

WASTE MANAGEMENT INC
Form DEF 14A
March 25, 2009
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SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Rule 14a-12

Waste Management, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
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(1) Title of each class of securities to which transaction applies:

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1001 Fannin Street, Suite 4000

Houston, Texas 77002

Dear Stockholder:

Our Annual Meeting of Stockholders will be held in Houston, Texas on May 8, 2009.

This booklet includes the formal notice of meeting and the Proxy Statement. The Proxy Statement tells you more about the agenda and procedures for the meeting. It also describes how the Board operates and gives information about our director candidates and our executive officers.

For those stockholders with access to the Internet, we encourage you to access <http://www.proxyvote.com> to vote your shares over the Internet. Also, we encourage you to elect to receive future annual reports, proxy statements and other materials over the Internet, by following the instructions in the Proxy Statement. This electronic means of communication is quick and convenient and can save the Company a substantial amount of money in printing and postage costs.

Even if you only own a few shares, we want your shares to be represented at the meeting. Please vote your shares either by returning your proxy card or by voting by telephone or over the Internet as soon as possible. See the proxy card or the voting instruction form if your shares are held through a broker for detailed instructions on how to vote by telephone or over the Internet.

We also encourage you to listen to our earnings announcements on our quarterly conference calls to hear about the financial condition of the Company. The conference calls are broadcast live over the Internet at <http://www.wm.com>. We will announce the dates and times of the conference calls via press releases. You may also find information about the calls and copies of our press releases, including those that announce our earnings results, posted on our website at <http://www.wm.com>.

SINCERELY YOURS,

JOHN C. POPE

Chairman of the Board

March 25, 2009

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
OF WASTE MANAGEMENT, INC.**

Date and Time:

May 8, 2009 at 11:00 a.m., Central Time

Place:

The Maury Myers Conference Center

Waste Management, Inc.

1021 Main Street

Houston, Texas 77002

Purpose:

To elect eight directors;

To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2009;

To vote on a proposal to amend our Employee Stock Purchase Plan (the "ESPP") to increase the number of shares authorized for issuance under the ESPP;

To vote on a proposal to approve our 2009 Stock Incentive Plan (the "2009 SIP");

To vote on a stockholder proposal relating to disclosure of political contributions, if properly presented at the meeting;

To vote on a stockholder proposal to adopt simple majority vote, if properly presented at the meeting; and

To conduct other business that is properly raised at the meeting.

Only stockholders of record on March 11, 2009 may vote at the meeting.

Your vote is important. Please complete, sign, date and return your proxy card promptly in the enclosed envelope, or vote by telephone or over the Internet by following the instructions on the proxy card.

LINDA J. SMITH

Corporate Secretary

March 25, 2009

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GENERAL INFORMATION

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to Be Held On May 8, 2009

The 2009 Proxy Statement and 2008 Annual Report to Stockholders are available at <http://www.wm.com>.

About this Proxy Statement

We sent you these proxy materials because Waste Management's Board of Directors is soliciting your proxy to vote your shares at the Annual Meeting. This Proxy Statement summarizes information that we are required to provide to you under the rules of the Securities and Exchange Commission and that is designed to assist you in voting your shares.

Who May Vote

Stockholders of Waste Management, as recorded in our stock register at the close of business on March 11, 2009, may vote at the meeting. On March 25, 2009 we began mailing these proxy materials to those stockholders. Each share of Waste Management Common Stock is entitled to one vote. As of March 11, 2009, there were 491,918,960 shares of Common Stock outstanding and entitled to vote.

How to Vote

You may vote in person at the meeting or by proxy. We recommend you vote by proxy. You may revoke your proxy before we vote it at the meeting:

by submitting a new proxy with a later date;

by voting in person at the meeting; or

by notifying our Corporate Secretary in writing at Waste Management, Inc., 1001 Fannin Street, Suite 4000, Houston, Texas 77002. Your most current proxy is the one that is counted unless you vote in person at the meeting.

How Proxies Work

Giving us your proxy means you authorize us to vote your shares at the meeting in the manner you direct. You can vote by proxy:

by telephone or over the Internet by following the instructions on the proxy card or the voting instruction form if your shares are held through a broker; or

by mail by signing, dating and mailing the enclosed proxy card.

You may receive more than one proxy card depending on how you hold your shares. Shares registered in your name and shares held in our ESPP are covered by separate proxy cards. If you hold shares through a broker, your ability to vote by phone or over the Internet depends on your broker's voting process. You should complete and return each proxy or other voting instruction request provided to you.

If you sign your proxy but do not give voting instructions, we will vote your shares as follows:

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in favor of our director candidates;

in favor of the ratification of the independent registered public accounting firm;

in favor of the amendment to our ESPP;

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in favor of the approval of the 2009 SIP;

against the stockholder proposal relating to disclosure of political contributions; and

against the stockholder proposal to adopt simple majority vote.

If you give us your proxy, any other matters that may properly come before the meeting will be voted at the discretion of the proxy holders.

Quorum

In order to carry on the business of the meeting, we must have a quorum. This means that at least a majority of the outstanding shares eligible to vote must be present at the meeting, either by proxy or in person. Abstentions and broker non-votes are counted in determining whether a quorum is present. A broker non-vote is a proxy submitted by a broker that does not indicate a vote for some or all of the proposals because the broker does not have discretionary voting authority on those proposals and has not received instructions from its client as to how to vote on a particular proposal.

Votes Needed

The election of each director requires the favorable vote of a majority of the votes cast.

Each of the other proposals requires the favorable vote of a majority of the shares present, either by proxy or in person, and entitled to vote.

Abstentions will have no effect on the election of directors. For each of the other proposals, abstentions will have the same effect as a vote *against* these matters because they are considered present and entitled to vote.

If your shares are held by your broker and you do not give voting instructions, your broker will be entitled to vote your shares in its discretion for the election of directors and the ratification of our independent registered public accounting firm. For each of the other proposals, your shares will be treated as broker non-votes. Although broker non-votes are treated as present for quorum purposes, they are not entitled to vote. Thus, absent voting instructions from you, your broker will not be able to vote your shares with respect to the amendment to our ESPP, the approval of our 2009 SIP or the two stockholder proposals. A broker non-vote with respect to these proposals will not affect their outcome.

Attending in Person

Only stockholders, their proxy holders and our invited guests may attend the meeting. If you plan to attend, please bring identification and, if you hold shares in street name, bring your bank or broker statement showing your beneficial ownership of Waste Management stock in order to be admitted to the meeting.

If you are planning to attend our Annual Meeting and require directions to the meeting, please contact our Corporate Secretary at 713-512-6200.

The only items that will be discussed at this year's Annual Meeting will be the six agenda items set out in the Notice. There will be no presentations made at this year's meeting.

BOARD OF DIRECTORS

Our Board of Directors currently has eight members. Our Board is not classified, which means that each member is elected annually. Mr. Pope is the Non-Executive Chairman of the Board and presides over all meetings of the Board, including executive sessions that only non-employee directors attend.

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Stockholders and interested parties wishing to communicate with the Board or the non-employee directors should address their communications to Mr. John C. Pope, Non-Executive Chairman of the Board, c/o Waste Management, Inc., P.O. Box 53569, Houston, Texas 77052-3569.

DIRECTOR NOMINEES

(Item 1 on the Proxy Card)

The first proposal on the agenda is the election of eight directors to serve until the next Annual Meeting of Stockholders and until their respective successors have been duly elected and qualified. The Board has nominated the eight director candidates named below, and recommends that you vote for their election. These eight directors are the only directors who have been nominated in accordance with our By-laws. Therefore, the Company's director candidates are the only nominees that will be presented for the 2009 Annual Meeting. Information concerning how to nominate a director may be found under the Nominating and Governance Committee heading on page 7. All of the director candidates presented are current directors.

The nominees receiving the favorable vote of a majority of the votes cast, either by proxy or in person, will be elected. If any nominee is unable or unwilling to serve as a director, which we do not anticipate, the Board, by resolution, may reduce the number of directors or may choose a substitute. Our By-laws provide that if any director nominee does not receive more than 50% of the votes cast for his election, he will tender his resignation to the Board of Directors. The Nominating and Governance Committee will then make a recommendation to the Board on whether to accept or reject the resignation, or whether other action should be taken.

The Board of Directors has determined that each of the following seven non-employee director candidates is independent in accordance with the New York Stock Exchange requirements:

Pastora San Juan Cafferty

Frank M. Clark, Jr.

Patrick W. Gross

John C. Pope

W. Robert Reum

Steven G. Rothmeier

Thomas H. Weidemeyer

Mr. Steiner is the only employee director and, as such, is not considered an independent director.

To assist the Board in determining independence, the Board of Directors adopted categorical standards of director independence, which meet or exceed the New York Stock Exchange requirements. These standards specify certain relationships that must be avoided in order for the non-employee director to be deemed independent. The Board reviewed all commercial and non-profit affiliations of each non-employee director and the dollar amount of all transactions between the Company and each entity with which a non-employee director is affiliated to determine independence. These transactions included the Company, through its subsidiaries, providing waste management services in the ordinary course of business and the Company and its subsidiaries purchasing goods and services in the ordinary course of business. The categorical standards our Board uses in determining independence are included in our Corporate Governance Guidelines, which can be found on our website. The Board has determined that each non-employee director candidate meets these categorical standards and that there are no other relationships that would affect independence.

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The following is a brief biography of each director nominee.

Name and Term of Office	Age	Positions Held and Business Experience for Past Five Years
Pastora San Juan Cafferty Director since 1994	68	Professor Emerita University of Chicago since June 2005, Professor University of Chicago from 1985 to 2005 and faculty member from 1971 to 2005. Director of Integrys Energy Group, Inc. and Harris Financial Corporation, a private corporation.
Frank M. Clark, Jr. Director since 2002	63	Chairman and Chief Executive Officer ComEd (energy services company and subsidiary of Exelon Corporation) since November 2005, President ComEd from 2001 to November 2005. Executive Vice President and Chief of Staff Exelon Corporation (public utility holding company) from 2004 to 2005; Senior Vice President Exelon Corporation from 2002 to 2004.
Patrick W. Gross Director since 2006	64	Chairman of The Lovell Group (private investment and advisory firm) since October 2001. Director of Aetna Inc. and Harris Financial Corporation, a private corporation.
John C. Pope Non-Executive Chairman of the Board since 2004; Director since 1997	59	Chairman of the Board PFI Group (private investment firm) since July 1994. Director of Capital One Financial Corporation, Career Education Corporation, Liquidity Services, Inc., Taleo Corporation and Rosetta Stone, Inc., a private corporation.
W. Robert Reum Director since 2003	66	Chairman, President and CEO Amsted Industries Incorporated (diversified manufacturer for the railroad, vehicular and construction industries) since March 2001.
Steven G. Rothmeier Director since 1997	62	Chairman and CEO Great Northern Capital (private investment management, consulting and merchant banking firm) since March 1993.
David P. Steiner Chief Executive Officer and Director since 2004	48	Director of Precision Castparts Inc. and Arvin Meritor, Inc. Executive Vice President and Chief Financial Officer from April 2003 to March 2004.

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Director of Tyco Electronics Corporation.

Thomas H. Weidemeyer

61 Chief Operating Officer United Parcel Service, Inc. (package delivery and supply chain services company) from 2001 to 2003, and Senior Vice President United Parcel Service, Inc. from 1994 to 2003.

Director since 2005

President, UPS Airlines (UPS owned airline) from 1994 to 2003.

Director of NRG Energy, Inc., The Goodyear Tire & Rubber Company and Amsted Industries Incorporated.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF EACH OF THE EIGHT NOMINEE DIRECTORS.

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Meetings and Board Committees

Last year the Board held twelve meetings and each committee of the Board met independently as set forth below. Each incumbent director attended at least 75% of the meetings of the Board and the committees on which he served. In addition, all directors attended the 2008 Annual Meeting of Stockholders. Although we do not have a formal policy regarding director attendance at the Annual Meeting, it has been longstanding practice that all directors attend the Annual Meeting unless there are unavoidable schedule conflicts or unforeseen circumstances.

The Board appoints committees to help carry out its duties. In particular, Board committees work on key issues in greater detail than would be possible at full Board meetings. Each committee reviews the results of its meetings with the full Board, and all members of the Board are invited to attend all committee meetings. The Board has three separate standing committees: the Audit Committee, which is a separately designated standing committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended; the Management Development and Compensation Committee; and the Nominating and Governance Committee. Additionally, the Board has the power to appoint additional committees, as it deems necessary. In 2006, the Board appointed a Special Committee as described below.

The Audit Committee

Mr. Rothmeier has been the Chairman of our Audit Committee since May 2004. The other members of our Audit Committee are Ms. Cafferty and Messrs. Clark, Gross, Pope and Reum. Each of the members of our Audit Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. Our Audit Committee held ten meetings in 2008.

SEC rules require that each publicly traded company have at least one financial expert on its Audit Committee. Our Board of Directors has named Mr. Rothmeier and Mr. Pope as the Audit Committee's financial experts based on a thorough review of their education and financial and public company experience.

Mr. Rothmeier served in various leadership positions in the airline industry for approximately 16 years, including the positions of Chairman, CEO and CFO of Northwest Airlines. He founded Great Northern Capital, a private investment management, consulting and merchant banking firm, in 1993, where he continues to serve as Chairman and CEO. Mr. Rothmeier has a master's degree in finance from the University of Chicago Graduate School of Business and a bachelor's degree in business administration from the University of Notre Dame. Mr. Rothmeier serves on one public company audit committee in addition to ours.

Mr. Pope served in various financial positions, primarily in the airline industry, for approximately 17 years, including over nine years combined in CFO positions at American Airlines and United Airlines. He has a master's degree in finance from the Harvard Graduate School of Business Administration and a bachelor's degree in engineering and applied science from Yale University. Mr. Pope serves on three public company audit committees in addition to ours. The Board reviewed the time Mr. Pope spends on each company's audit committee and the time he spends on other companies' interests and determined that such service and time does not impair his ability to serve on our Audit Committee.

Mr. Gross also serves on three public company audit committees in addition to ours. The Board reviewed the time Mr. Gross spends on each company's audit committee and the time he spends on other companies' interests and determined that such service and time does not impair his ability to serve on our Audit Committee.

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The Audit Committee's duties are set forth in a written charter that was approved by the Board of Directors. A copy of the charter can be found on our website. The Audit Committee generally is responsible for overseeing all matters relating to our financial statements and reporting, internal audit function and independent auditors. As part of its function, the Audit Committee reports the results of all of its reviews to the full Board. In fulfilling its duties, the Audit Committee, has the following responsibilities:

Administrative Responsibilities

Report to the Board, at least annually, all public company audit committee memberships by members of the Audit Committee;

Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board; and

Adopt an orientation program for new Audit Committee members.

Independent Auditor

Engage an independent auditor, determine the auditor's compensation and replace the auditor if necessary;

Review the independence of the independent auditor and establish our policies for hiring current or former employees of the independent auditor;

Evaluate the lead partner of our independent audit team and review a report, at least annually, describing the independent auditor's internal control procedures; and

Pre-approve all services, including non-audit engagements, provided by the independent auditor.

Internal Audit

Review the plans, staffing, reports and activities of the internal auditors; and

Review and establish procedures for receiving, retaining and handling complaints, including anonymous complaints by our employees, regarding accounting, internal controls and auditing matters.

Financial Statements

Review financial statements and Forms 10-K and 10-Q with management and the independent auditor;

Review all earnings press releases and discuss with management the type of earnings guidance that we provide to analysts and rating agencies;

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Discuss with the independent auditor any material changes to our accounting principles and matters required to be communicated under Statement on Auditing Standards No. 61 relating to the conduct of the audit;

Review our financial reporting, accounting and auditing practices with management, the independent auditor and our internal auditors;

Review management's and the independent auditor's assessment of the adequacy and effectiveness of financial reporting controls; and

Review CEO and CFO certifications related to our reports and filings.

The Management Development and Compensation Committee

Mr. Reum has served as the Chairman of our Management Development and Compensation Committee since May 2004. The other members of the Committee are Messrs. Clark, Pope, Rothmeier and Weidemeyer. Each of the members of our Compensation Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. The Compensation Committee met six times in 2008.

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Our Compensation Committee is responsible for overseeing all of our executive and senior management compensation, as well as developing the Company's compensation philosophy generally. The Compensation Committee's written charter, which was approved by the Board of Directors, can be found on our website. In fulfilling its duties, the Compensation Committee has the following responsibilities:

Review and establish policies governing the compensation and benefits of all of our executives;

Approve the compensation of our senior management and set the bonus plan goals for those individuals;

Conduct an annual evaluation of our Chief Executive Officer by all independent directors to set his compensation;

Oversee the administration of all of our equity-based incentive plans;

Recommend to the full Board new Company compensation and benefit plans or changes to our existing plans; and

Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board. In overseeing compensation matters, the Compensation Committee may delegate authority for day-to-day administration and interpretation of the Company's plans, including selection of participants, determination of award levels within plan parameters, and approval of award documents, to Company employees. However, the Compensation Committee may not delegate any authority under those plans for matters affecting the compensation and benefits of the executive officers.

For additional information on the Compensation Committee, see the Compensation Discussion and Analysis on page 13.

The Nominating and Governance Committee

Ms. Cafferty has served as the Chairperson of our Nominating and Governance Committee since May 2008. The other members of the Committee include Messrs. Gross, Pope and Weidemeyer. Each of the members of our Nominating and Governance Committee is independent in accordance with the rules and regulations of the New York Stock Exchange. In 2008, the Nominating and Governance Committee met four times.

The Nominating and Governance Committee has a written charter that has been approved by the Board of Directors and can be reviewed by accessing our website. It is the duty of the Nominating and Governance Committee to oversee matters regarding corporate governance. In fulfilling its duties, the Nominating and Governance Committee, has the following responsibilities:

Review and recommend the composition of our Board, including the nature and duties of each of our committees;

Evaluate and recommend to the Board the compensation paid to our non-employee directors;

Evaluate the charters of each of the committees and recommend who the committee chairs will be;

Review individual director's performance, when issues arise, in consultation with the Chairman of the Board;

Recommend retirement policies for the Board, the terms for directors and the proper ratio of employee directors to outside directors;

Perform an annual review of its performance relative to its charter and report the results of its evaluation to the full Board;

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Review stockholder proposals received for inclusion in the Company's proxy statement and recommend action to be taken with regard to the proposals to the Board; and

Identify and recommend to the Board candidates to fill director vacancies.

Potential director candidates are identified through various methods; the Committee welcomes suggestions from directors, members of management, and stockholders. From time to time, the Nominating and Governance Committee uses outside consultants to assist it with identifying potential director candidates.

For all potential candidates, the Nominating and Governance Committee considers all factors it deems relevant, such as a candidate's personal and professional integrity and sound judgment, business and professional skills and experience, independence, possible conflicts of interest, diversity, and the potential for effectiveness, in conjunction with the other directors, to serve the long-term interests of the stockholders. The Committee uses a matrix of functional and industry experiences to develop criteria to select candidates. Before being nominated by the Nominating and Governance Committee, director candidates are interviewed by the Chief Executive Officer and a minimum of two members of the Nominating and Governance Committee, including the Non-Executive Chairman of the Board. Additional interviews may include other members of the Board, representatives from senior levels of management and an outside consultant.

The Committee currently intends to maintain the size of the Board at eight directors, which is consistent with the objective stated in our Corporate Governance Guidelines. The Nominating and Governance Committee will consider all potential nominees on their merits without regard to the source of recommendation. The Nominating and Governance Committee believes that the nominating process will and should continue to involve significant subjective judgments. To suggest a nominee, you should submit your candidate's name, together with biographical information and his or her written consent to nomination to the Chairman of the Nominating and Governance Committee, Waste Management, Inc., 1001 Fannin Street, Suite 4000, Houston, Texas 77002, between October 27, 2009 and November 26, 2009.

Special Committee

The Board of Directors appointed a Special Committee in November 2006 to make determinations regarding the Company's obligation to provide indemnification when and as may be necessary. The Special Committee consists of Mr. Gross and Mr. Weidemeyer. The Special Committee held no meetings in 2008.

Stockholders may obtain copies of our Corporate Governance Guidelines, the Charters of the Audit Committee, the Compensation Committee, and the Nominating and Governance Committee, and our Code of Conduct free of charge by contacting the Corporate Secretary, c/o Waste Management, Inc., 1001 Fannin Street, Suite 4000, Houston, Texas 77002 or by accessing our website at <http://www.wm.com>.

DIRECTOR NOMINEE AND OFFICER STOCK OWNERSHIP

In March 2004, the Board of Directors adopted stock ownership guidelines for our non-employee directors, and in December 2008, the Board amended the guidelines. Under the current guidelines, each director is required to hold Common Stock or share-based instruments valued at five times his annual cash retainer, based on a \$30.00 stock price. For non-employee directors other than Mr. Pope, the requirement currently is 15,000 shares, and Mr. Pope's ownership requirement currently is 31,600 shares. Directors have five years from the later of the date of election to the Board or the effective date of an increase in the guidelines to attain the required level of ownership. Ms. Cafferty has currently reached her required level of ownership. The remaining non-employee directors each have until December 2013 to reach their required level of ownership.

In October 2002, the Compensation Committee adopted stock ownership guidelines for our executives, which are described in the Compensation Discussion and Analysis on page 22 of this Proxy Statement.

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The Stock Ownership Table below shows how much Common Stock each director nominee and executive officer named in the Summary Compensation Table on page 25 owned as of March 11, 2009, our record date for the Annual Meeting. These individuals, both individually and in the aggregate, own less than 1% of our outstanding shares as of the record date.

The table does not include performance share units granted to executive officers that have not yet been earned. Performance share units are settled in shares of our Common Stock based on the Company's achievement of certain financial performance objectives during a three-year performance period. The actual number of shares the executives may receive at the end of the performance period will vary depending on the level of achievement of the Company's financial objectives, and can vary from zero to two times the number of performance share units granted. Since the number of shares, if any, that will ultimately be issued pursuant to the performance share units is not known, we have excluded them from the table.

Stock Ownership Table

Name	Shares of Common Stock Owned(1)	Shares of Common Stock Covered by Exercisable Options	Phantom Stock(2)
Pastora San Juan Cafferty	16,144	30,000	0
Frank M. Clark, Jr.	13,461	0	0
Patrick W. Gross	7,457	0	0
John C. Pope (3)	27,252	30,000	1,438
W. Robert Reum	12,097	0	0
Steven G. Rothmeier	13,136	30,000	0
Thomas H. Weidemeyer	9,114	0	0
David P. Steiner	328,777	766,593	22,921
Lawrence O. Donnell, III	180,036	820,318	0
Robert G. Simpson	93,581	221,768	0
James E. Trevathan	92,599	367,500	0
Duane C. Woods (4)	51,652	127,000	3,793
All directors and executive officers as a group (23 persons)	1,133,772	3,045,010	42,679

- (1) Includes restricted stock units held by the executive officers that will be paid out in shares of our Common Stock upon vesting of the award. The restricted stock units are subject to forfeiture in certain circumstances. The restricted stock units were granted to executive officers under the Company's equity compensation plans, as further described in the Compensation Discussion and Analysis beginning on page 18. The following restricted stock units are included in the number of shares of Common Stock owned by the named executive officers:

	Restricted Stock Units
David P. Steiner	37,207
Lawrence O. Donnell, III	15,785
Robert G. Simpson	12,403
James E. Trevathan	7,330
Duane C. Woods	7,330

Included in the All directors and executive officers as a group are 60,572 additional restricted stock units held by our other executive officers.

- (2) Certain non-employee directors received phantom stock as a result of their deferrals of compensation under the Company's previous directors' deferred compensation plans. Executive officers receive phantom stock if they choose Waste Management stock as an investment option under the Company's 409A Deferral Savings Plan described in the Nonqualified Deferred Compensation table on page 30. Phantom stock is

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equal in value to one share of our Common Stock and receives dividend equivalents, in the form of additional phantom stock, at the same time that holders of shares of Common Stock receive dividends. The value of the phantom stock is paid out, in cash, at a future date elected by the director or executive.

(3) The number of shares owned by Mr. Pope includes 435 shares held in trusts for the benefit of his children.

(4) The number of shares owned by Mr. Woods includes 125 shares held by his children and 185 shares held by his wife's IRA.

PERSONS OWNING MORE THAN 5% OF WASTE MANAGEMENT COMMON STOCK

The table below shows the beneficial ownership of stockholders owning more than 5% of our Common Stock as of the date of such stockholders filings with the SEC. We included this information based on Schedules 13G filed with the SEC through March 11, 2009.

Name and Address	Shares Beneficially Owned	
	Number	Percent
Capital World Investors	34,356,700	7.0
333 South Hope Street		
Los Angeles, CA 90071		
Riofisa Holdings, S.L.	32,653,680	6.65
Arbea Campus Empresarial		
Edificio 5		
Carretera de Fuencarral a Alcobendas M 603		
Km 3 800 Alcobendas (Madrid)		
Spain		

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, executive officers, directors and stockholders who own more than 10% of our Common Stock are required to file reports of their ownership, as well as any changes in their ownership, with the SEC and the New York Stock Exchange.

We are not aware of any stockholders owning more than 10% of our Common Stock. Based on a review of the forms and written representations from our executive officers and directors, we believe that, during the last fiscal year, the executive officers and directors complied with all applicable requirements, with the exception of the following:

In March 2008, a Form 4 evidencing the annual grant of restricted stock units under the Company's 2004 Stock Incentive Plan to Mr. Robertson, Vice President and Chief Accounting Officer, was filed late due to an administrative error by the Company.

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The following is a listing of our current executive officers, other than Mr. Steiner, whose personal information is included in the Director Nominees section of this Proxy Statement on page 4, indicating their names, ages and a summary of their business experience for the past five years.

Name	Age	Positions Held and Business Experience for Past Five Years
David A. Aardsma	52	Senior Vice President, Sales and Marketing since January 2005.
Lynn M. Caddell	55	Vice President, Sales from August 2000 to January 2005. Senior Vice President and Chief Information Officer since March 2004.
Barry H. Caldwell	48	Senior Vice President Government Affairs and Corporate Communications since September 2002.
Patrick J. DeRueda	47	President, WM Recycle America, L.L.C. (formerly Recycle America Alliance, L.L.C.), a wholly-owned subsidiary of the Company, since March 2005.
Brett W. Frazier	54	Market Area General Manager New Mexico Market from February 2003 to March 2005. Senior Vice President Eastern Group since June 2007.
		Vice President Collections Operation Support from February 2006 to June 2007.
		Vice President Operations Improvement from November 2005 to February 2006.
Jeff M. Harris	54	Market Area General Manager Houston Metro Area from December 2002 to November 2005. Senior Vice President Midwest Group since April 2006.
Lawrence O. Donnell, III	51	Area Vice President Michigan Market Area from April 2000 to April 2006. President and Chief Operating Officer since March 2004.
Cherie C. Rice	46	Vice President Finance since May 2004, and Treasurer since January 2004.

Greg A. Robertson

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Vice President and Chief Accounting Officer since March 2004.

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Name	Age	Positions Held and Business Experience for Past Five Years
Michael J. Romans	58	Senior Vice President, People since January 2007. Senior Vice President Human Resources, The St. Joe Company (real estate operating company) from May 2006 to January 2007. Senior Vice President Human Resources, Hughes Supply, Inc. (wholesale distributor of construction, repair and maintenance-related products) from December 2004 to March 2006.
Robert G. Simpson	56	Senior Vice President Human Resources, Standard Register Corporation (document services provider) from April 2001 to December 2004. Senior Vice President and Chief Financial Officer since March 2004.
James E. Trevathan	56	Senior Vice President Southern Group since July 2007. Senior Vice President Eastern Group from July 2004 to June 2007.
Mark A. Weidman	52	Senior Vice President Sales and Marketing from May 2000 to July 2004. President of Wheelabrator Technologies Inc., a wholly-owned subsidiary of the Company, since March 2006.
Rick L. Wittenbraker	61	Vice President Operations of Wheelabrator from June 2001 to March 2006. Senior Vice President, General Counsel and Chief Compliance Officer since November 2003.
Duane C. Woods	57	Senior Vice President Western Group since July 2004. Vice President and General Counsel Western Group from August 1998 to July 2004.

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EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

The following Compensation Discussion and Analysis discusses how our Management Development and Compensation Committee (the Compensation Committee or Committee) made its compensation decisions and the rationale behind those decisions for the Company's executive officers named in the Summary Compensation Table (the named executives or named executive officers) for 2008.

The following executives were our named executive officers for fiscal 2008:

David P. Steiner, Chief Executive Officer since March 2004

Lawrence O. Donnell, III, President and Chief Operating Officer since March 2004

Robert G. Simpson, Senior Vice President and Chief Financial Officer since March 2004

James E. Trevathan, Senior Vice President Southern Group since July 2007

Duane C. Woods, Senior Vice President Western Group since July 2004

Philosophy and goals of our executive compensation programs

Our compensation philosophy is to attract and retain exceptional employees; encourage and reward performance; and align our decision makers long-term interests with those of our stockholders. This philosophy applies to our employees generally and our named executive officers specifically. Our compensation programs have been designed to offer a total competitive compensation package for our named executive officers with an appropriate mix of fixed and variable compensation that supports a pay-for-performance relationship tied to stockholder value.

How we make compensation decisions

The Compensation Committee meets several times each year to perform its responsibilities as delegated by the Board of Directors and as set forth in the Committee's charter. These responsibilities include approving and evaluating the Company's compensation philosophy, policies, plans and programs for our executive officers, as defined under the federal securities laws.

In the performance of its duties, the Committee regularly reviews the total compensation, including the base salary, target bonus award opportunities, long-term incentive award opportunities and other benefits, including potential severance payments of each of our named executive officers. At a regularly scheduled meeting each year, typically in August, the Committee reviews our named executives' total compensation and compares that compensation to the competitive market, as discussed below. In December before the plan year begins or January of the plan year, the Compensation Committee sets performance measures for that year's annual and long-term incentives. In February of each year, the Compensation Committee meets to determine salary increases, if any, for the named executive officers; verifies the results of operations for bonus calculations; reviews the individual annual incentive targets as a percent of salary for each of the named executive officers; and makes decisions on granting long-term equity awards.

The Compensation Committee uses several resources in its analysis of the appropriate compensation for the named executive officers. Since 2006, the Committee has used tally sheets to review the compensation of our named executive officers, which show the cumulative impact of all elements of compensation. These tally sheets provide a means for comparing internal equity for all compensation components. They also include detailed information and dollar amounts for each component of compensation, the value of all equity held by each named executive, and the value of welfare and retirement benefits and severance payments.

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The Compensation Committee also has hired an independent consultant to provide advice to the Committee relating to market and general compensation trends. The Committee also uses the services of its independent consultant for data gathering and analyses, which the Committee uses for its discussions and decisions on the named executive officers' compensation. The Committee has retained Frederic W. Cook & Co., Inc., as its independent consultant since 2002. The Company makes regular payments to Frederic W. Cook for its services and also paid \$3,400 in 2008 for the purchase of the firm's Long-Term Incentive Compensation Survey, in which the Company participated.

In addition to services related to executive compensation, the consultant has provided the Board of Directors' Nominating and Governance Committee information and advice related to director compensation. Frederic W. Cook has no other business relationships with the Company and receives no other payments from the Company. In February 2008, the Compensation Committee adopted a written policy to ensure the independence of any compensation consultants utilized by the Committee for executive compensation matters. Pursuant to the policy, no compensation consultant engaged by the Compensation Committee to assist in determining or recommending the compensation of executive officers may be engaged by management of the Company to provide any other services unless first approved by the Committee.

Mr. Steiner and Mr. O'Donnell play a part in determining compensation, as they assess the performance of the named executive officers reporting to them and report these assessments to the Committee. The Company's People Department personnel also assist the Committee by working with the Committee's independent consultant to provide information requested by the Committee and assisting Mr. Steiner and Mr. O'Donnell in making recommendations to the Committee. The People Department also assists the Committee in designing and administering the Company's incentive programs.

When performing its analyses, one of the data sources used by the Compensation Committee is peer group compensation information. The purpose of the comparisons of our named executives' compensation with executives at other companies is to gauge the competitive market. This market is relevant for attracting and retaining key talent. Each of our named executive officers has been promoted to his current position from within the Company, which the Compensation Committee believes is an important and beneficial practice that it intends to continue when possible. As a result, retention generally is a more important factor in looking at comparative compensation data than is recruitment.

For consideration in the development of 2008 executive compensation, the independent consultant provided the Committee with compensation data from (i) the 2007 Hewitt Executive Regression survey of companies and (ii) a peer group. In using the published survey information, the Committee looked at comparable executive positions in the Hewitt survey for general industry companies, excluding financial services, with revenues ranging from \$9.0 billion to \$19.8 billion, of which there were 70.

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The peer group is recommended by the independent consultant with input from management and evaluated and approved by the Compensation Committee each year. The peer group is chosen based on publicly traded companies with revenue greater than \$5 billion, and similar total assets, income from operations, number of employees, market capitalization and growth as ours. Additionally, we look for asset intensive businesses that have primarily domestic operations with focus on transportation and/or logistics. Information for executive positions from the peer group is derived from those companies' proxy statements as filed with the SEC. The peer group used for consideration of 2008 compensation included the companies listed below:

Allied Waste Industries	Norfolk Southern
ADP	Pitney Bowes
Burlington Northern Santa Fe	Republic Services
CH Robinson	Ryder
CSX	Schlumberger
Entergy	Southern Company
FedEx	Sysco
FPL Group	Union Pacific
Grainger	United Parcel Service
Halliburton	YRC Worldwide

The survey data and the peer group data are blended, when possible, such that each data source is weighted fifty percent.

The Company's independent consultant annually provides the Committee with a competitive analysis of total direct compensation levels and mix for our named executives versus executives within the comparison group. The Company is, on average, within a median range of the comparison companies for various measures of size and performance. Based on this ranking, the Committee has determined that for competitive comparisons, total direct compensation packages for our named executive officers within a range of plus or minus twenty percentage points of the median total compensation of the comparison group is appropriate. In making these determinations, total direct compensation consists of base salary, target annual bonus, and the annualized grant date fair value of long-term equity incentive awards.

Additionally, when making compensation decisions, we try to be compliant with the performance-based compensation exemption under Section 162(m) of the Internal Revenue Code when possible. Section 162(m) generally limits a company's ability to deduct compensation paid in excess of \$1 million during any fiscal year to the Chief Executive Officer or any of the other named executive officers unless the excess amount is performance-based. Throughout this discussion we have noted the programs that are designed to meet the Section 162(m) requirements.

Elements of 2008 total compensation

Set forth below are the material components of the total compensation paid to our named executive officers in 2008. Certain changes were made from prior years, including the elimination of restricted stock unit awards and most perquisites. Additionally, as discussed below, the long-term equity incentive awards we granted to our named executive officers consisted solely of performance share units in 2008. Beginning January 2008, we stopped providing all perquisites except for the annual physical and Mr. Steiner's use of the corporate aircraft, described below.

Annual Cash Compensation

Base Salary This is the fixed amount of compensation to provide the named executive officers with sufficient, regularly-paid income for performing day-to-day responsibilities and to attract, recruit and retain individuals with the necessary knowledge, skills and abilities to successfully execute their job duties and responsibilities.

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Each of our named executive officers is party to an employment agreement that provides for a base salary that, once increased, may not be reduced. Additionally, each of our named executive officers was promoted to his current position from within the Company and, at such time, was given a raise to account for his new roles and responsibilities. The Committee's decisions regarding our named executives' base salaries currently relate generally to annual increases, if any. In prior years, some of our named executives have received raises above the Company's regular merit increase. This generally occurs when the Compensation Committee believes that the individual's increased experience and personal performance in his role warrants a higher than average increase. In these circumstances, the raise is also normally meant to increase the competitiveness of the individual's base salary in relation to the comparison group, his peers within the Company, or both. However, the Committee believes that the mix of total compensation is as important as the amount of total compensation and as a result, considers the effect that salary increases will have on the mix of compensation as well as the total amount of compensation when making salary increases.

Effective March 30, 2008, each of our named executive officers received a 3% merit increase, which was the Company's standard increase for employees meeting all job expectations. The Company looks at competitive market data for cost of labor increases in determining its standard annual increases. The table below shows the base salary, after giving effect to the 2008 increase, of each of our named executive officers. None of these individuals received merit increases in 2009 as, given the current challenging economic environment, in January 2009 the Company determined to freeze salaries of all exempt employees for the time being.

	2008 Base Salary
Mr. Steiner	\$ 1,075,000
Mr. O'Donnell	\$ 775,288
Mr. Simpson	\$ 520,985
Mr. Trevathan	\$ 566,298
Mr. Woods	\$ 565,710

Incentive Plan Bonus Annual cash bonus awards are earned for achieving the Company's short-term financial goals and other strategic objectives measured over the current year. Bonuses are structured to give the named executive officers the opportunity to earn total annual cash payments that are competitive from a total remuneration standpoint and to ensure focus on annual financial, operating and strategic results.

Each of our named executive officers participates in our annual incentive plan, which provides for annual cash bonuses, the target amount of which is a percentage of base salary. Pursuant to the plan, bonuses may range from 0% to 200% of the target percentage, dependent on the achievement of pre-set Company performance goals discussed below. For all executive positions, the percentage of salary is set based on job responsibility using market data. However, new hires or promotions may be assigned a percentage of salary that is below the percentage normally used for a particular position. In those cases, as the individual gains experience or otherwise proves himself through performance, the percentage is raised to the standard level. Shown below are the target bonuses of each of the named executive officers:

	Target Bonus as a Percentage of Base Salary
Mr. Steiner	115%
Mr. O'Donnell	100%
Mr. Simpson	85%
Mr. Trevathan	85%
Mr. Woods	85%

The discretion and decisions of the Compensation Committee regarding annual bonus payments relate primarily to the setting of the performance objectives, which the Committee chooses to ensure pay-for-performance and encourage behavior that benefits our stockholders. Because of the formulaic nature of our bonus plan, the Committee does not choose specific dollar amounts to be paid to our named executive

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officers. Instead, the Committee chooses financial performance measures it believes must be achieved in order for the named executives to earn the amounts listed in the table above. Additionally, the Committee retains the right to increase or decrease any of the named executive's bonus payment by as much as 25% for extraordinary personal performance, although in no circumstance can a bonus payment be more than 200% of the target payment. This personal performance modifier is not expected to be used often, and was created in the unusual event that the financial performance of the Company and resulting calculation of a bonus payment does not accurately reflect the individual performance of a named executive officer. The Committee did not modify any of our named executives' 2008 bonus payments.

The annual incentive plan is designed to comply with the performance-based compensation exemption under Section 162(m) of the Code by allowing the Compensation Committee to set performance criteria for payments, which may not exceed the predetermined amount of 0.5% of pre-tax income per participant.

Annual Incentive Plan Calculations

In setting performance criteria for the annual incentive plan, the Compensation Committee ensures that our named executives are rewarded for results, but does not allow for payments without them. The targets established by the Committee are measurable goals that will drive behaviors to create performance and results. The targets are designed to keep our named executive officers focused on operational and financial results in the near-term by placing a significant portion of their pay at risk and allowing them to share in the success of the Company when results are achieved.

The performance measures for our named executive officers' annual incentive plan bonuses in 2008 were income from operations as a percentage of revenue and income from operations excluding depreciation and amortization, weighted equally. Income from operations as a percentage of revenues is a measure indicative of our operating profitability. The Committee believes that using this margin as a performance measure ensures that our named executives are focused on generating profitable revenue, cost cutting and cost control, and making the best use of our assets. Income from operations excluding depreciation and amortization is indicative of our operating profitability before non-operating expenses and non-cash charges. Using these measures also encourages our named executives to focus on making decisions that will ensure profitability of the Company for the benefit of stockholders.

The target performance measures for our named executives' bonuses are set at aggressive but achievable goals that will pay 100% of the individual's target bonus amount if met. The Committee also sets threshold and maximum measures. The threshold is the minimum performance necessary for a payout to be made. In 2008, the Committee decided to increase the threshold measure to 90% of the target measure from the 80% required in prior years. This decision was made to ensure that the Company's performance objectives have been substantially accomplished before named executive officers are allowed to benefit, rather than allowing payments for generally expected results. The maximum measure, which is equal to 110% of target, is the amount at which the maximum bonus payment will be made.

The table below sets forth the performance measures set by the Compensation Committee for 2008 (dollars in millions):

	Threshold Performance (60% Payment)	Target Performance (100% Payment)	Maximum Performance (200% Payment)
Income from Operations Margin	16.1%	17.9%	19.7%
Income from Operations excluding Depreciation and Amortization			
Consolidated	\$ 3,325	\$ 3,694	\$ 4,063
Southern Group	\$ 1,080	\$ 1,200	\$ 1,320
Western Group	\$ 835	\$ 928	\$ 1,021

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When setting the performance measure goals, the Compensation Committee looks to the Company's historical results of operations and analyses and forecasts for the coming year. Specifically, the Committee considered expected revenue based on analyses of pricing and volume trends, as affected by operational and general economic factors; expected wage, maintenance, fuel and other operational costs; and expected selling and administrative costs. Based on this information, in December 2007, the Committee determined that the targeted improvement in the Company's margin of income from operations as a percentage of revenue should be approximately seven percent over 2007's actual results of operations and income from operations excluding depreciation and amortization improvement should be five percent over the 2007 results, both as calculated for incentive plan purposes. These improvements are reflected in the actual performance measures set forth above. The Committee believes that achieving this level of improved performance warrants the bonus payments shown in the Summary Compensation Table on page 25. The threshold performance measures approved by the Committee are the minimum performance required in order to receive any bonus payment, and the measures for 2008 reflect an essentially flat performance over 2007. Given the economic outlook for 2008 and many of the specific operational headwinds considered in early 2008, the Compensation Committee believed that sustaining profitability in a likely challenging year should still earn a bonus payment, albeit at a much lower level.

Additionally, the Committee determined that a year-over-year improvement to income from operations as a percentage of revenue should be required. As a result, although the threshold performance for that measure was set at 16.1%, no payment for that portion of the bonus calculation could be made unless the Company's income from operations as a percentage of revenue exceeded the 2007 actual measure, as computed for incentive plan purposes, of 17.02%.

In determining whether the measures were met, the Committee has discretion to make adjustments to the calculations for unusual, non-recurring or otherwise non-operational matters that it believes do not accurately reflect true results of operations expected from management for bonus purposes. In 2008, actual results were adjusted both downwards and upwards for certain matters such as tax settlements, gains on divestitures and other unusual items, the net effect of which was an increase in income from operations margin and an increase in income from operations excluding depreciation and amortization.

The table below shows the Company's achievement of its performance measures, as adjusted for the items noted above, and the corresponding payouts to its executives for 2008 (dollars in millions):

	Income from Operations Margin	Payment Percentage	Income from Operations excluding Depreciation and Amortization	Payment Percentage
Mr. Steiner	17.4%	87.9%	Consolidated \$3,536	82.9%
Mr. O'Donnell	17.4%	87.9%	Consolidated \$3,536	82.9%
Mr. Simpson	17.4%	87.9%	Consolidated \$3,536	82.9%
Mr. Trevathan	17.4%	87.9%	Southern Group \$1,149	83.2%
Mr. Woods	17.4%	87.9%	Western Group \$ 859	70.3%

Long-Term Equity Incentives

Long-term equity incentives are a key component of our named executive officers' compensation packages. Our equity awards are designed to hold individuals accountable for long-term decisions by rewarding the success of those decisions. Historically, the Company has granted stock options, restricted stock awards, restricted stock units and performance share units. In 2008, the named executive officers' awards consisted solely of performance share units. In late 2007, the Compensation Committee made the decision to not grant restricted stock unit awards to its named executive officers in 2008, which it had previously granted, because it believes that the performance share units achieve all of the purposes of restricted stock units' retention and alignment with stockholders' but also ensure that performance criteria are met before the awards can be earned. However, the Compensation Committee continuously evaluates the components of its programs. In determining which

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forms of equity compensation are appropriate, the Committee considers whether the awards granted are achieving their purpose; the competitive market; and accounting, tax or other regulatory issues, among others. In determining the appropriate awards for the named executives' 2009 long-term incentive grant, the Compensation Committee discussed granting stock options as a means to maximize the link between the value for the individual and the value created for our stockholders. However, based on several factors, including the current economic environment that could give rise to questions regarding the timing of the stock option grants, the Committee decided to continue granting only performance share units to the named executive officers for 2009. However, the Committee will continue to evaluate the appropriate form of equity awards annually to determine the best way to incent and reward the named executive officers. This may result in a future equity grant consisting of a mix of performance share units, restricted stock units, stock options, or other equity vehicles as deemed appropriate.

Performance Share Units Performance share units are granted to our named executive officers annually to build stock ownership and align compensation with the achievement of our long-term financial goals. We believe these awards encourage our named executive officers to focus on creating stockholder value and achieving strategic objectives as measured over three-year periods.

Performance share units provide an immediate retention value since there is unvested potential value at the date of grant. At the same time, performance share units must be earned based on financial performance and the value fluctuates with the Company's stock performance. The final earned award is tied to performance and supports our pay for performance objective. Since the value of the award will fluctuate along with the Company's stock price, there is also a strong connection between the executive and stockholder interests. Each annual grant of performance share units has a three-year performance period, which would be forfeited if the executive were to voluntarily terminate his employment.

The number of units granted each year corresponds to an equal number of shares of Common Stock. At the end of the three-year performance period for each grant, the Company will deliver a number of shares ranging from 0% to 200% of the initial number of units granted, depending on the Company's three-year performance against objective, pre-established financial metrics described herein and subject to the general payout and forfeiture provisions. Recipients have the opportunity to defer receipt of their performance share unit award. Deferred amounts are not invested, nor do they earn interest and they are paid out in shares of Common Stock. Performance share unit awards granted in 2007 and later earn dividend equivalents, which are accrued at the target number and paid out based on the number of shares actually awarded, if any, at the end of the performance period.

The Compensation Committee determined the number of units that were granted to each of the named executives in 2008 by establishing a targeted dollar amount value for the award. The values chosen for our named executives were based primarily on the comparison information for the competitive market, including analysis of the named executives' responsibility for meeting the Company's strategic objectives, and the named executives' total mix of compensation. Once dollar values of targeted awards were set, those values are divided by the market price for the Company's Common Stock to determine the actual number of units to be granted. The 2008 grants of performance share units for each of our named executives, and the value of the grant based on the market price for our Common Stock on the date of grant, is shown in the table below:

	Number of Performance Share Units	Dollar Value at Target
Mr. Steiner	119,340	\$ 3,928,673
Mr. O'Donnell	48,792	\$ 1,606,233
Mr. Simpson	36,168	\$ 1,190,651
Mr. Trevathan	21,379	\$ 703,797
Mr. Woods	21,379	\$ 703,797

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When performance share units are granted, the Committee sets performance measures that must be met for the awards to actually be earned. The performance criterion for the 2008 performance share units, which have a performance period ending at year end 2010 for payment in early 2011, is split equally between (i) a three-year average of return on invested capital, or ROIC, which is generally defined as net operating profit after taxes divided by capital and (ii) a cumulative three-year earnings per share. These measures were chosen because profitable allocation of capital is critical for the long-term success of the Company and because increased earnings per share is indicative of our growth and value to stockholders. We believe that tying a significant amount of our named executive officers' compensation to measures that will benefit the Company and its stockholders in the long-term is appropriate and necessary for the ongoing success of the Company. Prior awards of performance share units were measured based only on ROIC. The Committee decided that adding EPS as a performance measure was appropriate because of the close alignment between value generated for our stockholders and rewarding our named executive officers' performance.

The table below shows the required achievement of the performance measures and the corresponding potential payouts under our performance share units granted in 2008. Similar to the threshold performance changes the Committee made to the Company's annual incentive plan, the Committee decided that the threshold performance under the performance share units for a payment based on ROIC should be 90% of target rather than the 80% required in prior years to ensure that compensation relates directly to results. The Compensation Committee also chose a required annual percentage increase in EPS to determine the three-year cumulative EPS; however, whether the increases are achieved in any of the three years is not taken into account, but rather only whether the three-year cumulative number is met.

	Threshold		Target		Maximum	
	Performance	Payout	Performance	Payout	Performance	Payout
ROIC	17.6%	60%	19.6%	100%	23.5%	200%
EPS (annual compounded increase)	8.0%	60%	10.0%	100%	18.0%	200%

The threshold, target and maximum measures are determined based on an analysis of historical performance and current projections and trends. The Committee uses this analysis and modeling of different scenarios related to items that affect the Company's performance such as yield, volumes and capital to set the performance measures. The Committee chooses measures such that, without a solid and improved performance delivered by the Company, threshold will not be met and no award will be earned. The target measure is more aggressive and requires stronger results that show outstanding performance. Finally, maximum payouts are awarded when measures that require superior performance have been achieved.

The table below shows the performance measures, the achievement of those measures and the corresponding payouts for the performance share units that were granted in 2005, 2006 and 2007:

	Threshold	Target	Actual*	ROIC	Award Earned
2005 PSUs	11.7%	16.5%	15.7%		
(Performance period ended 12/31/07)				91.2% of units paid out in shares of Common Stock in February 2008	
2006 PSUs	12.1%	16.7%	16.2%		
(Performance period ended 12/31/08)				93.6% of units paid out in shares of Common Stock in February 2009	
2007 PSUs	13.4%	18.5%			
(Performance period ending 12/31/09)					

* Actual results are based on the Company's reported results of operations, as adjusted by the Committee to exclude the effect of tax audit settlements, described below.

Our performance share unit awards are intended to meet the qualified performance-based compensation exception under Section 162(m). In February 2008, the Compensation Committee approved an adjustment to the

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results of the performance period ended December 31, 2007 to exclude the effect significant tax audit settlements had on the equity component of the calculation of ROIC. The adjustment increased the payout under the awards that was made in 2008 and, as a result, the 2005 awards no longer satisfied the qualified performance-based compensation exception. This resulted in an increased tax expense to the Company of approximately \$1.1 million, based on the federal and state combined statutory rate of 39%. The Compensation Committee believes that the adjustment was necessary and appropriate, particularly because the tax audit settlements were not reflective of operating performance. Further, it is important and consistent with the Company's compensation philosophy that extraordinary, unusual, and one time items do not affect the payout expected based on performance. In February 2009, the Compensation Committee made the same adjustments to the calculation of ROIC for the awards granted in 2006 that were paid out in 2009. To the extent that any of the named executives' non-performance based compensation in 2009 ultimately exceeds \$1 million, some or all of the awards paid out to those executives will result in an increased tax expense to the Company. We currently expect to incur an increased tax expense in 2009 substantially similar to that incurred in 2008. Modifications to the manner in which performance goals are set were made for awards granted in 2007 and later to allow for more flexibility, and those modifications should allow the award payouts made in 2010 and later to be fully deductible under Section 162(m).

Other

Post-Employment Compensation The compensation our named executives receive post-employment is based on provisions included in individual equity award agreements, retirement plan documents and employment agreements. We enter into employment agreements with our named executive officers because they provide a form of protection for the Company through restrictive covenant provisions. They also provide the individual protection that he will be treated fairly in the event of a termination not-for-cause or under a change-in-control situation. The change-in-control provision included in each named executive officer's agreement requires a double trigger in order to receive any payment in the event of a change-in-control situation. First, a change-in-control must occur and second, the individual must terminate his employment for good reason or the Company must terminate his employment without cause within six months prior to or two years following the change-in-control event. We believe providing change-in-control protections ensures impartiality and objectivity of our named executive officers in the context of a change-in-control situation and protects the interests of our stockholders.

Employment agreements entered into after February 2004, which include Messrs. Simpson's and Woods' agreements, contain a claw-back feature that allows for the suspension and refund of termination benefits for subsequently discovered cause. The agreements generally allow the Company to cancel any remaining payments due and obligate Messrs. Simpson and Woods to refund to the Company any severance payments already made if, within one year of termination of his employment by the Company for any reason other than for cause, the Company determines that he could have been terminated for cause.

In August 2007, the Compensation Committee adopted an Executive Compensation Clawback Policy. The purpose of the policy is to set forth guidelines as to when the Company should seek reimbursement of payments that are predicated on the achievement of financial results. Generally, the policy allows the Compensation Committee to require reimbursement when there has been intentional or reckless conduct that caused financial results to materially increase an award or payment. The policy applies to all of our named executive officers.

In August 2005, the Compensation Committee approved an Executive Officer Severance Policy. The policy generally provides that the Company may not enter into severance arrangements with its executive officers, as defined in the federal securities laws, that provide for benefits, less the value of vested equity awards and benefits provided to employees generally, in an amount that exceeds 2.99 times the executive officer's then-current base salary and target bonus, unless such future severance arrangement receives stockholder approval. The policy applies to all of our named executive officers.

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Deferral Plan Each of our named executive officers is eligible to participate in our 409A Deferred Savings Plan. The plan allows all employees with a minimum base salary of \$170,000 to defer up to 25% of their base salary and up to 100% of their annual bonus (eligible pay) for payment at a future date. Under the plan, the Company matches the portion of pay that cannot be matched in the Company's 401(k) Savings Plan due to IRS limits. The Company match provided under the 401(k) Savings Plan and the Deferral Plan is dollar for dollar on the first 3% of eligible pay, and fifty cents on the dollar for the next 3% of eligible pay. Participants can contribute the entire amount of their eligible pay to the Deferral Plan. Contributions in excess of the 6% will not be matched but will be tax-deferred. Company matching contributions begin in the Deferral Plan once the employee has reached the IRS limits in the 401(k) plan. Funds deferred under this plan fluctuate based on selected hypothetical funds that are the same as those in the 401(k) plan. We believe that providing a program that allows and encourages planning for retirement is a key factor in our ability to attract and retain talent. Additional details on the plan can be found in the Nonqualified Deferred Compensation table and the footnotes to the table on page 30.

Perquisites In years prior to 2008, our named executive officers were eligible for an auto allowance; financial, legal and tax planning; home security (provided by the Company's Corporate Security Department); and social organization/health club fees. In order to reduce the administrative costs and burden associated with the perquisite program, beginning January 2008, the Company ceased providing the taxable benefits to the named executive officers. At that time, each of the named executive officers was given a one time increase to his salary in an amount equal to the value of the perquisites, reduced for the impact the increases would have as a result of annual bonuses being a percentage of base salary. Our named executive officers will continue to receive an annual physical that is treated as a non-taxable benefit because it is required for the benefit of the Company.

Based on a periodic security assessment by an outside consultant, for security purposes the Company requires the Chief Executive Officer to use the Company's aircraft for business and personal use. Use of the Company's aircraft is permitted for other employees' personal use only with Chief Executive Officer approval in special circumstances, which does not occur often. All of our named executive officers are taxed on the value of their personal use of the Company's airplanes, if any, in accordance with IRS regulations using the Standard Industry Fare Level formula. This is a different amount than we disclose in the Summary Compensation Table, which is based on the SEC requirement to report the incremental cost to us of their use.

Stock Ownership Guidelines

We believe that executive ownership of Company Common Stock demonstrates a commitment to, and confidence in, the Company's long-term prospects and establishes an alignment between management and our stockholders. The Company has implemented stock ownership guidelines that vary by level and are expressed as a fixed number of shares. Ownership levels were established depending upon position based on one to five times base salary as of January 2005, and then translated to a number of shares based on a \$30.00 per share stock price. Shares owned outright, deferred stock units, shares held in the 401(k) plan and shares held in the Deferral Plan count towards meeting the guideline. Restricted stock shares, restricted stock units and performance share units do not count toward meeting the guideline until they are vested or earned.

Until guidelines are achieved and sustained, each of our named executive officers is required to retain at least 50% of the net shares delivered through the Company's long-term incentive plans. In addition to the ownership target, the named executives have a one-year holding requirement that is in effect at all times, even once targeted levels of ownership are achieved. Net shares are those that remain after shares are sold or withheld to pay the exercise price of stock options and/or withholding taxes.

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The following table outlines the ownership requirements for the named executive officers, each of whom had until January 2009 to meet the ownership levels.

Named Executive Officer	Ownership Requirement (number of shares)	Attainment as of 12/31/2008
Mr. Steiner	145,000	182%
Mr. O'Donnell	87,350	164%
Mr. Simpson	42,000	147%
Mr. Trevathan	32,600	227%
Mr. Woods	32,600	105%

Risk-Hedging Policies

Pursuant to the Company's Insider Trading Policy, all executives of the Company, including the named executive officers, are prohibited from engaging in certain transactions with respect to the Company's Common Stock, such as puts, calls and other exchange-traded derivatives. These transactions reduce or cancel the risk of an investment in the Common Stock, particularly in the short-term. Therefore, they may create the appearance that the executives are trading on inside information. Additionally, certain forms of hedging or monetization transactions allow a stockholder to lock in much of the value of his stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions allow the holder to continue to own the covered securities, but without full risks and rewards of ownership. Therefore, all executives are also prohibited from hedging transactions.

Executive and Director Compensation

The following information may be useful to an understanding of the tables presented:

Our annual cash bonuses are earned and paid based on the achievement of performance goals. As a result, annual cash bonuses are included in the Non-Equity Incentive Plan Compensation column rather than the Bonus column of the Summary Compensation Table.

The value of our stock awards is calculated based on the fair value of the awards in accordance with Statement of Financial Accounting Standards No. 123(R), *Share Based Payments*.

The dollar amount of the awards included in the Stock Awards column of the Summary Compensation Table is the amount recognized by the Company as compensation expense in each year presented. Generally, compensation expense for equity awards is recognized over the life of the award as it vests or is otherwise earned. Therefore, compensation expense recognized by the Company in each year includes the expense for awards granted during that year as well as that year's expense for previously granted awards.

The Grant Date Fair Value of Stock and Option Awards column of the Grant of Plan-Based Awards in 2008 table includes the entire fair value of the performance share unit awards granted in 2008 calculated in accordance with FAS 123(R), even though, as described above, for financial reporting purposes the fair value is recognized by the Company over the term of the underlying award.

The Grant of Plan-Based Awards in 2008 table requires disclosure of Estimated Possible Payouts Under Non-Equity Incentive Plan Awards. This disclosure requires a threshold, target and maximum dollar amount. We have disclosed the amounts that could have been paid under our annual incentive bonuses based on those three scenarios, even though our 2008 annual bonuses have been earned, paid to executives, and disclosed in the Summary Compensation Table under the Non-Equity Incentive Plan Compensation

column. We believe that, even though actual payments have been made and disclosed, the disclosure of the possible payouts provides meaningful information to understand how our awards are structured and paid.

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We consider all of our equity awards to be incentive compensation. However, for SEC disclosure purposes, only awards with performance criteria are considered equity incentive plan awards. As a result, we only disclose performance share units under the Equity Incentive Plan Awards columns of the Grant of Plan-Based Awards and Outstanding Equity Awards tables. Restricted stock units, restricted stock awards and stock options, if any, that are or have been granted will be disclosed in other tables as applicable.

Restricted stock units earn dividend equivalents at the same rate and at the same time as shares of our Common Stock. Restricted stock units may not be sold, transferred or voted, and are forfeitable upon termination for cause or voluntary termination. Restricted stock units are pro-rated in the case of retirement or termination without cause, vest immediately in the event of death or disability and also vest immediately in the case of a change-in-control, unless the successor entity agrees to assume all of the awards. At vesting, one share of Common Stock is issued for each restricted stock unit.

Performance share units are granted as a fixed number of units and are earned based on the achievement of a target performance goal for a three-year performance period. Unless otherwise noted, since we do not yet know how many, if any, of the performance share units will be earned, all of our disclosures are based on the target number. Dividend equivalents accrue on performance share units granted in 2008 and 2007, based on the target number of performance share units granted and are adjusted at the end of the performance period for the actual number of performance share units earned. Performance share units are forfeitable upon termination for cause or voluntary termination and receive a pro-rated payout upon retirement or termination without cause. In the event of death or disability, the performance share units receive a full payout based on actual performance at the end of the performance period. In the event of a change-in-control, performance share units are paid out in cash based on actual performance as of the date of the change-in-control with the remainder of the targeted award paid in shares of restricted stock of the successor entity. At payout, other than in the case of a change-in-control as described, one share of Common Stock is issued for each performance share unit earned.

Although we have not granted stock options since 2004, the stock options we granted in 2003 and 2004 contained a reload feature. A reload feature becomes available once the fair market value of the Company's Common Stock has appreciated by 25% from the original option's exercise price and allows the optionee to pay the exercise price of the original option using shares of stock he already owns. When this is done, the optionee will automatically be granted a number of new, reload options equal to the number of shares used in payment of the exercise price. The exercise price of the reload option is the fair market value of the Common Stock on the date the original option is exercised; the reload option vests in six months and is exercisable once the fair market value of the Common Stock has appreciated by 25% from the date of exercise of the original option. The expiration date of the reload option will be the same date as the expiration of the original option. Reload options are included in the Summary Compensation Table and are noted as such.

The original terms of stock options granted by the Company in and before 2004 generally provided for ratable vesting over four years, beginning one year after date of grant and expire ten years from date of grant. In December 2005, the Compensation Committee vested all employees' outstanding stock options.

The Compensation Discussion and Analysis beginning on page 13 contains a discussion that should be read in conjunction with these tables to gain a complete understanding of our executive compensation philosophy, programs and decisions.

Table of Contents**Summary Compensation Table**

Name and Principal Position	Year	Salary (\$)	Stock Awards \$(1)	Option Awards \$(2)	Non-Equity Incentive Plan Compensation (\$)	All Other Compensation \$(3)	Total (\$)
David P. Steiner Chief Executive Officer	2008	1,066,049	3,353,826	0	1,050,895	153,976	5,624,746
	2007	998,077	3,424,866	163,601	1,612,277	131,058	6,329,879
	2006	904,808	2,721,965	51,974	1,758,270	164,270	5,601,287
Lawrence O. Donnell, III President & Chief Operating Officer	2008	768,754	1,455,965	0	659,102	83,289	2,967,110
	2007	721,837	1,564,817	207,861	1,012,971	64,749	3,572,235
Robert G. Simpson Senior Vice President & Chief Financial Officer	2008	516,483	1,054,846	0	376,473	31,114	1,978,916
	2007	483,932	1,048,505	87,072	576,880	55,863	2,252,252
James E. Trevathan Senior Vice President Southern Group	2008	562,105	633,665	0	409,936	32,855	1,638,561
	2007	527,878	643,628	0	552,546	53,706	1,777,758
Duane C. Woods Senior Vice President Western Group	2008	512,503	411,089	0	747,116	77,112	1,747,820
	2007	561,521	638,837	0	378,635	32,382	1,611,375
Group	2007	521,342	642,076	0	580,000	58,649	1,802,067
	2006	485,312	409,537	0	587,958	44,425	1,527,232

(1) Amount shown is the compensation expense for restricted stock units, performance share units and shares of restricted stock recognized by the Company in each year, excluding the effect of estimated forfeitures. In accordance with FAS 123(R), we measure compensation expense based on the grant date fair value of our Common Stock and recognize the expense over the life of the award. As a result, the compensation expense shown in the table above includes the expense for awards granted in the year shown, as well as the expense for prior years awards. See Note 15 in the Notes to the Consolidated Financial Statements in our 2008 Annual Report on Form 10-K for a discussion of the assumptions used in the valuation of our equity awards. In 2008, 2007 and 2006, forfeiture rates for awards granted to all participants in our long-term incentive plans were 1.1%, 5.4% and 1.9%, respectively, for restricted stock units, and 1.5%, 5.1% and 1.9%, respectively, for performance share units.

The table below shows the grants of stock based awards to each of the named executives for the last three years. More information on the 2008 awards can be found in the Grant of Plan-Based Awards in 2008 table on page 27.

	Year	Number of Restricted Stock Units	Number of Performance Share Units
Mr. Steiner	2008	0	119,340
	2007	23,457	70,373
	2006	55,000	55,000
Mr. O. Donnell	2008	0	48,792
	2007	9,952	29,858
	2006	23,335	23,335
Mr. Simpson	2008	0	36,168
	2007	7,820	23,460
	2006	18,335	18,335
Mr. Trevathan	2008	0	21,379

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	2007	4,622	13,868
	2006	10,835	10,835
Mr. Woods	2008	0	21,379
	2007	4,622	13,868
	2006	10,835	10,835

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- (2) The option awards shown in 2006 and 2007 are related to reload options granted in 2006. The fair values of the reload stock options were estimated at their grant dates using the Black-Scholes option-pricing model. We use the Black-Scholes formula to calculate an assumed value of the options for compensation expense purposes; because the formula uses assumptions, the fair values calculated are not necessarily indicative of the actual values of the stock options. The assumptions used in 2006 were a dividend yield of 2.32%; a risk-free interest rate of 5.14%; an expected life of six years; and a stock price volatility of 19.53%.
- (3) The amounts reported for each of the named executives in **All Other Compensation** for 2008 are shown below (in dollars):

	Personal Use of Company Aircraft	Annual Physical	401(k) Matching Contributions	Deferral Plan Matching Contribution	Life Insurance Premiums	Other
Mr. Steiner	105,629	250	10,350	34,011	2,349	1,387
Mr. O'Donnell	0	0	10,350	69,856	1,682	1,401
Mr. Simpson	0	250	10,350	18,008	1,119	1,387
Mr. Trevathan	0	250	10,350	20,540	1,219	496
Mr. Woods	0	363	10,350	16,900	1,219	3,550

As discussed in the Compensation Discussion and Analysis on page 22, beginning in January 2008, the Company ceased providing taxable perquisites to executives. Senior executives will continue to receive an annual physical that is treated as a non-taxable benefit because it is required for the benefit of the Company. Mr. Steiner is required by us to use the Company aircraft for all travel, whether personal or business related. We calculated the amount of the personal aircraft usage perquisite based on our incremental cost, which includes fuel, crew travel expenses, on-board catering, landing fees, trip related hangar/parking costs and other variable costs. We own or operate our aircraft primarily for business use, and therefore, do not include the fixed costs associated with the ownership or operation such as pilots' salaries, purchase costs and non-trip related maintenance.

The amounts reported under **Other** include infrequent items that do not fall within any of the other categories, and may include such items as the use of corporate property, tickets to entertainment or sporting events, tax gross-ups, relocation allowances and severance payments. The amounts reported under **Other** for each of the named executives relate to tax gross-ups and to payments made in early 2008 of outstanding invoices for perquisites received by the executives in 2007.

Table of Contents**Grant of Plan-Based Awards in 2008**

Name	Grant Date(1)	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards(2)			Estimated Future Payouts Under Equity Incentive Plan Awards(3)			Grant Date Fair Value of Stock and Option Awards (\$)(4)
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)	
David P. Steiner	12/13/07 03/03/08	738,334	1,230,556	2,461,112	71,604	119,340	238,680	3,928,673
Lawrence O. Donnell, III	12/13/07 03/03/08	463,069	771,782	1,543,564	29,275	48,792	97,584	1,606,233
Robert G. Simpson	12/13/07 03/03/08	264,501	440,835	881,670	21,701	36,168	72,336	1,190,651
James E. Trevathan	12/13/07 03/03/08	287,506	479,177	958,354	12,827	21,379	42,758	703,797
Duane C. Woods	12/13/07 03/03/08	287,207	478,679	957,358	12,827	21,379	42,758	703,797

- (1) The grant dates for the annual incentive bonus are the dates on which the Compensation Committee approved the target measures.
- (2) The awards shown are the executives' annual incentive bonus. Actual payouts of the awards are shown in the Summary Compensation Table. The named executives' target and maximum bonuses are a percentage of base salary, provided for in their employment agreements. The threshold levels represent the bonus amounts that would have been payable if the minimum performance requirements were met for each performance measure.
- (3) Represents the number of shares of Common Stock potentially issuable based on the achievement of performance criteria under performance share unit awards granted under our 2004 Stock Incentive Plan. Actual payouts can range from zero to 200 percent of the target award.
- (4) The value shown represents the entire grant date fair value of the performance share unit awards calculated in accordance with FAS 123(R), assuming that the target payout is achieved.

Table of Contents**Outstanding Equity Awards at December 31, 2008**

Name	Option Awards				Stock Awards(1)			Equity
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options (#)(2)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)(3)	Market Value of Shares or Units of Stock That Have Not Vested (\$)	Equity Incentive Plan Awards: Number of Shares, Units or Rights That Have Not Vested (#)(4)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Rights That Have Not Vested (\$)
David P. Steiner		24,922	38.205	03/06/2013	64,707	2,144,390	244,713	8,109,789
	90,000		29.24	03/04/2014				
	335,000		21.08	04/03/2013				
	56,593		19.61	03/06/2013				
	135,000		27.88	03/07/2012				
	70,000		30.303	07/12/2011				
	30,000		24.013	03/01/2011				
	50,000		23.75	11/13/2010				
Lawrence O. Donnell III		31,429	37.985	03/06/2013	27,452	909,759	101,985	3,379,783
	90,000		29.24	03/04/2014				
	79,466		19.613	03/06/2013				
	150,000		27.88	03/07/2012				
	175,000		24.013	03/01/2011				
	325,852		16.5625	01/21/2010				
Robert G. Simpson		12,892	37.095	03/06/2013	21,570	714,830	77,963	2,583,694
	33,000		27.60	05/13/2014				
	42,000		29.24	03/04/2014				
	65,000		21.08	04/03/2013				
	13,768		19.61	03/06/2013				
	33,000		27.88	03/07/2012				
	35,000		24.01	03/01/2011				
James E. Trevathan	20,000		29.23	07/19/2014	12,747	422,436	46,082	1,527,157
	50,000		29.24	03/04/2014				
	120,000		19.61	03/06/2013				
	65,000		27.88	03/07/2012				
	100,000		24.01	03/01/2011				
	12,500		20.50	09/13/2009				
Duane C. Woods	50,000		28.45	06/03/2014	12,747	422,436	46,082	1,527,157
	20,000		29.24	03/04/2014				
	18,000		19.61	03/06/2013				
	10,000		26.77	05/16/2012				
	15,000		27.88	03/07/2012				
	10,000		24.01	03/01/2011				
	4,000		20.50	09/13/2009				

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- (1) All amounts are as of December 31, 2008, and dollar values are based on the closing price of the Company's Common Stock on December 31, 2008 of \$33.14.
- (2) Represents reload stock options. The reload stock options have vested and will become exercisable once the market value of our Common Stock has increased by 25% over the option's exercise price.

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(3) Includes restricted stock units that will vest as follows:

Mr. Steiner	13,750 vest 1/27/10 23,457 vest 1/26/10 27,500 vest 1/27/09
Mr. O Donnell	5,833 vest 1/27/10 9,952 vest 1/26/10 11,667 vest 1/27/09
Mr. Simpson	4,583 vest 1/27/10 7,820 vest 1/26/10 9,167 vest 1/27/09
Mr. Trevathan	2,708 vest 1/27/10 4,622 vest 1/26/10 5,417 vest 1/27/09
Mr. Woods	2,708 vest 1/27/10 4,622 vest 1/26/10 5,417 vest 1/27/09

(4) Includes performance share units with performance periods ending as follows. Performance share units are paid after the Company's financial results of operations for the entire performance period are reported, typically in mid to late February of the succeeding year.

	Original Award	Performance Period Ending
Mr. Steiner	119,340 70,373 55,000	12/31/10 12/31/09 12/31/08
Mr. O Donnell	48,792 29,858 23,335	12/31/10 12/31/09 12/31/08
Mr. Simpson	36,168 23,460 18,335	12/31/10 12/31/09 12/31/08
Mr. Trevathan	21,379 13,868 10,835	12/31/10 12/31/09 12/31/08
Mr. Woods	21,379 13,868 10,835	12/31/10 12/31/09 12/31/08

Table of Contents**Option Exercises and Stock Vested in 2008**

Name	Option Awards		Stock Awards(1)	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
David P. Steiner	0	0	92,935	3,121,511
Lawrence O. Donnell, III	0	0	43,225	1,461,767
Robert G. Simpson	0	0	27,890	917,846
James E. Trevathan	0	0	17,275	568,484
Duane C. Woods (2)	0	0	17,275	576,609

- (1) Includes restricted stock granted in 2004 that vested in equal installments over four years; restricted stock units granted in 2005 and 2006 that vest in equal installments over four years; and performance share units granted in 2005 with a performance period ended December 31, 2007 that were paid out in February 2008.
- (2) Mr. Woods deferred receipt of 5,418 of the restricted stock units, valued at \$167,497, or \$30.915 per share, on January 27, 2008, the date of vesting. The restricted stock units are deferred until Mr. Woods leaves the Company.

Nonqualified Deferred Compensation in 2008

Name	Executive Contributions in Last Fiscal Year \$(1)	Registrant Contributions in Last Fiscal Year \$(2)	Aggregate Earnings in Last Fiscal Year \$(3)	Aggregate Withdrawals/ Distributions \$(4)	Aggregate Balance at Last Fiscal Year End (\$)
David P. Steiner	205,269	34,011	(174,014)	0	1,206,181
Lawrence O. Donnell, III	299,368	69,856	(598,148)	0	2,379,463
Robert G. Simpson	31,014	18,008	(179,122)	0	432,263
James E. Trevathan	140,526	20,540	95,172	0	2,468,429
Duane C. Woods	58,000	16,900	(402,812)	0	1,290,219

- (1) Contributions are under the Company's Deferral Plan, described in the Compensation Discussion and Analysis on page 22. In this Proxy Statement as well as in previous years, we include executive contributions to the Deferral Plan in Base Salary in the Summary Compensation Table.
- (2) Company contributions to the executives' Deferral Plan accounts are included in All Other Compensation, but not Base Salary, in the Summary Compensation Table.
- (3) Earnings on these accounts are not included in any other amounts in the tables included in this Proxy Statement, as the amounts required to be disclosed in this column represent the general market earnings of investments, not preferential earnings.
- (4) Accounts are distributed as either a lump sum payment or in annual installments (i) when the employee has reached at least 65 years of age or (ii) at a future date that occurs after termination of employment. Special circumstances may allow for a modified distribution in the event of the employee's death, an unforeseen emergency, or upon a change-in-control of the Company. In the event of death, distribution

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will be made to the designated beneficiary in the form previously elected by the executive. In the event of an unforeseen emergency, the plan administrator may allow an early payment in the amount required to satisfy the emergency. All participants are immediately 100% vested in all of their contributions, Company matching contributions, and gains and/or losses related to their investment choices.

Table of Contents**Non-Employee Director Compensation in 2008**

Our non-employee director program consists of equity and cash compensation. Compensation for directors is reviewed annually by the Nominating and Governance Committee with the assistance of an independent third-party consultant, and set by action of the Board of Directors. The Board's goal in designing director's compensation is to provide a competitive package that will enable it to attract and retain highly skilled individuals with relevant experience and that reflects the time and talent required to serve on the board of a complex Fortune 200 company. The Board seeks to provide sufficient flexibility in the form of compensation delivered to meet the needs of different individuals while ensuring that a substantial portion of directors' compensation is linked to the long-term success of the Company.

Equity Compensation

Non-employee directors receive an annual grant of shares of Common Stock. There are no restrictions on the shares; however, non-employee directors are subject to ownership guidelines. The grant of shares is made in two equal installments and is based on the value on the dates of grants, which are January 15 and July 15 of each year. In January 2008, the equity grant to non-employee directors was valued at \$80,000 and each director received a grant valued at \$40,000 on January 15, 2008. In July 2008, the Board increased the value of the annual grant to \$110,000 and, as a result, the grants to directors on July 15, 2008 were valued at \$55,000. In addition to the annual grant, Mr. Pope receives a grant of shares valued at \$100,000 for his service as Non-Executive Chairman of the Board, which is also awarded in two equal installments on January 15 and July 15 of each year. In accordance with FAS 123(R), the grant date fair value of the awards is the number of shares issued times the market value of our Common Stock on that date; there are no assumptions used in the valuation of shares.

The Company's grants issued prior to 2008 consisted of deferred stock units that were paid in shares of Common Stock one year following termination of Board service. In December 2007, each of our directors elected to take early receipt of his deferred units and recognize a taxable event on receipt of the shares issued, which occurred in December 2008.

Cash Compensation

All non-employee directors receive an annual cash retainer and additional cash compensation for serving in specified positions. In July 2008, the Board increased the annual cash retainer for Board service and eliminated all meeting fees. The Board also approved an annual retainer for service on the Compensation Committee. All retainers are paid in two equal installments and meeting fees were paid as earned. The table below sets forth the directors' cash compensation as of January 1, 2008 and as it currently is, after the July 2008 changes:

	January 1, 2008	As Revised
Annual	\$50,000	\$90,000
Retainer		
Meeting Fees	\$2,000 for each Board meeting attended \$1,500 for each Committee meeting attended	No fees No fees
Annual Chair	\$100,000 for Non-Executive Chairman \$25,000 for Audit Committee Chair	No change No change
Retainers	\$20,000 for Compensation Committee Chair \$15,000 for Nominating and Governance Committee Chair	No change No change
Other Annual	\$5,000 for Audit Committee service (other than Chair) \$10,000 for Special Committee service	No change No change
Retainers	No Retainer for Compensation Committee service (other than Chair)	\$4,000 for Compensation Committee service (other than Chair)

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The table below shows the fees paid, and stock awards issued, to the non-employee directors in 2008:

Name	Fees Earned or Paid in Cash \$(1)	Stock Awards \$(2)	Option Awards \$(3)	Total (\$)
John C. Pope, Chairman of the Board	198,500	195,000	0	393,500
Pastora San Juan Cafferty	95,500	95,000	0	190,500
Frank M. Clark, Jr.	101,500	95,000	0	196,500
Patrick W. Gross	92,000	95,000	0	187,000
W. Robert Reum	113,500	95,000	0	208,500
Steven G. Rothmeier	115,500	95,000	0	210,500
Thomas H. Weidemeyer	92,500	95,000	0	187,500

- (1) Includes an annual retainer of \$70,000 for each director other than Mr. Pope, who received an annual retainer of \$170,000, plus (i) compensation for meeting attendance through June 30, 2008, and (ii) compensation for serving on, or as chairman of, board committees.
- (2) Includes an award valued at \$40,000 on January 15, 2008 and an award valued at \$55,000 on July 15, 2008 for all directors other than Mr. Pope, who received a January 15, 2008 award valued at \$90,000 and a July 15, 2008 award valued at \$105,000. The grant-date fair values of the shares issued are the number of shares issued times the market value of our Common Stock; no assumptions are used in the valuations.

The table below shows the number of shares of Common Stock each non-employee director received in payment of his deferred stock units on December 22, 2008, and the aggregate number of phantom stock held by Mr. Pope. Phantom stock was issued under directors' deferred compensation plans in effect prior to 2003, under which non-employee directors were able to defer cash compensation. Each phantom stock unit is equal in value to one share of our Common Stock and receives dividend equivalents, in the form of additional phantom stock, at the same time as actual shares of Common Stock receive dividends. The phantom stock accrued for Mr. Pope will be paid out in cash on December 31, 2009, based on his prior election. On December 31, 2008, Mr. Pope received a cash payout of \$14,897, representing 465 phantom stock units, in payment of amounts he had deferred in 1999.

	Shares Received on 12/22/08 in Payment of Deferred Stock Units	Number of Phantom Stock Units at 12/31/08
John C. Pope	24,617	1,438
Pastora San Juan Cafferty	14,446	0
Frank M. Clark, Jr.	14,446	0
Patrick W. Gross	5,534	0
W. Robert Reum	12,467	0
Steven G. Rothmeier	14,446	0
Thomas H. Weidemeyer	7,961	0

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- (3) The table below shows the number of stock options held by each of our non-employee directors as of December 31, 2008. The options are all fully vested based on their initial terms and all expire ten years from date of grant. The Company stopped granting options to our non-employee directors after 2002.

	Grant Date	No. of Options Outstanding	Exercise Price(\$)
John C. Pope	01/02/2002	10,000	30.2400
	01/02/2001	10,000	26.3750
	01/03/2000	10,000	16.6875
	01/04/1999	10,000	47.1250
Pastora San Juan Cafferty	01/02/2002	10,000	30.2400
	01/02/2001	10,000	26.3750
	01/03/2000	10,000	16.6875
	01/04/1999	10,000	47.1250
Steven G. Rothmeier	01/02/2002	10,000	30.2400
	01/02/2001	10,000	26.3750
	01/03/2000	10,000	16.6875
	01/04/1999	10,000	47.1250

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Potential Payments Upon Termination or Change-in-Control

The Company has entered into employment agreements with certain of its officers, including the named executive officers. The agreements with the named executives contain provisions regarding consideration payable to the executives upon termination of employment as described below. Each of the agreements also contains post-termination restrictive covenants, including a covenant not to compete, non-solicitation covenants, and a non-disparagement covenant, each of which lasts for two years after termination.

We enter into employment agreements with our executive officers based on competitive market practices and because they provide a form of protection for the Company through restrictive covenant provisions. They also provide the executive a sense of security and trust that they will be treated fairly in the event of a termination not for cause or under a change-in-control situation. We believe change-in-control protections ensure impartiality and objectivity for our executives and enhance the interest of our stockholders.

As described in the Compensation Discussion and Analysis on page 21, employment agreements entered into after February 2004 include a clawback feature for termination payments, which is applicable to Mr. Simpson and Mr. Woods whose agreements were both entered into in October 2004. The Company adopted a Clawback Policy in August 2007, as described in the Compensation Discussion and Analysis on page 21, that could, in certain circumstances, result in the Company not paying to the executive amounts he would otherwise be entitled to as described in the following tables.

The terms Cause, Good Reason, and Change-in-Control as used in the table below are defined in the executives' employment agreements and have the meanings generally described below. You should refer to the individual agreements for the actual definitions.

Cause generally means the executive has:

deliberately refused to perform his duties;

breached his duty of loyalty to the Company;

been convicted of a felony;

intentionally and materially harmed the Company; or

breached the covenants contained in his agreement.

Good Reason generally means that, without the executive's consent:

his duties or responsibilities have been substantially changed;

he has been removed from his position;

the Company has breached his employment agreement;

any successor to the Company has not assumed the obligations under his employment agreement; or

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he has been reassigned to a location more than fifty (50) miles away.
Change-in-Control generally means that:

at least twenty-five percent (25%) of the Company's Common Stock has been acquired by one person or persons acting as a group;

the majority of the Board of Directors consists of individuals other than those serving as of the date of the executive's employment agreement or those that were not elected by at least two-thirds (2/3) of those directors;

there has been a merger of the Company in which at least fifty percent (50%) of the combined post-merger voting power of the surviving entity does not consist of the Company's pre-merger voting

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power, or a merger to effect a recapitalization that resulted in a person or persons acting as a group acquired twenty-five percent (25%) or more of the Company's voting securities; or

the Company is liquidating or selling all or substantially all of its assets.

The following tables represent potential payouts to our named executives upon termination of employment pursuant to the terms of their employment agreements. The payouts assume the triggering event indicated occurred on December 31, 2008, at which time the closing price of our Common Stock was \$33.14 per share. These payouts are determined for SEC disclosure purposes and are not necessarily indicative of the actual amounts the executive would receive. The actual performance share unit payout will be based on future performance of the Company after the assumed date of termination. Since this amount cannot be predicted, we have based the payout on target awards outstanding at December 31, 2008. The payout for continuation of benefits and perquisites is an estimate of the cost the Company would incur to continue those benefits.

Potential Consideration upon Termination of Employment:*David P. Steiner*

Triggering Event	Compensation Component	Payout(\$)
<i>Death or Disability</i>	<i>Severance Benefits</i>	
	Accelerated vesting of restricted stock units	2,144,390
	Accelerated vesting of performance share units	8,109,789
	Two times base salary as of date of termination (payable in bi-weekly installments over a two-year period)	2,150,000
	Life insurance benefit	1,025,000
	Total	13,429,179

Termination Without Cause by the Company or For Good Reason by the Employee **Severance Benefits**

Two times base salary plus target annual bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	4,622,500
Continued coverage under health and welfare benefit plans for two years	19,944
Prorated vesting of restricted stock units	1,349,660
Prorated vesting of performance share units	4,698,921
Total	10,691,025

Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change-in-Control (Double Trigger) **Severance Benefits**

Three times base salary plus target bonus, paid in lump sum	6,933,750
Continued coverage under health and welfare benefit plans for three years	29,916
Accelerated vesting of restricted stock units	2,144,390
Accelerated vesting of performance share units	8,109,789

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Full maximum bonus, prorated to date of termination	2,461,112
Gross-up payment for any excise taxes	5,019,812

Total	24,698,769
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Table of Contents*Lawrence O Donnell, III*

Triggering Event	Compensation Component	Payout(\$)
<i>Death or Disability</i>	Severance Benefits	
	Accelerated vesting of restricted stock units	909,759
	Accelerated vesting of performance share units	3,379,783
	Two times base salary as of date of termination (payable in bi-weekly installments over a two-year period)	1,550,576
	Life insurance benefit	734,000
	Total	6,574,118

Termination Without Cause by the Company or For Good Reason by the Employee **Severance Benefits**

Two times base salary plus target annual bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	3,101,152
Continued coverage under benefit plans for two years	
Health and Welfare Benefit Plans	19,944
Deferred Savings Plan	139,712
401(k)	20,700
Prorated vesting of restricted stock units	572,593
Prorated vesting of performance share units	1,973,222
Total	5,827,323

Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change-in-Control (Double Trigger) **Severance Benefits**

Three times base salary plus target bonus, paid in lump sum	4,651,728
Continued coverage under benefit plans for three years	
Health and Welfare Benefit Plans	29,916
Deferred Savings Plan	209,568
401(k)	31,050
Accelerated vesting of restricted stock units	909,759
Accelerated vesting of performance share units	3,379,783
Full maximum bonus, prorated to date of termination	1,543,564
Gross-up payment for any excise taxes	2,714,932
Total	13,470,300

Table of Contents*Robert G. Simpson*

Triggering Event	Compensation Component	Payout(\$)
<i>Death or Disability</i>	Severance Benefits	
	Accelerated vesting of restricted stock units	714,830
	Accelerated vesting of performance share units	2,583,694
	Life insurance benefit	488,000
	Total	3,786,524

Termination Without Cause by the Company or For Good Reason by the Employee **Severance Benefits**

Two times base salary plus target annual bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	1,927,644
Continued coverage under health and welfare benefit plans for two years	19,944
Prorated vesting of restricted stock units	449,876
Prorated vesting of performance share units	1,526,428
Total	3,923,892

Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change-in-Control (Double Trigger) **Severance Benefits**

Three times base salary plus target bonus, paid in lump sum	2,891,466
Continued coverage under health and welfare benefit plans for three years	29,916
Accelerated vesting of restricted stock units	714,830
Accelerated vesting of performance share units	2,583,694
Full maximum bonus, prorated to date of termination	881,670
Gross-up payment for any excise taxes	1,790,309
Total	8,891,885

Table of Contents*James E. Trevathan*

Triggering Event	Compensation Component	Payout(\$)
<i>Death or Disability</i>	Severance Benefits	
	Accelerated vesting of restricted stock units	422,436
	Accelerated vesting of performance share units	1,527,157
	Two times base salary as of date of termination (payable in bi-weekly installments over a two-year period)	1,132,596
	Life insurance benefit	532,000
	Total	3,614,189

Termination Without Cause by the Company or For Good Reason by the Employee **Severance Benefits**

Two times base salary plus target annual bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	2,095,302
Continued coverage under benefit plans for two years	
Health and Welfare Benefit Plans	19,944
Deferred Savings Plan	41,080
401(k)	20,700
Prorated vesting of restricted stock units	265,849
Prorated vesting of performance share units	902,203
Total	3,345,078

Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change-in-Control (Double Trigger) **Severance Benefits**

Two times base salary plus target bonus, paid in lump sum	2,095,302
Continued coverage under benefit plans for two years	
Health and Welfare Benefit Plans	19,944
Deferred Savings Plan	41,080
401(k)	20,700
Accelerated vesting of restricted stock units	422,436
Accelerated vesting of performance share units	1,527,157
Full maximum bonus, prorated to date of termination	958,354
Gross-up payment for any excise taxes	1,230,305
Total	6,315,278

Table of Contents*Duane C. Woods*

Triggering Event	Compensation Component	Payout(\$)
<i>Death or Disability</i>	Severance Benefits	
	Accelerated vesting of restricted stock units	422,436
	Accelerated vesting of performance share units	1,527,157
	Life insurance benefit	532,000
	Total	2,481,593

Termination Without Cause by the Company or For Good Reason by the Employee **Severance Benefits**

Two times base salary plus target annual bonus (one-half payable in lump sum; one-half payable in bi-weekly installments over a two-year period)	2,093,128
Continued coverage under health and welfare benefit plans for two years	19,944
Prorated vesting of restricted stock units	265,849
Prorated vesting of performance share units	902,203
Total	3,281,124

Termination Without Cause by the Company or For Good Reason by the Employee Six Months Prior to or Two Years Following a Change-in-Control (Double Trigger) **Severance Benefits**

Three times base salary plus target bonus, paid in lump sum	3,139,692
Continued coverage under health and welfare benefit plans for three years	29,916
Accelerated vesting of restricted stock units	422,436
Accelerated vesting of performance share units	1,527,157
Full maximum bonus, prorated to date of termination	957,358
Gross-up payment for any excise taxes	1,965,453
Total	8,042,012

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In addition to the severance benefits outlined above, each of the executives named below would receive the following amounts upon a termination of his employment. All of these amounts were earned as of December 31, 2008 but would not be paid, absent termination of employment, until a later date in accordance with the terms of the applicable plans:

Compensation Component	Steiner (\$)	O'Donnell (\$)	Simpson (\$)	Trevathan (\$)	Woods (\$)
Prorated incentive bonus based on actual performance (1)	1,050,895	659,102	376,473	409,936	378,635
Value of vested stock options (2)	6,809,103	9,214,737	1,809,931	3,309,700	840,500
Value of shares issued on February 17, 2009 pursuant to performance share units granted in 2006 with a performance period ending December 31, 2008 (3)	1,466,923	622,388	489,031	288,996	288,996
Distribution from Deferred Savings Plan	1,206,181	2,379,463	432,263	2,468,429	1,290,219

- (1) The named executives' agreements provide for payment of any earned but unpaid bonuses. Pursuant to our Annual Incentive Plan, bonuses are fully earned as of December 31 of the performance year, although not calculated and paid until the first quarter of the following year. Because this disclosure assumes a termination of employment effective December 31, the prorated amounts included herein amount to the full year 2008 actual bonus payments.
- (2) The Company vested all employees' outstanding stock options effective December 2005. The benefit to the executive is the continued exercisability of the vested options. In the event of termination for cause, all options are immediately cancelled. Employees generally otherwise have three months post-termination to exercise their options, except (i) in the case of death or disability, in which case there is continued exercisability for one year, and (ii) in the case of retirement, in which case there is continued exercisability for three years. However, the employment agreements we entered into with Mr. Steiner, Mr. O'Donnell and Mr. Simpson give them the ability to exercise all stock options granted before 2004 for two years after termination of employment without cause or for good reason and for three years after termination without cause or for good reason six months prior to, or two years following, a change-in-control. Mr. Trevathan's employment agreement gives him the ability to exercise all stock options granted before 2004 for two years after termination of employment without cause or for good reason and for termination without cause or for good reason six months prior to, or two years following, a change-in-control. Mr. Wood's employment agreement does not provide for extended exercisability of his stock options upon termination. The value, if any, of the benefit of continued exercisability to executives is dependent on when the stock options are ultimately exercised and will depend on future fluctuations in market value of the Company's Common Stock. We have valued the benefit based on the potential gain executives could have realized if the stock options were exercised as of December 31, 2008.
- (3) The actual number of shares issuable pursuant to the performance share unit award was not determinable at December 31, 2008, and therefore the award is shown as unearned in the Outstanding Equity Awards at December 31, 2008 table on page 28. The value of the award shown here is based on the fair market value of our Common Stock on February 17, 2009, the date of payout of the award, of \$28.495.

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COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis, beginning on page 13, with management. Based on the review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in the Company's Proxy Statement.

The Management Development and Compensation Committee of the Board of Directors

W. Robert Reum, Chairman

Frank M. Clark, Jr.

John C. Pope

Steven G. Rothmeier

Thomas H. Weidemeyer

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COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2008 Ms. Cafferty and Messrs. Clark, Pope, Reum, Rothmeier and Weidemeyer served on the Compensation Committee. No member of the Compensation Committee was an officer or employee of Waste Management during 2008 nor was any member of the Compensation Committee a former officer of the Company.

During 2008 none of our executive officers served as:

a member of a compensation committee of another company, one of whose executive officers served on our Compensation Committee;

a director of another company, one of whose executive officers served on our Compensation Committee; or

a member of a compensation committee of another company, one of whose executive officers served as one of our directors.

RELATED PARTY TRANSACTIONS

The Board of Directors has adopted a written Related Party Transactions Policy for the review, approval or ratification of Related Party Transactions, which are defined as all current or proposed transactions in excess of \$120,000 in which (i) the Company is a participant and (ii) any director, executive officer or immediate family member of any director or executive officer has a direct or indirect material interest. The Nominating and Governance Committee is responsible for overseeing the policy, which requires all Related Party Transactions to be ratified by the Nominating and Governance Committee.

All executive officers and directors are required to notify the General Counsel or the Corporate Secretary as soon as practicable of any proposed Related Party Transaction. The General Counsel will determine whether a potential transaction or relationship constitutes a Related Party Transaction that requires compliance with the policy and/or disclosure as a Related Party Transaction under applicable SEC rules. If the General Counsel determines that the transaction or relationship constitutes a Related Party Transaction, the transaction is referred to the Nominating and Governance Committee.

The Nominating and Governance Committee will review a detailed description of the transaction, including:

the terms of the transaction;

the business purpose of the transaction;

the benefits to the Company and to the relevant related party; and

whether the transaction would require a waiver of the Company's Code of Conduct.

In determining whether to approve a Related Party Transaction, the Nominating and Governance Committee will consider, among other things, the following factors:

whether the terms of the Related Party Transaction are fair to the Company and such terms would be on the same basis if the transaction did not involve an outside director or executive officer;

whether there are business reasons for the Company to enter into the Related Party Transaction;

whether the Related Party Transaction would impair the independence of an outside director;

whether the Related Party Transaction would present an improper conflict of interest for any outside director or executive officer of the Company; and

whether the Related Party Transaction is material.

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Any member of the Nominating and Governance Committee who has an interest in the transaction presented for consideration will abstain from voting on the Related Party Transaction.

The Nominating and Governance Committee's consideration of Related Party Transactions and its determination of whether to approve such a transaction are reflected in the minutes of the Nominating and Governance Committee's meetings.

In 2008, Mr. Steiner, Chief Executive Officer and a Director, purchased \$300,000 principal amount of the Company's 6.10% Senior Notes due March 2018 in an open-market transaction. Interest payments on the notes are made on March 15 and September 15 of each year, with the final interest payment made at maturity on March 15, 2018. Mr. Steiner purchased the notes after the 2008 interest payment dates and therefore received no interest payments in 2008. The Company is not aware of any other related party transactions that would require disclosure.

AUDIT COMMITTEE REPORT

The role of the Audit Committee is, among other things, to oversee the Company's financial reporting process on behalf of the Board of Directors, to recommend to the Board whether the Company's financial statements should be included in the Company's Annual Report on Form 10-K and to select the independent auditor for ratification by stockholders. Company management is responsible for the Company's financial statements as well as for its financial reporting process, accounting principles and internal controls. The Company's independent auditors are responsible for performing an audit of the Company's financial statements and expressing an opinion as to the conformity of such financial statements with generally accepted accounting principles.

The Audit Committee has reviewed and discussed the Company's audited financial statements as of and for the year ended December 31, 2008 with management and the independent registered public accounting firm, and has taken the following steps in making its recommendation that the Company's financial statements be included in its annual report:

First, the Audit Committee discussed with Ernst & Young, the Company's independent registered public accounting firm for fiscal year 2008, those matters required to be discussed by Statement on Auditing Standards No. 61, including information regarding the scope and results of the audit. These communications and discussions are intended to assist the Audit Committee in overseeing the financial reporting and disclosure process.

Second, the Audit Committee discussed with Ernst & Young its independence and received from Ernst & Young a letter concerning independence as required under applicable independence standards for auditors of public companies. This discussion and disclosure helped the Audit Committee