

GEORGIA PACIFIC CORP
Form PRE 14A
March 11, 2005
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A
Proxy Statement Pursuant to Section 14(a) of the
Securities Exchange Act of 1934

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
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GEORGIA-PACIFIC CORPORATION

(Name of Registrant as specified in Its Charter)

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

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March 21, 2005

Dear Fellow Shareholder:

You are invited to attend the Annual Meeting of Shareholders of Georgia-Pacific Corporation at 11:00 a.m., Eastern Time, on Tuesday, May 3, 2005. The Annual Meeting will be held in the Auditorium at Georgia-Pacific Center, 133 Peachtree Street, N.E., in Atlanta, Georgia. We hope you can attend.

We look forward to reporting to you on recent events at Georgia-Pacific as well as on other important matters. In addition, we will vote on the proposals set forth in the attached Notice of Annual Meeting and Proxy Statement. We have again provided to you the option of voting by mail, telephone or the Internet. Your vote is important. Even if you plan to attend the meeting, please vote as soon as possible.

On behalf of management and the directors of Georgia-Pacific, I want to thank you for your continued support and confidence. We look forward to seeing you at the Annual Meeting.

Sincerely,

A. D. Correll

Chairman and Chief Executive Officer

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**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS MAY 3,
2005**

TIME

11:00 a.m., Eastern Time, on Tuesday, May 3, 2005

PURPOSE

To vote on four proposals:

- n To elect five members of our Board of Directors;
 - n To approve the Georgia-Pacific Corporation 2005 Long-Term Incentive Plan;
 - n To ratify the appointment of our independent auditors, Ernst & Young LLP;
 - n To amend our Bylaws to eliminate our classified board structure; and
 - n To take action upon any other business that may properly come before the meeting or any adjournment or postponement thereof.
-

DOCUMENTS

The Proxy Statement, proxy card and our 2004 Annual Report, which includes our Form 10-K for fiscal year 2004, are included in this mailing. These documents are first being mailed to shareholders on or about March 21, 2005. Our 2004 Annual Report, including our Form 10-K for fiscal year 2004, do not form any part of the material for the solicitation of proxies.

PLACE

The Auditorium at Georgia-Pacific Center

133 Peachtree Street, N.E.

Atlanta, Georgia

RECORD DATE

Owners of shares of common stock of Georgia-Pacific at the close of business on March 1, 2005 may attend and vote at the meeting.

EXECUTIVE OFFICES

Georgia-Pacific Corporation

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133 Peachtree Street, N.E.

Atlanta, Georgia 30303-1847

VOTING

Even if you plan to attend the meeting, please provide us with your voting instructions in one of the following ways as soon as possible:

- n Internet use the Internet address on the proxy card;
- n Telephone use the toll-free number on the proxy card; or
- n Mail mark, sign, and date the proxy card and return it in the enclosed postage-paid envelope.

By order of the Board of Directors,

Douglas P. Roberto

Secretary

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QUESTIONS AND ANSWERS

Q: Who is entitled to vote?

A: Georgia-Pacific shareholders of record as of the close of business on March 1, 2005 are entitled to vote at the Annual Meeting.

Q: What will I likely be voting on?

A: There are four proposals that are expected to be voted on at the Annual Meeting:

- n To elect five members of our Board of Directors;
- n To approve the Georgia-Pacific Corporation 2005 Long-Term Incentive Plan (the 2005 LTIP);
- n To ratify the appointment of our independent auditors, Ernst & Young LLP; and
- n To amend our Bylaws to eliminate our classified board structure.

Q: When and where is the Annual Meeting?

A: The Annual Meeting is scheduled to begin at 11:00 a.m., Eastern Time, on Tuesday, May 3, 2005, in the Auditorium at Georgia-Pacific Center, 133 Peachtree Street, N.E., in Atlanta, Georgia.

Q: What are the Board's recommendations?

A: In summary, the Board of Directors recommends a vote:

- n FOR the election of the nominated directors (see pages 5-10);
- n FOR the approval of the 2005 LTIP (see pages 35-40);
- n FOR the ratification of the appointment of our auditors (see page 41); and
- n AGAINST the amendment of our Bylaws (see pages 42-44).

Q: How many votes are needed to approve each item?

A: Election of Directors. The affirmative vote of a plurality of the votes cast by the shares entitled to vote at the Annual Meeting is required to elect each director.

Approval of the 2005 LTIP. The votes cast in favor of this proposal must exceed the votes cast in opposition for the proposal to be adopted, provided that the total number of votes cast on this matter represents greater than 50% of our outstanding shares. For further information regarding how we will determine the number of votes cast for this proposal, see the question below regarding the treatment of abstentions and broker non-votes.

Ratification of Auditor Appointment. The votes cast in favor of this proposal must exceed the votes cast in opposition for this proposal to be approved.

Amendment of our Bylaws. The affirmative vote of holders of at least 75% of our outstanding shares is required for this proposal to be approved. For further information regarding how we will determine the number of votes cast for this proposal, see the question below regarding the treatment of abstentions and broker non-votes.

Q: How will abstentions and broker non-votes be treated?

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A: Abstentions and broker non-votes will be counted as shares present in determining whether a quorum exists at the Annual Meeting. A broker non-vote occurs when a nominee holding shares for a beneficial owner does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received voting instructions from the beneficial owner. Under New York Stock Exchange rules, brokers have discretionary voting power on routine matters, but not on non-routine matters. Routine matters include, among other things, the election of directors, and the ratification of auditors. Therefore, brokers or other nominees who are New York Stock Exchange members are expected to have discretionary voting power for the election of

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QUESTIONS AND ANSWERS

directors (Proposal No. 1) and for the ratification of Ernst & Young LLP as our independent auditors (Proposal No. 3). Abstentions and broker non-votes (if any) with respect to these proposals will have no effect on the result of the vote.

With respect to the proposals to approve the 2005 LTIP (Proposal No. 2) and the amendment of our Bylaws (Proposal No. 4), brokers or other nominees who are New York Stock Exchange members will not have discretionary voting authority. As a result, if your shares are being voted by a broker or other nominee who is a New York Stock Exchange member, such shares will be voted in favor of (or against) these proposals only if you have provided specific voting instructions to your broker or other nominee. Failure to provide such instructions will result in a broker non-vote.

For purposes of the requirement that the number of votes cast on Proposal No. 2 exceed 50% of our outstanding shares, the New York Stock Exchange takes the position that an abstention will be a vote cast, and that a broker non-vote will not be a vote cast. Accordingly, we expect to include abstentions and exclude broker non-votes in determining the number of our outstanding shares that have been voted on Proposal No. 2. Otherwise, abstentions and broker non-votes will have no effect on the result of Proposal No. 2. Abstentions and broker non-votes will have the same effect as a vote against Proposal No. 4.

Q: How will my proxy be voted?

A: Unless you give other instructions, the persons named as proxies on the enclosed proxy card will vote in accordance with the recommendation of the Board of Directors. Accordingly, if no specification is made, shares properly represented by proxies will be voted **FOR** the election of the nominated directors named on pages 6-7, **FOR** approval of the 2005 LTIP, **FOR** the ratification of the appointment of our auditors and **AGAINST** the amendment of our Bylaws to eliminate our classified board structure.

Q: How will voting on any other business be conducted?

A: If any matter other than those currently scheduled to be voted on is properly raised and presented at the Annual Meeting, your vote gives authority to the persons named on the proxy card to vote on any such matter in their discretion. To the extent any other matter is voted on, generally the votes cast in favor of the matter must exceed those cast in opposition in order for the matter to be approved.

Q: How many votes is each share entitled to?

A: Each share of Georgia-Pacific common stock is entitled to one vote.

Q: How do I vote?

A: You may vote:

- n by attending the Annual Meeting;
- n via the Internet at www.eproxyvote.com/gp;
- n by telephone at 1-877-779-8683 (1-877-PRX-VOTE) as directed on your proxy card; or
- n by completing and mailing your proxy card.

Specific instructions for voting are described on the enclosed proxy card.

Q: Can I change my vote?

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A: Yes. You may revoke your proxy by submitting a new proxy by one of the methods described in the previous question and answer, or by sending a written request to change your vote, which must be received by our Corporate Secretary prior to the Annual Meeting. Giving your proxy does not deprive you of your right to vote in person should you attend the Annual Meeting.

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QUESTIONS AND ANSWERS

Q: Who will tabulate the votes?

A: EquiServe Trust Company, N.A. will tabulate the votes and act as inspector of election.

Q: How many votes does Georgia-Pacific need to hold the meeting?

A: As of the record date, March 1, 2005, 259,839,087 shares of common stock of Georgia-Pacific were outstanding. Accordingly, the total number of possible votes is 259,839,087. A number of votes equal to or greater than a majority of the possible votes, or 129,919,545 (including abstentions and broker non-votes), will constitute a quorum. No business may be transacted at the Annual Meeting without a quorum. If you are present at the Annual Meeting in person or by proxy, or vote by proxy card, telephone or the Internet, you will be considered part of the quorum.

Q: Is my vote confidential?

A: Proxy cards, ballots and voting tabulations that identify individual shareholders are mailed or returned directly to EquiServe, and handled in a manner that is designed to protect your privacy. Your vote will not be disclosed except:

- n to EquiServe to permit normal tabulation and certification of the vote;
- n as required by law;
- n if we determine in good faith that a bona fide dispute exists as to the accuracy or authenticity of a proxy, ballot or vote; or
- n in the event of a proxy contest, unless all parties to the contest agree to follow our confidentiality policy.

Q: What does it mean if I get more than one proxy card?

A: You may receive a proxy card for each account that you have, including shares held by the trustees in our dividend reinvestment plan or any employee benefit plan. Please vote by proxy for all accounts to ensure that all of your shares are voted. The proxy card (or cards) you receive represents all of the shares you are entitled to vote. If you wish to consolidate multiple accounts, please contact EquiServe, at 1-800-519-3111.

Q: How will shares in Georgia-Pacific employee benefit plans be voted?

A: This proxy statement is being used to solicit voting instructions from you with respect to shares of our stock that you own, which are held by the trustees of our benefit plans for the benefit of you and other plan participants. Shares held in our benefit plans that are entitled to vote will be voted by the trustees pursuant to your instructions. Shares held in any employee benefit plan that are entitled to vote, but do not vote, will not be counted. *You must instruct the trustees to vote your shares by utilizing one of the voting methods described above.*

Q: Who are the proxy solicitors and what are the solicitation expenses?

A: We have hired Mellon Investor Services LLC to assist us in the distribution of proxy materials and the solicitation of proxies by mail, telephone, facsimile or personal meetings. We will pay Mellon an estimated fee of \$20,000, plus reasonable expenses, for its services. Our officers, directors and employees may also assist with solicitation efforts.

We will reimburse brokers and other custodians, nominees and fiduciaries for forwarding proxy and solicitation materials to our shareholders in accordance with the fee schedule approved by the New York Stock Exchange.

Q: May I access this year's proxy statement and annual report via the Internet?

A: Yes. This Proxy Statement and our 2004 Annual Report, which includes our Form 10-K

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QUESTIONS AND ANSWERS

for fiscal year 2004, are available by accessing the Investor Information section under the About Us tab on our website at www.gp.com. In addition, most shareholders can elect to receive future proxy statements and proxy cards, annual reports and Form 10-Ks over the Internet instead of receiving paper copies in the mail. Links will be provided to elect this option if you vote over the Internet in accordance with the instructions on your proxy card.

Q: When are shareholder proposals intended for inclusion in next year's Annual Meeting Proxy Statement due?

A: The deadline for receipt of shareholder proposals intended to be included in the proxy statement or otherwise for next year's annual meeting is the close of business on November 25, 2005. They must be submitted in writing to Douglas P. Roberto, Secretary, Georgia-Pacific Corporation, 133 Peachtree Street, N.E., Atlanta, Georgia 30303.

Q: What if I do not meet the deadline for including a proposal in the proxy statement for next year's annual meeting?

A: In accordance with our bylaws, proposals not included in the proxy statement for next year's annual meeting may still be presented directly at the meeting. However, management will be able to vote proxies in its discretion on any such proposal if we:

- n receive notice of the proposal before the close of business on February 14, 2006, and advise shareholders in the annual meeting proxy statement about the nature of the matter and how management intends to vote on such matter; or
- n do not receive notice of the proposal before the close of business on February 14, 2006.

Notices of intention to present proposals at next year's annual meeting should be addressed to our Secretary at the address specified above.

Q: How can shareholders nominate director candidates?

A: In accordance with our bylaws, shareholders may propose director candidates for consideration by the Board's Executive and Governance Committee, or nominate persons for election as directors at a meeting, by following the procedures described below under Corporate Governance - Nominees Recommended by Shareholders.

Q: How do I obtain a copy of Georgia-Pacific's materials related to corporate governance?

A: Our Articles of Incorporation, Bylaws, Corporate Governance Guidelines, charters of each standing Board committee, Code of Business Conduct and Ethics, and other materials related to our corporate governance are published on the Corporate Governance section of our website at www.gp.com/center/governance. In addition, this information is available in print to any shareholder who requests it by contacting Investor Relations, Georgia-Pacific Corporation, 133 Peachtree Street, N.E., Atlanta, Georgia, 30303.

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NOMINEES AND DIRECTORS

Proposal No. 1 Election of Directors

Our Board of Directors is currently comprised of 15 directors, 13 of whom are non-management directors. Our Board of Directors is divided into three classes, with the directors in each class serving for a term of three years and until their successors are elected and qualified. There are five nominees for election to our Board this year. Proxies can be voted for no more than five persons. All of the nominees except Thomas D. Bell, Jr. and Jon A. Boscia have served as directors since our last annual meeting.

The persons named on the enclosed proxy card will vote each properly executed proxy for the election of the nominees named below as directors unless authority to so vote is withheld. If any of these nominees becomes unavailable for election, the Board may substitute another nominee or reduce the number of directors to be elected. In the event the Board names a substitute nominee, the proxy would be voted for the substitute nominee. The Board has no reason to believe that any nominee will be unable or decline to serve as a director. The terms of our remaining directors will continue as indicated below.

Under our Corporate Governance Guidelines, directors are required to retire at the annual meeting of shareholders nearest to their 72nd birthday. In accordance with this policy, James B. Williams (who is a member of the class of directors whose term expires at the Annual Meeting) has submitted his resignation to the Board, effective May 3, 2005. Mr. Williams has served as one of our directors since 1989. We would like to thank Mr. Williams for his years of dedicated service on our Board and for his unwavering commitment to Georgia-Pacific.

If Proposal No. 4 to eliminate our classified board structure is approved, our current directors, including the directors elected at this Annual Meeting, will continue to serve for their elected terms. In other words, the proposed amendments will not shorten the term of any director now serving on our Board or elected to serve on our Board at this Annual Meeting. However, beginning with the annual meeting of shareholders in 2006, directors will be elected for a term expiring at the next annual meeting or until their successors are duly elected and qualified. Thus, if the Bylaw amendments to eliminate our classified board structure are approved, by the 2008 annual meeting of shareholders all directors will be elected annually for a term expiring at the next annual meeting or until their successors are elected or qualified.

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NOMINEES AND DIRECTORS

The Board of Directors recommends that shareholders vote **FOR** the election of the five nominees named below.

CLASS III DIRECTOR NOMINEES, term ends May 2008

JAMES S. BALLOUN, 66, retired Chairman and Chief Executive Officer of Acuity Brands, Inc. (manufacturer of lighting fixtures and cleaning chemicals), a position he held from October 2001 until September 2004. Mr. Balloun has been one of our directors since 1998. Mr. Balloun served as Chairman, Chief Executive Officer and President of National Service Industries, Inc. from 1996 until November 2001 when it spun off Acuity Brands in a tax-free distribution to its shareholders. Mr. Balloun served as a director of McKinsey & Company, Inc. from 1976 until 1996.

Mr. Balloun is also a director of Radiant Systems, Inc. and Wachovia Corporation.

THOMAS D. BELL, JR., 55, Vice Chairman and President and Chief Executive Officer of Cousins Properties Incorporated since January 2001 and January 2002, respectively. Mr. Bell was Chairman and Chief Executive Officer of Young & Rubicam, Inc. from January 2000 until November 2000; President and Chief Operating Officer from September 1999 until January 2000 and Chairman and Chief Executive Officer of Young & Rubicam Advertising from March 1998 until August 1999.

Mr. Bell is also a director of Cousins Property Incorporated, Lincoln Financial Group, AGL Resources, Inc. and Regal Entertainment Group.

JON A. BOSCIA, 52, Chairman and Chief Executive Officer of Lincoln Financial Group since March 2001 and July 1998, respectively. From January 1998 to March 2001, Mr. Boscia served as President of Lincoln National Corporation.

Mr. Boscia is also a director of Lincoln Financial Group and Hershey Foods Corporation.

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ALSTON D. CORRELL, 63, our Chairman and Chief Executive Officer since December 1993 and May 1993, respectively, and President from July 1991 to September 2002, has been one of our directors since 1992.

Mr. Correll is also a director of Norfolk Southern Corporation, Mirant Corporation and SunTrust Banks, Inc.

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NOMINEES AND DIRECTORS

JOHN D. ZEGLIS, 57, retired Chairman and Chief Executive Officer of AT&T Wireless Services, Inc., a position he held from December 1999 through November 2004, has been one of our directors since 2001. Mr. Zeglis served as President of AT&T Corporation from December 1997 to January 2000, Vice Chairman from June 1997 to November 1997, Senior Executive Vice President and General Counsel from 1996 to 1997 and Senior Vice President and General Counsel from 1986 to 1996.

Mr. Zeglis is also a director of Helmerich and Payne Corporation and the State Farm Mutual Insurance Company.

CONTINUING DIRECTORS

BARBARA L. BOWLES, 57, Chairman and Chief Executive Officer of The Kenwood Group, Inc. (an equity investment advisory firm) since 1989, has been one of our directors since 2000. Ms. Bowles served as a director of Fort James Corporation from 1997 until the completion of our acquisition of Fort James in 2000. Her current term as a director ends in 2007.

Ms. Bowles is also a director of The Black & Decker Corporation, Wisconsin Energy Corporation, Wisconsin Electric Power Company, Wisconsin Gas Company, Hyde Park Bank of Chicago and Dollar General Corporation.

DONALD V. FITES, 71, retired Chairman and Chief Executive Officer of Caterpillar Inc., a position he held from 1990 until February 1999, has been one of our directors since 1992. His current term as a director ends in 2007.

Mr. Fites is also a director of AK Steel Corporation, Oshkosh Truck Corporation, Unitrin, Inc. and Wolverine World Wide, Inc.

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NOMINEES AND DIRECTORS

SIR RICHARD V. GIORDANO, 70, retired Chairman of BG Group plc (oil and gas exploration and production, distributor and seller of gas and gas supported services), a position he held from January 1994 through December 2003, has been one of our directors since 1984 and our Lead Director since November 2002. His current term as a director ends in 2006.

He is also a director of Rio Tinto plc.

DAVID R. GOODE, 64, Chairman and Chief Executive Officer of Norfolk Southern Corporation since October 2004, Chairman, President and Chief Executive Officer from September 1992 until October 2004 and an executive officer of that company since 1985, has been one of our directors since 1992. His current term as a director ends in 2007.

Mr. Goode is also a director of Norfolk Southern Corporation, Norfolk Southern Railway Company, Caterpillar Inc., Delta Air Lines, Inc. and Texas Instruments Incorporated.

KAREN N. HORN, Ph.D., 61, retired Managing Director of Marsh Inc., a position she held from 1999 through 2003, has been one of our directors since 2004. Prior to joining Marsh, Dr. Horn was Senior Managing Director and head of international private banking at Bankers Trust Company; Chairman and Chief Executive Officer of Bank One, Cleveland, N.A.; President of the Federal Reserve Bank of Cleveland; Treasurer of Bell of Pennsylvania; and Vice President of First National Bank of Boston. Dr. Horn has been one of our directors since 2004. Her current term as a director ends in 2007.

Dr. Horn is also a director of Eli Lilly and Company, Simon Property Group and T. Rowe Price Mutual Funds. She serves as a Director of the U.S.-Russia Investment Fund (a Presidential appointment) and on the Executive Committee of the National Bureau of Economic Research.

M. DOUGLAS IVESTER, 57, President of Deer Run Investments, LLC (an investment management company) since February 2000, has been one of our directors since 1993. Mr. Ivester served as Chief Executive Officer of The Coca-Cola Company from October 1997 to February 2000 and as President and Chief Operating Officer from July 1994 until October 1997. His current term as a director ends in 2006.

Mr. Ivester is also a director of SunTrust Banks, Inc., and S1 Corporation.

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NOMINEES AND DIRECTORS

WILLIAM R. JOHNSON, 56, Chairman, President and Chief Executive Officer of H.J. Heinz Company, has been one of our directors since 2004. Mr. Johnson was named President and Chief Executive Officer of H.J. Heinz Company in 1998 and assumed the additional role of Chairman in September 2000. His current term as a director ends in 2007.

Mr. Johnson is also a director of H.J. Heinz Company, Grocery Manufacturers of America, Inc. and Clorox Company.

LEE M. THOMAS, 60, our President and Chief Operating Officer since September 2002 and March 2003, respectively, has been one of our directors since May 2002. Prior to becoming our President and Chief Operating Officer, Mr. Thomas served in a number of management positions with Georgia-Pacific, including President-Building Products and Distribution from March 2002 until September 2002, Executive Vice President-Consumer Products from August 2000 until March 2002, Executive Vice President-Paper and Chemicals from December 1997 until August 2000. His current term as a director ends in 2006.

Mr. Thomas is also a director of Airgas, Inc.

LOUIS W. SULLIVAN, M.D., 71, President Emeritus of Morehouse School of Medicine since July 2002, has been one of our directors since 1993. Dr. Sullivan served as President of Morehouse School of Medicine from January 1993 until July 2002 and as Secretary of the United States Department of Health and Human Services from March 1989 until January 1993. His current term as a director ends in 2006.

Dr. Sullivan is also a director of Bristol-Myers Squibb Company, CIGNA Corporation, United Therapeutics, Inc., Minnesota Mining and Manufacturing Company, BioSante Pharmaceuticals, Inc. and Endovascular Instruments, Inc.

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NOMINEES AND DIRECTORS

Compensation of Non-Management Directors

The form and amount of director compensation is determined from time to time by the Executive and Governance Committee and then recommended to the Board for action. Director compensation may take the form of cash, stock and other benefits ordinarily available to directors. Directors are reimbursed for travel and other necessary business expenses incurred in the performance of their services to Georgia-Pacific. Generally, the Board seeks to set director compensation at levels that fairly compensate directors for their responsibilities as directors, are consistent with compensation levels at companies of a similar size and nature to Georgia-Pacific, and that align the directors interests with the long-term interests of us and our shareholders.

To create a direct linkage with corporate performance and align more closely the long-term interests of shareholders and the Board, it is the policy of the Board that equity-based compensation constitute a meaningful portion of directors' compensation.

During 2004, each of our non-management directors received compensation consisting of:

- n \$40,000 in cash;
- n stock options to purchase shares of Georgia-Pacific stock valued at \$40,000 on the date of grant;
- n a restricted stock grant of Georgia-Pacific stock valued at \$50,000 on the date of grant; and
- n group term life insurance in the amount of \$50,000.

The Chairmen of the Management Development and Compensation Committee and the Finance Committee each received a \$10,000 fee for such service. The Chairman of the Audit Committee received a \$15,000 fee for such service, and the Chairman of the Executive and Governance Committee received a \$20,000 fee for such service.

Directors have the option to defer all or part of the cash compensation payable to them so long as they defer at least \$10,000 in each calendar year. The deferred fees (adjusted for investment gains or losses) are paid upon retirement in a single payment or in annual cash payments. A deferral gives a director the option of being paid as if such funds had been invested in shares of Georgia-Pacific stock, a promissory note with a floating interest rate equal to ¾% over the six-month Treasury Bill rate, or a Standard & Poor's 500 Index Fund.

In 2005, upon the recommendation of the Executive and Governance Committee, the Board terminated the plans under which stock options and restricted stock grants had been issued to directors as part of their compensation, and replaced these plans with a new Outside Director Deferred Stock Unit Plan. Under this plan, beginning in 2005, each non-management director will receive a grant of stock units valued at \$90,000 on the date of grant. The value of each stock unit will track the value of a single share of Georgia-Pacific's common stock. Distributions of the stock units to directors will be made in cash upon the termination of a director's board membership.

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Upon the recommendation of the Executive and Governance Committee following its review of market data and other considerations, the Board approved the following compensation for directors for the 2005 fiscal year:

- n \$50,000 in cash;
- n an award of deferred stock units valued at \$90,000 on the date of grant; and
- n group term life insurance in the amount of \$50,000.

During 2005, the Chairmen of the Board's standing committees will continue to receive the fees described above for their services in such capacities.

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CORPORATE GOVERNANCE

We have always believed that strong corporate governance practices help build shareholder value and encourage investment in Georgia-Pacific. Many of our current corporate governance practices were in place long before they were required under the Sarbanes-Oxley Act of 2002 and subsequent changes in Securities and Exchange Commission regulations and New York Stock Exchange listing standards. We regularly examine and reexamine our corporate governance practices to ensure that they continue to serve these purposes and that they are appropriate for GP in light of the complex and demanding business environments in which we operate.

The following discussion highlights various aspects of our corporate governance structure.

Corporate Governance Guidelines

For a number of years, our Board has had in place policies and procedures that address a variety of corporate governance principles, including director independence, director orientation and education, mandatory retirement, evaluation of the chief executive officer, succession planning, composition of the Board and self-assessment of the Board and Board committees. In 2003, our Board adopted our Corporate Governance Guidelines, which embody many of these long-standing practices and incorporate new policies and procedures that have been adopted to strengthen our corporate governance structure. The Guidelines are reviewed by the Executive and Governance Committee on a regular basis. In February 2005, the Committee amended the Guidelines to adopt new and expanded Independence Standards for non-management directors, a copy of which is attached as Appendix A to this Proxy Statement. A copy of our current Corporate Governance Guidelines may be viewed on our website at www.gp.com/center/governance.

Lead Director

In accordance with our Corporate Governance Guidelines, the Chairman of the Executive and Governance Committee, currently Sir Richard V. Giordano, serves as our Lead Director. The Lead Director presides over meetings of the non-management directors and serves as a liaison between the non-management members of the Board and the Chairman of the Board. The Lead Director discusses with the Chairman, to the extent appropriate, matters discussed by the non-management directors in executive session.

Non-Management Directors Meetings

Our non-management directors meet in executive session without management prior to and frequently following each regular meeting of the Board, and the Chairman of the Board or the Lead Director may call for a meeting of non-management directors at any special meeting of the Board. During 2004, our non-management directors met eight times and discussed such topics as management's performance, succession planning and the recommendations of the Management Development and Compensation Committee regarding our Chief Executive Officer's compensation.

Independence of Directors

New York Stock Exchange listing standards require listed companies to have a board of directors with at least a majority of independent directors. We have, and have had for many years, a majority of independent directors.

The Board has determined that each current director and each nominee for election, with the exception of Messrs. Correll and Thomas, who are employed by GP, has no material relationship with GP that is inconsistent with a determination that such person is independent within the meaning of our Independence Standards, and each qualifies as

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an independent director. The Board based these determinations primarily on a review of the responses of the directors and nominees to questions regarding employment and compensation history, affiliations and family and other relationships, and discussions with the directors and nominees.

Board Meetings

The schedule of Board meetings for each year is set by the Chairman of the Board, in consultation with all of the directors. The Board of Directors met six times in 2004, and Board committees met a total of 24 times in 2004. Average director attendance at all Board and committee meetings was 95%. Each member of the Board attended at least 75% of the aggregate of all Board meetings and meetings of committees on which they served in 2004, with the exception of Dr. Sullivan, who attended 71% of the aggregate of all Board meetings and meetings of committees on which he served. We expect, but do not require, directors to attend the annual meeting of shareholders, subject to compelling personal or business commitments. Last year all of our directors, with the exception of Dr. Sullivan, attended the annual meeting of shareholders.

Board Committees

Both the Sarbanes-Oxley Act and the New York Stock Exchange listing standards require us to have an audit committee comprised solely of independent directors, and the New York Stock Exchange standards also require that we have independent compensation and nominating/corporate governance committees. The Board's standing committees—the Audit Committee, Management Development and Compensation Committee, Finance Committee and Executive and Governance Committee—have long been comprised solely of independent directors. The Board has determined that each member of the Board's standing committees qualifies as independent within the meaning of our Corporate Governance Guidelines, which reflect applicable Securities and Exchange Commission regulations and New York Stock Exchange listing standards. The Board also has determined that each of Mr. Ivester, the current Chairman of the Audit Committee, Mr. Balloun, Ms. Bowles and Dr. Horn is qualified as an audit committee financial expert, within the meaning of Securities and Exchange Commission regulations, and has accounting and related financial management expertise within the meaning of the listing standards of the New York Stock Exchange.

Audit Committee. In 2004, James S. Balloun, Barbara L. Bowles, Karen N. Horn, M. Douglas Ivester (Chairman) and Louis W. Sullivan served as members of the Audit Committee. The Audit Committee met seven times in 2004. The primary purpose of the Audit Committee is to assist the Board in its oversight of the integrity of our financial statements, the independent auditor's qualifications and independence, performance of our internal audit function and independent auditors, and our compliance with legal and regulatory requirements. Among other things, the Audit Committee:

- n prepares the Audit Committee Report for inclusion in the annual proxy statement (the report for 2004 is set forth on page 17 of this Proxy Statement);
- n appoints, evaluates and approves the compensation of our independent auditors;
- n reviews and approves the approach, scope and results of the annual audit, the audit fees and the financial statements;
- n

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- reviews our disclosure controls and procedures, internal accounting controls, information security policies, internal audit function, and corporate policies with respect to financial information;
- n establishes procedures for the receipt, retention and treatment of complaints regarding financial and accounting methods, internal accounting controls and auditing

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matters, and oversees investigations into such complaints; and
n reviews other risks that may have a significant impact on our financial statements.

Ms. Bowles also serves on the audit committees of The Black & Decker Corporation, Wisconsin Energy Corporation and its subsidiary Wisconsin Electric Power Company. Because we consider her service on the audit committees of Wisconsin Energy Corporation's family of companies to be service to one public company due to the commonality of the issues considered by those committees, the Board has determined that such simultaneous service does not impair Ms. Bowles' ability to effectively serve on our Audit Committee.

The Audit Committee operates under a charter, a copy of which may be viewed on our website at www.gp.com/center/governance.

Management Development and Compensation Committee. In 2004, Donald V. Fites (Chairman), Sir Richard V. Giordano, William R. Johnson and John D. Zeglis served as members of the Management Development and Compensation Committee. The Committee met six times in 2004. The primary purpose of the Committee is to establish compensation policies and procedures to ensure that we are able to attract and retain high quality leadership and that compensation is appropriate given management performance. The Committee also is responsible for determining the compensation of our Chief Executive Officer, based on an annual evaluation of his performance. Among other things, the Committee:

n prepares the Compensation Report for inclusion in the annual proxy statement (the report for 2004 is set forth on pages 19-23 of this Proxy Statement);
n establishes