

FORTUNE BRANDS INC
Form DEF 14A
March 09, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. __)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

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

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

Fortune Brands, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

2007 PROXY STATEMENT

ANNUAL MEETING OF STOCKHOLDERS

The Annual Meeting of Stockholders of Fortune Brands, Inc. will be held at the

Hyatt Deerfield

1750 Lake Cook Road

Deerfield, Illinois

On Tuesday, April 24, 2007 at 1:30 p.m.

PROXY VOTING OPTIONS

YOUR VOTE IS IMPORTANT!

Whether or not you expect to attend in person, we urge you to vote your shares by phone, via the Internet, or by signing, dating and returning the enclosed proxy card at your earliest convenience. This will ensure the presence of a quorum at the meeting. Promptly voting your shares will save the Company the expense and extra work of additional solicitation. An addressed envelope, postage paid if mailed in the United States, is enclosed if you wish to vote your shares by returning your completed proxy card by mail. Submitting your proxy now will not prevent you from voting your stock at the meeting if you desire to do so, as your vote by proxy is revocable at your option.

Voting by the **Internet** or **telephone** is fast, convenient, and your vote is immediately confirmed and tabulated. Most important, by using the Internet or telephone, you help Fortune Brands reduce postage and proxy tabulation costs.

PLEASE DO NOT RETURN THE ENCLOSED PAPER BALLOT IF YOU ARE VOTING OVER THE INTERNET OR BY TELEPHONE.

VOTE BY INTERNET

<http://www.proxyvote.com>

24 hours a day / 7 days a week

VOTE BY TELEPHONE

1-800-690-6903 via touch tone phone

toll-free 24 hours a day / 7 days a week

INSTRUCTIONS:

Read the accompanying Proxy Statement.

Go to the following website:

<http://www.proxyvote.com>

Have your Proxy Card or Voting Instruction Form in hand and follow the instructions. You can also register to receive all future stockholder communications electronically, instead of in print. This means that the Annual Report and Proxy Statement will be delivered to you electronically via e-mail.

INSTRUCTIONS:

Read the accompanying Proxy Statement.

Call the toll-free 800 number provided on your Voting Instruction Form or 1-800-690-6903.

Have your Proxy Card or Voting Instruction Form in hand and follow the instructions.

PARKING FACILITY AND DRIVING DIRECTIONS

Directions from Downtown Chicago to Hotel:

Take 94 West to Route 41. Exit Lake Cook Road from Route 41 (one ramp, lighted intersection exit). Turn left on to Lake Cook Road heading West. The hotel is located approximately 4 miles West on the Northeast corner of the Lake Cook Road / I-294 intersection. This route has no tolls.

Directions to Hotel from I-94 Southbound:

Take I-94 heading South to the Lake Cook Road exit (one ramp, lighted intersection exit). Turn left on to Lake Cook Road heading East. Turn left on to Wilmot Road (second traffic light after you exit tollway). First driveway on the left side of street will be the entrance to the Hyatt Deerfield. This route has several tolls.

Directions to Hotel from I-294 Northbound:

Take I-294 heading North to the Lake Cook Road exit (one ramp, lighted intersection, exact change toll plaza). Turn right on to Lake Cook Road. At Wilmot Road (first lighted intersection after exit) turn left. The first driveway on the left side of street will be the entrance to the Hyatt Deerfield. This route has several tolls.

520 Lake Cook Road, Deerfield, Illinois 60015

March 9, 2007

Dear Stockholder:

The Fortune Brands, Inc. 2007 Annual Meeting of Stockholders will be held at 1:30 p.m. (CDT) on Tuesday, April 24, 2007 at the Hyatt Deerfield, 1750 Lake Cook Road, Deerfield, Illinois. The sole purpose of the meeting is to consider the business described in the following Notice of Annual Meeting and Proxy Statement.

It is important to ensure that your shares be represented at the meeting, whether or not you personally plan to attend. You can vote by completing and returning the enclosed proxy card, calling the toll-free telephone number or using the Internet. Instructions for using these services are provided on the enclosed proxy card. If you decide to vote your shares using the enclosed proxy card, we urge you to complete, sign, date and return it promptly, using the enclosed postage paid return envelope.

Sincerely,

Norman H. Wesley

Chairman of the Board and Chief Executive Officer

520 Lake Cook Road, Deerfield, Illinois 60015

**NOTICE OF ANNUAL MEETING
AND PROXY STATEMENT**

March 9, 2007

The Annual Meeting of Stockholders of Fortune Brands, Inc. (Fortune Brands or the Company) will be held at the Hyatt Deerfield, 1750 Lake Cook Road, Deerfield, Illinois, at 1:30 p.m. (CDT) on Tuesday, April 24, 2007, to consider and vote upon:

- Item 1:* The election of three directors for a term expiring at the 2010 Annual Meeting or until their successors have been elected and qualified (see pages 4 to 38 of the Proxy Statement);
- Item 2:* The ratification of the appointment by the Company's Audit Committee of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2007 (see page 39 of the Proxy Statement);
- Item 3:* The re-approval of the Fortune Brands, Inc. Annual Executive Incentive Compensation Plan (see pages 39 to 41 of the Proxy Statement);
- Item 4:* The approval of the Fortune Brands, Inc. 2007 Long-Term Incentive Plan (see pages 41 to 48 of the Proxy Statement);
- Item 5:* If presented, a stockholder proposal entitled Elect Each Director Annually (see pages 48 to 52 of the Proxy Statement);
- Item 6:* If presented, a stockholder proposal entitled Pay-for-Superior Performance (see pages 52 to 54 of the Proxy Statement); and

to transact such other business as may properly come before the meeting.

If you held common stock or \$2.67 Convertible Preferred Stock at the close of business on February 23, 2007, you are entitled to vote at the Annual Meeting. Please submit a proxy *as soon as possible* so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy (1) by mail, (2) by telephone, or (3) through the Internet. For specific instructions, please refer to the next page of this Proxy Statement and the enclosed proxy card.

Edgar Filing: FORTUNE BRANDS INC - Form DEF 14A

We are also soliciting voting instructions from participants in the Fortune Brands Retirement Savings Plan, Fortune Brands Hourly Employee Retirement Savings Plan and Future Brands LLC Retirement Savings Plan who have invested in the Fortune Brands Stock Fund. We ask each plan participant to sign, date and return the enclosed proxy card, or provide voting instructions by telephone or through the Internet. The proxy card will serve as a voting instruction card when we forward it to the trustee.

This Proxy Statement and accompanying proxy are being distributed on or about March 13, 2007.

Mark A. Roche

Senior Vice President, General Counsel and Secretary

VOTING AND PROXIES

What is the purpose of the Annual Meeting?

The purpose of the Annual Meeting is for stockholders to act upon the matters outlined in the Notice of Annual Meeting and described in this Proxy Statement, including: (1) the election of directors, (2) the ratification of the appointment of our independent registered public accounting firm, (3) the re-approval of the Fortune Brands, Inc. Annual Executive Incentive Compensation Plan, (4) the approval of the Fortune Brands, Inc. 2007 Long-Term Incentive Plan, (5) if presented, consideration of a stockholder proposal entitled *Elect Each Director Annually*, and (6) if presented, consideration of a stockholder proposal entitled *Pay-for-Superior Performance*. In addition, management will respond to questions from stockholders.

Who is entitled to vote?

Only stockholders who owned the Company's common stock or \$2.67 Convertible Preferred Stock of record at the close of business on February 23, 2007 are entitled to vote. Each holder of common stock is entitled to one vote per share. Each holder of \$2.67 Convertible Preferred Stock is entitled to three-tenths (0.3) of one vote per share. The common stock and \$2.67 Convertible Preferred Stock vote together as a single class. There were 152,562,935 shares of common stock and 201,674 shares of \$2.67 Convertible Preferred Stock outstanding on February 23, 2007.

What is the difference between being a record holder and holding shares in street name?

A record holder holds shares in his or her own name. Shares held in *street name* means shares that are held in the name of a bank or broker on a person's behalf. The majority of stockholders hold their shares in *street name*.

How do I vote?

Record holders can vote by filling out the accompanying proxy card and returning it in the postage paid return envelope. You can also vote by telephone or the Internet. Voting instructions are provided on the enclosed proxy card.

If you hold shares in *street name*, you must vote by giving instructions to your broker or nominee. You should follow the voting instructions on the form that you receive from your broker or nominee. The availability of telephone and Internet voting will depend on your bank's or broker's voting process. Your broker or nominee might not be permitted to exercise voting discretion as to some of the matters to be acted upon. If you do not give your broker or nominee specific instructions, your shares might not be voted on those matters and might not be counted in determining the number of shares necessary for approval. *Therefore, please give voting instructions to your broker on all six voting items.*

How will my proxy be voted?

Your proxy card, when properly signed and returned to us, or processed by telephone or via the Internet, and not revoked, will be voted in accordance with your instructions relating to the election of directors and Items 2, 3, 4, 5 and 6. We are not aware of any other matter that may be properly presented other than the election of

directors and Items 2, 3, 4, 5 and 6. If any other matter is properly presented, the persons named in the enclosed proxy card will have discretion to vote in their best judgment.

What if I don't mark the boxes on my proxy?

Unless you give other instructions on your proxy card or when you cast your proxy by telephone or the Internet, the persons named as proxies will vote in accordance with the recommendations of the Board of Directors. The Board's recommendation is set forth together with the description of each Item in this Proxy Statement. In summary, the Board recommends a vote

FOR:

the election of directors;

the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2007;

the re-approval of the Fortune Brands, Inc. Annual Executive Incentive Compensation Plan;

the approval of the Fortune Brands, Inc. 2007 Long-Term Incentive Plan;

AGAINST:

the stockholder proposal entitled "Elect Each Director Annually"; and

the stockholder proposal entitled "Pay-for-Superior Performance".

Can I go to the Annual Meeting if I vote by proxy?

Yes. Attending the meeting does not revoke your proxy.

How can I revoke my proxy?

You may revoke your proxy at any time before it is actually voted by giving written notice to the secretary of the meeting or by delivering a later dated proxy.

Do I have dissenters' rights?

Under Delaware law, dissenters' rights are not available to holders of common stock and \$2.67 Convertible Preferred Stock in connection with Items 1, 2, 3, 4, 5 and 6.

Will my vote be public?

As a matter of policy, stockholder proxies, ballots and tabulations that identify individual stockholders are not publicly disclosed, but are available to the independent Inspector of Election, the proxy solicitation firm and certain employees of Fortune Brands, Inc.

What constitutes a quorum?

The presence at the meeting, in person or by proxy, of the holders of a majority in voting power of the outstanding shares of common stock and \$2.67 Convertible Preferred Stock entitled to vote will constitute a quorum. Proxies received but marked as abstentions and broker non-votes will be included in the calculation of the number of shares considered to be present at the meeting.

How many votes are needed to approve an Item?

The nominees for director, in non-contested elections, must receive a majority of the votes cast at the meeting, in person or by proxy, to be elected, subject to the recently adopted majority vote by-law provision relating to the election of directors, as discussed below under Election of Directors. A proxy card marked to withhold authority for the election of one or more directors will not be voted with respect to the director or directors indicated.

The affirmative vote of shares representing a majority in voting power of the common stock and \$2.67 Convertible Preferred Stock, voting together as a single class, present in person or represented by proxy at the meeting and entitled to vote is necessary for approval of Items 2, 3, 4, 5 and 6. Proxy cards marked as abstentions on Items 2, 3, 4, 5 and 6 will not be voted and will have the effect of a negative vote.

What if I am a participant in the Fortune Brands Retirement Savings Plan, the Fortune Brands Hourly Employee Retirement Savings Plan or the Future Brands LLC Retirement Savings Plan?

We are also mailing this Proxy Statement and a voting instruction card to participants in the Fortune Brands Retirement Savings Plan, the Fortune Brands Hourly Employee Retirement Savings Plan, and the Future Brands LLC Retirement Savings Plan who invest in the Fortune Brands Stock Fund under the Plans. The Trustee of the Plans, as record holder of Fortune Brands common stock held in the Plans, will vote whole shares attributable to your interest in the Fortune Brands Stock Fund in accordance with your directions given on the proxy card, by telephone or the Internet. If you invest in the Fortune Brands Stock Fund under the Plans and you sign and return the enclosed proxy card, we will forward it to the Trustee of the Plans. The proxy card will serve as instructions to the Trustee to vote the whole shares attributable to your interest in the manner you indicate on the card.

Item 1**ELECTION OF DIRECTORS**

The Board of Directors (the Board) currently consists of 10 members and is divided into three classes, each having three-year terms that expire in successive years. The term of office of directors in Class III expires at the 2007 Annual Meeting. The Board proposes that the three nominees described below, each of whom are currently serving as Class III directors, be re-elected to Class III for a new term of three years expiring at the 2010 Annual Meeting of Stockholders and until their successors are duly elected and qualified. Proxies cannot be voted for more than the number of nominees proposed for re-election. All nominees and all current Class I and Class II directors were elected by the stockholders, except for Mr. A. D. David Mackay, who was elected by the Board effective January 13, 2006, and Mr. Richard A. Goldstein, who was elected by the Board effective December 1, 2006. In accordance with the Company's Corporate Governance Principles and the Company's retirement age policy, Mr. Gordon R. Lohman will retire from the Board immediately following the 2007 Annual Meeting of Stockholders.

Fortune Brands has adopted a majority vote by-law provision relating to the election of directors. Under this policy, in non-contested elections, if a director fails to win a majority of affirmative votes for his or her election, the director must tender his or her resignation from the Board promptly after the certification of the stockholder vote. The Board will decide within 90 days of that certification, through a process managed by the Nominating and Corporate Governance Committee and excluding the nominee in question, whether to accept the resignation. The Board's explanation of its decision will be promptly disclosed in a filing with the Securities and Exchange Commission (the SEC).

Each of the nominees has consented to be named as a nominee. If any of them should become unavailable to serve as a director (which is not now expected), the Board may designate a substitute nominee. In that case, the persons named as proxies will vote for the substitute nominee designated by the Board.

The names of the nominees and Class I and Class II directors, along with their present positions, their principal occupations during the past five years, directorships held with other corporations, their ages and the year first elected as a director, are set forth below.

| Name | Present positions and offices with the Company, principal occupations during the past five years and other directorships | Age | Year |
|--|---|-----|------------------------------|
| | | | first elected director |
| NOMINEES FOR DIRECTORS CLASS III DIRECTORS TERM EXPIRING 2010 | | | |
| Anne M. Tatlock | Retired since December 2006; Chairman and Chief Executive Officer of Fiduciary Trust Company International from 2000-2006. A Director, Vice Chairman, and member of the Office of the Chairman of Franklin Resources, Inc. Also a director of Merck & Co., Inc. | 67 | 1996 |

| | | | |
|------------------|--|----|------|
| Norman H. Wesley | Chairman of the Board and Chief Executive Officer of Fortune Brands, Inc. since December 1999. Also a director of RR Donnelley & Sons Company, Pactiv Corporation and ACCO Brands Corporation. | 57 | 1999 |
| Peter M. Wilson | Retired since March 2004; Chairman of Gallaher Group Plc prior thereto. Also a director of Kesa Electricals plc. | 65 | 1994 |

CLASS I DIRECTORS TERM EXPIRING 2008

| | | | |
|----------------------|---|----|------|
| Richard A. Goldstein | Retired since May 2006; Chairman and Chief Executive Officer of International Flavors & Fragrances Inc. from June 2000. Also a director of Interpublic Group and Fiduciary Trust Company International. | 65 | 2006 |
| Pierre E. Leroy | Retired since 2005; President, Worldwide Construction & Forestry Division and Worldwide Parts Division of Deere & Company from December 2003 to 2005; President, Worldwide Construction & Forestry Division and John Deere Power Systems from 2000 to December 2003. Also a director of ACCO Brands Corporation, Capital One Financial Corporation and Nuveen Investments, Inc. | 58 | 2003 |
| A.D. David Mackay | Chief Executive Officer of Kellogg Company since December 2006; President and Chief Operating Officer from September 2003 to December 2006; Executive Vice President of Kellogg Company prior thereto. Also a director of Kellogg Company. | 51 | 2006 |

CLASS II DIRECTORS TERM EXPIRING 2009

| | | | |
|-------------------|---|----|------|
| Patricia O. Ewers | Retired since July 2000; President of Pace University prior thereto. Also a director of ACCO Brands Corporation. | 71 | 1991 |
| Eugene A. Renna | Retired since January 2002; Executive Vice President of Exxon Mobil Corporation from August 2001 to January 2002; Senior Vice President from December 1999 to August 2001. Also a director of Ryder System, Inc. | 62 | 1998 |
| David M. Thomas | Retired since March 2006; Executive Chairman of the Board of IMS Health Incorporated from January 2005 through March 2006; Chairman of the Board and Chief Executive Officer from November 2000 until January 2005. Also a director of Interpublic Group. | 57 | 2000 |

The Board of Directors recommends that you vote FOR election of each nominee.

CLASS I DIRECTOR RETIRING AFTER 2007 ANNUAL MEETING

| | | | |
|------------------|---|----|------|
| Gordon R. Lohman | Retired since 1999; Former Chairman and Chief Executive Officer of Amsted Industries Incorporated. Also a director of Ameren Corporation and ACCO Brands Corporation. | 72 | 1990 |
|------------------|---|----|------|

Meetings of the Board and Committees

Last year there were six meetings of the Board. Each director attended at least 75% of the total meetings of the Board and committees of the Board of which the director was a member. In addition to participation at Board and committee meetings, our directors discharge their responsibilities throughout the year through personal meetings and other communications, including considerable telephone contact with the Chairman and others regarding matters of interest and concern to the Company.

Stock Ownership of Board Members

For information on the beneficial ownership of securities of the Company by directors and executive officers, see Certain Information Regarding Security Holdings on pages 55 and 56.

Director Independence

The Board has adopted Corporate Governance Principles to address significant issues of corporate governance, including Board composition and responsibilities, compensation of directors and executive succession planning. The Corporate Governance Principles provide that a majority of the members of the Board and each member of the Audit, Compensation and Stock Option and Nominating and Corporate Governance Committees, must meet certain criteria for independence. Based on the New York Stock Exchange independence requirements, the Corporate Governance Principles (which are available on our website, www.fortunebrands.com) set forth certain guidelines to assist the Board in its determination of director independence. Section A.3 of the Corporate Governance Principles states:

A director shall be considered independent only if the Board of Directors affirmatively determines that the director has no material relationship with the Company, either directly or as a partner, stockholder, director or officer of an organization that has a material relationship with the Company.

Under no circumstances shall any of the following persons be considered an independent director for purposes of this guideline:

- (a) any current employee of the Company, its subsidiaries, or the Company's independent auditors;
- (b) any former employee of the Company or its subsidiaries until 3 years after the employment has ended (health, pension and other benefits generally available to retirees shall be deemed to be immaterial to director independence);
- (c) any person who (1) is a current partner or employee of the firm that is the Company's internal or external auditor; (2) has been within the last 3 years or has an immediate family member that has been within the last 3 years a partner or employee of such firm and worked on the Company's audit during that time; or (3) has an immediate family member who is currently or within the last 3 years has been an employee of such firm and participates in the audit, assurance or tax compliance (but not tax planning) practice;
- (d) any person who is employed as an executive officer by another company on whose compensation committee one of the Company's executive officers serves or has served during the prior 3 years;
- (e) any person who receives, or who in any twelve month period within the last 3 years has received, more than \$100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on future service);

- (f) any person who is an executive officer or an employee of a company that makes payments to, or receives payments from, the Company for property or services in an amount that exceeds, in any of the last 3 fiscal years, the greater of \$1 million or 2% of the other company's consolidated gross revenues;
- (g) any person who is an executive officer of a tax exempt organization, if within the preceding 3 years, contributions in any single fiscal year from the Company exceeded the greater of \$1 million or 2% of such tax exempt organization's consolidated gross revenues (provided, however, that contributions made pursuant to the Company's Charitable Awards Program upon a director's death are deemed immaterial); and
- (h) any person who has an immediate family member (as defined by the New York Stock Exchange Listed Company Manual) who falls into one of the previous seven categories.

In making its independence determinations, the Board of Directors will perform a subjective evaluation of independence in light of the totality of the circumstances with respect to each situation. This subjective evaluation will not be limited to the eight factors set forth above.

During 2006, all of the non-employee members of the Board (that is, Messrs. Goldstein, Hays, Leroy, Lohman, Mackay, Renna, Reyes, Thomas and Wilson, Mrs. Tatlock and Dr. Ewers) were affirmatively determined by the Board to be independent, as defined in the New York Stock Exchange Listed Company Manual and the Company's Corporate Governance Principles. All of the current non-employee members of the Board (that is, Messrs. Goldstein, Leroy, Lohman, Mackay, Renna, Thomas and Wilson, Mrs. Tatlock and Dr. Ewers) have been affirmatively determined by the Board to be independent pursuant to the same rules and guidelines. When determining each director's independence, the Board considered charitable contributions made by the Company to organizations with which each director is affiliated. All such charitable relationships were deemed immaterial. In addition, with respect to the independence determination regarding Mr. Goldstein, the Nominating and Corporate Governance Committee and the Board considered transactions between the Company and International Flavors & Fragrances Inc. (IFF). Mr. Goldstein, who was elected to our Board effective December 1, 2006, was the Chairman and Chief Executive Officer of IFF until May 2006. During 2006, a subsidiary of the Company acquired approximately \$2.4 million of products from IFF. The Nominating and Corporate Governance Committee and the Board determined that Mr. Goldstein's interest in these transactions was immaterial because (1) such amount comprised less than 0.13% of IFF's gross revenues for 2005 (the most recent year for which full-year financial statements were available at that time) and (2) Mr. Goldstein owned only a small percentage (less than 2%, assuming full exercise of his options) of outstanding IFF stock. In addition, Mr. Hays had only an immaterial relationship with the Company. Mr. Hays, who retired in April 2006, was a former employee of the Company and continued to receive health, pension and other benefits generally available to retirees. The Board determined that Mr. Hays' continuing retiree benefits constituted an immaterial relationship and he was determined to be independent.

Other than as discussed above regarding Messrs. Goldstein and Hays, none of the non-employee directors has any relationship with the Company other than being a director and stockholder, or any transaction or arrangement that interferes with each director's independence. Mr. Gordon R. Lohman was elected as Lead Director to preside at all executive sessions of the Board.

Audit Committee Financial Expert

Each member of the Audit Committee, as of the date of this Proxy Statement (Messrs. Goldstein, Leroy, Mackay and Thomas and Mrs. Tatlock), is financially literate, has accounting or financial management expertise and is an audit committee financial expert as defined in Item 407(d)(5)(ii) and (iii) of Regulation S-K under the Securities Exchange Act of 1934 (the Exchange Act). Each Audit Committee member has also been determined by our Board to be independent as such term is defined in Item 407(a) of Regulation S-K under the Exchange Act, Rule 10a-3 under the Exchange Act, the New York Stock Exchange Listed Company Manual and the Company's Corporate Governance Principles.

Stockholder Communication

The Board and management encourage communication from the Company's stockholders. Stockholders who wish to communicate with the Company's management should direct their communication to the Chairman and Chief Executive Officer or the Secretary, 520 Lake Cook Road, Deerfield, Illinois 60015. Stockholders, or other interested parties, who wish to communicate with the non-management directors or any individual director should direct their communication c/o the Secretary at the address above. The Secretary will forward communications intended for the Board to the Lead Director, or, if intended for an individual director, to that director. If multiple communications are received on a similar topic, the Secretary may, in his discretion, forward only representative correspondence. Any communications that are abusive, in bad taste or present safety or security concerns may be handled differently.

Annual Meeting Attendance

The Company does not have a formal policy requiring members of the Board to attend the Annual Meeting, although all directors are strongly encouraged to attend. Nine of the ten directors were present at the 2006 Annual Meeting of Stockholders.

Committees

The Board has established an Executive Committee, an Audit Committee, a Compensation and Stock Option Committee, a Nominating and Corporate Governance Committee and a Corporate Responsibility Committee. The Audit, Compensation and Stock Option, and Nominating and Corporate Governance Committees are composed entirely of independent directors, as defined under the New York Stock Exchange Listed Company Manual and the Company's Corporate Governance Principles. The charters of each committee, the Company's Corporate Governance Principles, the Company's Code of Business Conduct and Ethics and the Company's Code of Ethics for the CEO and Senior Financial Officers are available on the Company's website (www.fortunebrands.com) and in print to any stockholder upon request.

A list of current Committee memberships may be found on the Company's website at www.fortunebrands.com. The Committee memberships as of the date of the Proxy Statement are set forth below.

Executive Committee

Members

Messrs. Lohman, Renna, Wilson and Wesley (Chair) and Mrs. Tatlock

Number of Meetings Last Year

None

Primary Functions

Has all the power of the full Board except for specific powers, which by law must be exercised by the full Board. The Executive Committee may not amend the Certificate of Incorporation, adopt an agreement of merger, recommend actions for stockholder approval, amend the by-laws, elect, appoint or remove an officer or director, amend or repeal any resolutions of the Board, fix the Board's compensation, and unless expressly authorized by the Board, declare a dividend, authorize the issuance of stock or adopt a certificate of ownership and merger.

Audit Committee

Members

Messrs. Goldstein, Leroy, Mackay and Thomas (Chair) and Mrs. Tatlock

Number of Meetings Last Year

Six. The Committee also held four teleconferences to review and discuss earnings announcements.

Primary Functions

1. Retains, subject to stockholder ratification, a firm of independent auditors to audit our financial statements and approves the scope of the firm's audit;
2. Reviews reports and recommendations of our independent auditors;
3. Reviews the scope of all internal audits and related reports and recommendations;
4. Pre-approves all audit and non-audit services provided by our independent auditors;
5. Monitors integrity of financial statements;
6. Monitors compliance with financial reporting requirements;
7. Monitors the independence and performance of our independent auditors and the performance of our internal auditors;
8. Discusses the Company's financial statements and its quarterly and annual reports to be filed with the Securities Exchange Commission (the "SEC");
9. Reviews the Company's policies regarding risk assessment and risk management;
10. Reviews the Company's compliance programs;

Audit Committee

Primary Functions Cont d.

11. Reviews and approves related person transactions and conflicts of interest involving directors, executive officers and first-tier operating company chief executive officers; and

12. Establishes procedures for receiving and responding to concerns regarding accounting and auditing matters.

**Compensation and Stock
Option Committee**

Members

Dr. Ewers and Messrs. Leroy, Lohman (Chair), Renna and Wilson

Number of Meetings Last Year

Five

Primary Functions

1. Administers our Long-Term Incentive Plans;
2. Designates key employees who may be granted stock options, performance awards and other stock-based awards;
3. Designates the number of shares that may be granted to a key employee, within specified limits;
4. Reviews and approves compensation and goals for the Chief Executive Officer and evaluates his or her performance, in consultation with the Company's independent directors;
5. Sets compensation for our officers who hold the office of Vice President or a more senior office and recommends compensation levels for the chief executive officers of our operating subsidiaries;
6. Determines the incentive compensation award for those senior officers under the Annual Executive Incentive Compensation Plan;
7. Retains any compensation consultants to assist in the evaluation of senior executive compensation and benefits;
8. Oversees management's administration of supplemental retirement and other benefit arrangements, compensation agreements and severance agreements for executive officers; and
9. Reviews and approves the Compensation Discussion & Analysis and Compensation Report to be included in the Proxy Statement.

**Nominating and
Corporate Governance
Committee**

| | |
|------------------------------|---|
| Members | Messrs. Lohman, Renna and Thomas and Mrs. Tatlock (Chair) |
| Number of Meetings Last Year | Five |
| Primary Functions | <ol style="list-style-type: none">1. Recommends nominees for election as members of the Board;2. Recommends directors for membership on the Audit Committee, Compensation and Stock Option Committee, Corporate Responsibility Committee and Nominating and Corporate Governance Committee, including their Chairpersons;3. Recommends directors and executive officers for membership on other committees established by the Board;4. Recommends compensation arrangements for non-employee directors;5. Develops and recommends a set of corporate governance principles designed to foster an effective corporate governance environment;6. Administers non-employee director stock and stock option plans;7. Reviews the charters of Board committees; and8. Manages the performance review process of the Board, its committees and management. |

**Corporate Responsibility
Committee**

| | |
|------------------------------|--|
| Members | Dr. Ewers (Chair), Messrs. Goldstein, Mackay, Wilson and Clarkson Hine (Vice President-Corporate Communications) |
| Number of Meetings Last Year | Three |
| Primary Functions | Reviews and recommends to the Board policies on the Company's responsibilities to its employees and the community, such as: employee safety; diversity and equal opportunity; philanthropic activities; and the effect of Company operations on the environment. |

Policies with Respect to Transactions with Related Persons

During 2006, the Company did not participate in any transactions in which any of the director nominees, Class I and II directors, executive officers, any beneficial owner of more than 5% of the Company's common stock, nor or any of their immediate family members, had a material direct or indirect interest. In addition, none of director nominees, Class I and II directors, executive officers or any of their immediate family members is or has been indebted to the Company.

The Nominating and Corporate Governance Committee and the Board have adopted a Code of Business Conduct and Ethics which sets forth various policies and procedures intended to promote the ethical behavior of all of the Company's employees, officers and directors. The Code of Business Conduct and Ethics describes the Company's policy on conflicts of interest. The Board has also established a Compliance Committee which is responsible for monitoring compliance with the Code of Conduct. The Compliance Committee periodically reports the Company's compliance efforts to the Audit Committee and to the Board.

The Board has also established a Conflicts of Interest Committee which distributes a Conflicts of Interest Policy to all of the Company's employees, officers and directors. The Conflicts of Interest Policy describes the types of relationships that may constitute a conflict of interest with the Company. All employees, officers and directors are required to periodically complete a questionnaire about potential conflicts of interest and certify compliance with the Company's policy. The Conflicts of Interest Committee reviews potential conflicts of interest and reports its findings to the Audit Committee.

The executive officers and the Board are also required to complete a questionnaire on an annual basis which requires them to disclose any related person transactions and potential conflicts of interest. The General Counsel reviews the responses to the questionnaires and if a transaction is reported by an independent director or executive officer, the questionnaire is submitted to the Chairperson of the Audit Committee for review. If necessary, the Audit Committee, will determine whether the relationship is material and will have any effect on the director's independence. After making such determination, the Audit Committee will report their recommendation on whether the transaction should be approved or ratified by the entire Board. The Audit Committee reviews related person transactions on an annual basis.

Director Nomination Process

The Nominating and Corporate Governance Committee (the Nominating Committee) develops and implements policies and procedures by which the Board exercises its duties for overseeing the performance of the Company. Specific duties and responsibilities of the Nominating Committee include annually assessing the size and composition of the Board and its committees, defining director qualifications, as well as criteria for director independence and the selection of director candidates to be recommended to the Board. The Nominating Committee also performs succession planning for the Company's executives.

The Nominating Committee, when identifying and evaluating candidates, first determines whether there are any evolving needs of the Board that require an expert in a particular field. The Nominating Committee may then retain a third-party search firm to locate candidates that meet the needs of the Board at that time. The firm provides information on a number of candidates, which the Nominating Committee discusses. The Nominating Committee chair and some or all of the members of the Nominating Committee will interview potential candidates that are deemed appropriate. If the Nominating Committee determines that a potential candidate meets the needs of the Board, has the qualifications, and meets the standards set forth in the Company's Corporate Governance Principles, it will vote to recommend to the Board the nomination of the candidate.

The Nominating Committee believes that it is necessary for our directors to possess many qualities and skills. When searching for new candidates, the Nominating Committee considers the evolving needs of the Board and searches for candidates that fill any future

gap. The Nominating Committee believes that all directors must possess a considerable amount of business management and educational experience as well as meet the standards established by the Nominating Committee as set forth in the Company's Corporate Governance Principles. In developing these standards, the Nominating Committee considers issues of judgment, diversity, background, stature, conflicts of interest, integrity, ethics and commitment to the goal of maximizing stockholder value. In considering candidates for the Board, the Nominating Committee considers the entirety of each candidate's credentials in the context of these standards. With respect to the nomination of continuing directors for re-election, the individual's contributions to the Board are also considered.

The policy of the Nominating Committee is to consider director candidates recommended by stockholders, if properly submitted to the Company. Stockholders wishing to recommend persons for consideration by the Nominating Committee as nominees for election to the Board can do so by writing to the Secretary of Fortune Brands, Inc. at 520 Lake Cook Road, Deerfield, Illinois 60015. Recommendations must include the proposed nominee's name, biographical data and qualifications, as well as a written statement from the proposed nominee consenting to be named and, if nominated and elected, to serve as a director. Our Restated Certificate of Incorporation also contains a procedure for direct nomination of directors by stockholders (see pages 57 and 58 of this Proxy Statement). The Nominating Committee will consider the candidate and the candidate's qualifications in the same manner in which it evaluates nominees identified by the Nominating Committee. The Nominating Committee may contact the stockholder making the nomination to discuss the qualifications of the candidate and the stockholder's reasons for making the nomination. The Nominating Committee may then interview the candidate if it deems the candidate to be appropriate. The Nominating Committee may use the services of a third-party search firm to provide additional information about the candidate prior to making a recommendation to the Board.

The Nominating Committee's nomination process for stockholder-recommended candidates and all other candidates is designed to ensure that the Nominating Committee fulfills its responsibility to recommend candidates that are properly qualified to serve the Company for the benefit of all of its stockholders, consistent with the standards established by the Nominating Committee under the Company's Corporate Governance Principles.

Director Compensation

| Name* | Fees | | | Non-Equity Incentive Plan Compensation (\$) | Change in Pension Value and Nonqualified Deferred Compensation Earnings (\$)(6)(7) | All Other Compensation (\$)(8)(9) | Total (\$) |
|--------------------------|-----------|----------------------|-----------------------|---|--|-----------------------------------|------------|
| | Cash (\$) | Stock Awards (\$)(4) | Option Awards (\$)(5) | | | | |
| Patricia Ewers | \$ 85,000 | \$ 104,958 | n/a | n/a | \$ 87,872 | \$ 3,437 | \$ 281,267 |
| Richard A. Goldstein** | \$ 6,458 | \$ 0 | n/a | n/a | n/a | \$ 170 | \$ 6,628 |
| Thomas Hays*** | \$ 23,333 | \$ 0 | n/a | n/a | n/a | \$ 2,567 | \$ 25,900 |
| Pierre Leroy | \$ 77,500 | \$ 104,958 | n/a | n/a | n/a | \$ 105,785 | \$ 288,243 |
| Gordon Lohman | \$ 85,000 | \$ 104,958 | n/a | n/a | \$ 116,695 | \$ 3,437 | \$ 310,090 |
| A.D. David Mackay** | \$ 73,179 | \$ 104,958 | n/a | n/a | n/a | \$ 3,082 | \$ 181,219 |
| Eugene Renna | \$ 70,000 | \$ 104,958 | n/a | n/a | n/a | \$ 6,299 | \$ 181,257 |
| J. Christopher Reyes**** | \$ 43,750 | \$ 104,958 | n/a | n/a | n/a | \$ 324 | \$ 149,032 |
| Anne Tatlock | \$ 92,500 | \$ 104,958 | n/a | n/a | \$ 19,592 | \$ 2,345 | \$ 219,395 |
| David Thomas | \$ 92,500 | \$ 104,958 | n/a | n/a | n/a | \$ 3,285 | \$ 200,743 |
| Peter Wilson | \$ 70,000 | \$ 104,958 | n/a | n/a | n/a | | |