	●	We are on track to achieve this goal as launches occur throughout the 2010–2015 time frame. We have moved this to our midterm goals to reflect the timing of this commitment. ➤➤
	Use sustainability as a lens for identifying growth opportunities	●	We achieved this goal with recent acquisitions in Performance Chemicals and in our Specialty Plastics segment for core growth. We are working to implement it in other business segments during 2011. ➤➤
	Collaborate with strategic customers to help them meet their sustainability goals	✓	We have initiated several strategic relationships with key customers and are piloting sustainability projects with them. These projects are primarily in the area of Life Cycle Assessments, based on customer requests. ➤➤
	Utilize internal Innovation & Sustainability Council to manage investments and drive priorities	✓	The Council meets regularly (quarterly scheduled meetings and additional meetings, as needed) to provide guidance on corporate sustainability and innovation investments across the company. We have also created subcouncils with a broader representation of vice presidents and senior managers to ensure decisions are made and integrated across all areas of the company. ➤➤
Midterm goals 3–5 years	Continue delivering value-creating growth with EPS of greater than \$6 in the economic recovery	●	The company reported 2010 earnings per diluted share from continuing operations of \$6.96. <i>For reconciliation to reported GAAP EPS, see page 94. ➤➤</i>
	Complete sustainability pilot efforts with strategic suppliers and customers to holistically improve our life cycle management practices	●	We continue efforts with key customers and suppliers to define and implement life cycle thinking into our work together. We are actively developing a stakeholder engagement plan in 2011, which will help us continue to make progress against this commitment. ➤➤
	Further embed a culture of growth across the company (business units, supply chain, technology, marketing)	✓	We have continued to train and coach our customer-facing employees (primarily business, sales and marketing) to “live the brand” by bringing our unique insights and sustainability solutions to all areas of our value chain.

✓ Completed
 ● In progress
 ○ Not yet begun
 ✗ Did not meet

**Goals apply to legacy sites as of 12/31/2009*

Our 2010 progress — Environmental

	2009 goals	2010 progress	2010 details
Short-term goals 1–3 years	2.5% improvement in energy efficiency year-over-year	✓	2010 target of 10.5 MMBtu/1,000 kg produced — actual 2010 data was 10.5 MMBtu/1,000 kg produced. »
	2% reduction of greenhouse gas (GHG) emissions per unit of production (GHG intensity) year-over-year	●	We will report our GHG emissions in our GRI supplement, to be released in 2012. »
	10% reduction in hazardous waste (indexed to production) from 2005 to 2010	✓	2010 target was less than 0.0126 kg waste/kg — actual 2010 performance was 0.01 kg waste/kg. »
	25% reduction in reportable releases from 2005 to 2010	✗	2010 target was less than 35 reportable release events — actual 2010 performance was 55 reportable releases. »
	25% reduction in Toxic Release Inventory (TRI) releases to the air from 2005 to 2010	✗	2010 target was less than 5.175 Mlb — actual 2010 performance was 5.4 Mlb. »
	15% reduction in Volatile Organic Compounds (VOC) from 2005 to 2010	✓	2010 target was less than 8777.1 tons — actual 2010 performance was 7048 tons. »
	Life Cycle Assessments (LCAs) are completed on prioritized product families aligned with our customers' priorities	✓	We have completed cradle-to-gate LCAs on approximately 60% of the product lines that represent 80% of our revenues. We continue to complete assessments according to business and customer priorities. »
Midterm goals 3–5 years	25% reduction in energy intensity within next 10 years (in conjunction with Department of Energy's <i>Save Energy Now</i> LEADER program)	●	We are on track with our energy improvement goals and are two years into a 10-year commitment. »
	20% reduction of GHG intensity over 10 years	●	We achieved a 10% reduction in GHG intensity in 2010 compared to 2009 and are making progress on our 10-year commitment. »
	Continuously improve levels of performance of energy conversion and energy consumption per unit of output	✓	We assessed our environmental goal performance in 2010 and established new goals for 2008–2020. In most cases we met our 2005–2010 goals as detailed in the short-term progress report above. »
	20% nitrogen oxide (NO _x) and 40% sulfur dioxide (SO ₂) reductions within 10 years	●	We have restated these goals as long-term goals and will report actual progress through 2010. »
	Reassess and set new environmental goals for those that have been met or are on track to be completed in 2010	✓	We assessed our environmental goal performance in 2010 and established new goals for 2010–2020. In most cases we met our 2005–2010 goals as detailed in the short-term progress report above. »
	All new product family launches have an accompanying LCA within the next few years	●	We have plans to complete preliminary LCAs on new products before they are launched and to produce full LCAs once the manufacturing data is available. »

✓ Completed ● In progress ○ Not yet begun ✗ Did not meet

Our 2010 progress — Societal

	2009 goals	2010 progress	2010 details
Short-term goals 1–3 years	Maintain our strong commitment to health, safety and employee well-being with continued goals and incident tracking for Corporate Injury and Illness Recordable Rates, Days Away from Work Rates and Process Safety incidents	●	<p>We maintained our focus on health, safety and well-being of our employees. We continue to track Corporate Injury and Illness Recordable Rates (2010 target not met), Days Away from Work Rates (2010 target met), and process safety incidents (2010 target not met), and have set new multiyear goals.</p> <p>While we did not reach the targets established for some metrics for 2010, our safety performance is strong and we have experienced a significant reduction in injury rates in the last 20 years. Our Injury and Illness Rate for 2010 was our fourth lowest ever, and our DAW rate for 2010 was also tied to our fourth lowest ever. »»</p>
	Enhance recruiting, training, communications and mentoring practices, with a focus on diverse global perspectives and public policy issues	●	<p>We continue to focus on recruiting for diversity of thought and reinforcing diversity of experience in internal and external work. We have set diversity goals and are taking meaningful steps to achieve them. »»</p>
	Offer diverse and challenging volunteer opportunities to employees	●	<p>We continue to offer volunteer opportunities to employees in the communities where we live and work. Some examples of expanded efforts include our Community Relations Team in Kirkby, England, our Community Advisory Panel work in Jefferson, Pa., and our many volunteer activities at our corporate headquarters location in Kingsport, Tenn. »»</p>
	Maintain Community Advisory Panels (CAPs) in our site communities	✓	<p>We currently have CAPs at five of our global sites: Jefferson, Pa.; Kingsport, Tenn.; Longview, Texas; Middelburg, The Netherlands; and Workington, United Kingdom. »»</p>
	Proactively engage key education, environmental and community stakeholders in our communities	●	<p>We had active engagements with various global stakeholders in 2010. We provided faculty enrichment workshops and capstone project support for graduating senior-level courses in the College of Business and Technology and a half-day campus visit by our CEO which was focused on sustainability at East Tennessee State University. »»</p> <p>Additionally, we are active participants in the Southeast Energy Efficiency Alliance (SEEA). In The Netherlands, employees support the Sophia Children’s Hospital in Capelle aan den IJssel as a friend of the Pallieter Foundation. »»</p>
	Support community involvement efforts, including philanthropy, volunteerism and in-kind donations	✓	<p>Supported numerous philanthropic and volunteer efforts, including donations to The Nature Conservancy and The United Way, financial support to orphaned children and earthquake relief efforts in Haiti, more than 200 volunteer hours with disadvantaged youth in Rotterdam schools and donating hundreds of hours to conserving the Appalachian Trail in the United States. »»</p>

✓ Completed
 ● In progress
 ○ Not yet begun
 ✗ Did not meet

Our 2010 progress — Societal

	2009 goals	2010 progress	2010 details
Midterm goals 3–5 years	Continue and expand sustainability awareness and education for employees and local constituents	●	We began sustainability awareness and education with our customer-facing employees in our North America and Europe regions during 2010. We will expand this program to all four of our regions in 2011, focusing on externally facing employees. ➤
	Partner with key influencers in our value chain to promote sustainable practices	●	We are beginning development of a stakeholder engagement plan to help us with this commitment in 2011.
	Assess safe work practice goals annually to focus on maintaining gains and continual improvement	●	We have assessed our safety goals and have established a new set of quantitative and aspirational goals focused on behavior changes needed to prevent injuries, incidents and illnesses. ➤
	Become an active voice in our industry, sharing leading practices on sustainability throughout our value chains	○	We have been focusing first on establishing our sustainability foundation internally.
	Expand our value chain engagements to focus on strategic sustainability issues with key influencers such as designers, academia, government and nongovernment organizations	●	We are actively collaborating with the design community in our value chains, as well as universities near our North America and Europe, Middle East and Africa region headquarters. We plan to expand this initiative to other stakeholders by utilizing our stakeholder engagement plan that will be developed in 2011.

✓ Completed ● In progress ○ Not yet begun ✗ Did not meet

Future goals — Economic and Environmental

	Economic goal recommendations	Environmental goal recommendations
Short-term goals 1–3 years	<ul style="list-style-type: none"> Earnings per share (EPS) approaching \$10 in 2012 Achieve mid-single digit compounded annual volume growth rate through 2013 Capital expansions, including those in product lines with sustainable advantages, deliver returns in the 15%–20% range Earnings per share (EPS) compounded annual growth rate (CAGR) >10% 	<ul style="list-style-type: none"> Improve energy efficiency of operations 2.5% year-over-year, from 2008 to 2018 against a baseline of 11.1 MMBtu/1000 kg produced (U.S. sites*) Reduce GHG emissions per unit of production (GHG intensity) by 2% per year from 2008 to 2018 against a baseline of 0.95 equivalent lb CO₂ emissions per lb produced (U.S. sites*) Complete LCAs on product families aligned with our customers’ priorities (equivalent to approximately 60% of products which represent 80% of total revenues) Develop a baseline for water used at Eastman sites in water-stressed regions of the world
Midterm goals 3–5 years	<ul style="list-style-type: none"> Continue to pursue organic and inorganic growth to enhance our portfolio of sustainable alternatives for emerging markets EPS compounded annual growth rate (CAGR) >10% Complete sustainability pilot efforts with at least 6 of our strategic suppliers and customers to holistically improve our life cycle management practices Ensure two-thirds (⅔) of revenues from new product launches are advantaged on assessed sustainability criteria 	<ul style="list-style-type: none"> Continuously improve levels of performance of energy conversion and energy consumption per unit of output on track with the ENERGY STAR® <i>Save Energy Now</i> LEADER pledge Continuously improve levels of performance of energy conversion and GHG emissions on track with GHG intensity goal Complete LCAs on all new product family launches
Long-term goals 5–10+ years	<ul style="list-style-type: none"> Continue strong EPS compounded annual growth rate (CAGR) Develop new businesses utilizing sustainable renewable feedstocks by 2020 	<ul style="list-style-type: none"> Reduce energy intensity by 25% from 2008 to 2018 (in conjunction with <i>Save Energy Now</i> LEADER program) against a baseline of 11.1 MMBtu/1000 kg produced (U.S. sites*) Reduce GHG emissions per unit of production (GHG intensity) by 20% from 2008 to 2018 against a baseline of 0.95 equivalent lb CO₂ emissions per lb produced Reduce nitrogen oxide (NO_x) by 20% and sulfur dioxide (SO₂) by 40% from 2010 to 2020 (NO_x baseline of 10,359 tons in 2010; SO₂ baseline of 22,068 tons in 2010) Reduce total Volatile Organic Compounds (VOC) by 15% from 2010 to 2020 against a baseline of 7,048 tons in 2010 Reduce total number of reportable releases by 25% from 2010 to 2020 against a baseline of 55 release events in 2010 Reduce Toxic Release Inventory (TRI) emissions to the air by 25% from 2010 to 2020 against a baseline of 5.4 Mlb in 2008 Reduce hazardous waste (indexed to production) by 15% from 2010 to 2020 against a baseline of 0.01 kg waste/kg production in 2010


*Non-U.S. sites will be incorporated into the same goals and measures as the data is collected.

Future goals — Societal

Societal goal recommendations				
	Safety	Employee growth and development	Value chain focus	Community
Short-term goals 1-3 years	<ul style="list-style-type: none"> Maintain our strong commitment to health, safety and employee well-being with continued goals and incident tracking for Corporate Injury and Illness Recordable Rates, Days Away from Work Rates and Process Safety incidents Achieve Process Safety goal of <5 incidents in 2011 (incidents defined as per ACC) 	<ul style="list-style-type: none"> Enhance recruiting, training, communications and mentoring practices with a focus on diverse global perspectives and public policy issues Continually improve diversity in our professional hiring pipeline to enrich our collective point of view, including U.S. percentages (where the majority of our employee base is located) for females (30%) and minorities (15%) Offer diverse and challenging volunteer opportunities to employees Provide sustainability education and awareness training to 80% of our customer-facing employees by 2012 	<ul style="list-style-type: none"> Collaborate with a minimum of six key influencers in our value chain to promote sustainable practices 	<ul style="list-style-type: none"> Maintain Community Advisory Panels (CAPs) in our site communities Proactively engage key education, environmental and community stakeholders in our communities Support community involvement efforts, including philanthropy, volunteerism and in-kind donations
Midterm goals 3-5 years	<ul style="list-style-type: none"> Achieve best ever safety rates of <0.35 OSHA-R and <0.05 DAW by 2015 	<ul style="list-style-type: none"> Create a culture that thinks and acts in more sustainable ways with volunteer Green Teams creating meaningful sustainability improvements at Eastman sites by 2015 Develop hiring pipeline that reflects the diversity of talent and background available at our sites globally, increasing the percentages of females, minorities and nationalities represented Develop process to measure percentage of employees involved in volunteer activities and the types of activities. Once baseline data are established, set a goal to increase participation by 10% over a 3-year period. Revisit goals on a semiannual basis 	<ul style="list-style-type: none"> Expand our value chain engagements to focus on strategic sustainability issues with key influencers such as designers, academia, government and nongovernment organizations 	<ul style="list-style-type: none"> Complete neighborhood pulse surveys at every site by 2015 and track perception of Eastman in the communities where we live and work Develop philanthropic and contribution strategies which support company strategic objectives; reassess strategies annually to ensure strategic linkage
Long-term goals 5-10+ years	<ul style="list-style-type: none"> Develop a safety culture to prevent workplace incidents, injuries and illnesses to achieve a zero (0) rate 	<ul style="list-style-type: none"> Create thought leadership diversity and a competitive advantage by expanding our percentages of employees with diversity of national origin, race, gender, education and experience Become known as a company of employees committed to community involvement 	<ul style="list-style-type: none"> Become an active voice in our industry, sharing leading practices on sustainability throughout our value chains 	<ul style="list-style-type: none"> Develop stretch goals at each site to increase Eastman's perception and track progress Expand contribution and philanthropic strategy across all Eastman sites and develop online, real-time system for tracking



Sustainability leadership and advocacy

As Eastman continues to move forward on our sustainability journey, we are committed to being increasingly transparent about our performance — including our strengths *and* our areas for improvement. 

Eastman's Innovation & Sustainability Council from left to right: Tim Dell, Theresa Lee, Mark Costa, Godefroy Motte, Ron Lindsay, Etta Clark, Greg Nelson.



Eastman's Innovation & Sustainability Council

held its inaugural meeting in 2010 to further sustainability and growth at the company.

The Eastman Chemical Singapore Pte. Ltd

manufacturing site was one of only two worldwide to receive the **Responsible Care® Excellence Award**

in Employee Health & Safety for 2010.



Working with the American Chemistry Council

during the past year, Eastman actively supported the creation of a comprehensive U.S. national energy policy and the reform of the 35-year-old Toxic Substance Control Act (TSCA).

Global Reporting Initiative

Eastman continues to detail our sustainability performance in accordance with the Global Reporting Initiative (GRI), the international reporting standard. We will be releasing a comprehensive, G-3 compliant GRI supplement in 2012.


We are committed to transparency relating to our sustainability goals, challenges and successes and believe that complying with the GRI underscores and furthers that commitment. We are on a continuous improvement journey, and measuring our progress against the GRI standards is an important step forward for Eastman.

Commitment to Responsible Care®

In the late 1980s, Responsible Care® was developed as a voluntary program to help chemical companies share their safety and environmental stewardship initiatives with the communities surrounding their plant sites.



CEOs of most major chemical companies voluntarily made a public commitment to improve the health, safety and environmental performances of their companies beyond levels required by law. They also pledged to make that performance known to the employees, communities and the public outside their companies. No other industry can claim such an initiative, and Eastman played a leadership role from the very beginning.

Through the Responsible Care® initiative and Responsible Care® Global Charter, the chemical industry, including Eastman, has made a worldwide commitment to improve our environmental, health, safety and security performance.

Eastman adheres to the Responsible Care® Global Charter, which goes beyond the original elements of Responsible Care®. The Charter focuses on new and important challenges facing the chemical industry and global society. It includes the growing public dialogue over sustainable development and public health issues related to the use of chemical products. The Charter also addresses the need for greater industry transparency and the opportunity to achieve greater harmonization and consistency among the national Responsible Care® programs currently implemented.

We celebrated our 22nd anniversary of participating in Responsible Care® in 2010. The program is now very familiar to all Eastman employees around the world and represents our commitment to protect the environment and the health and safety of our employees, communities and people who handle our products. It has become the way we operate our facilities and do business and ties closely with our corporate commitment to sustainability.

In 2010, Eastman participated in a strategic review of Responsible Care®, through its involvement in ACC, to identify opportunities to further strengthen the initiative in the areas of health, safety, environment and security (HSES).


“Responsible Care® is ingrained in how we do business. This solid foundation ensures continuous improvement toward sustainability and consistency with our growth objectives. Eastman’s Responsible Care® pledge to protect our people and our environment will guide us to a future as exemplary as our past.”

Theresa K. Lee

Senior Vice President, Chief Legal & Administrative Officer, and Chief HSES Officer, Eastman

Leadership and advocacy

International industry advocacy

As a Responsible Care® company, Eastman closely monitors the laws and regulations that apply to our operations and products around the world. We are actively involved with The European Chemical Industry Council (CEFIC) and its European REACH  initiative (Registration, Evaluation, Authorisation and Restriction of Chemicals). In 2010, CEFIC and its member federations adopted the European Responsible Care® Security Code. CEFIC’s role is to advance Responsible Care® in Europe by promoting and ensuring consistency of implementation by member companies.

Eastman is also an active member of The Netherlands Chemical Industry Association (De Vereniging van de Nederlandse Chemische Industrie [VNCI]), United Kingdom Chemical Industry Association (CIA), Singapore Chemical Industry Council (SCIC), and Chemical Industry Council of Malaysia (CICM). Eastman is also a Signatory of Responsible Care® in Singapore. Our participation provides many benefits for our company as a whole and specifically our sustainability efforts, as well as the chemical industry and society at large.

With CEFIC, VNCI and the CIA, Eastman helped develop practical solutions that were critical in meeting the first registration deadline of the European Union’s REACH regulations.

Under the governance structures of these industry associations, Eastman is able to collaborate in a noncompetitive forum to develop consensus positions that advance the ideas of the chemical industry to legislators, regulators, supply chain peers and the public. As an industry, we are able to come together and advocate for the implementation of appropriate public policies, laws and regulations that protect human health and the environment.

active

Leadership

Eastman Singapore Excels in Responsible Care®

For the fourth consecutive year, Eastman's manufacturing site in Singapore, Eastman Chemical Singapore Pte. Ltd (ECSPL), was awarded two Responsible Care® Excellence Awards — one for Employee Health and Safety and the other for Pollution Prevention. ECSPL earned recognition for the Employee Health and Safety code for the first time in 2010. The site was one of only two worldwide to receive the Responsible Care® Excellence Award in Employee Health and Safety for 2010.

ECSPL also earned two Responsible Care® Achievement Awards — one for Process Safety and the other for Community Awareness and Emergency Response.

To earn the two Responsible Care® Excellence Awards, employees at ECSPL and its maintenance contractor achieved 1.5 million work hours without a Day Away from Work (DAW) for injury and reduced steam consumption at the site by 18 percent.

Innovation & Sustainability Council

Eastman's Innovation & Sustainability (I&S) Council was established in 2009 and consists of senior officers who meet regularly to provide guidance on corporate sustainability and innovation investments across the company. The Council prioritizes and ensures all sustainability initiatives link to key business strategies and sets external sustainability goals that are tied to overall growth strategies. As a result of this work, Eastman employees across the globe are focused on achieving these same goals.

Current Council members include:

- **Godefroy Motte**, Senior Vice President, Chief Regional and Sustainability Officer and Innovation & Sustainability Council chair
- **Etta Clark**, Vice President of Communications and Public Affairs
- **Mark Costa**, Executive Vice President, Specialty Polymers, Coatings, Adhesives and Chief Marketing Officer
- **Tim Dell**, Vice President of Innovation
- **Theresa Lee**, Senior Vice President, Chief Legal & Administrative Officer, Chief Health, Safety, Environment and Security Officer
- **Ron Lindsay**, Executive Vice President, Performance Chemicals and Intermediates, Fibers, Engineering, Construction and Manufacturing Support
- **Greg Nelson**, Senior Vice President and Chief Technology Officer

Since forming in 2009, the Council has overseen the development of the foundation necessary to embed sustainability across Eastman by:

- Providing guidance on innovation platform priorities and investments in corporate research and development
- Developing and approving companywide sustainability goals 
- Endorsing a strategic lens through which to view all corporate decisions
- Agreeing on a strategic process for tracking and managing emerging product issues
- Expanding sustainability reporting and transparency by integrating our Responsible Care® report and more fully encompassing GRI guidelines 

Innovation & Sustainability Council mission:

Leverage innovation and sustainability as key drivers of growth across Eastman Chemical Company

Sustainability from the inside out

In 2010, Eastman launched an employee sustainability advocacy and education program with a simple goal: to make our employees ambassadors of Eastman's sustainability efforts with customers, suppliers, communities and other stakeholders. During the past year, we developed educational tools for our sales personnel to guide discussions with our customers about sustainability.

During 2011, we plan to deploy sustainability awareness training to all customer-facing employees, including key topics such as why sustainability matters to Eastman, how we institute our three pillars of sustainability across our business, and success stories showcasing how we have helped our customers create more sustainable solutions.

Also in 2010, Eastman formed a Sustainability Ambassador Team consisting of 18 employee leaders representing various functions and business units in the Europe, Middle East and Africa (EMEA) region. This team addresses the same corporate commitment to sustainability education and awareness as the global Innovation & Sustainability Council but focuses only on the EMEA region.

This team is charged with providing strategic direction on internal and external sustainability related to projects and alliances in our EMEA region, helping to embed sustainability into daily decision making and promoting awareness of sustainability commitments inside and outside the company. The Sustainability Ambassador Team plays a key role in reinforcing a corporate culture that proactively identifies and acts on sustainability opportunities.

The future health of our planet is very important to Eastman and our employees. In fact, some of our most creative sustainability ideas come directly from our employees.

One example of employee innovation in 2010 occurred at our Kingsport, Tenn., operations, where a team brainstorm led to a new process that dramatically reduced steam usage, thereby saving energy in the site's hydroquinone manufacturing area. At the time, the Kingsport plant was operating at approximately 80 percent capacity due to softness in the marketplace. During the brainstorming session, an employee suggested that since the plant had higher yields when it ran faster, it should be run at full capacity to build inventory and then shut down for four to eight weeks.

This employee idea led to the same amount of product material being produced but with a significant reduction in steam consumption and energy usage. This lead resulted in an overall cost savings of \$1 million, which more than offset the increased working capital costs required. The initiative also earned a Responsible Care® Energy Efficiency Award from the ACC for reducing energy output and GHG emissions.



Advocacy

Eastman actively participates in key chemical industry trade associations, including

- ACC
- CIA
- CEFIC
- CICM
- VNCI
- SCIC

Eastman also participates in several business trade organizations, including the Business Roundtable  (BRT), the National Association of Manufacturers (NAM), the United States Council for International Business (USCIB), the Industrial Energy Consumers of America (IECA), the American Chamber of Commerce (AmCham) in The Netherlands and Shanghai, and the World Economic Forum (WEF).


Eastman officers and employees were active members and leaders of key committees within these chemical industry and business trade organizations during 2010, focusing on issues such as energy policy, GHG emissions, environmental management, chemical management, chemical manufacturing site security, effective communications, transportation, trade, tax issues and industry performance and reporting (Responsible Care®). In November 2010, former Eastman CEO J. Brian Ferguson completed a year as Chairman of the ACC's Board of Directors. In addition, Theresa Lee, Senior Vice President, Chief Legal & Administrative Officer, Chief Health, Safety, Environment and Security Officer, is currently serving as a member of the NAM Board of Directors.

“By acting ethically, responsibly and lawfully, Eastman is committed to maintaining and enhancing strong relationships with government officials and public policymakers. We are often involved in discussions that help shape public policy, as we believe it is our responsibility to engage lawmakers about the sustainable attributes of our company and the chemical industry. By establishing strong coalitions and relationships, developing effective advocacy messages, and organizing grass roots activities, our ability to educate and inform lawmakers is greatly enhanced.”

Etta Clark

Vice President of Communications and Public Affairs, Eastman

Community Advisory Panels

In our quest to forge meaningful relationships within our local communities, Eastman regularly seeks input and openly communicates with citizens and community leaders. In 1990, we developed Community Advisory Panels (CAPs) as part of our Responsible Care®  initiative. A CAP is a collaboration among communities and companies, created to enhance communications between Eastman and the communities where we have manufacturing sites. Eastman currently has five CAPs, located in Jefferson, Pa.; Kingsport, Tenn.; Longview, Texas; Middelburg, The Netherlands; and Workington, United Kingdom.

The objective of our CAPs is to provide citizens living in plant communities with the opportunity for open dialogue with company representatives. CAPs help local citizens understand industry issues and help Eastman to understand concerns of citizens. CAP meetings also provide a forum for plant representatives to receive community feedback on ideas and plans presented by Eastman. Ultimately, the purpose of a CAP is to look after the community's interests and build trust.

For example, our CAP in Jefferson, Pa., has been in place for 15 years and includes representatives from the community's local energy company, GenOn Energy, among others. The CAP produces a periodic Eastman–GenOn Energy newsletter to share CAP and company activities, local company contacts and emergency numbers. The Jefferson CAP 2010 meetings included a coal industry expert, a history of Allegheny County's air quality and reports on Eastman's Toxic Release Inventory (TRI) and Total Dissolved Solids.

Established in 1993, our CAP in Workington, United Kingdom, was instrumental in securing support for and planning the installation of two wind turbines at the site. Together, they generate more than 25 percent of the electricity needed for the site, which employs more than 160 employees. Utilizing wind energy has helped reduce the site's CO₂ emissions by approximately 9,000 tons annually.

Members of Eastman's CAPs serve for one, two, or three years and come from all walks of life to ensure a diverse representation of the local community. CAP meetings are held regularly and typically last for about two hours. The agenda varies and often includes tours of plant facilities, discussions of current Eastman initiatives and other company strategies, such as education and hiring, that impact the community.

"Eastman doesn't 'greenwash.' They are building sustainability into their culture so everyone speaks the sustainability language. They get it and are committed to it."

Steve Lampe


Vice President, Purchasing and Distribution, PPG Industries

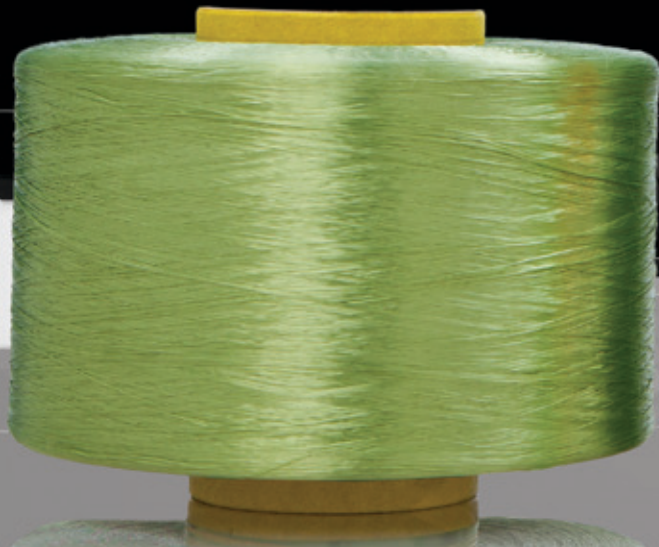


Community Advisory Panel, Kingsport

*Pictured from left to right: Kevin Fielden, Dean Blevins, Lenore Kilgore, Jim Cline, Terry Puckett, Parker Smith, Mickey Burton, Jantry Shupe, Louetta Hall and Ricardo Dorcean
Not pictured: Rob Cole, Steve Godsey, Julie Gunn, David Koth, Dennis Phillips, Justin Quillin and Richard Venable*

Economic growth

The paths we pursued on our sustainability journey in 2010 enabled Eastman to better meet the needs of our customers while fostering new levels of growth and financial success. 



Sales revenue grew

33%

in 2010, to
\$5.8 billion.

By 2015, our goal is that

TWO-THIRDS

of our revenues from new product launches are advantaged based on assessed sustainability criteria.

Revenues in Eastman's **Specialty Plastics** segment, which includes sustainably advantaged products like **Eastman Tritan™** copolyester, grew **39%** in 2010.

Revenues for non-phthalate plasticizers in Eastman's **Performance Chemicals and Intermediates** segment grew

102%

from 2009.

In 2010, 35% of revenue came from **fast-expanding regions**, including Asia Pacific, Latin America and outside Western Europe.

Sustainability is, and will continue to be, an important lens for identifying business development opportunities for our company. The impact of environmental constraints on ever-stressed natural resources is supporting our commitment to embed sustainability in our product development and innovation processes. That is why we strive to provide our customers with solutions that provide performance, value and an improved environmental footprint. We will continue to build our portfolio of sustainably advantaged products to accelerate our efforts to deliver innovative, sustainable solutions to our customers throughout the world.

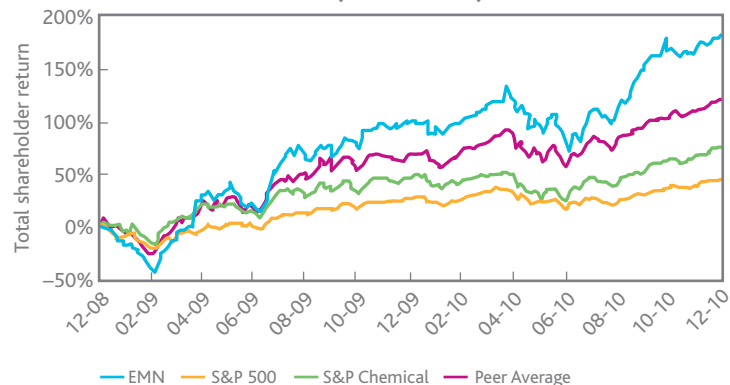
Sales revenue growth in 2010 across our business segments included:

- 29 percent growth in Coatings, Adhesives, Specialty Polymers and Inks
- 11 percent growth in Fibers
- 49 percent growth in Performance Chemicals and Intermediates
- 39 percent growth in Specialty Plastics

Operating earnings in 2010 were \$862 million, up nearly 145 percent compared to \$345 million in 2009.

Importantly, we met our short-term growth goals outlined in 2009 and we are well on our way to achieving our midterm growth goals. [»](#) For additional information on our financial performance, see our 2010 financial results [»](#) and the form 10-K filed for 2010.

Track record of an outperforming chemical company (2009–2010)



Note: Peer companies are Albemarle, Air Products, Ashland, Celanese, Cytec, Dupont, Dow Chemical, FMC, PPG

“Eastman men and women strive to achieve the highest levels of efficiency and effectiveness in our operations, and to be valued partners in supporting our businesses’ growth efforts. The finance organization is just one example of this type of excellence in our company.”

Curt Espeland

Senior Vice President and Chief Financial Officer, Eastman

Eastman Recognized as a World-Class Performer in Finance by The Hackett Group

The award is based on the results of an in-depth benchmark performed by The Hackett Group, Inc., in 2010. It recognizes Eastman's status as an organization demonstrating top quartile efficiency and effectiveness in corporate finance operations. Eastman's performance across more than a hundred metrics was compared with results from over 200 recent finance benchmarks performed with various organizations, including other Global 1,000 companies.

"Eastman has maintained a concerted focus on improving the performance of the finance organization by not just targeting efficiency but by also making business engagement a priority. As an organization, they have held themselves to a high standard, and it is clear with their results in this latest benchmark, that the efforts of their team have delivered against that vision."





Bryan Hall

Managing Director and Finance Practice Leader, The Hackett Group

Sustainability: A key growth driver

Sustainability plays a significant part in driving our growth. Eastman's 2010 record financial results were achieved while growing our portfolio of sustainably advantaged products, reinforcing our conviction that a sustainability-centric approach aligns with our customers' needs, as well as our responsibility to help address the macro challenges facing our planet. We believe that our sustainability journey is adding significant value to the business, particularly by stimulating further product innovation and managing energy costs.

Highlights among Eastman's current line of sustainable products include:

- Eastman Tritan™ copolyesters 
- Eastman Solus™ performance additives 
- Eastman™ cellulose 
- Non-phthalate plasticizers like Eastman 168™ and the Benzoflex™ product line 

We are also looking beyond our own product portfolio for further sustainability-related growth opportunities. For example, in 2010, Eastman initiated a joint venture with Mazzucchelli 1849 SPA to manufacture compounded cellulose diacetate in Shenzhen, China. Produced from 100 percent renewable softwood materials, compounded cellulose diacetate is designed to meet customer needs in ophthalmic frames and other injection molded consumer products.






"Eastman has a sincere commitment to sustainability. Linking sustainability to the bottom line indicates sincerity."

Dr. Joel Ryman

Associate Professor of Management, East Tennessee State University

Growing our core

During 2010, our financial strategy focused on growing our core businesses and improving our product portfolio. We expect our Compound Annual Growth Rate (CAGR) for earnings per share from 2010 to 2013 to be greater than 10 percent, boosted by strong performances in our core segments. During 2010, nearly half of our PCI segment's sales revenue and 66 percent of its operating revenue came from core products holding the top one or two positions in their respective markets. In our Specialty Plastics segment, core copolyesters outpaced growth of competing polymers two to one, with year-over-year growth of 8 percent since 2008.

Market demand for Eastman's proprietary products such as Eastman Tritan™ copolyesters,  cellulose triacetates,  Eastman Regalite™ hydrocarbon resins,  CHDM monomers  for copolyesters, and oxo derivatives  drove investment in capacity expansions at our Kingsport, Tenn., and Middelburg, The Netherlands, facilities, which together are projected to add approximately \$300 million to 2013 revenue.

"Eastman is using sustainability as a lens for guiding both organic and inorganic growth to meet customer demands across the globe."

Michael Chung

Senior Vice President and Chief International Ventures Officer, Eastman

Continued geographic expansion

The past year also demonstrated Eastman's ability to diversify geographically and tap into fast-expanding regions, including Asia Pacific, Latin America and outside of Western Europe, which collectively accounted for 35 percent of all 2010 revenue. Between 2005 and 2010, Eastman realized 12 percent revenue CAGR in fast-expanding regions, growing sales revenue from \$1.2 billion in 2005 to \$2.1 billion in 2010.

Fast-expanding regions

Asia Pacific



Latin America



Growth **Fibers**
Performance Chemicals

Genovique Specialties Corporation Acquisition

In May 2010, Eastman completed the acquisition of Genovique Specialties Corporation, a leading global producer of specialty plasticizers, benzoic acid and sodium benzoate. The acquisition included Genovique's manufacturing operations in Kohtla-Järve, Estonia, and Chestertown, Md., and a joint venture in Wuhan, China. The Genovique acquisition further established Eastman's position as the global leader in non-phthalate plasticizers, which is especially meaningful since regulatory changes and shifting consumer preferences have led many customers to move away from traditional phthalate esters.

This growing demand for more sustainable alternatives is expected to increase volumes of non-phthalate plasticizers at a compounded annual rate of seven percent over the next five years in North America and Europe, as well as in emerging markets responsible for producing goods exported to developed countries. The Genovique Specialties acquisition aligns with our strategic goals of investing in differentiated, sustainably advantaged products and expanding in emerging geographies.

"The acquisition of Genovique Specialties has allowed us to better meet the needs of our customers' demands for phthalate-free alternatives, while also expanding Eastman's presence in a high-growth, specialty segment of the plasticizer market."

Ron Lindsay

Executive Vice President,
Performance Chemicals and Intermediates,
Fibers, Engineering, Construction and
Manufacturing Support, Eastman



Coatings, Adhesives, Specialty Polymers and Inks

Specialty Plastics and Intermediates

Evolving the Corporate Data Center to reap economic and sustainable rewards

As companies look for new ways to reduce energy demands and improve efficiency, there is a commonly overlooked opportunity right in front of them — the corporate data center. The United States Environmental Protection Agency (EPA) reports that corporate data centers are significant power users and account for 1.5 percent of the nation's electricity consumption at a cost of \$4.5 billion annually.

As Eastman began its own recent data center overhaul in 2009, the company saw potential not only to update its computer systems but also to make its Information Technology (IT) operations more efficient and environmentally friendly.

"We tackled this project knowing that we could improve our technology capabilities and reduce space and equipment requirements, while cutting costs and energy use. It's a prime example of how concern for the environment can go hand-in-hand with financial and business success."

Keith Sturgill

Chief Information Officer, Eastman



Keith Sturgill, Chief Information Officer, Eastman

New technology
Data Center

Assembling the “A” team

Designing, configuring and migrating to an eco-friendly global data center to serve a company with more than 10,000 employees and multiple sites around the globe was no easy feat.

“The new data center had to be designed not only to include the latest technologies but also to adapt to *future* technologies, whatever those may be,” said Marvin Goins, Supervisor, data center architecture and the Information Technology (IT) project lead for the design phase of Eastman’s new data center.

To make it happen, Eastman assembled a cross-functional group of 125 employees from the company’s IT, engineering and construction teams to lead the effort. Sustainability team members served as counsel throughout the design and build process.

Maximizing space and energy efficiency

Eastman originally planned to build a new 8,000-square-foot building for the data center, but utilizing server virtualization greatly reduced the amount of physical space needed. This gave Eastman the ability to “recycle” an existing building at its Kingsport, Tenn., site rather than construct a new one. This alone saved about \$1 million and six to nine months of construction, while also supporting the company’s commitment to reduce waste and repurpose resources whenever possible.

By swapping out old equipment and transitioning from physical servers to virtual models, Eastman will reduce data center electricity consumption by one million kilowatt hours annually, avoiding more than 686 metric tons of CO₂ emissions each year. This amounts to annual CO₂ savings equivalent to taking 135 cars off the road.

The new facility was designed to be run remotely, meaning it is entirely monitored and managed by offsite IT personnel, and it uses equipment that can be maintained by Eastman’s in-house electricians and mechanics. Together, these initiatives enable labor savings of almost \$100,000 each year.

Bringing it all together

All told, Eastman’s new data center processes greater volumes of data at faster speeds using less power, releasing less carbon into the air and saving hundreds of thousands of dollars in annual operating costs.

“What makes this a success story for us is that it’s a true ‘win-win.’ We’ve improved our IT capabilities while saving money and minimizing our impact on the environment. It’s exactly what corporate sustainability is all about.”

Greg Nelson

Senior Vice President and Chief Technology Officer, Eastman

Data center by the numbers

\$1 million savings from repurposing an unused Eastman building to house the new data center

125 Eastman employees from cross-functional teams made the new data center happen

50 percent reduction in annual operating costs, from \$600,000 to \$300,000

100 times improvement in network capacity, achieved by eliminating a key single point of failure within the network, resulting in improved enterprise-wide network response

100 percent network path and electrical system redundancy, providing significantly improved operational reliability

94 percent reduction in physical servers, from 200 to 12

1 million kilowatt hours per year in energy saved, totaling about \$82,000 in energy savings annually

90 percent virtualization rate at Eastman, nearly 2.5 times the industry average of 37 percent (EPA Energy Smart survey)

686 metric tons of CO₂ emissions avoided annually through server virtualization and other energy savings measures

Sustainably advantaged products

Our products aren't household names, but they are key ingredients in many products used every day. We have made it our priority to develop safe and effective solutions that make everyday items stronger, more durable, more functional and more visually appealing.

2010

sales revenue

End-market diversity is a source of strength.



17%

Tobacco



16%

Packaging



13%

Building and construction



13%

Consumer goods



9%

Health and wellness



3%

Agriculture



8%

Durable goods



3%

Electronics



8%

Transportation



3%

Energy, fuels and water



5%

Industrial chemicals



2%

Other

Developing sustainable products matters to all of us at Eastman. Not only does it make good business sense, it's the right thing to do. Our customers and the end consumers of our products increasingly demand sustainable solutions, and we are committed to exceeding their expectations.

Developing sustainable products drives our business growth and provides a foundation for our future success. During 2010, we hit a milestone with 27 percent of our total revenue coming from products containing renewable content. Our roots are in cellulose technology, and the products from this stream utilize renewable raw materials such as wood pulp and cotton linters, making this an important focus area for us.

On a broader level, we have a 2015 company goal that two-thirds of the revenues from our new product launches will come from products that are advantaged on assessed sustainability criteria which ensures we use a sustainability lens in our R&D efforts. Currently, we are on track to meet this ambitious goal with more than half of the forecasted revenues from our innovation pipeline coming from sustainably advantaged products.




"We are seeing sustainability and consumerism trends converge, creating a world of new possibilities. Eastman's core businesses are well positioned to address these changing demands in the marketplace."

Mark Costa





Executive Vice President, Specialty Polymers, Coatings and Adhesives
and Chief Marketing Officer, Eastman







Leading examples of sustainably advantaged products

Product	Background	Sustainable attributes	End-use product examples
<p>Eastman Tritan™ copolyester </p> 	<ul style="list-style-type: none"> • Durables and housewares <ul style="list-style-type: none"> – Durability in use enables longer product life cycles – Reusability – Dishwasher durability • Medical devices and equipment <ul style="list-style-type: none"> – Resistance to aggressive cleaners and disinfectants – Extreme toughness and durability for harsh environments • Rigid medical packaging <ul style="list-style-type: none"> – Tough and tamper resistant – Ability to lightweight or use less packaging material 	<ul style="list-style-type: none"> • Favorable life cycle assessment vs. polycarbonate • Low energy consumption • Low GHG emissions • Longer product life resulting in less waste due to failures • GREENGUARD Indoor Air Quality Certified® • Free of: <ul style="list-style-type: none"> – Endocrine activity – Bisphenol A (BPA) – Halogens (chlorine, bromine, etc.) – Sulfur, nitrogen, lead, mercury, cadmium, or hexavalent chromium • Meets many hospitals' Environmentally Preferred Purchasing (EPP) guidelines* • Reduces the potential for hazardous emissions during incineration* 	<ul style="list-style-type: none"> • Consumer durables and housewares <ul style="list-style-type: none"> – Sports bottles – Small appliances – Reusable food storage containers – Drinkware – Serving accessories • Medical devices and equipment <ul style="list-style-type: none"> – IV components – Renal therapy – Blood therapy systems – Safety syringes – Insulin pens – Glucose meters • Rigid medical packaging <ul style="list-style-type: none"> – Device packaging – Surgical kits – Trays
<p>Eastman™ cellulose esters for specialty films</p> 	<ul style="list-style-type: none"> • Exhibits unique optical properties • Improves wide-angle viewing for LCD flat panel displays 	<ul style="list-style-type: none"> • Sourced from renewable resources 	<ul style="list-style-type: none"> • Film base for tape and labels • LCD and LED flat panel displays • Computer privacy filters • Other handheld electronic devices

*Specific to the medical market

Product	Background	Sustainable attributes	End-use product examples
<p>Eastman Solus™ 2300 performance additive </p> 	<ul style="list-style-type: none"> • Multifunctional additive for coatings that provides <ul style="list-style-type: none"> – Optimal metallic-flake control – Superior flow and leveling – Enhanced appearance with reduced defect rates 	<ul style="list-style-type: none"> • Sourced from renewable content • Used in high-solids coating systems with reduced VOCs • Delivers improved productivity 	<ul style="list-style-type: none"> • Vehicle and aerospace paints • Industrial metal paints
<p>Eastman 168™ non-phthalate plasticizer</p> 	<ul style="list-style-type: none"> • Non-phthalate plasticizer for polyvinyl chloride (PVC) • Performance equal to or better than most <i>ortho</i>-phthalate plasticizers • Easy drop-in replacement • Marketed and safely used for more than 30 years • Reliable, high-quality supply, globally available 	<ul style="list-style-type: none"> • Recognized as a phthalate alternative • Wide regulatory approvals • Comprehensive and clean toxicology profile • Warning-free labeling 	<ul style="list-style-type: none"> • Bottle caps and closures • Wall coverings • Toys • Childcare articles • Medical devices • Food-contact materials • Flooring • Coatings • Transportation
<p>Benzoflex™ benzoate plasticizers</p> 	<ul style="list-style-type: none"> • Established, proven fast-fusing plasticizers with 40+ years of safe usage • Produced in North America, Europe and Asia • Compatible with a variety of polymers and applications 	<ul style="list-style-type: none"> • Phthalate alternative • Preferred toxicological profiles • Energy efficient manufacturing process compared to butylbenzyl phthalate • Provides energy savings and decreased processing times 	<ul style="list-style-type: none"> • Adhesives • Caulks and sealants • Coatings • Flooring

Product	Background	Sustainable attributes	End-use product examples
<p>Eastman Estron™ acetate yarn</p> 	<ul style="list-style-type: none"> • Offers woven and knit fabrics the look and feel of luxury 	<ul style="list-style-type: none"> • Consists of cellulose acetate • Sourced from sustainably managed forests • Considered as biobased materials with over 55 percent of the carbon content being sourced from new carbon, such as trees vs. old carbon from fossil fuels 	<ul style="list-style-type: none"> • Suit linings • Apparel fabric • Wedding dresses • Graduation robes • Women's wear knits • Velvets • Medical tape • Decorative ribbons • Window treatments • Decorative trimmings (home furnishings)
<p>Eastman GEM™ 2-Ethylhexyl palmitate </p> 	<ul style="list-style-type: none"> • Sustainably manufactured product via Eastman's proprietary enzymatic GEM™ technology 	<ul style="list-style-type: none"> • Benefits of 2-EHP derived from GEM™ technology vs. conventional manufacturing processes <ul style="list-style-type: none"> – 52% reduction in CO₂ emissions – 59% reduction in energy consumption – 93% waste reduction – 100% reduction in process water usage 	<ul style="list-style-type: none"> • Face and body creams • Color makeups and cosmetics
<p>Foralyn™ hydrogenated rosin esters</p> 	<ul style="list-style-type: none"> • Broad compatibility with adhesive-base polymers • Improved adhesion to difficult substrates • Light initial color and good stability 	<ul style="list-style-type: none"> • Sourced from sustainably managed forests 	<ul style="list-style-type: none"> • Special tapes and labels • Hot-melt packaging adhesives • Sealants • Cosmetics

Bringing value today

Sustainably advantaged product lines and technologies not only drive Eastman’s financial growth but also bring considerable value to our customers and consumers worldwide. We collaborate closely with our customers to develop and deliver innovative solutions that help them create more sustainable end-use products and meet their own sustainability goals at all stages of their value chain.

“Connecting the dots between design, innovation and sustainability is essential to meeting the needs of our changing world.”

Tim Dell

Vice President of Innovation, Eastman

Eastman Tritan™ copolyester

Eastman Tritan™ copolyester offers innovative design and application possibilities. By redefining toughness, providing a balance of clarity and chemical resistance, and providing practical processing and sustainability solutions, Tritan has transformed how brand owners, designers, molders and consumers think about clear polymers.

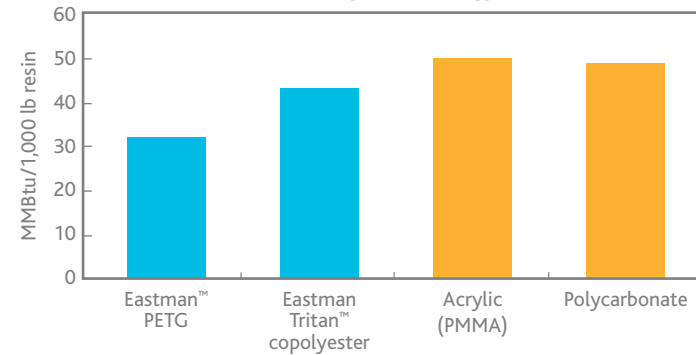
Sustainable attributes of the Tritan family of polymers include:

- Inherent toughness and durability increase product life and reduce waste.
- Favorable preliminary LCA vs. polycarbonate (13 percent improvement in energy savings and 42 percent in GHG emission savings)¹
- Potential to reduce energy use by eliminating a separate annealing step
- BPA free
- Estrogenic activity free

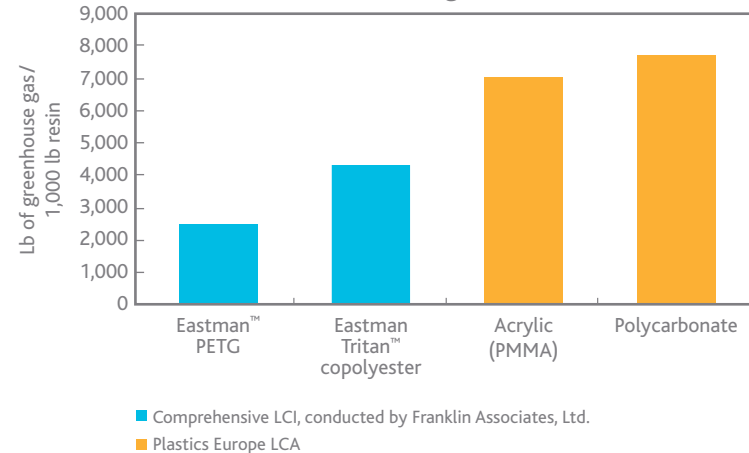
Tritan continues to gain momentum in markets such as housewares, sports bottles, infant care, small appliances, medical, bulk water, signs, and safety and leisure. The following two examples highlight how Tritan is satisfying the increasing need for more sustainable products in the marketplace.

¹Preliminary LCA data developed by Franklin and Associates

Cradle-to-pellet energy data



Greenhouse gas emission



Eastman Tritan™ copolyesters for the medical market

Eastman Tritan™ copolyester was introduced into the medical market in 2009 and continues to see success in new product applications such as devices for minimally invasive gynecological procedures and laparoscopic surgical procedures.

During the past year, we expanded our portfolio of Eastman medical polymer applications with the launch of Eastman Tritan™ copolyester into the rigid medical packaging and renal devices markets. Tritan delivers exceptional toughness and durability, ensuring that medical packaging and devices are more tamper resistant and result in less breakage than competitive products.

Tritan's glasslike transparency provides superior optical clarity compared with similar materials, allowing medical personnel to quickly and easily detect air bubbles, blood leakage, or blood clotting during renal procedures such as dialysis.



"It's a priority that our clients in the healthcare industry, especially, are confident in the quality and reliability of our products. Being among the first companies to offer devices featuring the high-quality attributes of Eastman Tritan™ copolyester strengthens our reputation as an industry leader and provider of cutting-edge medical products."

Randy Wenthold

Vice President, Therapeutic Technologies Group, Minntech

Eastman Tritan™ copolyesters for durables and housewares ↗

Just as it is in the medical market, Eastman Tritan™ copolyester is enabling innovation in the housewares and small appliance markets — where product durability is particularly important. Tritan has become a preferred choice for many Eastman customers because of its unparalleled strength, glasslike clarity, design flexibility and many sustainable attributes. Today, it is being used in products such as high-quality, reusable food storage containers, drinkware, serving accessories and small appliances such as blenders.

In addition to being made without BPA, Eastman Tritan™ copolyester offers the clarity and beauty of glass without being as heavy or fragile, which can reduce shipping costs and the environmental impact of transporting products. Its inherent toughness and durability allow for prolonged reuse, increasing product life and reducing waste.



"Tritan seems to be the perfect plastic ... It's BPA free ... and is so durable that it allows for years and years of use of one product."

Monique Hsu

U.S. Acrylic

Lead Inventor of Eastman Tritan™ Copolyester Honored

Emmett Crawford, research associate in polymers technology at Eastman, was just doing his job. Along the way, he invented one of Eastman's most innovative and in-demand product lines — Eastman Tritan™ copolyester, which has extraordinary clarity, toughness, and heat and chemical resistance, and is manufactured without BPA. Since Eastman launched Tritan in 2007 in three initial industries — reusable sports water bottles, housewares and small appliances — we have expanded its use to seven markets, including medical, infant care, bulk water, and signs.

In September, Crawford received the Society of Chemical Industry (SCI) 2010 Gordon E. Moore Medal from the Chemical Heritage Foundation for being the lead inventor of Eastman Tritan™ copolyester. Each year, the medal recognizes a breakthrough innovation made by an industrial scientist younger than 45 years old. The award acknowledges innovations that have a significant impact on a company's business by creating a new product market, expanding an existing product line or commercializing a new process technology.



Addition of cellulose triacetate capacity in Kingsport, Tenn.

In November 2010, Eastman announced our plan to add production of cellulose triacetate (CTA) capacity at our Kingsport site. Eastman cellulose products are produced from renewable materials such as softwood and cotton lint and are widely used in the liquid crystal display (LCD) industry for computers, televisions, monitors and smart phones. This expansion will increase our total CTA capacity by almost 70 percent when production at the site begins at full capacity in 2012.

Given the high demand for LCD technology worldwide, this expansion will drive significant growth within our Specialty Plastics segment. In 2010, cellulose and cellulosic plastics accounted for 20 percent of Eastman's sales revenue within the Specialty Plastics segment.



Eastman Solus™ performance additives

Our Solus™ family of performance additives is helping revolutionize paints and coatings in the transportation market by improving their performance, appearance and sustainability profile. Solus performance additives help enable improved productivity through benefits such as faster dry times and application consistency. Solus products for solventborne coatings can help enable higher solids levels for lower VOC emissions while delivering enhanced appearance.

Additionally, Eastman Solus™ performance additives are composed of up to 60 percent cellulose, the most abundant naturally occurring biopolymer. Cellulose is readily available through renewable feedstocks such as well-managed forests and cotton.


“Sustainability is important to Ford Motor Company, and it takes innovative companies like BASF and Eastman to bring the technology and insight to help us achieve our performance, aesthetic and environmental goals.”

Tim Weingartz
Ford Motor Company



BBraun Medical Inc. flexible medical devices

As a leading multinational healthcare company, B Braun Medical Inc. understands the economic and environmental need for more sustainable solutions for manufacturing flexible medical devices. When B Braun made it a goal to replace the traditional *ortho*-phthalates used in the making of their IV tubing sets with alternative, more sustainable materials, they turned to Eastman for help.

For more than two years, Eastman and B Braun worked together to develop an IV tubing set that used a non-phthalate plasticizer where traditional *ortho*-phthalates had been used before. As a result, Eastman 168™ non-phthalate plasticizer  was selected by B Braun as the material of choice for their newly redesigned IV tubing sets.

Eastman 168™ non-phthalate plasticizer is particularly suited for sensitive applications such as flexible medical devices, toys, childcare items and end-use applications that require food contact. Eastman 168™ non-phthalate plasticizer shows no reproductive toxicity and has a clean and comprehensive toxicology profile that shows it is not a harmful carcinogen or mutagen. This, in combination with its excellent performance, makes it an ideal material for use in creating flexible PVC medical devices.



Acetate yarn

Acetate yarn is recognized by customers for its great combination of sustainable features: it is both biodegradable and photodegradable and is produced using wood from renewable managed forests. Eastman Estron™ and Chromspun™ acetate yarns are considered biobased materials with over 55 percent of the carbon content being sourced from new carbon, such as trees vs. old carbon from fossil fuels. Eastman's acetate yarn is being used in a broad range of garments, including suit linings, women's wear knits, and graduation caps and gowns. Acetate yarn's moisture wicking imparts comfort and coolness to these applications.

Eastman Estron™ acetate yarn and Chromspun™ black acetate yarn satisfy the stringent Oeko-Tex® Standard 100, Class II uniform testing and certification system for textile products with direct contact with skin.

Oeko Tex® Standard 100 assesses the effects of chemicals contained within textiles on the health and well-being of the consumer. The Oeko Tex Standard 100 establishes parameters used as precautionary measures to safeguard human health. Materials that are prohibited or regulated by law and chemicals that are known to be harmful to human health are included in the screening process.



Eastman GEM™ emollient esters

During 2010, we launched our first product made with our award-winning GEM™ technology, which is raising the bar for sustainably manufactured cosmetics ingredients. Guided by the EPA’s Twelve Principles of Green Chemistry, Eastman GEM™ technology uses enzymes and closely controlled manufacturing conditions to eliminate high temperatures, strong acids and unwanted materials in the manufacture of emollient esters.

Eastman GEM™ 2-ethylhexyl palmitate is a high-quality, colorless, liquid emollient ester used in skin care and color cosmetics applications and is our first product made utilizing GEM technology. Formerly known as the Eastman biocatalytic process, our innovative GEM technology greatly reduces the

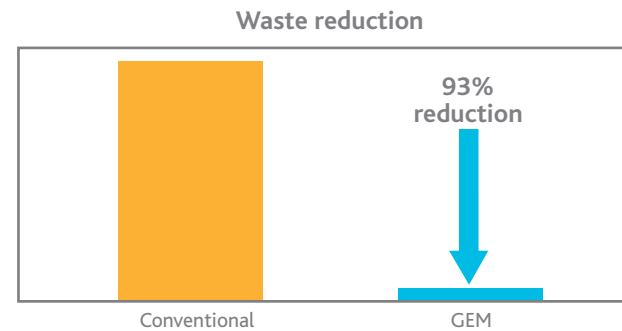
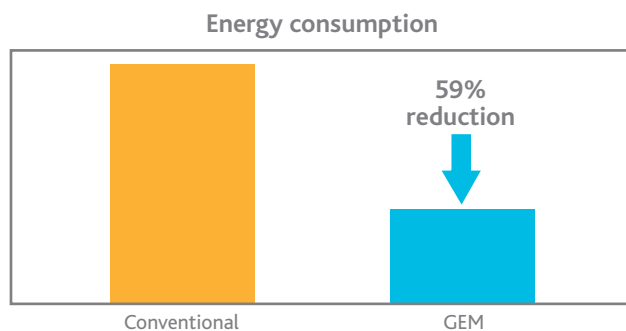
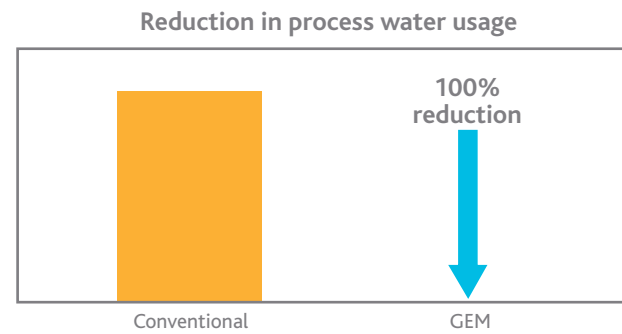
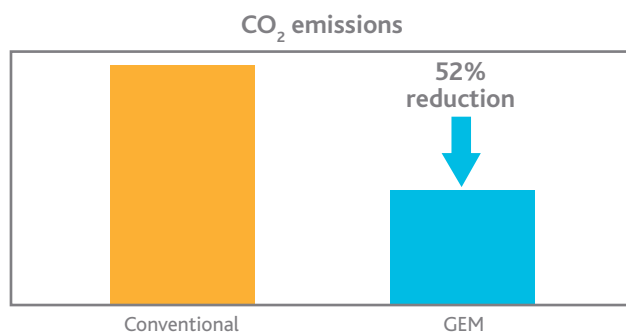
amount of energy consumed compared to conventional manufacturing processes for esters, which is vital as cosmetics ester consumption in North America is estimated at more than 50,000 tons annually. The Eastman green biocatalytic process won the Presidential Green Chemistry Challenge Award in 2009.



E factor 0.06 of waste/kg of product manufactured

E factor equals (kg waste)/(kg product) or a measurement of waste generated in the production of a product.

Sustainable advantages of Eastman GEM™ 2-ethylhexyl palmitate compared to conventional esterification



Rosin resins

On average, for every 1 kg of Eastman rosin product used, an amount between 830 and 850 grams (on average) of CO₂ is removed from the atmosphere, making them carbon negative.¹

The majority of Eastman's rosin esters contain approximately 90 percent natural and renewable content. Depending on the resin content, Eastman rosin esters can have a significant impact on the carbon footprint of end products.



Primarily sourced from living pine trees, rosin resins » are found in adhesives, sealants, coatings, inks, household and personal care items, rubber and plastic compounds, and soaps. Because pine trees pull CO₂ from the atmosphere, rosin products pose a favorable carbon footprint compared to similar products made from nonrenewable materials, such as oil.

Eastman Cerfis™ technology

Eastman Cerfis™ technology is a patented surface technology that enables the use of strategically selected wood-based substrates such as medium-density fiberboard, lower-quality types of woods, fiberboard, oriented strand board, particleboard, and composites to create superior end-use and intermediate products primarily for the building and construction market.

Eastman Cerfis™ technology helps extend the life of the substrate by offering resistance to scratching, denting and chipping while reducing the occurrence of warping and twisting. This technology also offers customers sustainable advantages from GREENGUARD Indoor Air Quality Certified® resins.



HydroPack™

Cellulose, a renewable and naturally occurring material, has been the backbone for much of Eastman's innovation and material science expertise for decades. Based on our position as a leader in cellulose technology, Hydration Technology Innovations (HTI) selected Eastman™ cellulose acetate as the material of choice for their revolutionary HydroPack™ — the emergency hydration solution for use in disaster relief situations.

Eastman™ cellulose acetate is used in HTI's proprietary membrane system and enables a filtration technology known as Forward Osmosis. Through this technology, virtually any water source can be transformed into a clean, nutrient-enriched source of emergency hydration. Applying Eastman expertise and innovation to help enable solutions to social issues such as clean drinking water demonstrates our commitment to sustainability.

Eastman™ cellulose esters are based on one of the most abundant naturally occurring biopolymers — cellulose obtained from sustainably managed forests and cotton linters.



¹Carbon negative is a term used to describe any process that removes carbon from the atmosphere.

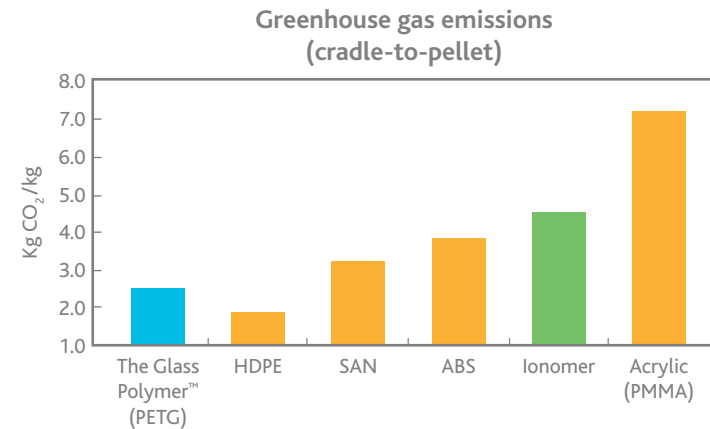
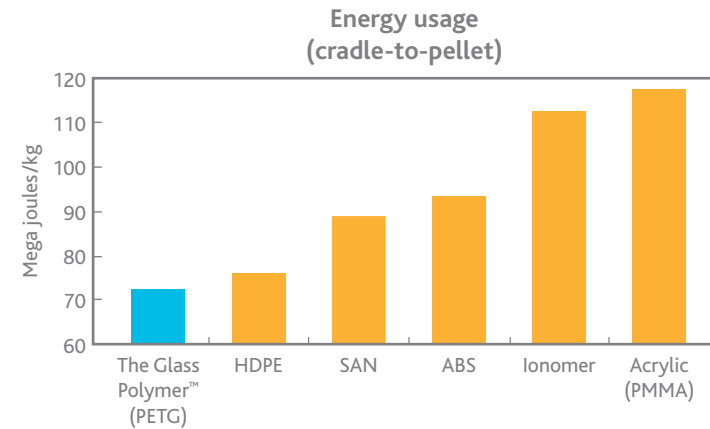
Natura

When environmentally conscious Natura, a leading cosmetics company in Brazil, needed to create an innovative yet minimalistic packaging design for its popular line of antiaging skin care creams, the company turned to Eastman. With the help of The Glass Polymer™ family of copolyesters, Natura created a beautiful package that was durable and sustainable.

Sustainable attributes of The Glass Polymer™ family of cosmetics packaging materials include:

- BPA free
- Reduces the amount of secondary packaging required to safely package glass products
- Weighs 50 percent less than glass, reducing transportation costs and greenhouse gas emissions
- Does not contain halogens, sulfur, nitrogen, lead, mercury, cadmium or hexavalent chromium
- Reduces breakage waste by approximately two percent

For every 500 metric tons of The Glass Polymer™ family of copolyesters used instead of acrylic, the energy saved could power 545 homes or take almost 100 cars off the road each year.



■ Comprehensive LCI, conducted by Franklin Associates, Ltd.
 ■ Plastics Europe LCA
 ■ Software and database for Life Cycle Engineering, PE International GmbH, 2009

Aliph® Jawbone® ICON™ packaging

Eastman's Eastar™ copolyester was used as an innovative new packaging material when Aliph introduced its newest earpiece, the Jawbone® ICON™ Bluetooth® headset. The result was a 68 percent reduction in plastic material used over the original Aliph Jawbone® packaging.

"We're really excited about where we ended up with this, and we think it's a great statement for our brand as we continue to preserve that wonderful, premium experience while creating something that is very sustainable in its architecture."

Hosain Rahman


Aliph founder and CEO

Eastar™ sustainable attributes

- Do not contain halogens, sulfur, nitrogen, lead, mercury, cadmium or hexavalent chromium
- Compatible with PET postconsumer recycling stream
- GREENGUARD Indoor Air Quality Certified®
- MBDC Cradle to Cradle® Certified Silver
- BPA free



Bringing value tomorrow

In our constantly evolving world, we know that in order to remain competitive, we must stay ahead of the curve in finding sustainable solutions to everyday problems. Eastman is committed to investing  in research and development to discover innovative technologies and processes that help meet our customers' ever-changing needs. In fact, we have set a 2015 goal that two-thirds of revenues from new product launches will come from products advantaged on assessed sustainability criteria. Following are just a few examples of technologies we are in the process of developing and refining.

"When we look at our innovation portfolio, the majority of our new product developments are sustainably advantaged. We're focusing our investments in R&D to create new and innovative products that will continue to satisfy the needs of a changing world."

Greg Nelson

Senior Vice President and Chief Technology Officer, Eastman

Acetylated wood

Wood is one of nature's most abundant and renewable resources. Its ease of use, reliability and beauty make it a material of choice of builders and home owners. However, moisture can take its toll on wood and may lead consumers to consider alternative building products such as plastics, composites or engineered wood. That's why some of the best minds at Eastman have been hard at work innovating and developing proprietary acetylation technology in which the molecular composition of wood is modified throughout, creating a more stable, change-resistant end product.

This modification process results in wood that has less warping, bowing and cupping over the life of the product. Three times more resistant to shrinking and swelling than unmodified wood, products manufactured using Eastman acetylated wood technology deliver long-lasting performance.

The addressable market for acetylated wood is estimated at more than \$2 billion across a wide range of applications, including windows, decking, siding, trim and other building products — essentially anywhere wood is used today. Construction of an acetylated wood market-launch facility is now underway in Kingsport, Tenn., U.S.A. Beginning in 2012, the facility will produce acetylated wood products for select markets within the U.S.



Microfibers

The Eastman™ microfibers platform is an exciting early stage initiative Eastman is pursuing to develop, manufacture and market a spectrum of innovative synthetic, short-cut microfibers. Produced by a proprietary multistep manufacturing process, Eastman microfibers will be targeted to deliver added value to a wide range of wet-laid nonwoven applications such as air and liquid filtration, energy storage and specialty papers. By increasing formulation latitude for customers in these application spaces, Eastman microfibers will provide new options for achieving key sustainability goals in improved energy efficiency and increased product life.

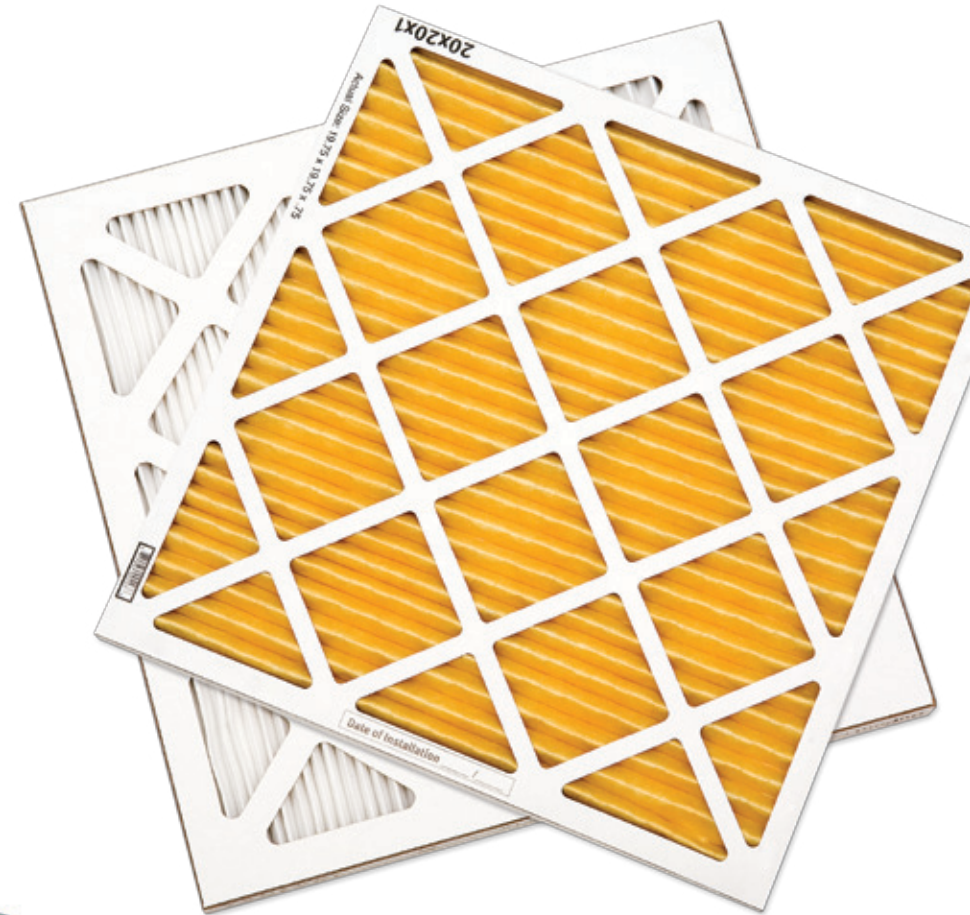
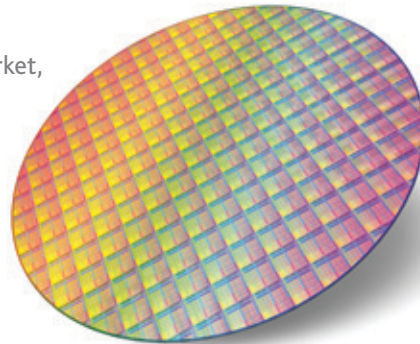
These unique microfibers are being specifically engineered to unlock new possibilities in innovation and design for our customers — without requiring significant changes to their existing manufacturing lines.

Electronic chemicals

Eastman has developed a new technology for photoresist removal specifically designed for semiconductor wafer manufacturers. This technology combines a unique process and material solution to efficiently apply chemistry precisely when and where it's needed. Fabricators can realize this efficiency through:


- A reduction in chemical usage by up to 90 percent per wafer cleaned
- Reduced wafer defect rates
- Faster process times

While this technology is just now being introduced to the market, we believe it will not only deliver more effective photoresist removal across various types of photoresist and substrate types but will help semiconductor companies reduce the environmental impact of wafer fabrication and meet their longer-term sustainability goals.





Environmental stewardship

Eastman's continued commitment to sustainability serves to minimize our environmental footprint and conserve natural resources. Sustainability is integrated into every area of our business — for the benefit of our customers, our stockholders, our employees and the world at large. 



Currently, natural gas — acknowledged worldwide as the most **GHG-efficient** fossil energy — is the source of about 50 percent of our energy supply.

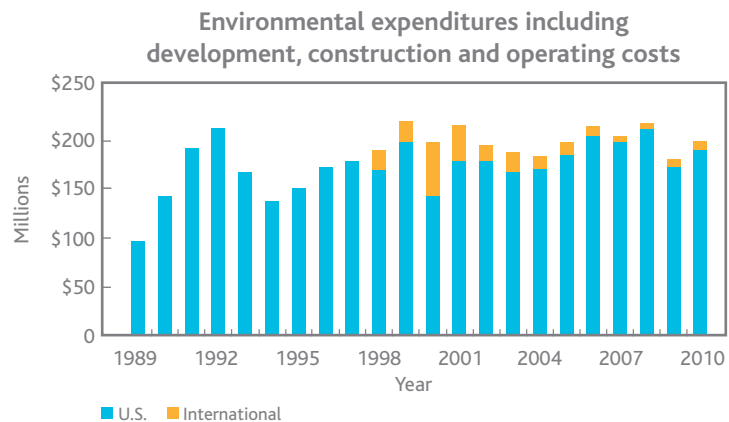
We convert **70%** of the energy we obtain from fossil fuel into power and steam to run our manufacturing processes through cogeneration.

By 2015, all of Eastman's new product family launches will have a **Preliminary Life Cycle Assessment.**

Four energy efficiency projects undertaken at our Kingsport headquarters in 2010 helped eliminate GHG emissions equivalent to more than **8,000 cars.**

Reducing our environmental footprint

Our investment in environmental initiatives during the past 22 years is evidence of the sustained commitment Eastman has to environmental stewardship and putting Responsible Care® practices into action.



GHG emissions

- Data will be reported in our GRI supplement, which will be published in 2012.

LCAs

- Completed LCAs for 75 products, constituting 60 percent of our top-selling product lines that produce 80 percent of our overall revenue
- Completed LCA studies of the utility infrastructure at our Kingsport, Tenn., facility, as well as many of the core processes of our acetyl, oxo and olefin streams in the United States and adhesive resin materials in Europe and the United States

Energy efficiency and intensity

- Lowered energy intensity by 6 percent, with energy savings of 3 million MMBtu and 275,000 fewer tons of CO₂ emissions

Air quality

- VOC emissions
 - Our 2010 VOC emissions were 7,048 tons, a reduction of almost 32 percent compared to our 2005 baseline year of 10,326 tons.
- SO₂ emissions
 - Our 2010 SO₂ emissions were 22,068 tons, a reduction of 9 percent compared to our 2005 baseline year of 24,406 tons.
- NO_x emissions
 - Our 2010 NO_x emissions were 10,359 tons, a reduction of almost 20 percent compared to our 2005 baseline year of 12,892 tons.

Total reportable releases

- Both our Kingsport, Tenn., and Longview, Texas, sites have developed project teams and undertaken initiatives to drive reductions in reportable releases.
- In 2010, we had 55 release events. Since 2003, we have significantly reduced our annual release events.

TRI (U.S. only)

- Our 2010 TRI emissions to the atmosphere were 5.4 million pounds, a reduction of almost 22 percent compared to our 2005 baseline year of 6.9 million pounds.

Waste management

- We take great care to manage our on-site waste. We also recycle many materials that would otherwise become waste through manufacturing processes like cogeneration.


Water quality and consumption


- Eastman is evaluating appropriate water metrics, including identification of areas where water scarcity is a significant issue and the evaluation of the impact of operations in those areas.

Greenhouse gas emissions reduction strategy

While the nature of our business and manufacturing processes requires large amounts of energy, we remain committed to implementing innovative solutions to maximize our energy efficiency and reduce our GHG emissions. In particular, our cogeneration technology makes us among the most efficient energy users in the world.

Since 2005, Eastman has participated in the European Union's Emission Trading System (ETS). Through this program, we have bought and sold emissions credits and implemented numerous energy efficiency projects, which have helped reduce our overall emissions.

Eastman, along with 10,000 other U.S. facilities, has submitted its first annual report of greenhouse gas emissions in compliance with EPA's mandatory GHG reporting rule. For the calendar year 2010, Eastman reported CO₂ equivalent emissions totaling 6.71 million metric tons. Please [click here](#) for our 2010 GHG emissions. 

Because Eastman facilities are energy intensive, we generate the steam and electricity we consume, and we are vertically integrated (starting with basic raw materials, producing our own intermediates, then converting them to final products), our reported *direct* GHG emissions may be higher than those of our peers. Please note that the mandatory reporting rule does not require companies to report their *indirect* GHG emissions, e.g. the GHG emitted in the production of the electricity they purchase from utilities and consume. For more information on cogeneration, please [click here](#). 

Cogeneration

Currently, natural gas — acknowledged worldwide as the most GHG-efficient fossil energy — is the source of about 50 percent of our energy supply. Our heat-intensive manufacturing processes also require the use of other fossil fuels, including coal. As long as coal exists as an inexpensive and effective source of fuel, it will be used by companies around the world to power manufacturing sites and create quality products. It all comes down to the way coal is used. Mindful of its environmental impacts, we work hard to ensure we are using it in the most efficient way.

According to the U.S. EPA, 50 percent of coal's energy is wasted if it is used conventionally. An even greater amount — more than 60 percent — is wasted if it is converted to electricity in a traditional power plant.

Because Eastman needs both steam and electricity to make our products, we use a highly efficient process called cogeneration at our largest manufacturing sites. Also known as Combined Heat and Power (CHP), cogeneration is the concurrent production of electricity and heat from a single energy source — in our case, coal. Cogeneration systems recover heat that normally would be wasted during electricity generation, therefore saving fuel that would otherwise be used to produce heat or steam.

Using cogeneration enables us to convert more than 70 percent of the energy we obtain from fossil fuel into power and steam for our manufacturing processes. In fact, we save the equivalent GHG emissions of taking 131,000 cars off the road each year by using cogeneration at just one of our facilities.

Cogeneration has support from many major environmental groups and policymakers concerned about GHG emissions. The U.S. Department of Energy (DOE) cites cogeneration as one of the most promising energy efficient technologies today, as it is one of very few energy alternatives that combines environmental effectiveness with economic viability and improved competitiveness. In fact, the DOE has committed to investing nearly \$25 million each year to improving technology for cogeneration programs.¹

In the United States, we are working with the American Chemistry Council, Business Roundtable, and International Energy Credit Association, as well as the DOE and EPA to help remove barriers to entry for cogeneration — mainly created by regulations and constraints in the utility sector — so other companies can realize cogeneration's environmental and economic benefits.

Eastman now meets more than 90 percent of our global electricity needs with cogeneration, which uses up to 40 percent less fuel, produces significantly fewer GHG emissions than conventional uses of fossil energy and provides better air quality in the environments in which we operate. At our site in Longview, Texas, we sell our surplus energy resulting from cogeneration to local companies and homes.

In Kingsport, Tenn., 25 percent of the coal we purchase is not used for cogeneration but is used to make Eastman products in our state-of-the-art industrial gasification plant. Industrial gasification transforms coal into chemical raw materials, emitting clean, concentrated and near sequestration-ready CO₂ into the atmosphere. Although other companies use gasification to create fuel from coal, Eastman is the only U.S. manufacturer that produces acetyl chemicals from coal through gasification.

As part of our commitment to further reduce our GHG emissions, we are constantly exploring new ways to practically and economically reduce our use of fossil fuels, lower our overall carbon footprint, improve our energy efficiency and minimize our impact on the environment.

highly efficient process
Energy

¹U.S. Department of Energy pushes for CHP in industry." *Cogeneration & On-Site Power Production*°. 9 Jan. 2010. Web 10 April 2011.

Improving our energy efficiency

Since the 1970s, Eastman's energy policy has balanced the need for affordable energy supplies with the need to reduce the amount of energy needed to make our products. During the past year, we reduced our overall energy intensity by 6 percent compared to 2009, saving 3 million MMBtu.

Eastman's integrated manufacturing process results in highly efficient operations, allowing waste heat from one chemical process to be used for heat within a different chemical process. Compared to sites that lack comprehensive integration of processes and energy systems, Eastman's integrated sites provide:

- Greater opportunity to beneficially use materials
- Better use of thermal energy that would otherwise be discharged into the environment
- Reduction in long-distance transportation of materials
- Significantly smaller emissions across the supply chain

In 2010, Eastman formed an energy survey team and developed a process to evaluate our operating areas based on energy efficiency and identify improvement opportunities to reduce our overall energy intensity.



Eastman Chemical Company's coal gasification facility is located in Kingsport, Tennessee.

"Nissan values exchanging best practices and ongoing collaboration for improved energy efficiency with Eastman. We enjoy a healthy relationship of information exchange with Eastman, which supports continuous improvement and sustainability for our energy efficiency and environmental programs."

Ken Roden

Energy Team Facilitator, Nissan North America

Eastman's Singapore Site Wins Award for Energy Optimization

In May 2011, Eastman's Singapore manufacturing site, Eastman Chemical Singapore Private Limited (ECSPL), was honored by Singapore's National Environment Agency with a prestigious Energy Efficiency National Partnership award. Eastman Chemical Singapore won a "Best Practices" award for its energy optimization of a distillation column — one of the biggest energy users at the manufacturing facility because it separates chemical components based on their boiling point. The optimization has reduced both energy consumption and operating costs at the plant.

Eastman's Kuantan, Malaysia, Site Reduces Energy Consumption

Eastman's site in Kuantan, Malaysia, is driving an energy management program to reduce the site's energy consumption of electricity and natural gas. The initiative has saved the facility \$68,000 annually. Key projects included running only one main pump instead of two, turning off the air-conditioning in the office during nonwork hours and changing piping insulation conditions to minimize heat losses.

Employee-led innovation

Our employees are a valuable resource for sharing ways our sites can reduce their energy intensity. Our intranet includes an “Energy WISE” program with advice and resources for improving energy efficiency at work and home, as well as an employee forum for sharing energy-savings ideas.

Energy conservation extends far beyond our manufacturing facilities. While the majority of our energy use is for manufacturing, we also take measures to lower our energy intensity at our office buildings and in our employees’ daily routines. Eastman employees lead efforts to turn off lights, share rides to work and use bicycles when traveling between buildings at our manufacturing facilities.



We are working to expand the limits of innovation while developing new manufacturing processes that further reduce energy intensity and ensure our energy-related emissions are as clean as possible. More than \$35 million will be invested in implementing more energy efficient manufacturing processes during 2010 and 2011. These investments include heat recovery and heat integration improvements and installation of more energy efficient equipment. In addition, Eastman’s technology department is actively investigating and developing next generation energy efficient manufacturing processes.

“A network of site energy coordinators, aggressive goal setting, energy tracking and benchmarking our energy performance are all part of Eastman’s energy management effort.”


Ron Lindsay

Executive Vice President, Performance Chemicals and Intermediates, Fibers, Engineering, Construction and Manufacturing Support, Eastman

Sustainable State of Mind in Switzerland

Our office in Zug, Switzerland, has made sustainable practices a part of their everyday office life. Almost 25 percent of the office’s energy usage comes from renewable energy. Our Zug employees have also committed to using toilet paper, office ceiling lamps and cleaning materials that are made with 99.9 percent recycled content.

During 2011, the 19 employees at our Zug office want to take their commitment to sustainability one step further by increasing their use of renewable energy and replacing their office refrigerator with a low-energy consumption model.

For the 18th year in a row, our efforts to reduce our energy intensity and carbon footprint were recognized by the American Chemistry Council (ACC). In 2011, the ACC’s Responsible Care®  program awarded Eastman energy efficiency awards for six projects completed in 2010 — five

at the Kingsport, Tenn., site and one at the Longview, Texas, site. Together, these six projects save more than 386,000 MMBtu and 37,000 tons of GHG emissions annually, which is enough to power 10,000 homes each year or eliminate the GHG emissions of more than 6,000 cars.



Eastman Signs Green Energy Contract

Eastman's Middelburg site and the Europe, Middle East & Africa (EMEA) headquarters in Capelle, both in The Netherlands, signed a green energy contract with Endesa Energia in December 2010. Beginning in 2011, both locations will exclusively use renewable energy in the form of hydroelectricity from water turbines in Norway.

Hydroelectricity requires no fossil fuels, meaning no pollution is released into the atmosphere and no waste that requires special containment is produced. Hydropower has become the planet's leading source of renewable energy, providing more than 97 percent of all electricity generated by renewable sources worldwide.

The decision to utilize only renewable energy in Middelburg and our EMEA headquarters underscores Eastman's dedication to sustainability and our commitment to reducing our environmental footprint.




Eastman's Europe, Middle East, & Africa headquarters in Capelle, The Netherlands.

Leading the Way

In May 2010, Eastman formally pledged to reduce our energy intensity by 25 percent over a 10-year period in partnership with the U.S. DOE. Eastman is one of 11 chemical companies out of 105 total companies that have distinguished themselves as energy management champions among their industry peers by making this public commitment. As a *Save Energy Now* LEADER,  we have established an energy intensity baseline consistent with DOE guidelines and we report our progress to the DOE on an annual basis.

It's not just a pledge. It's a commitment to action.

ENERGY STAR®

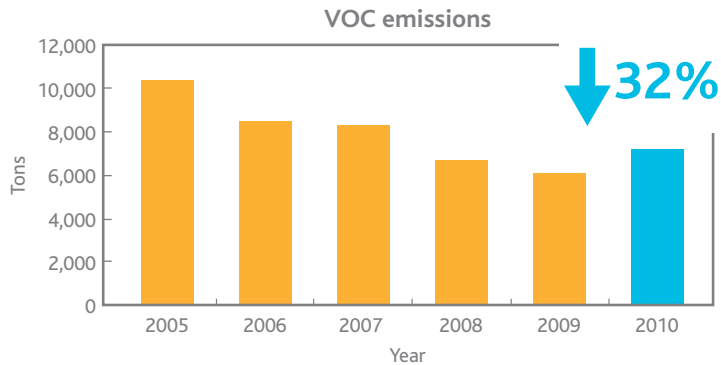
Eastman is committed to protecting the environment through the continuous improvement of our energy performance. To foster that commitment, we have become an ENERGY STAR® Partner,  a joint program of the U.S. EPA and the U.S. DOE to increase and promote energy efficient products and practices. We committed to tracking and measuring our energy efficiency and supporting the ENERGY STAR® Challenge, a national call-to-action to help improve the energy efficiency of America's commercial and industrial buildings by 10 percent or more.



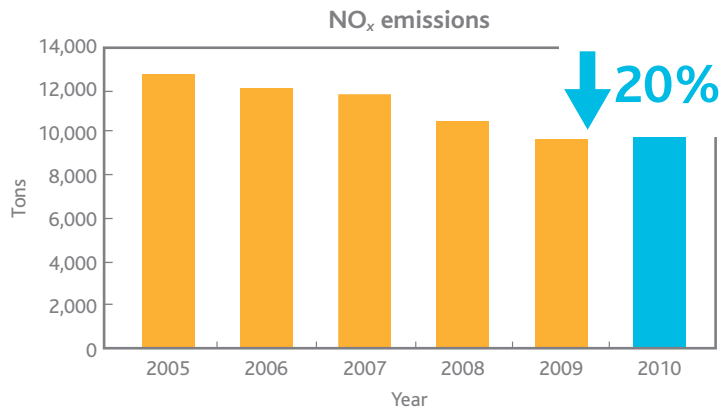
Air quality and emissions

Eastman is committed to improving air quality at all of our manufacturing sites around the world. We are working to reduce our levels of VOC, sulfur dioxide (SO₂) and nitrogen oxide (NO_x) emissions, as well as our annual reportable releases and Toxic Release Inventory (TRI) emissions.

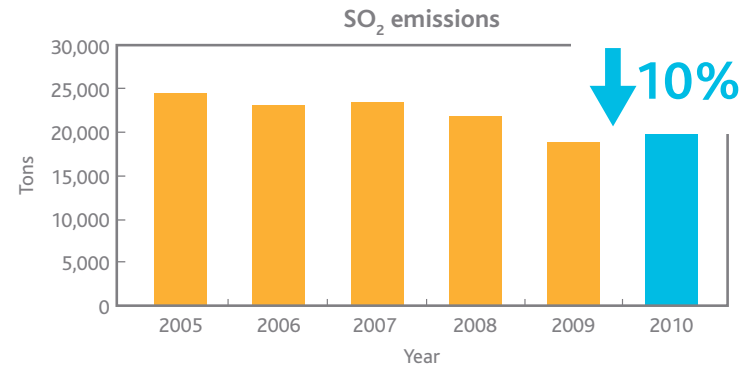
Our 2010 VOC emissions were 7,048 tons, a reduction of almost 32 percent compared to our 2005 baseline year of 10,326 tons.



Our 2010 NO_x emissions were 10,359 tons, a reduction of almost 20 percent compared to our 2005 baseline year of 12,892 tons.



Our 2010 SO₂ emissions were 22,068 tons, a reduction of almost 10 percent compared to our 2005 baseline year of 24,406 tons.



During the past few years, Eastman has upgraded manufacturing process technology, installed air pollution control equipment and implemented improved work practices to significantly improve the air quality around our sites. Recent examples of air quality improvement projects include:

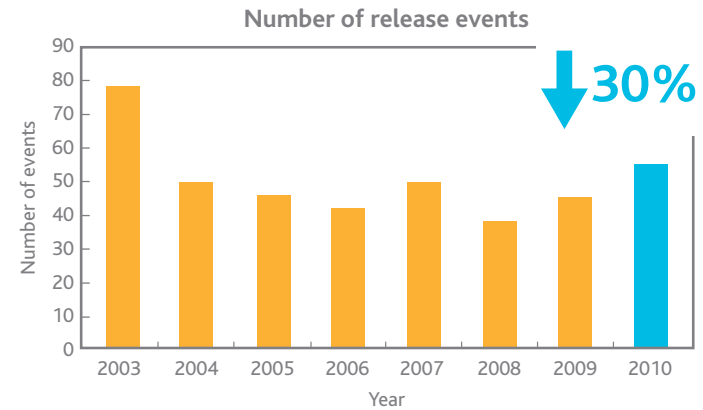
- Installing a new flare at our Longview, Texas, site, which has reduced VOC emissions by 60 tons per year
- Replacing 11 cooling tower fan engines with electric motors at our Longview, Texas, site, which has reduced NO_x emissions by 170 tons per year
- Incinerating scrubber exhaust gases at our Middelburg, The Netherlands, site, reducing annual VOC emissions by 40 percent

We work closely with local and state agencies to promote air quality within the regions in which we operate. Both our Kingsport, Tenn., and Longview, Texas, operations participate in Ozone Early Action Compacts, which tackle the complex task of meeting ozone standards through voluntary emissions reductions.

At our Kingsport site, we encourage employees to reduce vehicle use, adjust our boiler operations to minimize NO_x emissions and ask trucks entering our facility to avoid idling. The Kingsport facility was also a charter sponsor of the Tennessee Environmental Conference and initiated the Ozone Action Partnership — the first of its kind in Tennessee — to develop a regional plan to keep ozone levels down during the summer.

An important part of air emissions management is utilizing a comprehensive measurement and reporting program. At our United States facilities, we operate more than 50 continuous emissions monitors on vent stacks and conduct at least 60 emissions tests each year to confirm that control requirements are met. In addition, Eastman minimizes fugitive emissions by monitoring more than 140,000 components of our operating facilities, such as valves and pumps, throughout our leak detection and repair program. The results of these tests are routinely reported to state and federal agencies. Each year, Eastman makes approximately 150 reports certifying our compliance with air permits.

Eastman is also committed to reducing our annual reportable releases. In 2010, we had 55 reportable release events, a significant reduction since 2003.




Sustainable Fleet

Since 2005, we have used biodiesel fuel in our fleet of 243 diesel vehicles and five locomotives at our Kingsport, Tenn., facility, which has reduced our diesel exhaust by five percent annually, lowered our overall consumption of fossil fuels and improved air quality around the site. The East Tennessee Clean Fuels Coalition (ETCFC) has recognized Eastman for consistently being a top-fleet user of biodiesel and, in 2010, recognized Eastman for becoming the largest user of biodiesel blends in Tennessee, setting an example for other companies across the state.



From “cradle-to-gate” and beyond

Eastman continuously strives to enhance the sustainability of our products and processes whenever possible. We carefully examine the cradle-to-gate impacts of our products by undertaking LCAs.  This practice takes into account the product’s value chain, from sourcing of raw material to the manufacturing processes it undergoes until it leaves our gates. These LCAs enable us to compare environmental impacts of products and operational processes so that we can find the most cost-effective and sustainable solutions.

During the past year, we formalized our LCA methodology, which we have shared with several of our largest customers. These customers have confirmed that our approach and methodology is sound and world class. It is our goal that by 2015 all of our new product family launches will have an accompanying LCA.

Eastman has completed cradle-to-gate analyses within most major product families, as well as approximately 60 percent of our top-selling product lines, which represent 80 percent of our overall revenue. Recognizing that our manufacturing and operational processes are a large part of our sustainability strategy, we also completed LCA studies of our Kingsport, Tenn., site utility infrastructure and many of the core processes of our acetyl, oxo and olefin streams in the U.S., along with adhesive resin materials in Europe and the U.S.

In 2010, Eastman began putting together a framework for a Life Cycle and Sustainability Analysis Resources (LASAR) Center of Excellence, made up of technical LCA experts in Eastman’s research division in Kingsport, members of the analytical support division at Middelburg, The Netherlands, and representatives in varying levels in environment, health and safety, utilities and engineering functions.

We also work with our customers to examine the environmental impacts and effects of our products after they leave our gates. Understanding the need to share a holistic view of our product and process environmental impacts with our customers and end users, we have initiatives underway to develop easy-to-understand, visual representations of LCA studies and results and are exploring ways to strategically partner with stakeholders across our value chains.

Water quality and conservation

Eastman knows that water is one of our planet’s most valuable resources, and we use it with considerable care. Our water management practices are based on two principles: efficient usage and pollution prevention.

The industrial processes we have in place help minimize our water usage by treating it to meet specific purposes within the manufacturing cycle and recycling water whenever possible. Our water efficiency best practices help reduce:

- Cost of water and wastewater treatment
- Capital equipment costs
- Handling and use of potentially hazardous chemicals
- Carbon footprint — by reducing energy consumption associated with water treatment and distribution

Our wastewater treatment plants at our manufacturing facilities are designed and operated to meet or exceed environmental standards and to protect the health of our employees, our communities and the local ecosystems in which we operate.

River studies

On a regular basis since the 1960s, Eastman has commissioned the world-renowned, Philadelphia-based Academy of Natural Sciences to study the rivers upstream and downstream of our major United States manufacturing sites, to ensure that our operations are not negatively impacting the environment. Two of the most extensive of these river studies are focused around the Kingsport, Tenn., and Longview, Texas, sites.

South Fork Holston River

The Academy of Natural Sciences, recognized as a pioneer in the assessment of the health of lakes, rivers and bays throughout the United States, performed its seventh study on the Holston River near our Kingsport, Tenn., site in July 2010. The study documented the river's water quality and the abundance and diversity of aquatic plants and animals to compare the results to previous studies.

Eastman has used the Academy's findings at Kingsport's Riverfront Park to illustrate the improvements in the Holston River over the course of the studies. The studies show major improvement in the numbers and types of aquatic insects, macroinvertebrates (such as crayfish, snails and worms), and fish found in the river at Riverfront Park. The 2010 study found 48 species of fish and 39 species of macroinvertebrates in the South Fork Holston River, compared to 46 and 34, respectively, in 1997.


Sabine River

At our Texas Operations facility, we partner with the Academy of Natural Sciences to periodically conduct studies of the aquatic environment in the Sabine River, both upstream and downstream of our facility. Components of these extensive surveys include testing the environmental chemistry of the river and the existence of attached algae and aquatic plants, macroinvertebrates and fish. Since 1982, we have found that due to Eastman's wastewater treatment and water conservation practices, our operations have had no adverse effects on the Sabine River.




South Fork Holston River — Kingsport, Tennessee

Sustainable Groundwater Remediation

Eastman received a 2010 Responsible Care®  European Award for our partnership with ARCADIS Belgium and SITA Remediation around a new bioremediation technology to sustainably reduce chlorinated solvent groundwater contamination at a site in Lokeren, Belgium. Eastman led the pilot program that retrofitted the former “traditional” pump-and-treat system with a new Enhanced Reductive Dechlorination process in which molasses (a natural waste product from a nearby sugar refinery) is used to catalyze the dechlorination process. This technology will clear the contamination in five years, rather than the 30 years required by a pump-and-treat system and will reduce water usage by 92 percent, energy reduction by 77 percent and waste reduction by 92 percent.

This pilot is now a best practice example of technology that can be used to treat sites contaminated with Chlorinated VOCs and to retrofit existing nonsustainable remediation systems.

Waste reduction

Eastman takes great care to manage our on-site waste production, and we recycle many materials that could otherwise become waste through manufacturing processes like cogeneration. 

We work to recycle as much of our materials and waste as possible. In 2010, we recycled the following volumes at our Kingsport, Tenn., world headquarters and manufacturing site:

- 17,080 metal drums
- 6,689 fiber drums
- 4,818 plastic drums
- 1,228 metric tons of cardboard, PET and mixed pulp/paper
- 21.6 metric tons of fluorescent light tubes
- 1.6 metric tons of used batteries
- 3,700 metric tons of metal

We recycled the following volumes during 2010 at our manufacturing site in Longview, Texas:

- 4 metric tons of fluorescent light tubes
- 254 kilograms of used batteries
- 5.8 metric tons of used electronics
- 829.5 metric tons of recycled metal


We reuse our fiber drums to package our waste materials, sell our plastic drums to a drum reconditioner for further use and clean our metal drums before selling them for scrap, which ensures that none of the drums are wasted.



Underscoring our commitment to sustainability throughout the entire life cycle of a product, we focus on renewable materials and packaging to limit the end-use waste of our products. Our supply chain  packaging team is committed to developing and using materials that are reusable, recyclable and waste-reducing, whenever possible.

Support for the future

We align with numerous environmental organizations through memberships and charitable contributions, including the East Tennessee Clean Fuels Coalition, Environmental Institute of Houston, Southeast Energy Efficiency Alliance for Industrial Coalition, Upper East Tennessee River Roundtable, U.S. Council for Energy-Efficient Manufacturing, Waterfowl Association and The Wildlife Federation.

For the past 16 years, Eastman has provided financial support to The Nature Conservancy  (TNC) to ensure large-scale ecological efforts around the world. The TNC is a leading conservation organization working to protect the environment around the globe. For the past decade, Eastman has formed a special relationship with the Tennessee Chapter of TNC, including making annual charitable donations and having an Eastman employee serve on the organization's board of directors.

Last year, Eastman donated \$15,000 to support TNC's local efforts to protect, conserve and restore the wetlands in the Shady Valley Nature Preserve in northeastern Tennessee, home to numerous indigenous plants and animals. We also donated several in-kind gifts, including:

- Lab chemicals for analyzing soil and pollen cores collected during the 2010 National Science Foundation's landscape history project
- Water quality testing expertise at the Orchard Bog Wetlands Restoration site in eastern Tennessee
- Laptop computers to assist in bog turtle data compilation and mapping at the Shady Valley Nature Preserve


One Tree at a Time

Many of Eastman's corporate offices and manufacturing sites utilize Green Seal Certified® and 100 percent recycled paper products in their restrooms. During the past year, using recycled paper towel rolls in Eastman's restrooms saved:

- 1,012 mature trees
- 416,507 gallons of fresh water
- 119 barrels of oil
- 190 cubic yards of landfill space



Eastman Ranked as One of America's Greenest Companies for Second Year in a Row

In September 2010, *Newsweek*  ranked Eastman 143 on its list of the "500 Greenest Companies in America." The second annual *Newsweek* Green Ranking is the only ranking of its kind based on companies' actual environmental performance, policies and reputation.



Exploring the benefits of comprehensive Life Cycle Assessments

In today's world, sustainability is a major factor in key business decisions. Because of this, Eastman is mindful of the need to substantiate its sustainability assertions. That's why the company is collaborating with its major customers to conduct Life Cycle Assessments (LCAs) to better understand how it can improve the overall sustainability of its products and, in turn, help customers meet their sustainability goals.

Value chain LCAs are holistic evaluations of products' entire existence, from raw material sourcing and manufacturing processes through distribution, usage and disposal. To date, Eastman has conducted LCAs on the cradle-to-gate portion of our value chain for 75 of our products. We have plans to collaborate with customers to produce more holistic value chain LCAs in the future, and our goal is to conduct preliminary LCAs on all new product launches by 2015.

"Now, more than ever, we are having detailed discussions with our customers about how we can work together in furthering the sustainable qualities of our combined products," explains Michaela Hofbauer, Market Development Manager for Eastman's Coatings, Adhesives, Specialty Polymers & Inks (CASPI) business segment.

Carbon-sequestering rosin resins

It was a customer request that led to one of Eastman's most comprehensive LCAs to date, on its rosin resins product line. Used as ingredients in a wide assortment of end-use applications, including coatings, adhesives, inks, sealants and even chewing gum, Eastman's rosin resins are made with approximately 90 percent renewable content and are sourced primarily from the gum rosin of living pine trees.

Pine trees' dense, evergreen foliage makes them highly effective absorbers of carbon dioxide. This means that Eastman's rosin products directly carry the benefits of the sequestered CO₂ right through to its customers' end products.

"Our LCA work underlines the fact that Eastman is far more than just a supplier of chemicals. We know that our customers want sustainable solutions, and we believe that our analytical and collaborative approach to LCAs will increase sales of both our products and theirs," said Hofbauer.



Customer collaboration

Headquartered in Amsterdam, The Netherlands, AkzoNobel is the largest global paints and coatings company and a major producer of specialty chemicals. Ranked in the top three on the Dow Jones Sustainability Index, the company is a leader in the development of sustainable products.

As its number one supplier of solvents, Eastman enjoys a “Preferred Supplier” relationship with AkzoNobel. The two companies have established a special bond as a consequence of their shared commitment to sustainability.

“We are at the early stage of an exciting journey, with plans underway to work on an intensive LCA study together with the aim of delivering groundbreaking sustainability improvements. Our challenge is to identify what enhancements can be made and how we can jointly find ways to provide our customers with the increased sustainability values that they are requesting.”

Ton Geurts

Chief Procurement Officer, AkzoNobel

AkzoNobel believes that sustainable products can increasingly yield higher financial margins, and it has tracked a correlation of its more sustainable products with enhanced stakeholder value. Like Eastman, AkzoNobel is undertaking LCAs across its product range, recognizing that energy usage is critical to meeting its ambitious sustainability targets.

“We greatly appreciate Eastman’s innovation in the area of energy efficiency, which is critical if we are to achieve sustainably favorable Life Cycle Assessments,” Geurts added. “Sustainability is a way of life, but we have to take economic considerations into account. I am confident that our cooperation with Eastman will help us translate the challenges of sustainability into reality.”

solutions
Benefits




Social responsibility

Protecting the health and ensuring the well-being and security of our employees, neighbors, customers and consumers is, and always has been, the top priority at Eastman. We are committed to giving our employees the highest quality training and continuing education opportunities, and we strive to be good citizens of the world by contributing to our local communities and to philanthropies across the globe. 🌍



Employees in Kingsport, Tenn., provided more than **22,500** volunteer hours to local United Way agencies in 2010.



Eastman's **Injury and Illness Rate** for 2010 was our **4th lowest ever** and our **DAW** rate for 2010 was also tied for our **4th lowest ever.**

More than 490 members of Eastman's Hiking and Canoeing Club contributed more than **12,500 hours** to maintaining the **Appalachian Trail.**

Employees from Eastman's **EMEA headquarters** in The Netherlands have donated more than **200 hours** of their time to assisting teachers at the Dr. Logemann school in the Rotterdam area, which educates immigrant children with learning disabilities.

For the second year in a row, Eastman received **chemical safety transportation excellence awards** from three of the four major United States railroad companies.



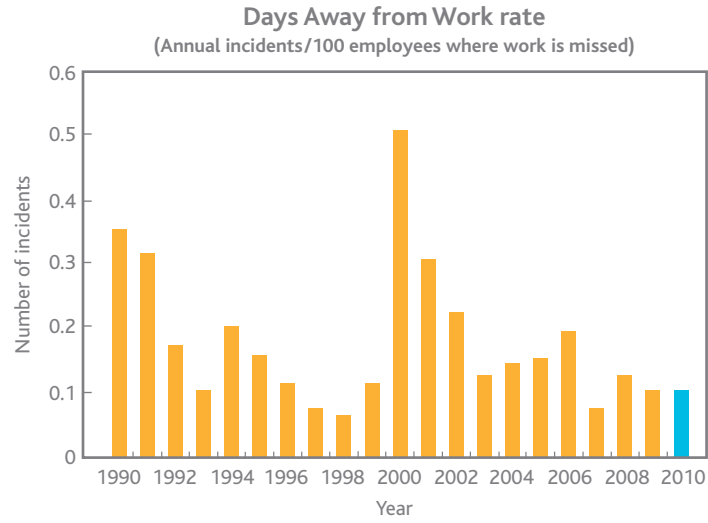
Personal safety

Our culture is one of commitment to safety, accountability for actions and feedback on performance. We believe that every workplace incident, injury and illness is preventable. Our goal is to ensure personal safety for our employees. Preventing workplace incidents, injuries and illnesses is an integral part of our worldwide business strategy.

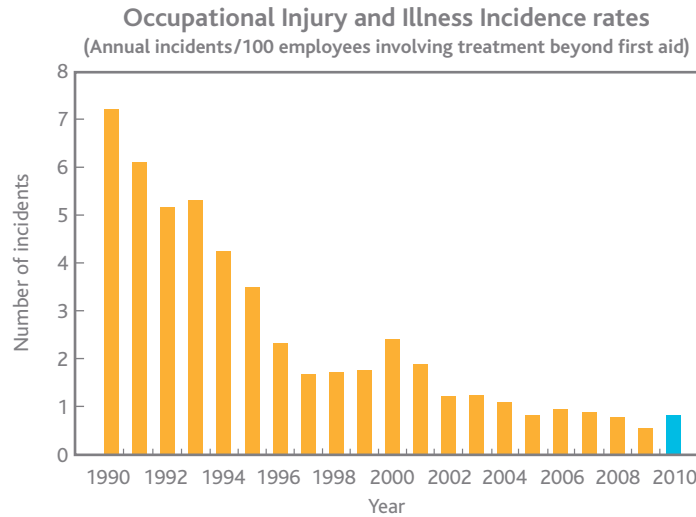
At Eastman, we assess our personal workplace safety performance by examining:

- **Global Injury and Illness Rates** for annual incidents per 100 employees (200,000 work hours) involving treatment beyond first aid in relation to actual work hours
- **Global Days Away from Work (DAW):** Annual incidents per 100 employees (200,000 work hours) where work is missed in relation to actual work hours
- **Global Process Safety Incidents:** The number of process safety incidents globally that match specific criteria established by the American Chemistry Council (ACC)

In 2010, we continued to adhere to the highest workplace safety standards and we performed well against our ambitious targets. Also during 2010, our DAW rate was 0.11, well below our target of 0.15.



In 2010, we established a challenging target of 0.7 and our rate for the year was 0.79. As indicated, we have made substantial progress in the past 20 years, with regard to reductions in our global illness and injury rate and our performance compares well against chemical industry and broad manufacturing results.



As with all aspects of sustainability, we continually strive to improve our workplace safety. That is why we have decided to transition from year-over-year, incremental safety targets to a more aggressive, five-year target accompanied by a sweeping, companywide safety program. The goal of our ambitious 2015 safety targets is to challenge employees across the company to change their way of thinking about safety.

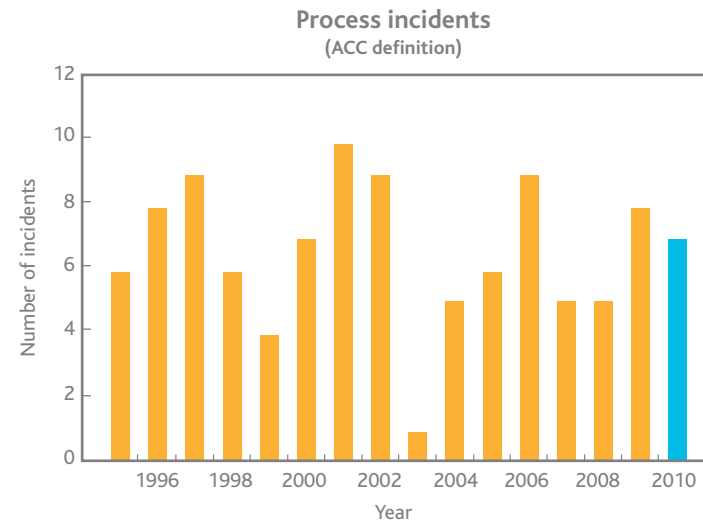
During 2011, we are introducing a Strategic Safety Initiative with four main priorities to guide us toward our goal:

- **Benchmarking:** Research the safety initiatives and programs our industry peers and companies across a variety of industries have implemented to take stock of where we are and how we can improve
- **Employee workshops:** Host employee workshops to glean ideas about how we can improve our safety policies and procedures from the people who follow them every day
- **Messaging:** Create consistent corporate messaging around our safety policy so that all employees around the world understand and can articulate our key safety themes
- **Data analysis:** Analyze our injury and incident data for trends and patterns to determine whether we are focusing on the right initiatives to achieve our safety targets

During the next year, we'll use this information to create actionable steps toward implementing a new way of thinking about and living our safety policies — both personal safety and process safety — as we make strides toward our 2015 targets.

Safety measurement	2010 data	2010 target	2015 target
Global Injury and Illness Rates (OSHA Recordable)	0.79	Target rate of no more than 0.7	Target rate of no more than 0.35
Global Days Away from Work (DAW)	0.11	Target rate of no more than 0.15	Target rate of less than 0.05
Global Process Safety Incidents	7	5	N/A (currently an annual target)

In 2010, Eastman had seven global process safety incidents. Although we did not meet our ambitious 2010 target of five, we continuously strive to reduce our global process safety incidents.



Data from 2000 and beyond includes all global sites.

One of the most important factors in safety is every employee individually committing to work more safely and being mindful of the safety of those around them. To support and drive this behavior throughout the organization, Eastman shares safety information and best practices across sites and regions and clearly communicates our guiding principles for safety to employees worldwide.

- **Incident prevention:** Work-related incidents are prevented through several layers of protection, including safe design, safe work practices, safe behaviors and the use of appropriate engineering, operating and administrative controls.
- **Management leadership and accountability:** Management establishes clear safety expectations and goals, provides resources, establishes processes and monitors overall progress.
- **Employee involvement:** Each employee is committed to working safely and to protecting the safety of others. Employees participate fully in all elements of the safety program.
- **Regulatory compliance:** Complying with applicable laws and regulations is an integral part of Eastman's safety program.
- **Inclusive scope:** Prevention of workplace incidents, injuries and illnesses for employees, contractors, visitors, suppliers and customers is our safety objective. Providing the skills and attitude to work safely off the job is our expanded goal.
- **Safety education:** Each employee is provided the knowledge and skills necessary to work safely.
- **Hazard control:** Exposures to potential hazards in the workplace are identified, assessed, controlled and monitored.
- **Assessment:** Assessment and benchmarking against the world's safety leaders drives continual improvement through the adoption of best practices.
- **Emergency preparedness:** Emergency response plans and capabilities are maintained to manage emergencies related to Eastman facilities and operations. Eastman maintains strong working relationships with local governmental emergency responders to provide mutual aid and support, should the need arise.

Safety culture assessments

We conduct safety culture assessments across the company globally and within individual facilities on a voluntary basis. These assessments measure management and employee perceptions of and attitudes toward safety. Facility and region managers review the results to evaluate areas of strength, identify vulnerabilities and determine opportunities for improvement. Eastman then closely monitors progress against the findings, conducting a follow-up survey two to three years after the initial survey. The assessments are used as a learning tool for the whole network, with assessors sharing best practices for procedures, communication, training and management that can be implemented in any of our facilities around the world.

Since 2003, Eastman has conducted a total of 22 Safety Culture Assessments at five locations with meaningful results. We have seen demonstrated perception and practice improvements in facilities and larger regions and have experienced a reduction in related injuries.

"At Eastman, our main focus is to strive toward safe and reliable operations. By running our plants safely and reliably, we can achieve new levels of safety performance, environmental compliance and customer satisfaction. All of which help us grow our company for the future."

Parker Smith

Vice President and
General Manager,
Worldwide Manufacturing
Support and Quality, Eastman



Eastman EMS Honored for Lifesaving Efforts

Eastman provides full-time Emergency Medical Services (EMS) personnel at its Kingsport, Tenn., site along with two state-licensed ambulances, which ensures emergency medical response capability 24 hours per day, seven days per week for all employees at the site. These EMS personnel are state-licensed paramedics and are required to conduct annual training to maintain their practical skills and certification.

In June 2009, Eastman's EMS Crew #4 responded to a call that saved the life of Shane Ayers, a 39-year-old contractor employee who suffered cardiac arrest on site in Kingsport.

Despite eight unsuccessful tries to revive Ayers with a defibrillator, the crew persisted. Ayers finally regained his pulse after the ninth attempt. These lifesaving efforts, effective communication with the hospital and a successful surgery enabled Ayers to make a full recovery.

In May 2010, in recognition of their heroic efforts, Tennessee's Emergency Medical Services for Children organization awarded Eastman EMS Crew #4 the "Star of Life," an annual honor that recognizes exemplary lifesaving actions by EMS personnel from around the state. This marked the first time the award was presented to a corporate EMS team.



Eastman Texas Recognized for Safety and "Caring for Texas"

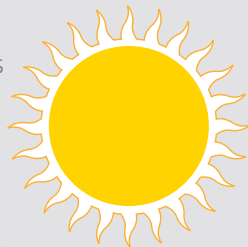
Reflecting our ongoing commitment to protecting our employees and our communities, as well as maintaining industry-leading pollution prevention, security and emergency response programs, Eastman's operations in Longview, Texas, received the 2009 "Excellence in Caring for Texas" award from the Texas Chemical Council. The award, received in June 2010, recognized various civic, environmental and operational activities undertaken by Eastman and our employees, including:

- Eastman's work with its Community Advisory Board, consisting of 20 area citizens, to enhance communications between the company and the community, such as sharing and integrating our emergency response program with local emergency management plans
- Employee and company involvement in and financial support for various community organizations and causes
- Voluntary participation in the Academy of Natural Sciences River Quality study
- Our sponsorship of the Texas State Envirothon environmental competition
- Hosting and training participants in the annual Northeast Texas Fire Training School
- Installing flue gas recirculation fans at utility boilers to reduce NO_x emissions by up to 50 percent

The Texas Chemical Council (TCC) also presented Eastman with the "Distinguished Service" award, recognizing the company's improved safety performance. The Distinguished Service Award is presented by the Occupational Safety Committee of the TCC and honors improved safety performance as measured by a decreasing OSHA Total Case Incident Rate.

101 Critical Days of Summer

Recognizing that safe behaviors are practices employees should not only engage in at work, but rather a way of living, Eastman's technology department implemented a program in 2010 to keep safety top-of-mind during the summer months, when injuries and accidents tend to increase. Modeled after a successful U.S. Military Reserves program and called "101 Critical Days of Summer," the program ran from Memorial Day weekend through Labor Day weekend. Each week, Eastman's technology employees received a weekly email including safety tips and information on safe boating practices, the importance of wearing helmets, heatstroke remedies and safe travel best practices.



When the summer drew to a close, Eastman's Kingsport technology department succeeded in raising awareness of summer hazards and ways to avoid them. Due to its success, the program was rolled out to all employees at our Kingsport site during the summer of 2011.

Process safety

Our commitment to protecting the environment and our communities starts with operational safety. Eastman has extensive documented processes and procedures to prevent potential incidents from occurring and if they do occur, to reduce their impact.

To do so, we engage in risk management on a daily basis — from design and construction through start-up and operation, to maintenance and training. We measure performance, conduct audits, investigate accidents and improve conditions and behaviors. It's an ongoing process that requires highly skilled people and continuous monitoring and testing of equipment and management systems. Assessing risks and finding ways to reduce them is our first responsibility to our employees and our communities.

We maintain our process safety programs based on the principle that our facilities are safe if they are designed according to sound engineering practices and built, operated and maintained properly. Our comprehensive process safety program includes the following layers of protection:

- **Management of change:** A documented process at each chemical handling site that is used to evaluate any potential hazards associated with process-related changes.
- **Root cause analysis:** A structured approach to incident investigation that allows us to extract lessons from incidents and prevent future incidents.
- **Chemical safety testing:** A laboratory analysis of chemicals before their use to identify any potentially hazardous properties
- **Engineering standards:** Use of currently recognized and accepted good engineering practices in the design and construction of facilities and equipment, following both global and local standards
- **Management leadership and commitment:** At every chemical handling site, there is a committee responsible for process safety whose mission is to help ensure the systematic evaluation and control of hazards associated with reactive, flammable and toxic materials at the site.
- **Leading indicators:** Data collected to ensure safety management systems are consistently updated so that they are effective

Through the use of regular global risk assessments, Eastman has minimized operational hazards while promoting consistency and uniformity in managing our global risk from operations. Every three years, we rigorously analyze selected operations around the world to identify potential hazards. Additionally, computers installed at our facilities ensure operations are performed within design specifications and are programmed to detect any changes (i.e., loss of pressure, rise in temperature) that may signal a problem. If we identify a problem, we take all steps to assure safety, including ceasing operations, if appropriate.

Security improvements

Eastman faces constantly evolving security challenges, and the security of our employees, operations, information, facilities and products is a priority. In partnership with local, state and federal security agencies, we implemented a variety of security measures that provide our facilities and employees with additional layers of security. Our efforts have no national boundaries, and we apply the vigorous standards and targets wherever we operate throughout the world.

Each of Eastman's manufacturing facilities has extensive physical security measures as well as personnel security measures to address new employees and contractors. We also employ all-encompassing policies for corporate cyber and Information Technology (IT) best practices and guidelines.

The safety and security of our company and employees is based on 10 critical success factors.

10 critical success factors

Leadership commitment

Analysis of threats, vulnerabilities and consequences

Implementation of security measures

Information and cyber security

Training, drills and guidance

Communications, dialogue and information exchange

Response to security threats and incidents

Audits of programs and processes

Management of change

Continuous improvement

Among the standards we meet are:

- Department of Homeland Security's (DHS) Chemical Facilities Anti-Terrorism Standard (CFATS)
- United States Coast Guard (USCG) Maritime Transportation Security Act
- American Chemistry Council's (ACC) Responsible Care® Security Code
- Tier II Customs-Trade Partnership Against Terrorism (C-TPAT), a supply chain and border security program developed collaboratively by the United States Bureau of Customs and Border Protection and the international trade community
- Authorized Economic Operator (AEO), a customs security program developed by the European Union to provide a risk management framework and establish increased protections in customs controls for goods brought through the European customs union

Corporate Crisis Management Plan

Eastman maintains a Corporate Crisis Management Plan (CCMP) and Corporate Crisis Management Team (CCMT) to respond to crises involving the company's worldwide assets, businesses and reputation. The purpose of Eastman's CCMP is to identify, address and manage incidents that have the potential of becoming a crisis to the corporation. The program consists of a corporate plan, crisis support teams and plans for corporate staff functions, both regional and local crisis management teams and plans for all manufacturing sites and business offices. Each geographic area and crisis management level trains and exercises for crisis events specific to their respective roles and situations.

Additionally, each Eastman manufacturing facility as well as many of our largest geographic regions has a local emergency response plan for manufacturing incidents and conducts regular drills on situational incidents such as fire, spills and life safety emergencies.



Product safety

Eastman's Product Safety and Health team conducts rigorous product safety reviews to help minimize the potential for adverse effects that our products and operational processes have on human health or the environment as well as to ensure that product-specific regulatory requirements are met or exceeded. Our product safety team has a detailed product regulatory and risk characterization process for assuring that new products that go to market are safe for their intended use.

High Production Volume (HPV) chemical testing program

Another example of Eastman's commitment to good product stewardship is our participation in the Environmental Protection Agency's (EPA) High Production Volume (HPV) challenge program that began in 2000. This is a voluntary program managed through the EPA as a key component of the Chemical Right-to-Know initiative. Eastman is currently participating on a voluntary basis in the Extended High Production Volume (EHPV) program that has been established to collect information on chemicals that were not included in the original HPV program.

REACH — Registration, Evaluation, Authorisation, and Restriction of Chemicals

As a Responsible Care®  company, Eastman closely monitors the laws and regulations that apply to our products and engages in new product compliance efforts, including the European Union's REACH  Regulation policy. Two of the main objectives of REACH are to determine the hazards of chemicals and to carry out comprehensive risk assessments to protect human health and the environment.




safety

REACH requires that companies carry out a human health, physicochemical and environmental hazard assessment for the chemicals they produce. This data helps achieve correct classifications and labeling of products, so that our customers and employees can work safely with our products. Further, REACH requires chemical companies to develop exposure scenarios and to map out all potential risk situations for hazardous substances for each registered use.

Eastman, a Responsible Care® company, fully supports the objectives of this policy. Eastman remains actively involved in REACH through working groups in the European Chemical Industry Council (CEFIC), including its Sector Groups like HARRPA, PlasticsEurope as well as the Dutch Chemical Industry Association (VNCI). Cooperation between all key stakeholders is crucial to make REACH a success, minimize costs and decrease the need for animal testing.

Eastman confirms its compliance with REACH. Where relevant and required, all substances manufactured in and imported into the European Union by Eastman were preregistered before December 1, 2008.

Eastman's REACH registration efforts were noteworthy in 2010. Eastman successfully registered 44 substances requiring registration by the deadline of December 1, a significant achievement given the amount of data that needed to be collected, analyzed, verified and submitted. According to REACH, Eastman was required to register all substances manufactured in the European Union, or imported into the European Union in volumes exceeding 1,000 metric tons per year.

In addition, we volunteered to lead the registration of 17 substances  for groups of companies who also had to register those substances.

In the future, Eastman intends to participate in as many REACH consortia as possible to jointly develop required data sets as early as possible. The company is actively engaged in evaluating all its products for registrations requirements and will inform customers and suppliers as appropriate of steps Eastman takes on further product registrations.

“Eastman has significantly contributed to providing guidance on how to interpret and implement REACH. Via Eastman’s contribution in CEFIC’s working groups, a contribution was made for the entire industry. Eastman was the originator of what the REACH world now knows as the CEFIC 4 codes system. Members of the Eastman REACH team have also frequently been presenters during CEFIC’s successful REACH Implementation Workshops.”

Dr. Erwin Annys

Director REACH/Chemicals Policy, CEFIC European Chemical Industry Council

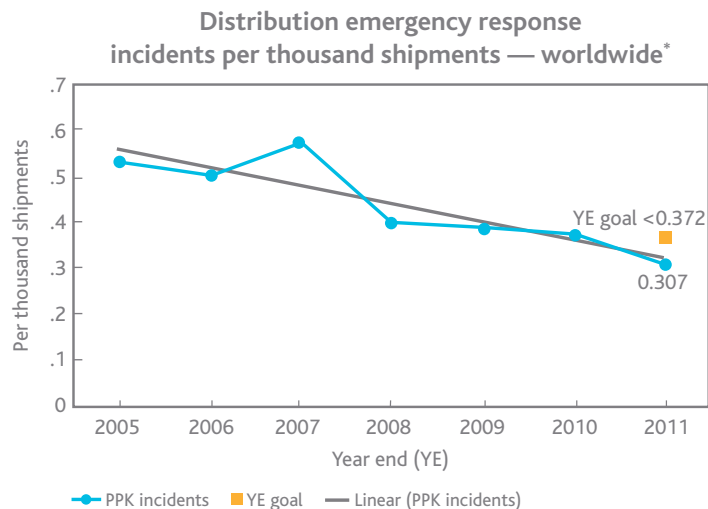
Health Good stewardship
Commitment

Sustainability in the supply chain


Eastman is committed to ensuring the highest sustainability and safety standards possible throughout our global operations and supply chain, including transportation safety and logistics optimization across all sites.

For the second year in a row, Eastman received chemical safety transportation excellence awards from three of the four major United States railroad companies (Union Pacific, CSX and Burlington Northern Santa Fe). To be eligible, a company must ship a large number of hazardous material railcars during the year and have zero nonaccident related issues.

We closely monitor the rate of distribution incidents involving the shipment of our products, including those that are considered hazardous by the U.S. Department of Transportation and other international and regional regulatory authorities. In 2010, our adjusted rate of incidents was 0.372 per 1,000 shipments, a significant reduction from our 2009 rate of 0.39 incidents per 1,000 shipments.¹ Since 2005, we have steadily improved our rate of distribution incidents performance and the overall safety of our global supply chain. Improvements have resulted from our enhanced carrier qualification and assessment program, proactive rail car maintenance and tank car closure programs, distribution incident trend analysis initiatives, and from our service provider performance feedback program. For 2011, we have set a target of less than 0.372 distribution incidents rate.



*Through July 31, 2011

To underscore our expectation that our suppliers join us in adopting sustainable practices and programs, twice each year we distribute our global “Doing Business with Eastman” Supplier Code of Conduct, which defines our supplier standards and expectations related to business ethics, environmental stewardship and social responsibility.

Our supply chain also works to examine the transportation of our supplies across the globe, to consolidate and/or eliminate unnecessary shipments by truck, rail and ocean liners whenever we can. Additionally, our Special Materials team oversees the sale of Eastman’s waste materials to manufacturers who recover and convert these materials into useful products.

Our Global Logistics Division, including our Logistics Process Improvement subteam, continuously look for ways to optimize the efficiency and sustainability of our supply chain processes, whether that be by transporting more products in fewer shipments or finding new ways to recycle freight and shipping containers.

Eastman collaborates closely with customers to ensure our supply chain improvements are mutually beneficial and are effective at reducing waste and trimming costs. For example, we currently work with 3M to utilize flexible intermediate bulk packaging — reusable bulk bags — to ship large quantities of our cellulose acetate products. These reusable bags go through a cleaning and refurbishing process after each shipment, allowing us to use them up to five times and reducing the amount of bags that need to be produced and that ultimately end up in a landfill. Utilizing these reusable bags instead of steel bins also reduces transportation charges, allowing us to ship more product at a lower unit cost.

Eastman is focused on delivering sustainable solutions to meet our customers’ varying needs. We encourage our suppliers to take a similar approach by delivering products and solutions with a commitment to sustainability. To recognize our suppliers who have gone above and beyond their commitment to sustainability in waste and recycling, natural resources/material content and energy and emissions, we established the Eastman Supplier Excellence Award for Sustainability in 2009.

¹Adjusted rates exclude shipments of PET for both 2009 and 2010.

Marine Load Optimization Project

During 2010, a cross-functional group of Eastman employees from our logistics, materials handling, and supply chain teams collaborated closely with our customers to improve the container loading process for certain shipments to Asia. The standard practice for loading marine containers is known as a straight loading pattern. By utilizing a modified loading pattern, the team was able to add additional product to each marine container, adding an additional 1.8 metric tons to 2.3 metric tons of product per container.

The new loading pattern needed to meet strict, region-specific transportation guidelines for road weight restrictions and equipment capacities set forth by organizations such as the Association of American Railroads, the U.S. Department of Transportation and the Coast Guard. We also worked closely with our customers in Asia to ensure that these changes worked with their schedules and process timelines and preferences for receiving materials. The entire initiative required a high level of cross-departmental and customer cooperation, both within Eastman and externally with customers and regulatory agencies.

Our marine load optimization initiative ultimately enabled us to transport fewer product shipments to customers, which provided sustainability, safety, and cost benefits across our supply chain, including:

- 500 fewer trucks on the roads between Eastman's Kingsport, Tenn., facility and the ports of Charleston, S.C., and Savannah, Ga., and, consequently, reduced fuel emissions
- Estimated reductions of more than 25,000 gallons of diesel fuel used in North America alone
- Fewer product shipments, resulting in fewer instances of loading and unloading products, which yielded improved safety performance and lower levels of contamination and damage as well as fewer support personnel hours required for shipping and receiving product

The success of this project has resulted in similar projects being implemented worldwide to optimize other modes of transport, packaging types and product loading patterns in an effort to increase the overall efficiency, sustainability and safety of our supply chain.

2010 Eastman Supplier Excellence Award Recipient — JanPak

This year, we recognized JanPak, a leading supplier of cleaning and packaging solutions. During the past year, JanPak worked with Eastman to make several notable sustainability improvements at our Kingsport, Tenn., site:

- JanPak suggested we replace our trash bags from 100 percent new plastic to 70 percent recycled plastic, resulting in a reduction of 10 metric tons of annual landfill waste.
- JanPak worked with Eastman to introduce toilet tissue and hand towel dispensers that eliminate waste by allowing the entire roll to be used rather than the end of the roll being wasted. Besides increased health benefits for our employees, we have saved more than 11.3 metric tons of toilet tissue, hand towel and plastic packaging waste from being thrown away each year. This initiative has also had considerable cost savings benefits by allowing Eastman to purchase less volume of toilet tissue and hand towels, eliminating store delivery and handling costs for 700 boxes of material annually. This has resulted in a \$37,000 annual reduction in operating costs for labor and unused product waste.
- By working with JanPak to replace touch soap dispensers with no touch soap dispensers, we have eliminated the passing of bacteria from hands to soap dispensers and reduced soap waste by 33 percent.



Commitment to our people

Eastman employees are the company's most valuable asset. It is their commitment to going above and beyond that has allowed us to consistently provide value to our customers and stakeholders. Eastman seeks to create a workplace that attracts top talent, retains employees with engaging work, embraces differences and encourages all team members to reach their full career potential. We know that individual people are the foundation for our collective success.

We encourage our employees to be good corporate citizens by allowing them to participate in volunteer opportunities in the communities in which they live and work and help them develop leadership skills while giving back.

Training and development

We believe that training and development are cornerstones for building the Eastman of tomorrow. To attain these skills, we provide educational resources such as operator certification training, business ethics courses and global interaction workshops and evaluate and modify these programs to ensure they effectively meet our employees' evolving needs. On average, we provide our employees with 70 hours per year of global training opportunities via internal learning channels.



Development
Talent

Eastman Invests in High-Tech Training

Many companies in the manufacturing sector share the challenge of identifying and hiring individuals with the critical technical skills needed by the industry today. To address this issue, Eastman, in collaboration with Domtar, Northeast State Community College, the City of Kingsport and the Kingsport Chamber of Commerce, has opened the Regional Center for Advanced Manufacturing (RCAM).

RCAM is a state-of-the-art training facility designed to help create a pipeline of applicants who are better prepared and more interested in applying for jobs in manufacturing. RCAM also provides a platform to address the challenge to change the mind-set regarding working in an industrial environment and informing the community of the personal and societal benefits of an advanced manufacturing career.

RCAM has benefitted from significant support from both state and federal governments, with Tennessee approving a \$15 million grant to support this effort.

In addition, a Department of Labor grant providing high-tech training equipment has enabled RCAM to accommodate more than 300 students in 2010.



Workforce training programs

Eastman invests in formal training programs that go beyond informal “one-on-one” training. We support the use of formal plans and documented training guides for employees at all of our plant sites around the world. At our largest United States sites, our workforce training programs have been taken to new levels through the implementation of apprenticeship programs, which are approved by the United States Department of Labor’s Office of Apprenticeship.

- **Kingsport, Tenn.:** In 2010, almost 100 employees graduated from our Eastman Apprenticeship programs in Kingsport. Our two registered Eastman Apprenticeship programs cover 11 occupations and provide job-related education opportunities and job-specific training that enable employees to do their jobs safely, efficiently and effectively.
- **Longview, Texas:** The Eastman Apprenticeship program at our Longview site had 65 graduates in 2010 from four craft programs. To ensure a supply of capable apprentices in the future, the Longview site maintains partnerships with five technical colleges, including two local colleges, Kilgore College and Texas State Technical College Marshall. Additionally, Eastman partners with 11 Longview-area high schools to provide one scholarship per school to a graduating high school senior who plans to enroll in an Eastman-supported technical college program. Through these partnerships with local colleges and high schools, our Longview site continues to create awareness of Eastman career opportunities and of the technical training we provide our potential future workforce.

training
Apprenticeship Programs

Continuing education program

Hundreds of Eastman professionals from multiple disciplines must satisfy state and industry guidelines for continuing education. To ensure they fulfill these requirements and meet Eastman's high standards, the company formed a special continuing education team in 2010 made up of employees from Eastman's training and engineering departments, as well as volunteers from the American Society of Civil Engineers, the American Society of Mechanical Engineers and an advisor who worked closely with the Tennessee State Board of Licensing and the Tennessee Society of Professional Engineers.

The continuing education team reviewed the state of Tennessee's requirements for continuing education courses in multiple disciplines and then made recommendations for aligning Eastman's internal training programs with the state's requirements to ensure that our courses continue to meet or exceed the state's professional development criteria.

Offering affordable, on-site continuing education courses is just one more way we ensure that our employees will always be our greatest asset.

Global labor practices

Eastman takes care to meet or exceed the local labor practices at each of its sites around the world. In The Netherlands, every company with more than 50 employees must establish a Works Council at each of its sites. A Works Council is a group of employees elected by their peers, which serves as an independent advisory council within the organization and works with management to discuss and debate initiatives and policies of relevance to employees.

Eastman Recognized for Workplace Equality

Eastman received the "Economic Excellence and Equality Award" (E-Award) in 2010, from the Tennessee Economic Council on Women. The E-Award recognizes companies that have made distinguished contributions to improving the lives of women, specifically noting the value Eastman places on equality in the workplace through training, development, performance management and mentoring programs.

Dutch Diversity

As an example of our commitment to diversity, at the end of 2010, Eastman's EMEA headquarters in Capelle, The Netherlands, boasted an interesting statistic — its relatively small group of 160 employees represented an astounding 23 different nationalities.



Eastman Named a Top Military Friendly Employer

In 2010, Eastman was included on *G.I. Jobs'* annual list recognizing the nation's top 100 Military Friendly Employers. Eastman was selected from a pool of more than 5,000 companies based on criteria including assets dedicated to military hiring, reserve/guard policies, percentage of new hire veterans and training programs available for veterans.

Diversity

At Eastman, diversity is about capitalizing on differences and similarities for the good of our employees and our business. We value people of different backgrounds, races and cultures. Different points of view enrich our ability to gain insights, generate ideas and deliver value to our customers. Our long-term goal is to achieve a competitive advantage by fostering an environment that allows all employees to contribute to their full potential.

As we continue to grow globally, it is critical that our workforce at all levels of the company represent the diversity of thought, backgrounds and perspectives of the markets we serve and the markets from which we recruit talent.

To improve our diversity levels in the United States, we have set the goal that 30 percent of qualified candidates in our business and technical hiring pipeline are female and 15 percent are minorities during 2011. We have been successful in achieving this goal in the past and are confident that we will continue to meet this goal. We have also set goals for continued improvement in female and minority representation at the manager, director and officer levels of the company by the end of 2013 and are continually monitoring progress against this goal.

To meet these meaningful goals, we consider diversity as a key value-adding criterion during our leadership development and planning processes and look at a diverse spectrum of qualified candidates when hiring externally.

We are committed to transparent and constructive labor practices globally. We strive to have our workforce and our employees in leadership roles mirror local society and include women, minorities and a variety of experience levels at both our corporate and manufacturing sites. Due to increases in immigration as countries compete to attract talent, there is an increased need for diversity training to ensure that all of our sites practice a culture of inclusion where differing opinions and ways of life are encouraged and celebrated.

In addition to collaborating with others at work, Eastman also hosts various international culture clubs that provide employees a chance to meet and discuss cultural issues together in a more social setting after hours. We also provide professional development and recreational groups, as well as social networking opportunities for employees to gather, based on common interests and hobbies.

Just as we strive for quality in our operations and products, we strive to be quality coworkers. We support and encourage one another. We believe that appreciating and leveraging diversity in our thoughts and experiences allows us to learn and move forward.



Community engagement and philanthropy

For more than 90 years, Eastman has been dedicated to serving our local communities. We view it as our responsibility to help improve the health and vibrancy environments of the communities where we live and work. Eastman employees represent the heart and soul of our community outreach efforts, donating tens of thousands of hours to service projects each year.

We are a proud corporate supporter of a number of worthwhile philanthropies and community programs. Here are a few examples of the organizations we support:



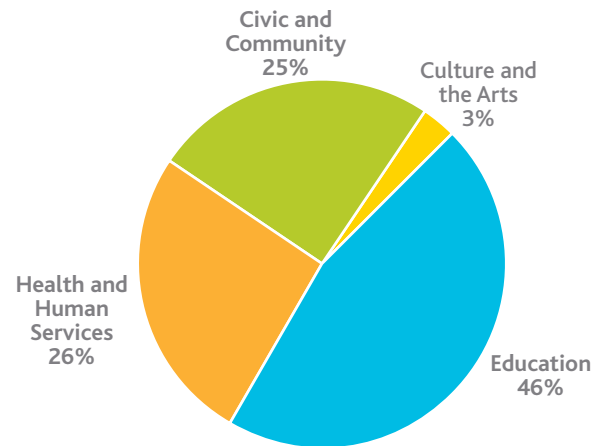
Eastman contributes to nonprofit organizations and publicly supported institutions with a special emphasis on improving the quality of life in communities where Eastman men and women live and work.

Eastman also encourages employees to serve on local and national philanthropic boards of directors. In 2010, more than 200 Eastman employees, including several members of the company's executive leadership team, served on philanthropic boards.

Eastman Chemical Company Foundation

Eastman Chemical Company Foundation is a private, charitable foundation established in 1993 to provide funding support to charitable organizations. In 2010, the Foundation donated more than \$2.8 million to approximately 400 organizations, including \$20,000 to assist earthquake relief efforts in Chile and \$70,000 to assist relief efforts following the earthquake in Haiti.

Major categories of the Foundation's contributions and allocations during the past year include:



East Tennessee Clean Fuels Coalition

Chemical Industry Council of Malaysia (CICM)

Appalachian R&D Council

Wildlife Federation

Environmental Institute of Houston

Chemical Industry Association (CIA)

Hands On! Museum

Singapore Chemical Industry Council (SCIC)

YMCA

Big Brothers Big Sisters

Waterfowl Association

Salvation Army

United Nations Children's Fund (UNICEF)

Good Sports Always Recycle™

Ronald McDonald House Charities

Community Partners for Children

Upper East Tennessee River Roundtable

European Chemical Industry Council (CEFIC)

United Way

The United Way improves lives by mobilizing the caring power of communities around the world to advance the common good. Eastman donated more than \$2.2 million and approximately 22,500 volunteer hours to the United Way of Greater Kingsport and other local United Way agencies during 2010. Employees in Longview, Texas, donated more than \$292,000 to their community's United Way campaign, which was greater than 110 percent of the site's goal and accounted for 20 percent of the city of Longview's total United Way campaign. Contributions to the United Way are used to fund programs that address health and human service needs in the communities surrounding Eastman's sites in North America.

Eastman also supports United Way's United Way Week of Caring, a time when individual employees or a team of employees volunteer at their local United Way agencies. During 2010, employees volunteered 5,912 hours during the United Way Week of Caring.



Appalachian Trail Conservancy

The Tennessee Eastman Hiking & Canoeing Club is an active part of the Appalachian Trail Conservancy's efforts to preserve and manage the natural, scenic, historic and cultural resources associated with the Appalachian National Scenic Trail. In 2010, more than 490 Club volunteers including Eastman employees, retirees, community residents, student groups, and hikers contributed more than 12,500 hours to maintaining the trail.

Eastman's sustainable design challenge

Each year, Eastman sponsors a sustainable design challenge at Virginia Polytechnic University (Virginia Tech) to encourage students to create sustainable solutions to everyday challenges, and every year, we continue to be impressed by the creative ideas we receive. The three students who won our \$5,000 scholarship in 2010 teamed up to design a shoe that can be made from recycled bicycle tires and affordable textiles, both of which are readily available in extremely impoverished countries.

The students used boosting the number of Haitian children who are able to attend school as their example of a societal issue their design could help solve. Although public education is free in Haiti, less than half of the children are enrolled because they lack the apparel — specifically footwear — that is mandatory for attendance as well as necessary to make long treks across unforgiving terrain to and from school.

Our scholarship winners' innovative thinking is helping to prove that sustainable designs can help meet worldwide challenges.

One Cap at a Time

Over four years ago, Argentina-based Eastman employee Waldo Duenas found that a series of small actions could have a big impact in his community and on the environment.

Duenas' community children's hospital organized a campaign for individuals to collect discarded soft drink bottle caps as a small, but meaningful, way to preserve the environment. For every 5,000 bottle caps collected, the Lion's Club and others made a donation to a local children's hospital in the form of equipment, such as a wheelchair.

Duenas began collecting discarded bottle caps at his home and soon asked his colleagues at Eastman's Buenos Aires office to join his effort by saving caps at work and also bringing them from home. Once Duenas collects a sound number of caps, he brings them to his son's school where they are gathered and distributed to the community children's hospital. Duenas and his community have continued this effort, keeping large quantities of bottle caps out of landfills and providing much-needed medical equipment to the local children's hospital.

"We have six people in our office, and we have achieved such great results by collecting bottle caps," said Duenas. "Imagine what we could do if we had our larger offices in other countries participate or take on similar initiatives of their own."



Partnership with Rotterdam School of Management (RSM)

Eastman and RSM at Erasmus University developed a partnership in 2007 with the goal of reducing the distance between the academic world and the business world within the fields of research and education. RSM is an internationally ranked business school that focuses on developing leaders in global, sustainable business. The four key areas of collaboration between Eastman and RSM are research, recruitment, training and development and marketing and branding initiatives. Eastman is represented in this partnership by our chief sustainability officer, Godefroy Motte, who is also active as a member of the RSM Advisory Board.

As part of our partnership, we offer the Eastman Scholarship to RSM for a full-time MBA course of study. The recipient receives financial support, regular mentoring from Eastman employees in their field of study and an internship at the company. In 2011, the scholarship was given to two deserving students from India and China.

Friend of the Pallieter Foundation

Eastman's EMEA headquarters in Capelle, The Netherlands, is a friend of the Pallieter Foundation, which supports the local Children's Hospital in Capelle in making the lives of seriously ill and incurable children and their parents as comfortable as possible. Besides an annual company donation, the Pallieter Foundation also receives a check from Eastman employees who donate a portion of their holiday vacation vouchers.



Relay for heroes

During the darkest days of winter 2010, employees at Eastman's Workington, United Kingdom, facility helped make life a little brighter for Britain's veterans. Forty-two people, including numerous Eastman employees and contractors, participated in a "Zorb ball relay" to raise funds for Help for Heroes, a charity formed to help Britain's soldiers who were wounded in Afghanistan and Iraq. The relay was started by a member of Parliament and consisted of participants rolling three large clear plastic balls 25 miles along the River Derwent to where it empties into the Irish Sea at Eastman's Workington facility. All told, the relay raised more than \$6,500 for Help for Heroes.

Children Challenging Industry

In May 2010, the Eastman European Technical Centre (ETC) in Kirkby, England, hosted its fifth annual primary school event as part of the United Kingdom's Children Challenging Industry (CCI) program. Students visited ETC to learn and understand what scientists do in the chemical industry in an effort to create enthusiasm for learning science among primary school children by showing them science applied in "real life." Children saw the variety of jobs that our scientists do and were involved with interactive demonstrations in the research and testing laboratory. Most ETC Eastman employees were involved by either hosting experiments in the workshops or acting as tour guides.

MORE Platform

Since 2005, Eastman's Europe, Middle East, and Africa headquarters in Capelle, The Netherlands, continues to participate in the MORE Platform, (Maatschappelijk Ondernemen Rotterdam en Omstreken), meaning "Corporate

Social Responsibility in Rotterdam and surroundings" in English. The MORE Platform consists of 18 companies in the Rotterdam area that are committed to helping economically disadvantaged youths. Every Thursday morning, two Eastman employees from the EMEA headquarters assist teachers at the Dr. Logemann school in Rotterdam. During 2010, Eastman employees donated more than 200 hours to the school, which educates immigrant children with learning disabilities.

International Children's Day

For the past 12 years, Eastman employees at our Kohtla-Järve, Estonia, site have celebrated International Children's Day during the first week of June. Each year, the site hosts special events for children of Eastman employees. During 2010, nearly 100 children participated in International Children's Day, First School Day and the Christmas Party, which all celebrated children and the families who raise them.

Habitat for Humanity

For the past five years, Eastman has partnered with Habitat for Humanity to help a deserving community member in the Kingsport, Tenn., area build a home. Habitat for Humanity is a nonprofit, ecumenical housing ministry that partners with low-income families to build affordable housing. In addition to a \$35,000 donation for building materials in 2010, Eastman employees volunteered to provide food, drinks and labor at the site.



Education support programs

Our founder George Eastman stated, “Quality education is the cornerstone to a stable society.” This belief has remained at Eastman, and much of our community relations efforts are related to education initiatives. In the early 1990s, Eastman created the Education Initiatives department, now known as Workforce Development, and launched the Putting Children First program, a business/ education partnership which serves eight school systems and 104 schools in Tennessee and Virginia.

In 2010, Putting Children First awarded Eastman Education Grants to 28 teachers in seven school systems around Kingsport, Tenn., to help promote innovative classroom programs that improve students’ learning and performance in math and science. During 2010, Putting Children First also donated more than \$51,000 in used lab equipment to local schools around Kingsport.

Eastman also supports a variety of other education support programs.

GEM4STEM

GEM4STEM, or Growing Educational Mentors 4 Science, Technology, Engineering, and Mathematics, is an educational mentoring program started in 2007. Through GEM4STEM, Eastman employees visit local schools to engage students in the STEM-related areas of education, bringing practical elements of the working world into the academic world to enrich the educational experience for students and educators alike. During 2010, Eastman mentors completed more than 400 assignments in Kingsport-area elementary, middle and high schools, including requests to tutor or substitute teach, conduct career presentations and provide academic coaching for competitions and enrichment programs.

Eastman scholar program

Eastman provides professional development training for selected math teachers of grades three through nine in Northeast Tennessee and Southwest Virginia. The goal of the training is to help teachers hone their skills so that elementary and middle school students build a strong foundation in mathematics and are prepared to take higher level math courses in high school. Research data has shown a strong correlation between taking higher levels of math courses with scoring higher on the ACT test, which is typically a reliable predictor of success in college and the workforce.

School-enterprise cooperation in Estonia

The Eastman site in Kohtla-Järve, Estonia, partners with local vocational schools to offer internships in Information Technology (IT), laboratory, maintenance and manufacturing fields. These valuable internships offer students real-world work experience and give them a chance to determine their interest in a particular career path, while Eastman has the opportunity to cultivate local talent to meet our hiring needs.

During 2010, 15 students from local vocational schools interned at Eastman’s Kohtla-Järve location, up from only two students during the 2008 academic year. During 2011, Eastman plans to sign an internship contract with Vrumaa College of Tallinn Technical University in East Estonia.



Engaging technology to stem disease in the wake of disaster

Every year, devastating floods punish the Horn of Africa, with the heaviest rain and flooding affecting Ethiopia, Kenya and Somalia. In the Budalangi region of western Kenya, the Nzoia River regularly breaches its dikes, destroying agriculture and irrigation infrastructure along the river, washing away homes and displacing thousands of people.

These deluges besiege Mudimbia and other small villages in the heart of the low-lying Budalangi region. Among other adverse impacts, the floods contaminate water wells, compromising sanitation and leaving residents with polluted drinking water and an increased risk of disease, such as cholera.

innovation

A 4 x 6 inch solution

“Many of the deaths that occur from natural disasters don’t happen because of the disaster itself but from what happens later — waterborne diseases that sweep through the population,” says Walter Schultz, Chief Executive Officer of Oregon-based Hydration Technology Innovations (HTI), developer and manufacturer of a variety of water filtration devices using Forward Osmosis technology.

With the aim of providing a cost-effective hydration solution for disaster situations, Eastman experts worked with HTI to find the best solution for the membrane in the HydroPack™, a 4 x 6 inch pouch that blocks contaminants, making the dirtiest, most polluted water safe to drink.

Users of the HydroPack place it into any available water source. A proprietary membrane using Eastman’s cellulose acetate draws the water into the pouch, filtering out viruses, bacteria, heavy metals and other pollutants and combines them with powdered electrolytes and nutrients to form a nutritious hydration fluid.

Real-world tests

HTI sees a variety of applications for the HydroPack, though its primary use will be for immediate response to natural disasters, such as hurricanes, earthquakes, tornadoes or any other time when there is a scarcity of clean water. The product’s first major test came in January 2010 when HTI delivered 24,000 HydroPacks to Haiti immediately after the devastating earthquakes, providing lifesaving hydration to those affected.

While this lifesaving technology seems to have almost magical capabilities, its other selling point may be its logistical advantage. HydroPacks take up less than seven percent of the space needed for the equivalent amount of bottled water, allowing relief agencies to move considerably more safe fluids into ravaged areas in a fraction of the time and at significantly reduced costs.

In January 2011, HTI and Eastman collaborated with the Kenya Water for Health Organization to understand how the product would be received by those impacted by a disaster. In Mudimbia, Kenya, 90 families participated in the project, receiving training on how to use the HydroPacks and marveling at its ability to transform contaminated water into a clean and nutrient-enriched drink.

“There is no better tool to use in the early phase of a disaster. Eastman is proud to leverage our expertise and provide innovative solutions to help enable potentially lifesaving products like the HydroPack.”

Mark Costa

Executive Vice President, Specialty Polymers, Coatings and Adhesives and Chief Marketing Officer, Eastman

Expertise

collaboration

"Sustainability is an attitude and not an activity to participate in from time to time. It's not a fad or unwelcome burden but is the constant awareness of one's environment and actions. It is an opportunity to use our creativity and innovation to be part of the solution, for our world today and for future generations."

Godefroy Motte

Chief Sustainability Officer



Our journey continues ...

*Connecting **science** and **sustainability***

GAAP Earnings Per Share, Cash Flow, and Operating Earnings Reconciliations

Earnings per diluted share from continuing operations	2010
Earnings per diluted share from continuing operations	\$ 5.75
Earnings per share impact of: Asset impairments and restructuring charges, net	0.24
Accelerated depreciation included in cost of sales	—
Other operating (income) / loss	—
Early debt extinguishment costs	0.97
Net deferred tax benefits related to the previous divestiture of businesses	—
Earnings per share from continuing operations excluding certain items	\$ 6.96

Net cash flow provided by operating activities reconciliation and free cash flow (dollars in millions)	2010
Net cash provided by operating activities	\$ 575
Impact of adoption of amended accounting guidance*	200
Net cash provided by operating activities excluding item	775

Additions to properties and equipment	(243)
Dividends paid to stockholders	(127)

Free cash flow	\$ 405
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*Twelve months 2010 cash from operating activities reflected the adoption of amended accounting guidance for transfers of financial assets which resulted in \$200 million of receivables, which were previously accounted for as sold and removed from the balance sheet when transferred under the accounts receivable securitization program, being included on the first quarter balance sheet as trade receivables, net. This increase in receivables reduced cash from operations by \$200 million in first quarter 2010.

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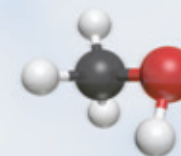
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