

POLYONE CORP
Form DEF 14A
March 23, 2012

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

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 Under Rule 14a-12

POLYONE CORPORATION

(Name of Registrant as Specified in its Charter)

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

(3) Filing Party:

(4) Date Filed:

POLYONE CORPORATION

Notice of 2012

Annual Meeting of Shareholders

and Proxy Statement

March 23, 2012

Dear Fellow Shareholder:

You are cordially invited to attend the PolyOne Corporation Annual Meeting of Shareholders, which will be held at 9:00 a.m. on Wednesday, May 9, 2012, at the LACENTRE Conference and Banquet Facility, Champagne C Ballroom, 25777 Detroit Road, Westlake, Ohio.

A Notice of the Annual Meeting and the Proxy Statement follow. Please review this material for information concerning the business to be conducted at the Annual Meeting and the nominees for election as Directors.

You will also find enclosed a proxy and/or voting instruction card and an envelope in which to return the card. Whether or not you plan to attend the Annual Meeting, please complete, sign, date and return your enclosed proxy and/or voting instruction card, or vote by telephone or over the Internet as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. **Your vote is very important.** You may, of course, withdraw your proxy and change your vote prior to or at the Annual Meeting, by following the steps described in the Proxy Statement.

I appreciate the strong support of our shareholders over the years and look forward to seeing you at the meeting.

Sincerely,

Stephen D. Newlin

Chairman, President and Chief Executive Officer

PolyOne Corporation

Please refer to the accompanying materials for voting instructions.

POLYONE CORPORATION

NOTICE OF ANNUAL MEETING

OF SHAREHOLDERS

The Annual Meeting of Shareholders of PolyOne Corporation will be held at the LACENTRE Conference and Banquet Facility, Champagne C Ballroom, 25777 Detroit Road, Westlake, Ohio at 9:00 a.m. on Wednesday, May 9, 2012. The purposes of the meeting are:

1. To elect as Directors the ten nominees named in the proxy statement and recommended by the Board of Directors;
2. To approve, on an advisory basis, our named executive officer compensation;
3. To approve the First Amendment to the PolyOne Corporation 2010 Equity and Performance Incentive Plan;
4. To ratify the appointment of Ernst & Young LLP as PolyOne Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2012; and
5. To consider and transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 14, 2012 are entitled to notice of and to vote at the meeting.

For the Board of Directors

LISA K. KUNKLE
Vice President, General Counsel

and Secretary

March 23, 2012

Important Notice Regarding the Availability of Proxy Materials

for the Annual Meeting of Shareholders to be held on May 9, 2012:

The proxy statement, proxy card and annual report to shareholders for the fiscal year ended December 31, 2011 are available at our internet website, www.polyone.com, on the Investors Relations page.

POLYONE CORPORATION

PolyOne Center

33587 Walker Road

Avon Lake, Ohio 44012

PROXY STATEMENT

Dated March 23, 2012

Our Board of Directors respectfully requests your proxy for use at the Annual Meeting of Shareholders to be held at the LACENTRE Conference and Banquet Facility, Champagne C Ballroom, 25777 Detroit Road, Westlake, Ohio at 9:00 a.m. on Wednesday, May 9, 2012, and at any adjournments of that meeting. This proxy statement is to inform you about the matters to be acted upon at the meeting.

If you attend the meeting, you may vote your shares by ballot. If you do not attend, your shares may still be voted at the meeting if you sign and return the enclosed proxy card. Common shares represented by a properly signed card will be voted in accordance with the choices marked on the card. If no choices are marked, the shares will be voted to elect the nominees listed on pages 4 through 8 of this proxy statement, to approve, by non-binding vote, our named executive officer compensation, to approve the First Amendment to the PolyOne Corporation 2010 Equity and Performance Incentive Plan and to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2012. You may revoke your proxy before it is voted by giving notice to us in writing or orally at the meeting. Persons entitled to direct the vote of shares held by the following plans will receive a separate voting instruction card: The PolyOne Retirement Savings Plan and PolyOne Canada Inc. Retirement Savings Program. If you receive a separate voting instruction card for one of these plans, you must sign and return the card as indicated on the card in order to instruct the trustee on how to vote the shares held under the plan. You may revoke your voting instruction card before the trustee votes the shares held by it by giving notice in writing to the trustee.

Shareholders may also submit their proxies by telephone or over the Internet. The telephone and Internet voting procedures are designed to authenticate votes cast by use of a personal identification number. These procedures allow shareholders to appoint a proxy to vote their shares and to confirm that their instructions have been properly recorded. Instructions for voting by telephone and over the Internet are printed on the proxy cards.

We are mailing this proxy statement and the enclosed proxy card and, if applicable, the voting instruction card, to shareholders on or about March 23, 2012. Our headquarters are located at PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012 and our telephone number is (440) 930-1000.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors currently consists of eleven Directors. Mr. Mooney has recently indicated that he will retire from our Board of Directors at the 2012 Annual Meeting of Shareholders. Following Mr. Mooney's retirement, our Board will consist of ten Directors. Each Director serves for a one-year term and until a successor is duly elected and qualified, subject to the Director's earlier death, retirement or resignation. Our Corporate Governance Guidelines provide that all non-employee Directors will retire from the Board not later than the first day of the month following the date of the Director's 7th birthday, although the Board may waive this limitation if it determines that such a waiver is in the Company's best interests.

A shareholder who wishes to nominate a person for election as a Director must provide written notice to our Secretary in accordance with the procedures specified in Regulation 12 of our Code of Regulations (Regulations). Generally, the Secretary must receive the notice not less than 60 nor more than 90 days prior to the first anniversary of the date on which we first mailed our proxy materials for the preceding year's annual meeting. The notice must set forth, as to each nominee, the name, age, principal occupations and employment during the past five years, name and principal business of any corporation or other organization in which such occupations and employment were carried on and a brief description of any arrangement or understanding between such person and any others pursuant to which such person was selected as a nominee. The notice must include the nominee's signed consent to serve as a Director if elected. The notice must set forth the name and address of, and the number of our common shares owned by, the shareholder giving the notice and the beneficial owner on whose behalf the nomination is made and any other shareholders believed to be supporting such nominee.

Following are the nominees for election as Directors for terms expiring in 2013, a description of the business experience of each nominee and the names of other publicly-held companies for which he or she currently serves as a director or has served as a director during the past five years. Each nominee for election as Director was previously elected by our shareholders, with the exceptions of Gregory J. Goff and William A. Wulfsohn. As permitted by Regulations 10(a) and 13 of our Regulations, the Board increased its size to eleven members and elected Mr. Goff and Mr. Wulfsohn to fill the resulting vacancies in October 2011. Both Mr. Goff and Mr. Wulfsohn were recommended to our Nominating and Governance Committee for election to the Board by a third-party search firm, Russell Reynolds Associates, Inc.

In addition to the information presented below regarding each nominee's specific experience, qualifications, attributes and skills that led our Board to the conclusion that the nominee should serve as a Director, the Board also believes that all of our Director nominees are individuals of substantial accomplishment with demonstrated leadership capabilities. Each of our Directors also has the following personal characteristics, which are required attributes for all Board nominees: high ethical standards, integrity, judgment, and an ability to devote sufficient time to the affairs of our Company. Each of the nominees is a current member of the Board. The reference below each Director's name to the term of service as a Director includes the period during which the Director served as a Director of The Geon Company (Geon) or M.A. Hanna Company (M.A. Hanna), each one of our predecessors. The information is current as of March 14, 2012.

Our Board of Directors recommends a vote FOR the election to the Board of each of the following nominees:

J. Douglas Campbell

Director since 1993

Age 70

Retired Chairman and Chief Executive Officer of ArrMaz Custom Chemicals, Inc., a specialty mining and asphalt additives and reagents producer. Mr. Campbell served in this capacity from December 2003 until the company was sold in July 2006. Mr. Campbell served as President and Chief Executive Officer and was a Director of Arcadian Corporation, a nitrogen chemicals and fertilizer manufacturer, from December 1992 until the company was sold in 1997. We believe that Mr. Campbell is particularly qualified to serve as a member of our Board because of his in-depth knowledge of our industry and his experience in holding leadership roles at other manufacturing companies. Mr. Campbell has served as chief executive officer and has held other officer positions in the oil, chemical and plastics industries. We believe that the knowledge and skills that he gained in these roles provides him with an ideal background for serving as a Director of PolyOne.

Dr. Carol A. Cartwright

Director since 1994

Age 70

Retired President of Bowling Green State University, a public higher education institution. Dr. Cartwright served in this role from January 2009 until June 2011 and served as Interim President from July 2008 to January 2009. Dr. Cartwright served as President of Kent State University, a public higher education institution, from 1991 until her retirement in June 2006. Dr. Cartwright currently serves on the Boards of Directors of KeyCorp and FirstEnergy. From 2002 to 2008, Dr. Cartwright served on the Board of Directors of The Davey Tree Expert Company. We believe that Dr. Cartwright has gained many of the skills and attributes necessary to serve as an effective member of our Board in her 19 years of experience serving as a chief executive officer of large, complex, non-profit organizations. In her leadership role at these organizations, she has had responsibility for direct oversight for strategic planning, program development, financial management, capital construction, human resources, labor negotiations and investments. This specific experience, as well as her proven ability to lead, makes Dr. Cartwright an invaluable member of our Board.

Richard H. Fearon

Director since 2004

Age 56

Vice Chairman and Chief Financial and Planning Officer of Eaton Corporation, a global manufacturing company, since February 2009. Mr. Fearon served as Executive Vice President, Chief Financial and Planning Officer from April 2002 until February 2009. Mr. Fearon served as a Partner of Willow Place Partners LLC, a corporate advisory firm, from 2001 to 2002 and was the Senior Vice President Corporate Development for Transamerica Corporation, a financial services organization, from 1995 to 2000. We believe that Mr. Fearon's financial expertise, experience and knowledge of international operations, knowledge of diversified companies and

corporate development expertise provide him with the qualifications and skills to serve as a valued member of our Board. Mr. Fearon's advice with respect to financial issues affecting our company is specifically valued and utilized, especially in his role as Chair of our Audit Committee. As a sitting executive and leader at a multi-national corporation, Mr. Fearon is particularly equipped to advise our Board on current issues facing our company.

Gregory J. Goff

Director since 2011

Age 55

President and Chief Executive Officer of Tesoro Corporation, a leading company in the independent refining and marketing business since May 2010, and Chairman and Chief Executive Officer of Tesoro Logistics, a NYSE-listed master limited partnership that owns, operates and develops crude oil and refined products and logistics assets, since April 2011. Mr. Goff served as Senior Vice President, Commercial of ConocoPhillips Corporation, an integrated energy company, from 2008 to 2010. Mr. Goff also held various other positions at ConocoPhillips from 1981 to 2008. Mr. Goff serves as a director of the American Fuels and Petrochemical Manufacturers and on the National Advisory Board of the University of Utah Business School. From 2008 to 2010, Mr. Goff served on the Board of Directors of DCP Midstream GP, LLC. We believe that, as a new Board member with proven leadership capabilities, Mr. Goff will provide a fresh perspective on our strategy and operations. Mr. Goff's deep understanding of the energy industry and specialty chemical businesses will provide valuable insight into PolyOne's strategic planning. His experience as the Chief Executive Officer of a large, independent refining and petroleum products marketing company and his participation as a member of national trade associations provide him with invaluable experience that can enhance our Board.

Gordon D. Harnett

Director since 1997

Age 69

Lead Director of our Board of Directors since July 18, 2007. Retired Chairman, President and Chief Executive Officer of Materion Corp. (formerly known as Brush Engineered Materials Inc.), an international supplier and producer of high performance engineered materials. Mr. Harnett served in this capacity from 1991 until his retirement in May 2006. Mr. Harnett serves on the Boards of Directors of EnPro Industries, Inc. and Acuity Brands, Inc. From 1995 to 2011, he also served on the Board of Directors of The Lubrizol Corporation. We believe that Mr. Harnett's extensive experience in the specialty chemicals industry provides him with unique skills in serving as a PolyOne Director. Mr. Harnett's past experience includes leadership roles at a number of specialty chemical companies, including serving as a senior vice president of Goodrich Specialty Chemicals and president of Tremco, in addition to his role as chief executive officer at Brush Engineered Materials. Mr. Harnett is also uniquely qualified to assist our Board on international issues, as he previously resided in Canada and Japan.

while actively involved in the international operations of his former employers. Mr. Harnett, Chair of our Compensation Committee, is especially knowledgeable in the area of executive compensation, due to his experiences serving on the compensation committees of other public companies.

Richard A. Lorraine

Director since 2008

Age 66

Retired Senior Vice President and Chief Financial Officer of Eastman Chemical Company, a specialty chemicals company. Mr. Lorraine served in this capacity from 2003 to 2008. Mr. Lorraine also served as Executive Vice President and Chief Financial Officer of Occidental Chemical Company, a chemical manufacturing company, from 1995 to 2003. Mr. Lorraine serves on the Board of Directors of Carus Corporation. Mr. Lorraine provides our Board with the broad business perspective that he gained in extensive leadership roles in varying industries. He is particularly equipped to advise our Board and Audit Committee on financial issues affecting our company due to his prior roles as chief financial officer. In addition, he has a significant international background and in-depth commercial experience. All of these attributes provide Mr. Lorraine with valuable skills that he shares with our Board.

Stephen D. Newlin

Director since 2006

Age 59

Chairman, President and Chief Executive Officer of PolyOne since February 2006. Mr. Newlin served as President Industrial Sector of Ecolab, Inc., a global leader in cleaning and sanitizing specialty chemicals, products and services from 2003 to 2006. Mr. Newlin served as President and a director of Nalco Chemical Company, a manufacturer of specialty chemicals, services and systems, from 1998 to 2001 and was Chief Operating Officer and Vice Chairman from 2000 to 2001. Mr. Newlin serves on the Board of Directors of Black Hills Corporation. From 2007 to 2012, he also served on the Board of Directors of The Valspar Corporation. We believe that, as our chief executive officer, Mr. Newlin is particularly qualified to serve on our Board. He has gained significant experience in the specialty chemical industry, serving as a top executive officer in this industry for over 30 years. In addition, in his role as our Chief Executive Officer, he has proven that he is an effective leader. He is also able to contribute his knowledge and experience with respect to international issues as a result of his global work responsibilities and living abroad. Mr. Newlin's depth of Board experience, having served on five public company boards, has allowed him to understand his role as Chairman versus Chief Executive Officer and has provided him with the skills necessary to serve as an effective leader of our Board.

William H. Powell

Director since 2008

Age 66

Retired Chairman and Chief Executive Officer of National Starch and Chemical Company, a specialty chemicals company. Mr. Powell served in this capacity from 1999 until his retirement in 2006. Mr. Powell serves on the Boards of Directors of Granite Construction Incorporated and FMC Corporation. From 2007 to 2011, he also served on the Board of Directors of Arch Chemicals, Inc. We believe that Mr. Powell's previous employment as a chief executive officer has provided him with the leadership skills that are important in serving as a Director of our company. His prior employment in the specialty chemicals industry is particularly relevant. This experience gives him the knowledge and insights to provide valuable advice and strategic direction in addressing the issues facing our company. Mr. Powell also serves as a Director of other public companies, which provides him with experiences he can utilize when serving as a member of our Board.

Farah M. Walters

Director since 1998

Age 67

President and Chief Executive Officer of QualHealth, LLC, a health care consulting firm since 2005. From 1992 until her retirement in June 2002, Ms. Walters was the President and Chief Executive Officer of University Hospitals Health System and University Hospitals of Cleveland. Ms. Walters currently serves on the Board of Directors of Celanese Corporation. From 1993 to 2006, Ms. Walters served on the Board of Directors of Kerr-McGee Corp. From 2003 to 2006, Ms. Walters served on the Board of Directors of Alpharma Inc. Ms. Walters extensive business experience provides her with the attributes and skills that uniquely qualify her to serve as a member of our Board of Directors. She has over ten years of experience as a chief executive officer of a \$2 billion company and a proven track record of success in a leadership role. Further, she has served on the Board of Directors of other public companies, including those in the chemical industry. Ms. Walters' business experience has provided her with the necessary background to allow her to provide practical and relevant advice on the issues facing our company.

William A. Wulfsohn

Director since 2011

Age 50

President and Chief Executive Officer of Carpenter Technology Corporation, a NYSE-listed leading provider of specialty metals to numerous industries, since July 2010. Mr. Wulfsohn has served as a director of Carpenter since April 2009. From 2005 to 2010, he served as Senior Vice President, Coatings of PPG Industries, a global supplier of coatings and specialty products and services, and from 2003 to 2005, as Vice President, Coatings and Managing Director, PPG Europe. Prior to joining PPG, Mr. Wulfsohn worked for Morton International, a diversified wholly-owned subsidiary of chemical company Rohm & Haas, as Vice President and General Manager, Automotive Coatings; for Rohm & Haas, a global specialty materials company, as Vice President, Automotive

Coatings Business Director; and for Honeywell, a diversified technology and manufacturing company, as Vice President and General Manager, Nylon System. He also worked as an Associate with McKinsey & Company, a global management consulting firm. We believe that Mr. Wulfsohn is a valuable new addition to our Board. He is a proven leader, with deep and varied experience in technology and successful business operations. His background in managing operations in Asia/Pacific provides him with international expertise that can be of value to PolyOne. Further, we believe his experience as a Chief Executive Officer of a publicly-traded specialty company has given him unique skills to assist in providing guidance on PolyOne's continuing transformation.

CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

Our Corporate Governance Guidelines require that a substantial majority of the members of our Board of Directors be independent under the listing standards of the New York Stock Exchange (NYSE). To be considered independent, the Board of Directors must make an affirmative determination that the Director has no material relationship with us other than as a Director, either directly or indirectly (such as an officer, partner or shareholder of another entity that has a relationship with us or any of our subsidiaries), and that the Director is free from any business, family or other relationship that would reasonably be expected to interfere with the exercise of independent judgment as a Director. In each case, the Board of Directors considers all relevant facts and circumstances in making an independence determination.

The Board of Directors determined that J. Douglas Campbell, Carol A. Cartwright, Richard H. Fearon, Gregory J. Goff, Gordon D. Harnett, Richard A. Lorraine, Edward J. Mooney, William H. Powell, Farah M. Walters and William A. Wulfsohn are independent under the NYSE independent director listing standards. In making this determination, the Board reviewed significant transactions, arrangements or relationships that a Director might have with our customers or suppliers. In making this determination with respect to Mr. Fearon, the Board determined that the sales of products by the Company to Eaton Corporation, of which Mr. Fearon serves as an executive officer, did not create a material relationship or impair the independence of Mr. Fearon because Mr. Fearon receives no material direct or indirect benefit from such transactions, which were undertaken in the ordinary course of business. For 2011, the amount paid to the Company from sales to Eaton Corporation was less than 0.3% of the Company's consolidated revenues.

Lead Director

Our independent directors meet regularly in executive sessions. Our Corporate Governance Guidelines provide that the independent directors are to select a Lead Director to preside at executive sessions. The Lead Director acts as the key liaison between the independent directors and the Chief Executive Officer and is responsible for coordinating the activities of the other independent directors and for performing various other duties as may from time to time be determined by the independent directors. Mr. Harnett has served as our Lead Director since July 2007.

Board Leadership Structure

Mr. Newlin is the Chairman of our Board of Directors and our Chief Executive Officer. The Board of Directors believes that this leadership structure is appropriate for our Company given the experience and active involvement of our independent directors, our corporate governance practices, and our Lead Director's role. Having a Lead Director role helps to ensure greater communication between management and the independent directors, increases the independent directors' understanding of management decisions and Company operations, and provides an additional layer of independent oversight of the Company. The Board of Directors believes that this approach serves to strike an effective balance between management and independent director participation in the board process. Combining the Chairman and Chief Executive Officer position gives the Company a clear leader and improves efficiencies in the decision-making process.

Board Attendance

The Board met seven times during 2011, the calendar year being our fiscal year. Each member of our Board attended at least 75% of the meetings held by our Board and the meetings held by the committees of our Board on which such member served during the period for which he served as a Director. Each Director is expected to attend the Annual Meeting of Shareholders. In 2011, eight of our Directors serving at that time attended the Annual Meeting of Shareholders.

Committees of the Board of Directors

As of the date of this proxy statement, our Board has eleven directors and the following four committees: the Audit Committee, the Compensation Committee, the Nominating and Governance Committee and the Environmental, Health and Safety Committee. Our Financial Policy Committee was dissolved on July 12, 2011, as the matters typically addressed by this committee were often reviewed by the full Board as well.

The following table sets forth the membership of the standing committees of our Board of Directors, as of the date of this proxy statement, and the number of times each committee met in 2011. The current function of each committee is described below.

Director	Audit Committee	Compensation Committee	Environmental, Health and Safety Committee	Nominating and Governance Committee
Mr. Campbell		X	X	
Dr. Cartwright	X			X*
Mr. Fearon	X*			X
Mr. Goff			X	X
Mr. Harnett	X	X*		
Mr. Lorraine	X			X
Mr. Mooney		X	X*	
Mr. Newlin			X	
Mr. Powell		X	X	
Ms. Walters		X		X
Mr. Wulfsohn		X		
<i>Number of Meetings in 2011</i>	8	6	2	2

X Member

* Chairperson

The Audit Committee meets with appropriate financial and legal personnel and independent auditors to review our corporate accounting, internal controls, financial reporting and compliance with legal and regulatory requirements. The Committee exercises oversight of our independent auditors, internal auditors and financial management. The Audit Committee appoints the independent auditors to serve as auditors in examining our corporate accounts. Our common shares are listed on the NYSE and are governed by its listing standards. All members of the Audit Committee meet the financial literacy and independence requirements as set forth in the NYSE listing standards. The Board of Directors has determined that Mr. Fearon meets the requirements of an audit committee financial expert as defined by the Securities and Exchange Commission.

The Compensation Committee reviews and approves the compensation, benefits and perquisites afforded our executive officers and other highly-compensated personnel. The Committee has similar responsibilities with respect to non-employee Directors, except that the Committee's actions and determinations are subject to the approval of the Board of Directors. The Committee also has oversight responsibilities for all of our broad-based compensation and benefit programs and provides policy guidance and oversight on selected human resource policies and practices. To help it perform its responsibilities, the Committee makes use of PolyOne resources, including members of senior management in our human resources, legal and finance departments. In addition, the Committee directly engages the resources of Towers Watson (the Consultant) as an independent outside compensation consultant to assist the Committee in assessing the competitiveness and overall appropriateness of our executive compensation programs. In 2011, the Committee, assisted by the Consultant, analyzed competitive market compensation data relating to salary, annual incentives and long-term incentives. In analyzing competitive market data, the Committee reviewed data from a peer group of similarly-sized U.S. chemical companies and reviewed data from the Consultant's Compensation Data Bank and other published surveys. The Consultant then assisted the Committee in benchmarking base salaries and annual and long-term incentive targets to approximate the market median. The Consultant assisted our human resources department in preparing tally sheets to provide the Committee with information regarding our executive officers' total annual compensation, termination benefits and wealth accumulation. More detailed information about the compensation awarded to our named executive officers in 2011 is provided in the Compensation Discussion and Analysis section of this proxy statement. The Consultant maintains regular contact with the Committee and interacts with management to gather the data needed to prepare reports for Committee review.

The Committee periodically reviews the relationship with our compensation consultant, Towers Watson, including the level and quality of services provided, as well as fees for those services. In addition, expenses for other consulting services provided to the Company by Towers Watson that are not related to executive compensation are monitored to ensure that executive compensation consultant independence is maintained. The Consultant did not provide us with services in excess of \$120,000 that were in addition to the services provided in connection with its advice and recommendations on the amount or form of executive and director compensation.

The Compensation Committee oversees the process by which the Board annually evaluates the performance of the Chief Executive Officer. All members of the Compensation Committee have been determined to be independent as defined by the NYSE listing standards.

The Nominating and Governance Committee recommends to the Board of Directors candidates for nomination as Director and advises the Board with respect to governance issues and directorship practices. All members of the Nominating and Governance Committee have been determined to be independent as defined by the NYSE listing standards.

The Nominating and Governance Committee will consider shareholder suggestions for nominees for election to our Board of Directors. A shareholder that wishes to suggest a Director candidate for consideration by the Nominating and Governance Committee should follow the same procedures described for shareholder nominations for Director on page 3. The Committee uses a variety of methods for identifying and evaluating nominees for Directors, including third-party search firms, recommendations from current Board members and recommendations from shareholders. Nominees for election to the Board of Directors are selected on the basis of the following criteria:

Business or professional experience;

Knowledge and skill in certain specialty areas such as accounting and finance, international markets, physical sciences and technology or the polymer or chemical industry;

Personal characteristics such as ethical standards, integrity, judgment, leadership and the ability to devote sufficient time to our affairs;

Substantial accomplishments with demonstrated leadership capabilities;

Freedom from outside interests that conflict with our best interests;

The diversity of backgrounds and experience each member will bring to the Board of Directors; and

Our needs from time to time.

While the Committee or the Board does not have a formal policy with respect to the consideration of diversity in identifying director nominees, they do consider diversity when evaluating potential Board nominees. We consider diversity to include race, gender and national origin, as well as differences in viewpoint, background, experience and skills. The Committee believes that having a diverse Board leads to more innovation, unique thinking and better governance. At the end of 2011, approximately 18% of our Board members were female and diversity is a key characteristic that we will consider, and instruct any third-party search firm we use to consider, in searches for future Board members.

The Committee also considers such other relevant factors as it deems appropriate, including the current composition of the Board, the balance of management and independent directors, the need for Audit Committee expertise and the evaluations of other prospective nominees. The Committee has established these criteria that any Director nominee, whether suggested by a shareholder or otherwise, should satisfy. A nominee for election to the Board who is suggested by a shareholder will be evaluated by the Committee in the same manner as any other nominee for election to the Board. Finally, if the Committee determines that a candidate should be nominated for election to the Board, the Committee will present its findings and recommendation to the full Board for approval.

In 2011 and in past years, the Committee used a third-party search firm, Russell Reynolds Associates, Inc., to identify possible candidates who meet the minimum and desired qualifications, to interview and screen such candidates, to act as a liaison among the Board, the Committee and each candidate during the screening and evaluation process, and thereafter to be available for consultation as needed by the Committee.

The Environmental, Health and Safety Committee exercises oversight with respect to our environmental, health, safety, security and product stewardship policies and practices and our compliance with related laws and regulations.

The Board of Directors has adopted a written charter for each of the standing committees of the Board of Directors. These charters are posted and available on our website at www.polyone.com under Corporate Governance on our investor relations page. The Board and each Committee conduct an annual self-evaluation.

Board's Oversight of Risk

Our Board of Directors oversees a company-wide approach to risk management that is designed to support the achievement of our strategic objectives and improve long-term organizational performance, which we believe will ultimately enhance shareholder value. The Board of Directors believes that risk management is not only understanding the risks we face and what steps management is taking to manage those risks, but also understanding what level of risk is appropriate for us as an organization.

Our Board of Directors administers its risk oversight function directly and through its Audit Committee and Environmental, Health and Safety Committee. The Audit Committee discusses with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our risk assessment and risk management policies. The Audit Committee also receives an annual risk assessment report from our internal auditors. The Environmental, Health and Safety Committee periodically reviews with management the significant risks or exposures faced by the Company relating to safety, health, environmental, security and product stewardship standards and practices. Our Board oversees and monitors these committees in exercising their responsibilities relating to risk. Our Board also provides direct oversight on risk management as it relates to our capital structure, our borrowing and repayment of funds, financial policies, management of foreign exchange risk and other matters of financial risk management, including the utilization of financial derivative products, insurance coverage strategies, banking relationships and other financial matters.

Our Board of Directors sets the appropriate tone at the top when it comes to risk tolerance and management by fostering a culture of risk-adjusted decision-making throughout the company. Our Board ensures that the risk management processes designed and implemented by our management team are adapted to the Board's corporate strategy and are functioning as directed. The Board of Directors also participates in an ongoing effort to assess and analyze the most likely areas of future risk for the company by asking our management team to discuss the most likely sources of material future risks and how we are addressing any significant potential vulnerability.

The Board of Directors believes that its leadership structure, as discussed on page 9, supports the risk oversight function of the Board of Directors.

Code of Ethics, Code of Conduct and Corporate Governance Guidelines

In accordance with applicable NYSE listing standards and Securities and Exchange Commission regulations, the Board of Directors has adopted a Code of Ethics, Code of Conduct and Corporate Governance Guidelines. These are also posted and available on our website at www.polyone.com, under Corporate Governance on our investor relations page.

In October 2007, the Board amended our Corporate Governance Guidelines to adopt a policy relating to majority voting. Pursuant to the policy, any nominee for election as a Director of the Board who receives a greater number of votes withheld from his or her election than votes for his or her

election in an election of Directors that is not a contested election is expected to tender his or her resignation as a Director to the Board promptly following the certification of the election results. Neither abstentions nor broker non-votes will be deemed to be votes for or withheld from a Director's election for purposes of the policy, regardless of the rules treating broker non-votes as withheld in uncontested elections of directors. The Nominating and Governance Committee (without the participation of the affected Director) will consider each resignation tendered under the policy and recommend to the Board whether to accept or reject it. The Board will then take appropriate action on each tendered resignation, taking into account the Nominating and Governance Committee's recommendation. The Nominating and Governance Committee, in making its recommendation, and the Board, in making its decision, may consider any factors or other information that it considers appropriate, including the reasons (if any) given by shareholders as to why they withheld their votes, the qualifications of the tendering Director and his or her contributions to the Board and to PolyOne, and the results of the most recent evaluation of the tendering Director's performance by the other members of the Board. The Board will promptly disclose its decision whether to accept or reject the Director's tendered resignation and, if applicable, the reasons for rejecting the tendered resignation.

Communication with Board of Directors

Shareholders and other interested parties interested in communicating directly with the Board of Directors as a group, the non-management or independent Directors as a group, or with any individual Director may do so by writing to the Secretary, PolyOne Corporation, 33587 Walker Road, Avon Lake, Ohio 44012. The mailing envelope and letter must contain a clear notation indicating that the enclosed letter is either a Shareholder-Board of Directors Communication or an Interested Party-Board of Directors Communication, as appropriate.

The Secretary will review all such correspondence and regularly forward to the Board of Directors a log and summary of all such correspondence and copies of all correspondence that, in the opinion of the Secretary, deals with the functions of the Board or committees of the Board or that she otherwise determines requires their attention. Directors may at any time review a log of all correspondence we receive that is addressed to members of the Board and request copies of any such correspondence. Concerns relating to accounting, internal controls or auditing matters are immediately brought to the attention of our internal audit department and handled in accordance with procedures established by the Audit Committee for such matters.

Director Compensation

In the first half of 2011, we paid our non-employee Directors an annual retainer of \$135,000, quarterly in arrears, consisting of a cash retainer of \$60,000 and an award of \$75,000 in value of fully vested common shares. Following a review of our Board compensation practices by our independent compensation consultant, effective as of the third quarter of 2011, the Board increased the annual cash and equity compensation for non-employee directors (payable on a quarterly basis) to \$75,000 and \$90,000, respectively. We grant the shares payable to the Directors quarterly and determine the number of shares to be granted by dividing the dollar value by the arithmetic average of the high and low stock price on the last trading day of each quarter. We pay individual meeting fees only as follows: fees of \$2,000 for each unscheduled Board and committee meeting attended and fees of \$1,000 for participation in each unscheduled significant telephonic Board and committee meeting. In addition, the chairpersons of the following committees receive the fixed annual cash retainers (payable on a quarterly basis) that follow: \$7,500 for the Environmental, Health and Safety and Nominating and Governance Committees and \$15,000 for the Audit Committee. The Chairperson of the Compensation

Committee received a fixed annual cash retainer of \$5,000 through the first half of 2011, which was increased to \$15,000, effective as of the third quarter. Furthermore, our Lead Director received a fixed annual cash retainer of \$10,000 through the first half of 2011, which increased to \$25,000, effective as of the third quarter. The Chairperson of the Finance Committee received a fixed annual cash retainer of \$7,500 through the first half of 2011, which was discontinued after the dissolution of the Finance Committee. We reimburse Directors for their expenses associated with each meeting attended.

Directors who are not our employees may defer payment of all or a portion of their compensation as a Director under our Deferred Compensation Plan for Non-Employee Directors. A Director may defer the compensation as cash or elect to have it converted into our common shares.

In 2011, we awarded shares to Directors under our Deferred Compensation Plan for Non-Employee Directors and our 2010 Equity and Performance Incentive Plan. Deferred compensation, whether in the form of cash or common shares, is held in trust for the participating Directors. Interest is earned on the cash amounts and dividends, if any, on the common shares deferred accrue for the benefit of the participating Directors.

2011 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash ⁽²⁾ (\$)	Stock Awards ⁽³⁾ (\$)	Option Awards ⁽⁴⁾ (\$)	Total (\$)
J.D. Campbell	\$72,495	\$ 82,500		\$ 154,995
C.A. Cartwright	76,000	82,500		158,500
R.H. Fearon	83,500	82,500		166,000
G.J. Goff ⁽¹⁾	16,712	20,054		36,766
G.D. Harnett	96,000	82,500		178,500
R.A. Lorraine	68,500	82,500		151,000
E.J. Mooney	76,000	82,500		158,500
W.H. Powell	68,500	82,500		151,000
F.M. Walters	68,500	82,500		151,000
W.A. Wulfsohn ⁽¹⁾	16,712	20,054		36,766

(1) Mr. Goff and Mr. Wulfsohn were elected to the board on October 10, 2011.

(2) Non-employee Directors may defer payment of all or a portion of their cash compensation as a Director (annual cash retainer (payable on a quarterly basis) of \$60,000, which was increased to \$75,000 in the third quarter of 2011, as well as meeting fees and chair fees).

(3) Our Director stock compensation consisted of an annual award (payable on a quarterly basis) of \$75,000, which was increased to \$90,000 in the third quarter of 2011, in value of fully vested common shares, which the Directors could elect to defer. We granted the shares quarterly and determined the number of shares to be granted by dividing the dollar value by the arithmetic average of the high and low stock price on the last trading day of each quarter. We used the following quarterly fair market values in calculating the number of shares: March 31, 2011 \$14.130 (1,326 shares); June 30, 2011 \$15.315 (1,224 shares); September 30, 2011 \$10.860 (2,071 shares); and December 31, 2011 \$11.610 (1,727 shares for Messrs. Goff and Wulfsohn and 1,937 shares for the other Directors).

- (4) In 2011, we did not grant any stock options to our non-employee Directors. The number of outstanding stock options held by each non-employee Director at the end of the fiscal year is set forth in the following table. All of these options are fully exercisable. In addition, the number of fully-vested deferred shares held in an account for each Director at the end of the fiscal year is set forth in the following table. Stock option exercises by our Directors are set forth in the table below.

Name	Option Awards	Stock Awards
	Number of Securities Underlying Unexercised Options (#)	Number of Deferred Shares ^{(A)(B)} (#)
J.D. Campbell	18,000	130,960
C.A. Cartwright	18,000	29,905
R.H. Fearon	15,000	0
G.J. Goff	0	0
G.D. Harnett	18,000	88,568
R.A. Lorraine	0	40,042
E.J. Mooney	0	89,100
W.H. Powell	0	45,479
F.M. Walters	18,000	13,672
W.A. Wulfsohn	0	1,727

- (A) Dividends paid on shares held in the Deferred Compensation Plan for Non-Employee Directors are reinvested in shares of PolyOne stock through a dividend reinvestment feature of the Plan. The number of deferred shares reflects shares acquired through dividend reinvestment in 2011 (including the fourth quarter dividend declared on December 14, 2011 to shareholders of record on December 27, 2011, which was paid on January 9, 2012).
- (B) A distribution of 19,761 shares was made to Ms. Walters from the Deferred Compensation Plan for Non-Employee Directors on February 11, 2011.

2011 Option Exercises

Name	Option Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)
J.D. Campbell	6,000	31,680
C.A. Cartwright	6,000	30,810
R.H. Fearon		
G.J. Goff		
G.D. Harnett	6,000	30,810
R.A. Lorraine		
E.J. Mooney		
W.H. Powell		
F.M. Walters	6,000	34,800
W.A. Wulfsohn		

BENEFICIAL OWNERSHIP OF COMMON SHARES

The following table shows the number of our common shares beneficially owned on March 6, 2012 (including shares the individuals have a right to acquire within 60 days of that date) by each of our Directors and nominees, each of the executive officers named in the Summary Compensation Table on page 38 (the Named Executive Officers) and by all Directors and executive officers as a group.

Name	Number of Shares Owned ⁽¹⁾	Right to Acquire Shares	Total Beneficial Ownership
J. Douglas Campbell	235,458 ⁽²⁾	18,000 ⁽³⁾	253,458
Carol A. Cartwright	145,214 ⁽²⁾	18,000 ⁽³⁾	163,214
Richard H. Fearon	67,817	15,000 ⁽³⁾	82,817
Gregory J. Goff	1,727		1,727
Gordon D. Harnett	151,564 ⁽²⁾	12,000 ⁽³⁾	163,564
Richard A. Lorraine	40,042 ⁽²⁾		40,042
Edward J. Mooney	89,100 ⁽²⁾		89,100
William H. Powell	135,703 ⁽²⁾		135,703
Farah M. Walters	157,010 ⁽²⁾	18,000 ⁽³⁾	175,010
William A. Wulfsohn	1,727 ⁽²⁾		1,727
Stephen D. Newlin	436,004	361,788 ⁽⁴⁾	797,792
Robert M. Patterson	187,609	107,091 ⁽⁴⁾	294,700
Kenneth M. Smith	137,697	74,941 ⁽³⁾⁽⁴⁾	212,638
Bernard Baert	56,204	14,368 ⁽³⁾⁽⁴⁾	70,572
Thomas J. Kedrowski	129,166	86,789 ⁽⁴⁾	215,955
20 Directors and executive officers as a group	2,443,234	1,033,601	3,476,835

- (1) Except as otherwise stated in the following notes, beneficial ownership of the shares held by each individual consists of sole voting power and sole investment power, or of voting power and investment power that is shared with the spouse or other family member of the individual. It includes an approximate number of shares credited to the Named Executive Officers' accounts in our Retirement Savings Plan, a tax-qualified defined contribution plan. The number of common shares allocated to these individuals is provided by the savings plan administrator in a statement for the period ending March 2, 2012, based on the market value of the applicable plan units held by the individual. Additional common shares may have been allocated to the accounts of participants in the savings plan since the date of the last statements received from the plan administrator. No Director, nominee or executive officer beneficially owned, on March 6, 2012, more than 1% of our outstanding common shares. As of that date, the Directors and executive officers as a group beneficially owned approximately 3.9% of the outstanding common shares.
- (2) With respect to the Directors, beneficial ownership includes shares held under the Deferred Compensation Plan for Non-Employee Directors as follows: J.D. Campbell, 130,960 shares; C.A. Cartwright, 29,905 shares; R.H. Fearon, 0 shares; G.J. Goff, 0 shares; G.D. Harnett, 88,568 shares; R.A. Lorraine, 40,042 shares; E.J. Mooney, 89,100 shares; W.H. Powell, 45,479 shares; F.M. Walters, 13,672 shares; and W.A. Wulfsohn, 1,727 shares.

(3) Includes shares the individuals have a right to acquire upon the exercise of options on or before May 5, 2012.

(4) Includes the number of shares that would be acquired if the individuals' outstanding and exercisable stock-settled stock appreciation rights were exercised at \$12.68, the closing price of PolyOne's common shares on March 6, 2012.

The following table shows information relating to all persons who, as of March 6, 2012, were known by us to beneficially own more than five percent of our outstanding common shares based on information provided in Schedule 13Gs and 13Ds filed with the Securities and Exchange Commission:

Name and Address	Number of Shares	% of Shares
BlackRock, Inc. 40 East 52nd Street New York, NY 10022	6,807,843 ⁽¹⁾	7.5%
Alliance Bernstein LP 1345 Avenue of the Americas, New York, New York 10105	5,607,280 ⁽²⁾	6.2%
Fine Capital Partners, L.P. 590 Madison Avenue, 5th Floor, New York, New York 10022	5,460,450 ⁽³⁾	6.0%
The Vanguard Group, Inc. 100 Vanguard Boulevard Malvern, Pennsylvania 19355	5,116,881 ⁽⁴⁾	5.63%

(1) As of December 30, 2011, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. BlackRock, Inc. has sole voting power and sole dispositive power with respect to all of these shares.

(2) As of December 31, 2011, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. Alliance Bernstein LP has sole voting power with respect to 4,785,790 of these shares and sole dispositive power with respect to 5,535,560 of these shares.

(3) As of February 14, 2012, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. Fine Capital Partners has sole voting power with respect to none of these shares and has sole dispositive power with respect to none of these shares.

(4) As of December 31, 2011, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. The Vanguard Group, Inc., as an investment advisor, has sole voting power with respect to 133,234 of these shares and sole dispositive power with respect to 4,983,647 of these shares.

Share Ownership Guidelines

In July 2011, we revised our share ownership guidelines for our non-employee Directors, executive officers and other elected corporate officers. The purpose of our share ownership guidelines is to better align our directors' and officers' financial interests with those of our shareholders by

requiring them to own a minimum level of our shares. These individuals are expected to make

continuing progress towards compliance with the guidelines and to comply fully within five years of becoming subject to the guidelines. These policies, as they relate to our Named Executive Officers, are discussed in the Compensation Discussion and Analysis section of this proxy statement. In order to reflect the Board's commitment to share ownership and better align the interests of our Board members with our shareholders, the required share ownership level for directors is a minimum of 30,000 shares. For purposes of our guidelines, the following types of share ownership and equity awards are included as shares owned: shares directly held, shares and phantom shares held in our retirement plans and deferral plans, unvested restricted stock and restricted stock units, and earned performance shares. All Directors are required to retain 100% of all shares obtained through us, as compensation for services provided to us, such percentage to be calculated after any reduction in the number of shares to be delivered as a result of any taxes and exercise costs relating to the shares. This requirement to retain 100% of all shares obtained from us ceases once the Director has met the applicable ownership guideline as long as the guideline continues to be met.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires that our executive officers and Directors, and persons who own more than 10% of a registered class of our equity securities, file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, Directors and greater than 10% shareholders are required by Securities and Exchange Commission rules to furnish us with copies of all forms they file. Based solely on our review of the copies of such forms received by us and written representation from certain reporting persons, we believe that, during 2011 and until the date of this proxy statement, all Section 16(a) filing requirements applicable to our executive officers, Directors and 10% shareholders were satisfied.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

In this section of the proxy statement, we discuss in detail our executive compensation programs for 2011 for our Named Executive Officers. This discussion and analysis includes a description of the principles underlying our executive compensation policies and our most important executive compensation decisions for 2011, and provides our analysis of these policies and decisions. The following disclosure also gives context for the data we present in the compensation tables below and the narratives that accompany the compensation tables.

The following five individuals are our Named Executive Officers for 2011, as that term is defined by the Securities and Exchange Commission:

Mr. Stephen D. Newlin, our Chairman, President and Chief Executive Officer;

Mr. Robert M. Patterson, our Executive Vice President and Chief Financial Officer;

Mr. Kenneth M. Smith, our Senior Vice President, Chief Information and Human Resources Officer;

Mr. Bernard Baert, our Senior Vice President, President of Europe and South America; and

Mr. Thomas J. Kedrowski, our Senior Vice President, Supply Chain and Operations.

Executive Summary

Fiscal 2011 Performance

2011 was another strong year for PolyOne, and we had record-breaking performances in each of our three strategic platforms. Both the Specialty and Distribution platforms delivered record earnings, and our Performance Products and Solutions platform generated record return on sales. We believe 2011 was a critical inflection point in our transformation toward becoming a specialty chemical company. We divested our equity investment in SunBelt, a commodity manufacturer of chlorine and caustic soda, we completed strategic acquisitions of Uniplen in Brazil and ColorMatrix, and we formed a joint venture in Saudi Arabia, expanding our footprint into the Middle East. All of this was made possible by our setting of aggressive goals, our commitment to them, and our relentless work to achieve success.

At the beginning of 2011, we set goals for our annual incentive plan that drove increases in operating income and continued world-class working capital investment as a percentage of sales. Goals set in prior years also focused on operating income and working capital, and our outstanding equity awards continued to promote stock price appreciation. Our Compensation Committee believed that these goals would position us for continued growth, both in earnings and cash flow. Success on these measures allowed us to fund operating expenses and pursue acquisition opportunities that we believe will even further strengthen our earnings potential and growth.

Even with a slowdown in the global economy that began mid-year in 2011, we were able to achieve our incentive goals and reward our employees for achieving those goals. In 2011, our revenue increased 9.2% and our diluted earnings per share rose 8.3%. Overall operating income for 2011 was

33% higher than the prior year, and working capital as a percentage of sales (excluding our ColorMatrix acquisition, which was completed on December 21, 2011) was 9.6%, which we consider to be world-class performance. We ended the year with \$192 million of cash on the balance sheet after the purchase of ColorMatrix and the related financing.

We are pleased with the accomplishments in 2011, which strengthen our position and continue our progress on executing our well-defined strategy of specialization, globalization, commercial excellence and operational excellence. Our setting of well-defined, strategic goals and our pursuit of achievement of these goals is working, and we are well-positioned to continue our transformation to a truly global specialty chemical company.

Fiscal 2011 Pay Decisions and Actions