WASTE MANAGEMENT INC
Form DEF 14A
April 08, 2002

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

SCHEDULE 14A
(RULE 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]

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))

[X] 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):

[X] No fee required.

[ ] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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

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

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(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:

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

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(3) Filing Party:

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(4) Date Filed:

[WASTE MANAGEMENT LOGO]

1001 FANNIN STREET, SUITE 4000
HOUSTON, TEXAS 77002

Dear Stockholder:

We invite you to attend our Annual Meeting of Stockholders on May 17, 2002, in Houston, Texas. At the meeting, you will hear a report on our operations and have a chance to meet your directors and executives.

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 personal information about our director candidates.

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. Whether or not you attend the meeting, please vote your shares either by returning your proxy card or by voting by telephone or Internet as soon as possible (see the proxy card for instructions on how to vote by telephone or Internet).

We hope you'll be able to attend the meeting and look forward to seeing you on May 17th.

Sincerely yours,

/s/ A. MAURICE MYERS
A. MAURICE MYERS
Chairman of the Board,
President and CEO

April 8, 2002

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

DATE AND TIME:

May 17, 2002 at 11:00 a.m., Central Time

PLACE:

The St. Regis Hotel
1919 Briar Oaks Lane
Houston, Texas 77027

PURPOSE:

- Elect two directors;

- Ratify appointment of independent auditors;

- Vote on a proposal to amend the Company's Restated Certificate of Incorporation to provide for election of directors annually;

- Vote on a stockholder proposal relating to the Company's disclosure of its strategy on opposition to privatization; and

- Conduct other business that is properly raised.

Only stockholders of record on March 22, 2002 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.

/s/ DAVID P. STEINER
DAVID P. STEINER
Senior Vice President, General Counsel
and Corporate Secretary

April 8, 2002

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GENERAL INFORMATION

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 ("SEC") and that is designed to assist you in voting your shares. On April 8, 2002 we began mailing these proxy materials to all stockholders of record at the close of business on March 22, 2002.

WHO MAY VOTE

Stockholders of Waste Management, as recorded in our stock register at the close of business on March 22, 2002, may vote at the meeting. Each share of Waste Management common stock is entitled to one vote. As of March 22, 2002, there were 617,852,674 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 even if you plan to attend the meeting. You can always change your vote at the meeting, in which case your proxy will be revoked.

HOW PROXIES WORK

Waste Management's Board of Directors is asking for your proxy. There are three ways to vote by proxy:

- By telephone -- You can vote by telephone by following the instructions on the proxy card;

- By Internet -- You can vote on the Internet by following the instructions on the proxy card; and

- By mail -- You can vote by mail by signing, dating and mailing the enclosed proxy card.

Giving us your proxy means you authorize us to vote your shares at the meeting in the manner you direct. If you sign your proxy but do not give voting instructions, we will vote your shares in favor of our director candidates; in favor of the ratification of the independent auditors; in favor of the amendment to the Restated Certificate of Incorporation; and against the stockholder proposal relating to the Company's disclosure of its strategy on opposition to privatization. For any other matters that may properly come before the meeting, your shares will be voted at the discretion of the proxy holders. You may vote for both, either or none of our director candidates. You may also vote for or against the other proposals, or you may abstain from voting.

You may receive more than one voting or proxy card depending on how you hold your shares. Shares registered in your name and shares held in the Employee Stock Purchase Plan and the Retirement Savings Plan are covered by three separate cards. If you hold shares through someone else, such as a broker, you may also get material from them asking how you want to vote. You should complete and return each proxy or other voting instruction request provided to you.

REVOKING A PROXY

You may revoke your proxy before it is voted by submitting a new proxy with a later date; by voting in person at the meeting; or by notifying Waste Management's Corporate Secretary in writing at the following address. Your most current telephone or Internet vote is the one that is counted unless you vote in person at the meeting.

Waste Management, Inc.
Attn: Corporate Secretary
1001 Fannin Street, Suite 4000
Houston, Texas 77002

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 as present at the meeting for determining whether we have a quorum. A broker non-vote occurs when a broker signs and returns a proxy but does not vote on a particular proposal because the broker does not have discretionary voting power for that particular item and has not received voting instructions from the beneficial owner.

VOTES NEEDED

Directors are elected by a plurality of shares present at the meeting, meaning that the director nominee with the most affirmative votes for a particular slot is elected to that slot.

The proposal to amend the Company's Restated Certificate of Incorporation to provide for the election of directors annually requires the favorable vote of at least two-thirds of the total outstanding shares.

The stockholder proposal and the ratification of the independent auditors require the favorable vote of a majority of the shares present at the meeting, either by proxy or in person, and entitled to vote on such matters.

Abstentions have the same effect as a vote against a matter because they are present for purposes of the meeting and entitled to vote on such matter, but are not a vote for such matter.

Broker non-votes will have no effect on the vote on any matter, except that they have the same effect as a vote against the proposal to amend the Company's Restated Certificate of Incorporation because broker non-votes are counted in the total number of outstanding shares but are not voted for the proposal.

ATTENDING IN PERSON

Only stockholders, their proxy holders and Waste Management's guests may attend the meeting. If you plan to attend, please bring identification and, if you hold shares in street name, you should bring your bank or broker statement showing your beneficial ownership of Waste Management stock for admittance to the meeting.

BOARD OF DIRECTORS

The Board of Directors consists of nine directors divided into three classes (Class I, Class II and Class III) serving staggered three-year terms. The Class I directors are up for election at the Annual Meeting, and the nominees for election are Class I directors. No nominees will be recognized other than those that are nominated in accordance with the provisions contained in the By-laws of the Company. No nominees, other than those proposed by the Board, were presented for the 2002 Annual Meeting.

DIRECTOR NOMINEES
(ITEM 1 ON THE PROXY CARD)

The first proposal on the agenda for the Annual Meeting will be electing two directors to serve as Class I directors for three-year terms beginning at this Annual Meeting and expiring at the 2005 Annual Meeting of Stockholders. The Board has nominated two current directors -- Pastora San Juan Cafferty and Steven G. Rothmeier -- and recommends that you vote for their reelection. The two nominees receiving the greatest number of votes at this Annual Meeting will be elected.

Ralph F. Cox is also currently a Class I director; however, he is not standing for reelection as he is retiring from the Board at this Annual Meeting in accordance with the Company's Corporate Governance Guidelines.

The following is a brief biography of each nominee. You will find information on their holdings of Waste Management stock in the "Director and Officer Stock Ownership" section on page 6.

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Pastora San Juan Cafferty is 61 years old. She has been a director of the Company or one of its predecessors since 1994, and her current term as a Class I director expires in 2002. She has been a Professor since 1985 at the University of Chicago, where she has been a member of the faculty since 1971. She currently serves as a director of Kimberly-Clark Corporation, People's Energy Corporation, Bankmont Financial Corporation and its subsidiaries, Harris Bankcorp, Inc. and Harris Trust and Savings Bank. She is also a Trustee of Rush-Presbyterian St. Luke's Medical Center and the Lyric Opera of Chicago.

Steven G. Rothmeier is 55 years old. He has been a director of the Company or one of its predecessors since 1997, and his current term as a Class I director expires in 2002. He has been Chairman and CEO of Great Northern

Capital, a private investment management, consulting and merchant banking firm, since March 1993. He is a director of GenCorp., Inc., Department 56, Inc., and Precision Castparts Inc.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF PASTORA SAN JUAN CAFFERTY AND STEVEN G. ROTHMEIER.

DIRECTORS CONTINUING IN OFFICE

The Class II and Class III directors will continue in office following the Annual Meeting, and their terms will expire in 2003 (Class II) or 2004 (Class III), with the exception of Mr. Arnelle, a Class III director, who will retire at the 2003 Annual Meeting of Stockholders in accordance with the Company's Corporate Governance Guidelines. The following are brief biographies of each of these directors.

Robert S. Miller is 60 years old. He has been a director of the Company or one of its predecessors since 1997, and his current term as a Class II director expires in 2003. Mr. Miller is a turn-around specialist dealing with troubled companies. He has been Chairman of the Board and Chief Executive Officer of Bethlehem Steel Corporation, a steel manufacturing company, since September 2001. He served as Chairman of Federal Mogul Corporation, an automotive parts manufacturing firm, from September 2000 to October 2001, and was CEO of Federal Mogul from September 2000 until January 2001. In October 2001, Bethlehem Steel and Federal Mogul both filed for bankruptcy under Chapter 11 of the Bankruptcy Code. Mr. Miller served as special advisor to Aetna, Inc., a health insurer, from February 2000 until September 2000. From November 1999 until February 2000, Mr. Miller served as President and a Director of Reliance Group Holdings, Inc., a property and casualty insurance company that filed for bankruptcy under Chapter 11 of the Bankruptcy Code in June 2001. He served as President and Chief Executive Officer of Waste Management from August 1999 until November 1999 and as non-executive Chairman of the Board of the Company from July 1998 until May 1999. Mr. Miller is a director of Federal Mogul Corporation, Pope & Talbot, Inc., and Symantec Corp.

A. Maurice Myers is 61 years old. He has been a director of the Company since November 1999, and his current term as a Class II director expires in 2003. He has been Chairman of the Board, President and CEO of the Company since November 1999. He served as Chairman of the Board of Yellow Corporation, a freight transportation company, from July 1996 until November 1999, and as a director, President and CEO from April 1996 until November 1999. He is a director of Tesoro Petroleum Corporation and Hawaiian Electric Industries, Inc.

Carl W. Vogt is 65 years old. He has been a director of the Company since December 2001, and his current term as a Class II director expires in 2003. Mr. Vogt is "Of Counsel" to Fulbright & Jaworski L.L.P., a law firm headquartered in Houston, Texas, where he was formerly a senior partner. He is currently a director of the Deutsche Alex. Brown Flag Investors Funds, the ISI Managed Funds, Yellow Corporation and American Science and Engineering Inc. He was a director of the National Passenger Railroad Corporation (AMTRAK) from 1990 until 1992, and Chair of the U.S. National Transportation Safety Board from 1992 until 1994. He is a Trustee of Williams College where he served as interim President from 1999 until 2000, Chair of the Flight Safety Foundation and a member of the American Council on Germany. Mr. Vogt is a Fellow of the Royal Aeronautical Society, a Fellow of the American Bar Foundation and an Industrial Fellow, Linacre College, Oxford University, England.

H. Jesse Arnelle is 68 years old. He has been a director of the Company or one of its predecessors since 1991, and his current term as a Class III director will expire in 2003, when he will retire from the Board in accordance with the Company's Corporate Governance Guidelines. He is "Of Counsel" to Womble, Carlyle, Sandridge and Rice, a law firm headquartered in Winston-Salem, North Carolina. He was senior partner of Arnelle, Hastie, McGee, Willis and Greene, a San Francisco-based law firm, until 1996. He is a director of Florida Power & Light, Eastman Chemical Corporation, Textron Corporation, Gannett Corporation, Armstrong World Industries, Inc. and Metropolitan Life's Series Fund.

John C. Pope is 53 years old. He has been a director of the Company or one of its predecessors since 1997, and his current term as a Class III director expires in 2004. He serves as Chairman of the Board of PFI Group, a private investment firm. He served as Chairman of the Board of MotivePower Industries, Inc., a manufacturer and remanufacturer of locomotives and locomotive components from January 1996 to November 1999. He is a director of Federal Mogul Corporation, Wallace Computer Services, Inc., Air Canada Corporation, Per-Se Technologies, Inc., Dollar Thrifty Automotive Group, Inc. and Kraft Foods, Inc.

Ralph V. Whitworth is 46 years old. He has been a director of the Company since 1998, and his current term as a Class III director expires in 2004. He has been a principal and managing member of Relational Investors LLC, a private asset management company, since March 1996. He has also been a partner in Batchelder & Partners, Inc., a financial advisory and investment-banking firm based in San Diego, California, since January 1997. He served as Acting Chairman of the Board of Waste Management from July 1999 to August 1999 and as Chairman of the Board from August 1999 until November 1999. He has served as Chairman of the Board of Apria Healthcare Group Inc. since April 1998 and has been a director since January 1998. He is a director of Tektronix Inc. and Mattel Inc.

DIRECTOR COMPENSATION

Waste Management employees receive no extra compensation for serving as directors. In 2001, nonemployee directors received a base fee of $30,000 per year, Board and committee meeting fees of $1,250 for each meeting attended and reimbursement of meeting expenses. In addition, committee chairpersons received an additional $625 for each committee meeting chaired. Under the Company's deferred compensation plan for non-employee directors, directors can choose to receive their cash compensation in cash, in phantom stock, or in a combination of cash and phantom stock. Each phantom stock unit is equal in value to a share of Waste Management stock and is ultimately paid in cash. These units are credited to the directors' accounts at the same time the annual retainer would otherwise be paid. Any fees that are deferred are held in the general funds of the Company. In general, deferred amounts are not paid until after the director retires from the Board. The amounts are then paid in a lump sum. We also pay a portion of director compensation in stock. Every year, each nonemployee director receives 10,000 options to purchase the Company's common stock at the fair market value on the date of grant.

Starting in 2002, the nonemployee directors' annual retainer has been increased to $35,000 per year, plus the reimbursement of meeting expenses. Also starting in 2002, members of the Board receive $1,400 for each Board meeting attended. They continue to receive $1,250 for each committee meeting attended and committee chairpersons continue to receive an additional $625 for each committee meeting they chair.

MEETINGS AND BOARD COMMITTEES

Last year, the Board held 8 meetings. Each member of the Board of Directors attended at least 75% of the meetings of the Board and the committees on which he or she served.

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 standing committees: the Audit Committee, the Compensation Committee and the Nominating and Governance Committee. Additionally, the Board has the power to appoint additional committees, as it deems necessary.

The Audit Committee currently consists of Ms. Cafferty, Mr. Cox, Mr. Pope (Chairman), Mr. Rothmeier and Mr. Vogt. In 2001, the Audit Committee consisted of Mr. Montrone (who resigned from

the Board in December 2001), Mr. Pope (Chairman) and Mr. Rothmeier. Each member of the Audit Committee is "independent" as defined in the New York Stock Exchange listing standards. During 2001, the Audit Committee held 6 meetings. The duties of the Audit Committee generally are:

- to review the annual audited financial statements with management and recommend to the Board whether those financial statements should be included in the Company's Annual Report on Form 10-K;

- to review with management and the independent auditor the Company's quarterly financial statements prior to the filing of the Company's Form 10-Q;

- to recommend to the Board independent auditors to annually audit the Company's books and records;

- to approve the fees to be paid to the independent auditors;

- to review the independence of the independent auditors;

- to review external and internal audit plans, staffing, reports and activities;

- to review with management, the independent auditors and internal auditors the Company's financial reporting, accounting and auditing practices and the adequacy and effectiveness of accounting and financial controls that could affect the Company's financial statements; and

- to report the results of its reviews to the Board.

The Audit Committee has a written charter, a copy of which was attached as an exhibit to the Company's Proxy Statement relating to its 2001 Annual Meeting of Stockholders.

The Compensation Committee currently consists of Mr. Arnelle, Ms. Cafferty (Chairperson), Mr. Miller, Mr. Rothmeier and Mr. Whitworth. In 2001, the Compensation Committee consisted of Ms. Cafferty, Mr. Montrone (Chairman) and Mr. Whitworth. During 2001, the Compensation Committee met 6 times. The duties of the Compensation Committee generally are:

- to review and recommend to the Board compensation for the Company's executive officers and senior management;

- to recommend to the Board new, and changes to existing, compensation and benefit plans;

- to recommend to the Board annual incentive compensation plan bonus goals for executive officers and senior management and grant options under the Company's stock option plans;

- to review and consider the annual evaluation of the CEO prepared by the Nominating and Governance Committee and recommend to the Board the compensation of the CEO;

- to annually review, and make recommendations to the Board with respect to, compensation of the non-employee directors; and

- to make regular reports to the Board.

The Nominating and Governance Committee currently consists of Mr. Arnelle, Mr. Cox, Mr. Miller, Mr. Pope, Mr. Vogt and Mr. Whitworth (Chairman). In 2001, the Nominating and Governance Committee consisted of Mr. Arnelle, Mr. Cox, Mr. Miller and Mr. Whitworth (Chairman). The Nominating and Governance Committee met 4 times in 2001. The duties of the Nominating and Governance Committee generally are:

- to review, and make recommendations to the Board regarding, the overall effectiveness, organization and structure of the Board and its committees;

- to establish criteria for membership on the Board and its committees and identify and propose to the Board nominees to fill Board vacancies as they occur;

- to coordinate an annual evaluation of the CEO by non-employee directors and provide the results of such evaluation to the Compensation Committee;

- to coordinate an annual evaluation by the directors of the Board's performance and procedures;

- to review, and make recommendations to the Board regarding, corporate governance matters; and

- to make regular reports to the Board.

Additionally, the Nominating and Governance Committee will consider stockholders' suggestions for nominees for directors. 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 Corporate Secretary, Waste Management, Inc., 1001 Fannin, Suite 4000, Houston, Texas 77002, between November 9, 2002 and December 9, 2002.

DIRECTOR AND OFFICER STOCK OWNERSHIP

These tables show how much common stock each director, director nominee and executive officer named in the Summary Compensation Table on page 8 owned on March 22, 2002. None of these individuals, nor the directors and officers as a group, own more than 1% of the Company's outstanding shares.

	SHARES OF COMMON	SHARES OF COMMON STOCK COVERED BY OPTIONS EXERCISABLE	SHARES COVERED BY PHANTOM STOCK

NAME	STOCK OWNED	WITHIN 60 DAYS	UNITS(1)
H. Jesse Arnelle....................	1,126	40,875	2,316
Pastora San Juan Cafferty...........	3,625	40,875	--
Ralph F. Cox........................	8,500	95,000	3,753
Robert S. Miller....................	14,726	442,708	4,136
John C. Pope(2).....................	4,338	32,175	2,110
Steven G. Rothmeier.................	1,239	34,350	244
Carl W. Vogt........................	56,455	--	578
Ralph V. Whitworth(3)...............	4,578,500	295,000	2,900
A. Maurice Myers(4).................	213,412	841,667	--
William L. Trubeck(5)...............	27,960	250,000	--
Lawrence O'Donnell, III(6)..........	23,493	218,750	--
Robert P. Damico....................	8,345	216,854	--
David R. Hopkins....................	145	178,750	--
All directors and executive officers as a group (24 persons)...........	5,008,215	3,923,770	16,037

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(1) The phantom stock units are paid to participating non-employee directors through the Company's deferred compensation plan, as discussed under the section titled "Director Compensation" on page 4. A phantom stock unit is a fictitious share of the Company's common stock that is credited to the director's account. The phantom stock unit has the same value as a share of Company common stock on the day it is credited, and receives dividends in the same amount and at the same time as if it were a real share of the Company's common stock. The value of the phantom stock unit plus any accrued dividends is paid out on a future date as elected by the director.

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

(3) The number of shares owned by Mr. Whitworth are held by limited partnerships and managed accounts controlled by Relational Investors LLC, of which Mr. Whitworth is a principal and managing member. Mr. Whitworth disclaims beneficial ownership of these shares.

(4) The number of shares owned by Mr. Myers represents shares granted pursuant to a restricted stock award, of which 125,079 are vested. The number of shares covered by options includes 100,260 options

owned by a trust for the benefit of Mr. Myers' children, for which Mr. Myers serves as trustee. Mr. Myers has disclaimed beneficial ownership of those securities.

(5) The number of shares owned by Mr. Trubeck includes 25,740 shares granted pursuant to a restricted stock award, of which 11,866 shares are vested.

(6) The number of shares owned by Mr. O'Donnell includes 21,239 shares granted pursuant to a restricted stock award, of which 10,620 shares are vested.

PERSONS OWNING MORE THAN 5% OF WASTE MANAGEMENT STOCK

The table below shows the beneficial ownership of the Company's common stock as of March 22, 2002, for persons that we know own 5% or more of our common stock, based on Schedules 13D and 13G filed with the SEC.

NAME AND ADDRESS	SHARES BENEFICIALLY OWNED NUMBER	PERCENT
Legg Mason, Inc. .... 100 Light Street Baltimore, Maryland 21202	40,513,106	6.45%

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Under the federal securities laws, executive officers, directors and stockholders who own more than 10% of Waste Management 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. They are also required to provide the Company with copies of any forms they file.

After reviewing the copies of the forms given to the Company and written representations from the executive officers and directors, the Company believes that during the last fiscal year, the executive officers and directors complied with all of their requirements to report their stock ownership and any changes in their ownership.

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EXECUTIVE COMPENSATION

These tables show the compensation of Waste Management's CEO and the four most highly paid executives other than the CEO. You can see the Compensation Committee's report starting on page 11 for an explanation of the Company's compensation philosophy.

SUMMARY COMPENSATION TABLE

		ANNUAL COMPENSATION			LONG TERM C AWA
NAME AND PRINCIPAL POSITION	YEAR	SALARY($)	BONUS($)	OTHER ANNUAL COMPENSATION($)(1)	RESTRICTED STO AWARD(S)($)
A. Maurice Myers.............	2001	850,000	496,300	65,063	--
Chairman of the Board,	2000	850,000	1,010,700	--	--
President and CEO	1999	124,230	650,000	--	4,124,063(3
William L. Trubeck...........	2001	518,750	291,800	--	--
Executive Vice President	2000	411,538	445,894	--	386,738(4
and Chief Financial Officer	1999	--	--	--	--
Lawrence O'Donnell, III......	2001	511,250	324,800	--	--
Executive Vice President --	2000	415,769	419,140	--	370,355(5
Western Group	1999	--	--	--	--
Robert P. Damico.............	2001	433,846	238,800	--	--
Senior Vice President --	2000	414,615	648,660(6)	--	--
Midwest Group	1999	400,000	0	--	--
David R. Hopkins.............	2001	443,245	237,500	--	--

Senior Vice President --	2000	378,173	1,289,200(7)	--	--
Southern Group	1999	275,000	220,000	--	--

NAME AND PRINCIPAL POSITION	ALL OTHER COMPENSATION($)(2)
A. Maurice Myers.............	40,616
Chairman of the Board,	33,498
President and CEO	25,698
William L. Trubeck...........	28,454
Executive Vice President	7,829
and Chief Financial Officer	--
Lawrence O'Donnell, III......	30,929
Executive Vice President --	7,800
Western Group	--
Robert P. Damico.............	24,232
Senior Vice President --	7,800
Midwest Group	7,200
David R. Hopkins.............	16,203
Senior Vice President --	0
Southern Group	0

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(1) In accordance with SEC rules, perquisites and other personal benefits that total less than $50,000 have not been included. For 2001, Other Annual Compensation for Mr. Myers includes a payment of approximately $49,000 for the purchase of life insurance.

(2) All Other Compensation includes Company contributions to the Retirement Savings Plan ("RSP"), the Retirement Savings Restoration Plan ("RSRP") and life insurance premiums. Amounts for fiscal year 2001 for the persons named above are as follows:

	RSP	RSRP	LIFE
Myers...	$7,650	$29,423	$3,543
Trubeck...	$7,650	$18,720	$2,084
O'Donnell.......................................	$5,100	$23,870	$1,959
Damico..	$7,650	$14,831	$1,751
Hopkins...	--	$14,452	$1,751

(3) Mr. Myers was awarded 265,000 shares of restricted stock, valued at $4,124,063, when he was hired on November 11, 1999. The shares of restricted stock vest in three equal installments, beginning on the first anniversary of the date of grant. At December 31, 2001, only 88,333 shares were still restricted, and were valued at $2,818,706, based upon the closing price of $31.91 per share of common stock on the New York Stock Exchange on December 31, 2001. Mr. Myers receives dividends on the shares of restricted stock.

(4) Mr. Trubeck was awarded 27,748 shares of restricted stock, valued at $385,004, on March 7, 2000. The shares of restricted stock vest in four equal installments, beginning on the first anniversary of the date of grant. At December 31, 2001, only 20,811 shares were still restricted, and were

valued at $664,079, based upon the closing price of $31.91 per share of common stock on the New York Stock Exchange on December 31, 2001. Mr. Trubeck receives dividends on the shares of restricted stock.

(5) Mr. O'Donnell was awarded 21,239 shares of restricted stock, valued at $300,001, on February 14, 2000. The shares of restricted stock vest in four equal installments, beginning on the first anniversary of the date of grant. At December 31, 2001, only 15,929 shares were still restricted, and were valued at $508,294,

based upon the closing price of $31.91 per share of common stock on the New York Stock Exchange on December 31, 2001. Mr. O'Donnell receives dividends on the shares of restricted stock.

(6) As reported in the Company's proxy statement for the 2000 annual meeting, Mr. Damico was not included in the Company's revised 1999 annual incentive compensation plan. Because he was not included in the revised 1999 annual incentive compensation plan and received no bonus under that plan, in May 2000 it was determined appropriate to pay a bonus of $274,640 to Mr. Damico. This payment is included in Mr. Damico's 2000 bonus payment shown in the table above.

(7) Mr. Hopkins served as Senior Vice President -- International Operations and CEO of Waste Management International, Inc. from July 1998 through March 2000, at which time he became Senior Vice President -- Southern Area. Mr. Hopkins' 2000 bonus includes a payment of $323,700 under the 2000 annual incentive compensation plan and $965,500 under the International Divestiture Incentive Plan, reflecting compensation for Mr. Hopkins' involvement in the Company's divestiture of its international operations.

OPTION GRANTS IN LAST FISCAL YEAR

	INDIVIDUAL GRANTS(a)				POTENT ASS STOCK
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5
A. Maurice Myers...............	300,000	2.8%	$24.01	3/01/2011	$4,52
William L. Trubeck.............	200,000	1.8%	$24.01	3/01/2011	$3,01
Lawrence O'Donnell, III........	175,000	1.6%	$24.01	3/01/2011	$2,64
Robert P. Damico...............	115,000	1.1%	$24.01	3/01/2011	$1,73
David R. Hopkins...............	115,000	1.1%	$24.01	3/01/2011	$1,73

(a) The exercise price of the option is the market price of Waste Management common stock on the grant date. Options granted to senior executives in 2001 become exercisable in 25% annual increments beginning one year after the date of grant and expire 10 years from the date of grant.

(b) These columns show the gains the executives could realize if Waste Management's common stock appreciates at a 5% or 10% rate over the ten-year term of the options. These growth rates are arbitrary assumptions specified by the SEC, not Waste Management's predictions.

OPTION EXERCISES AND VALUES AT FISCAL YEAR END

NAME	SHARES ACQUIRED ON EXERCISE	VALUE REALIZED	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT FISCAL YEAR END		VAL IN-T F
			EXERCISABLE	UNEXERCISABLE	EXERCI
A. Maurice Myers(1).............	--	--	766,667	1,308,748	$12,53
William L. Trubeck..............	--	--	100,000	500,000	$ 1,77
Lawrence O'Donnell, III.........	--	--	87,500	437,500	$ 1,34
Robert P. Damico................	--	--	155,157	297,500	$ 64
David R. Hopkins................	--	--	112,500	277,500	$ 64

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* The difference between the option exercise price and the market value of Waste Management common stock at year-end, which was $31.91 based on the closing price on the New York Stock Exchange on December 31, 2001. The actual gain, if any, an executive realizes will depend on the market price of Waste Management stock at the time of exercise. "In-the-money" means the market price of the stock is higher than the exercise price of the option on the date specified.

(1) Included in Mr. Myers' calculations are the number and value of 100,260 options owned by a trust for the benefit of his children, for which Mr. Myers serves as trustee. Mr. Myers has disclaimed beneficial ownership of these options.

EMPLOYMENT AGREEMENTS

The Company has entered into employment agreements with each of the executive officers named in the Summary Compensation Table under the section titled "Executive Compensation" on page 8, and with other officers of the Company. The employment agreements are for three to five-year terms, and continuously renew for like periods. The agreements provide for the payment of minimum annual base salaries, a target annual bonus and participation in all Waste Management benefit plans and programs.

The agreements also provide for certain severance payments and benefits in the case of termination of employment or in the event of a change in control of the Company. If employment ends because of death or total disability, generally salary is paid for two years, although for Mr. Damico, salary is paid through the remaining term of his agreement. Additionally, all options vest and there is one year in which the options may be exercised, and Company benefits are paid in accordance with the terms of the Company's benefit plans.

If the Company terminates the executive's employment for "cause," as defined in the employment agreements, the Company will pay any accrued but unpaid salary, expenses required to be reimbursed, vacation and any earned but unpaid bonuses for prior periods. Company benefits will be paid in accordance with the terms of the Company's benefit plans and all unvested options or other awards will be cancelled on the date of termination. If the executive decides to leave the Company other than for "good reason," as defined in the employment agreements, the severance is the same, except the executive will generally have 90 days after terminating his employment to exercise any already vested options.

If the Company terminates the executive's employment without cause or the executive leaves the Company with "good reason," as defined in the employment agreements, the Company will pay to the executive all accrued or earned but unpaid amounts due to him as of the date of termination plus an amount equal to two times the sum of his base salary plus his target annual bonus. Generally, all benefits will continue for two years and all stock options and other awards will continue to vest over the two-year period, to the extent the vesting is not accelerated as of the date of termination in accordance with the terms of the employment agreement. The executive will generally have two years and six months from the date of termination to exercise any of the awards other than Mr. Damico, whose agreement provides for one year after termination. In no event can an option be exercised after its term.

The agreements also provide for certain severance payments and benefits if there is a "change in control," as defined in the employment agreements, of the Company and the executive (i) leaves the Company for good reason thereafter, (ii) is terminated without cause thereafter, or (iii) the termination of employment in (i) or (ii) occurs "in contemplation" of a change in control. In these cases, the executive will receive the same severance as described in the preceding paragraph, except the severance generally will be three times the base salary and target annual bonus instead of two times and the benefits generally will continue for three years instead of two years. The stock options and other awards will become fully vested and generally will remain exercisable for three years after termination, but not to exceed the term of the option. The executive shall also receive a prorated bonus at the maximum bonus level. Additionally, if there are any payments under the agreements due to a change in control, the executives will receive certain gross-up payments such that the net amount received by the executive pursuant to the agreement will not be reduced by any excise taxes.

The employment agreements also include covenants not to compete and not to solicit employees after leaving the Company, as well as confidentiality provisions as are customary, in nature and scope, for such agreements.

Additionally, Mr. Myers' agreement provides for the payment by the Company of supplemental retirement benefits in the amount of $600,000 annually, provided Mr. Myers remains employed by the Company until the fifth anniversary of his employment. In the event Mr. Myers' employment is terminated

before the fifth anniversary, annual payments are pro-rated as follows: $500,000 on and after the fourth anniversary; $400,000 on and after the third anniversary; and $100,000 on and after the 18-month anniversary. Mr. Myers' tenure with the Company as of the date of this Proxy Statement would provide him with a retirement benefit of $100,000 per year.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of the Board of Directors has prepared the following report regarding 2001 executive compensation. The Compensation Committee is composed entirely of non-employee directors and is responsible for establishing and administering the Company's policies governing annual compensation, restricted stock awards and long-term incentive awards. The Committee periodically evaluates the Company's compensation programs and compares them with those of other companies. This report provides specific information regarding compensation for the Company's CEO as well as compensation information for all executives of the Company.

COMPENSATION PHILOSOPHY AND OBJECTIVES OF EXECUTIVE COMPENSATION

PROGRAMS

It is the policy of the Company and the Committee that all compensation programs should (i) link pay to individual's and the Company's performance and (ii) be competitive in the market to enable the Company to attract, motivate, reward and retain the executive talent required to achieve corporate objectives. The Company also focuses strongly on compensation linked to stock price performance, in order to provide the strongest link to enhanced stockholder value. The Committee regularly works with compensation consultants to assist with the design, implementation and communication of various compensation plans. The Company determines competitive levels of compensation by looking at compensation data for companies with revenues comparable to the Company and information obtained from compensation consultants. The Company's compensation for executives includes base salaries, annual performance-based incentives, certain executive benefits and long-term incentives.

In designing Waste Management's compensation programs, the Compensation Committee's primary consideration is the Company's achievement of strategic business goals that serve to enhance stockholder value. Section 162(m) of the Internal Revenue Code, as amended, limits a company's ability to deduct compensation paid in excess of $1 million during any fiscal year to the Chief Executive Officer and the four highest paid officers other than the CEO, unless such compensation meets certain performance-based requirements. The Company's stock option grants currently meet the performance-based requirements under Section 162(m). The Company's Performance-Based Incentive Compensation Plan has been designed to meet the performance-based requirements under Section 162(m). The Committee may, however, authorize payment of non-deductible compensation in the future if it determines that such action would be in the best interests of the Company.

BASE SALARIES

Base salaries for the Company's executives in 2001 were determined after reviews of the competitive market data described above. In determining base salaries, the Committee, using its discretion, considers market base salary rates, average annual salary increases for executives in companies of relative size across the country, and overall corporate financial performance. The Committee also reviews executives' individual performance in making base salary increase decisions. The Company's policy is to target base salary at the 50th percentile of the competitive market. Salary actions taken by the Compensation Committee in 2001, with respect to the executive officers, were consistent with the policies and practices described above.

PERFORMANCE-BASED ANNUAL INCENTIVE COMPENSATION

The Company's Performance-Based Incentive Compensation Plan links incentive compensation to the Company's and the executive's achievement of specific performance goals. These goals are established at the

beginning of each period by the Compensation Committee based upon corporate objectives determined by the Board, and for 2001 included:

(1) Return on Capital Employed (measured against internal objectives);

(2) Earnings Before Income Tax, Depreciation, and Amortization (measured against internal objectives); and

(3) Individual performance (measured against specific personal performance objectives).

With the intent of strengthening the link between senior executives' compensation and Company performance, additional analysis of appropriate financial measures was performed. As a result, the decision was made to change the financial measures for three of the executives responsible for overall corporate results to allow a more direct link between stockholder value creation and executive compensation. The new plan measures for Messrs. Myers, Trubeck, and O'Donnell