

POLYONE CORP  
Form DEF 14A  
April 03, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 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**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

**POLYONE CORPORATION**

(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):

- b 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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  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

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**NOTICE OF 2014  
ANNUAL MEETING OF SHAREHOLDERS  
AND PROXY STATEMENT**

PolyOne Corporation

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April 3, 2014

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 Thursday, May 15, 2014, at PolyOne Corporation's corporate headquarters located at PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012.

A Notice of the Annual Meeting and the Proxy Statement follows. 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.**

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NOTICE OF 2014

ANNUAL MEETING OF SHAREHOLDERS

Time and Date: 9:00 a.m. Eastern Standard Time, May 15, 2014  
Location: PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012  
April 3, 2014

The Annual Meeting of Shareholders of PolyOne Corporation will be held at PolyOne Corporation's corporate headquarters located at PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012 at 9:00 a.m. on Thursday, May 15, 2014. The purposes of the meeting are to:

1. Elect as Directors the 11 nominees named in the proxy statement and recommended by the Board of Directors;
2. Conduct an advisory vote to approve named executive officer compensation;
3. Ratify the appointment of Ernst & Young LLP as PolyOne Corporation's independent registered public accounting firm for the fiscal year ending December 31, 2014; and
4. Consider and transact any other business that may properly come before the meeting.

You are eligible to vote if you were a shareholder of record at the close of business on March 18, 2014. Please ensure that your shares are represented at the meeting by promptly voting and submitting your proxy by telephone or the internet, or by completing, signing, dating and returning your proxy form in the enclosed envelope.

For the Board of Directors

LISA K. KUNKLE  
*Vice President, General Counsel*

*and Secretary*

**Important Notice Regarding the Availability of Proxy Materials**

**for the Annual Meeting of Shareholders to be held on May 15, 2014:**

**The proxy statement, proxy card and annual report to shareholders for the fiscal year ended December 31, 2013 are available at our internet website, [www.polyone.com](http://www.polyone.com), on the Investors Relations page.**



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**PROXY STATEMENT SUMMARY**

**Proxy Statement Summary**

This summary highlights information contained elsewhere in this proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

*PolyOne 2014 Annual Meeting of Shareholders*

**May 15, 2014**

PolyOne Center

**9:00 a.m. Eastern Standard Time**

33587 Walker Road, Avon Lake, Ohio 44012

**Voting.** Shareholders as of the record date, March 18, 2014, are entitled to vote. Each share of common stock is entitled to one vote for each Director nominee and one vote for each of the other proposals to be voted on.

**Even if you plan to attend our annual meeting in person, if you are a registered holder,**

**please cast your vote as soon as possible by:**

INTERNET -

[www.proxypush.com/pol](http://www.proxypush.com/pol) Use the Internet to vote until 11:59 p.m. (CT) on May 14, 2014.

PHONE -

1-866-883-3382

Use a touch-tone telephone to vote your proxy until 11:59 p.m. (CT) on May 14, 2014.

MAIL - Mailing your signed proxy or voting instruction form.

**If your shares are held in street name, please follow the instruction provided by your bank or broker to cast your vote.**

**Each shareholder's vote is important. Please complete, sign, date and return your proxy or voting instruction form, or submit your vote and proxy by telephone or the internet.**

**Meeting Agenda and Voting Recommendations:**

	<b>Page references for more information</b>	<b>Board Vote Recommendation</b>
<b>Election of 11 Directors</b>	<b>2</b>	<b>FOR</b>
		<b>each Director nominee</b>
<b>Company Proposals</b>		
Advisory approval of our named executives officer compensation	<b>58</b>	<b>FOR</b>
Ratification of Ernst & Young as our auditor for 2014	<b>60</b>	<b>FOR</b>
<b>Shareholder Proposals</b>	<b>No shareholder proposals were submitted for the 2014 Annual Meeting</b>	
<b>Transact other business that properly comes before the meeting</b>		



**Table of Contents****PROXY STATEMENT SUMMARY****Summary of Board of Directors Nominees**

The following table provides summary information as of the date of this proxy statement about each Board of Directors nominee. Detailed information regarding each nominee is found under Proposal 1 Election of Board of Directors beginning on page 2 of this proxy statement.

Name	Age	Director Since	Principal Occupation	Independent	Committee Memberships			
					AC	CC <sup>(1)</sup>	EH&SC <sup>(1)</sup>	N&GC <sup>(1)</sup>
Richard H. Fearon	58	2004	Vice Chairman & Chief Financial and Planning Officer, Eaton	X	C			X
Gregory J. Goff	57	2011	President & CEO, Tesoro	X			X	X
Gordon D. Harnett	71	1997	Retired Chairman, President & CEO, Materion Corp. (formerly known as Brush Engineered Materials)	X	X	C		
Sandra B. Lin	56	2013	Retired President, CEO and Director, Calisolar (now Silicor Materials)	X	X			X
Richard A. Lorraine	68	2008	Retired SVP & CFO, Eastman Chemical	X	X			X
Stephen D. Newlin <sup>(2)</sup>	61	2006	Chairman, President & CEO, PolyOne				X	
Robert M. Patterson <sup>(2)</sup>	41	N/A	Executive Vice President and COO, PolyOne					
William H. Powell	68	2008	Retired Chairman & CEO, National Starch and Chemical Company	X		X	C	
Kerry J. Preete	53	2013	Executive Vice President, Global Strategy, Monsanto	X		X	X	
Farah M. Walters	69	1998	President & CEO, QualHealth, LLC	X		X		X
William A. Wulfsohn	52	2011	President & CEO, Carpenter Technology	X		X		

**2013 Meetings**

- (1) Effective May 15, 2014, Director Dr. Carol Cartwright, who is not standing for re-election pursuant to our Director retirement policy and who chaired the Nominating and Governance Committee, will be replaced by Mr. Harnett. Dr. Cartwright also served on the Audit Committee and will not immediately be replaced on the Audit Committee. Also effective May 15, 2014: (a) Mr. Powell will become the Chairperson of the Compensation Committee and will no longer serve as a member of the Environmental Health and Safety Committee; (b) Mr. Goff will become the Chairperson of the Environmental Health and Safety Committee; and

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- (c) Ms. Lin and Mr. Patterson will become members of the Environmental Health and Safety Committee.
- (2) As previously disclosed by PolyOne, Mr. Newlin will retire as President and CEO and will become Executive Chairman of the Board of Directors effective May 15, 2014. Mr. Patterson will become President and CEO, effective as of Mr. Newlin's retirement as President and CEO.

**AC** Audit Committee  
**CC** Compensation Committee  
**EH&SC** Environmental Health and Safety Committee

**N&GC** Nominating and Governance Committee  
**C** Committee Chairperson  
**X** Committee Member

**Attendance:**

In 2013, each of our current Directors attended at least 75% of the meetings of the Board and committees on which the member served during the period the member was on the Board or committee.

**Director Elections:**

Directors are elected by a plurality of the votes of shares present, in person or by proxy and entitled to vote.

Table of Contents**PROXY STATEMENT SUMMARY****2013 Performance Highlights**

The Board believes that Mr. Newlin and the other Named Executive Officers (as that term is defined in this proxy statement) have performed well in a challenging global environment, and that their compensation is commensurate with this performance.

**Financial Performance.** In a year marked by continued uncertainty in the global economy, PolyOne Corporation ( PolyOne or Company ) delivered strong operating income and revenue growth, and realized further gains from our specialty platform, which accounts for a significant portion of our Company adjusted operating income. We will work to continue this growth trend as we focus on more specialty end-uses in markets such as automotive, consumer, packaging and healthcare. Additional 2013 Company financial performance highlights included:

Adjusted earnings per share of \$1.31, which is a Company all-time high and represents a 31% increase from 2012

Our stock price has increased 73% in the past year to \$35.35 on December 31, 2013 from \$20.42 on December 31, 2012

Year-end adjusted operating income increased to \$262 million, which represents a 37% increase from 2012

Our acquisition of Spartech Corporation ( Spartech ) in 2013 added \$0.12 to our adjusted earnings per share in 2013, driven primarily by a reduction in duplicate public company costs, better utilization of manufacturing assets and mix improvement

Year-end revenue increased to \$3.8 billion, which represents a 32% increase from 2012

Our specialty platform operating income now represents 62% of our platform operating income, which is up from 2% in 2005 prior to Mr. Newlin's appointment as CEO of PolyOne

Divestiture of our non-core resin assets, which accelerated our Specialty portfolio transformation

**Milestone achievement of 17 consecutive quarters of strong double-digit adjusted earnings per share growth, with compounded annual earnings per share percentage growth rate of 25% over this period**

*Note: Adjusted earnings per share and adjusted operating income for consolidated PolyOne differ from what is reported under United States generally accepted accounting principles ( GAAP ). See Appendix A for a reconciliation of non-GAAP financial measures to our results as reported under GAAP.*

**Executive Compensation Results Highlights**

Our compensation decisions reflect a balanced and responsible pay approach. The Compensation Committee has responsibility for oversight of PolyOne's executive compensation programs and works with senior management to align pay with performance. Within that framework, the Compensation Committee and management design executive compensation programs that reward responsible risk-taking. Our executive compensation programs reflect the belief that the amount earned by our executives must, to a significant extent, depend on achieving rigorous Company and business unit performance objectives designed to enhance shareholder value.

The Named Executive Officers earned a 173.8% payout under our Annual Plan and, as a result of strong performance over the past three years, they also earned a 200% cash-settled performance unit payout under PolyOne's 2011 - 2013 Long-Term Incentive Plan. The chart below sets forth certain key financial results that were used in determining payouts under our 2013 incentive compensation plans (dollar amounts are in millions).

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## PROXY STATEMENT SUMMARY

Annual Plan	Measure	Weighting	2013 Targets	2013 Results	Payout %
	Adjusted Operating Income	50%	\$239.3	\$272.5	194.9%
	Working Capital as a % of Sales	25%	10.5%	10.0%	191.4%
	Revenue	25%	\$3,773.4	\$3,827.8	113.9%
<b>Total Company Annual Plan Attainment</b>					<b>173.8%</b>
Long-Term Incentive Plan: Cash-Settled Performance Units	Measure	Weighting	2011-2013 Target	2011-2013 Result	Payout %
	Cumulative Adjusted Earnings Per Share (2011-2013 performance period)	100%	\$2.79	\$3.65	200%

All financial measures (Targets and Results) reported in the above table were calculated with adjustments for acquisitions, divestitures and special items pursuant to the terms of the plans and as approved by the Board of Directors.

For information on the terms and conditions of these incentive plans, see the Analysis of 2013 Compensation Decisions and Actions section of this proxy statement.

**Executive Compensation Program Highlights**

Our executive compensation program is designed to achieve the following key objectives:

**Attract, Motivate and Retain Top Talent**, by competing effectively for the highest quality of people who will determine our long-term success;

**Pay-for-Performance**, by rewarding the achievement of specified strategic operating and financial objectives that maximize shareholder value on both a short-term and long-term basis; and

**Align Executive Compensation with Shareholder Interests**, by recognizing and rewarding business results and the growth of our share price through incentive programs.

Some of the compensation best practices we employ to achieve these goals include:

Under our compensation plans, pay and performance are closely aligned such that, on average, over one-half of the Named Executive Officers' compensation is performance-based

Our executives, including our Named Executive Officers, are required to comply with significant share ownership requirements

Our compensation plans emphasize long-term performance and utilize a balanced portfolio of cash and

No excise tax gross-ups are provided under our management continuity agreements in the event of a

equity to reward sustained performance over time

We provide limited executive benefits to our Named Executive Officers, and those provided have a sound benefit to our Company's business

change of control for new executive officers, including newly hired Named Executive Officers

We maintain no individual employment agreements with Named Executive Officers, except Mr. Newlin

**Our Directors and Named Executive Officers are prohibited from hedging or pledging Company securities**

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**PROXY STATEMENT**

**POLYONE CORPORATION**

**PolyOne Center**

**33587 Walker Road**

**Avon Lake, Ohio 44012**

**PROXY STATEMENT**

**Dated April 3, 2014**

Our Board of Directors respectfully requests your proxy for use at the Annual Meeting of Shareholders to be held at PolyOne's corporate headquarters located at PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012 at 9:00 a.m. on Thursday, May 15, 2014, 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 or vote by telephone or internet as described below. Common shares represented by a properly signed proxy card will be voted in accordance with the choices marked on the card. If no choices are marked, the shares will be voted (1) to elect the nominees listed on pages 3 through 6 of this proxy statement, (2) to approve, by non-binding vote, our named executive officers' compensation for the fiscal year ended December 31, 2013 and (3) to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2014. 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 the 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 respective 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 April 3, 2014. Our telephone number is (440) 930-1000.



Table of Contents**GOVERNANCE****GOVERNANCE****PROPOSAL 1 ELECTION OF BOARD OF DIRECTORS**

Our Board of Directors currently consists of 11 Directors. Pursuant to the retirement policy contained in our Corporate Governance Guidelines, Dr. Cartwright will not be nominated for re-election at our Annual Meeting of shareholders. Following our Annual Meeting, assuming the election of all of the Board's nominees, our Board will consist of 11 Directors because Robert M. Patterson, our Executive Vice President and COO who is not currently a Director, has been nominated by the Board to stand for election at the Annual Meeting. Each Director serves for a one-year term 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 annual meeting of shareholders immediately following the Director's 7<sup>th</sup> birthday, although the Board may waive this limitation if it determines that such a waiver is in PolyOne'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 occupation and employment during the past five years, name and principal business of any corporation or other organization in which such occupation 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 2014, 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 exception of Kerry J. Preete and Robert M. Patterson. As permitted by Regulations 10(a) and 13 of our Regulations, the Board increased its size to 11 members and elected Mr. Preete to fill the resulting vacancy in December 2013. Mr. Patterson's service as a Director would commence upon his election at the Annual Meeting. The composition of the Board is intended to reflect an appropriate mix of skill sets, experience and qualifications that are relevant to PolyOne Corporation's business and governance over time.

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 Director nominees 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. 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 18, 2014.

**Our Board of Directors recommends a vote FOR all the nominees listed below.**

**Table of Contents****GOVERNANCE****Richard H. Fearon**

Director since 2004

Age 58

Vice Chairman and Chief Financial and Planning Officer of Eaton, a global manufacturing company, since February 2009. Mr. Fearon served as Executive Vice President, Chief Financial and Planning Officer of Eaton 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 57

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, an 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 Board member with proven leadership capabilities, Mr. Goff provides 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 71

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 experience serving on the compensation committees of other public companies.

**Table of Contents****GOVERNANCE****Sandra B. Lin**

Director since 2013

Age 56

Retired President, Chief Executive Officer and Director of Calisolar, Inc. (now Silicor Materials Inc.), a solar silicon company. Ms. Lin served in this role from August 2010 until December 2011. She was Corporate Executive Vice President, from February 2009 to July 2010, and Executive Vice President, from July 2007 to February 2009, of Celanese Corporation, a global hybrid chemical company. Ms. Lin currently serves on the Boards of Directors of WESCO International, Inc. and American Electric Power Company, Inc. Ms. Lin also serves on the Boards of Directors of the Committee of 200 and Junior Achievement USA. Ms. Lin has extensive senior executive experience, including as a chief executive officer, managing global businesses in multiple industries. This experience, along with her experience as a director for two other public companies, makes Ms. Lin a valuable member of our Board.

**Richard A. Lorraine**

Director since 2008

Age 68

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 61

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 President, Chief Operating Officer and Vice Chairman from 2000 to 2001. Mr. Newlin serves on the Boards of Directors of Black Hills Corporation and Oshkosh Corporation. From 2007 to 2013, he also served on the Board of Directors of The Valspar Corporation. Mr. Newlin will retire as President and Chief Executive Officer and will become Executive Chairman of our Board of Directors effective as of May 15, 2014. We believe that, due to his experience 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 of Directors experience, having served on six public company boards, has provided him with the skills necessary to serve as an effective leader of our Board.

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Director Nominee

Age 41

Executive Vice President and Chief Operating Officer of PolyOne since March 2012. Mr. Patterson served as PolyOne's Executive Vice President and Chief Financial Officer from January 2011 until March 2012 and as PolyOne's Senior Vice President and Chief Financial Officer from May 2008 until January 2011. Prior to joining PolyOne, Mr. Patterson served in leadership roles at Novelis, Inc., an aluminum rolled products manufacturer, and SPX Corporation, a multi-industry manufacturer and developer, after starting his career at Arthur Andersen LLP. In connection with Mr. Newlin's retirement, Mr. Patterson will become President and Chief Executive Officer of PolyOne effective as of May 15, 2014. We believe that, as our incoming Chief Executive Officer, Mr. Patterson is particularly well qualified to serve on our Board, as his past and future service enables him to develop comprehensive knowledge of the various segments of our business and of the critical internal and external challenges we face. Through our robust succession planning process, Mr. Patterson was identified as the right leader to continue our transformation in the future. His responsibility for developing and executing the annual operating plans and strategic plans provide him with the knowledge and experience needed to provide valuable input to our Board.

**William H. Powell**

Director since 2008

Age 68

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 insight 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.

**Kerry J. Preete**

Director since 2013

Age 53

Executive Vice President, Global Strategy for Monsanto Company, a leading global provider of technology-based solutions and agricultural products that improve farm productivity and food quality, since 2010. Mr. Preete was Monsanto Company's President, Global Crop Protection Division from 2009 to 2010 and Vice President, International Commercial Business from 2008 to 2009. From 1985 to 2008, Mr. Preete served in various roles of increasing responsibility at Monsanto. As PolyOne's newest Board member, and from his broad experience at a leading, well-known company, we believe Mr. Preete will bring a fresh perspective on running a successful, innovative company. Mr. Preete is specifically adept in not only thinking strategically, but also tactically,

and these traits will be valuable to PolyOne as it continues its transformation into the future. Further, his global experience and understanding will assist PolyOne in its plans to operate in different regions and cultures, and we believe his global business acumen is relevant and transferable across industries. Mr. Preete's operational foundation, strategic expertise, and global experience will be an asset to PolyOne's Board.



Table of Contents**GOVERNANCE****Farah M. Walters**

Director since 1998

Age 69

President and Chief Executive Officer of QualHealth, LLC, a health care consulting firm. 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 52

President and Chief Executive Officer of Carpenter Technology Corporation, an 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 member of our Board. He is a proven leader, with deep and varied experience in technology and successful business operations. His background in managing operations in Europe and 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.



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**Table of Contents****GOVERNANCE*****Corporate Governance*****Director Independence**

Our Corporate Governance Guidelines provide that a substantial majority of the members of our Board of Directors should 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 Dr. Carol A. Cartwright, Richard H. Fearon, Gregory J. Goff, Gordon D. Harnett, Sandra B. Lin, Richard A. Lorraine, William H. Powell, Kerry J. Preete, 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 PolyOne to Eaton, 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 2013, the amount paid to PolyOne from sales to Eaton was less than 0.3% of PolyOne'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 ( CEO ), and will also serve as the key liaison between the independent Directors and Mr. Newlin once he becomes Executive Chairman. The Lead Director 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 CEO. Effective as of May 15, 2014, Mr. Newlin will become Executive Chairman of our Board of Directors and Mr. Patterson will become President and CEO. 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 PolyOne. The Board of Directors believes that this approach serves to strike an effective balance between management and independent Director participation in the board process.

## **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 PolyOne relating to safety, health, environmental, security and product stewardship standards and practices. Our Board

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**GOVERNANCE**

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 PolyOne. 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 supports the risk oversight function of the Board of Directors, but that the risk oversight function otherwise has no effect on the Board's leadership structure.

**Code of Ethics, Code of Conduct and Corporate Governance Guidelines**

In accordance with applicable NYSE listing standards and SEC 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](http://www.polyone.com), under Corporate Governance on our investor relations page.

Our Corporate Governance Guidelines contain 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 who wish to communicate 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.

**Table of Contents****GOVERNANCE*****Board of Directors and Committees*****Board Attendance**

The Board met six times during 2013, 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 or she served as a Director. Each Director is expected to attend the Annual Meeting of Shareholders. In 2013, all of our Directors serving at that time attended the Annual Meeting of Shareholders.

**Board Committees**

As of the date of this proxy statement, our Board has 11 Directors and the following four committees: Audit, Compensation, Nominating and Governance and Environmental, Health and Safety. Each committee meets periodically throughout the year, reports its actions and recommendations to the Board, receives reports from senior management, annually evaluates its performance and has the authority to retain outside advisors in its discretion. The primary responsibilities of each committee are summarized below and set forth in detail in each committee's written charter, which is located on our website at [www.polyone.com](http://www.polyone.com) under "Corporate Governance" on our investor relations page.

**Audit Committee Primary Responsibilities and Requirements**

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

Exercises oversight of our independent auditors, internal auditors and financial management

Appoints the independent auditors to serve as auditors in examining our corporate accounts

All members of the Audit Committee meet the financial literacy and independence requirements as set forth in the NYSE listing standards

PolyOne's common shares are listed on the NYSE and are governed by its listing standards

**NUMBER OF MEETINGS IN 2013: 9**

**COMMITTEE MEMBERS:**

C.A. Cartwright

R.H. Fearon (C)(F)

G.D. Harnett

S.B. Lin

R.A. Lorraine

C Chair of the Committee

F Meets the requirements of an "audit committee financial expert" as defined by the Securities and Exchange Commission (referred to as "SEC").





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<b>Compensation Committee Primary Responsibilities and Requirements</b>	
Reviews and approves the compensation and other benefits afforded our executive officers and other highly-compensated personnel, and has similar responsibilities with respect to non-employee Directors, except that the Compensation Committee's actions and determinations for directors are subject to the approval of the Board of Directors	<b>NUMBER OF MEETINGS IN 2013: 6</b>
Works with PolyOne senior management in human resources, legal and finance departments, provides oversight for all of our broad-based compensation and benefit programs and provides policy guidance and oversight on selected human resource policies and practices	<b>COMMITTEE MEMBERS:</b>
Directly engages the resources of one or more independent outside compensation consultants to assist in assessing the competitiveness and overall appropriateness of our executive compensation programs*	G.D. Harnett (C)
Evaluates the independence of its consultants **	W.H. Powell
Oversees the process by which the Board annually evaluates the performance of the CEO	K.J. Preete
All members of the Compensation Committee have been determined to be independent as defined by the NYSE listing standards	F.M. Walters
	W.A. Wulfsohn

C Chair of the Committee

\* In 2013, the Compensation Committee, assisted by Towers Watson (the Consultant), analyzed competitive market compensation data relating to salary, annual incentives and long-term incentives. In analyzing competitive market data, the Compensation Committee reviewed data from a peer group of similarly-sized United States chemical companies and reviewed data from the Consultant's Compensation Data Bank and other published surveys. The Consultant then assisted the Compensation Committee in benchmarking base salaries and annual and long-term incentive targets. More detailed information about the compensation awarded to our executive officers in 2013 is provided in the Compensation Discussion and Analysis section of this proxy statement. The Consultant maintains regular contact with the Compensation Committee and interacts with management to gather the data needed to prepare reports for Compensation Committee review.

\*\*The Compensation Committee periodically reviews the relationship with the Consultant including the level and quality of services provided, as well as fees for those services. In addition, expenses for other consulting services provided to PolyOne by the Consultant that are not related to executive compensation are monitored to ensure that executive compensation consultant independence is maintained. The Consultant provided us with services under \$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 considered all relevant factors, specifically including six consultant independence factors under Rule 10C-1(b)(4)(i) through (vi) under the Securities Exchange Act of 1934 (referred to as the Exchange Act) in assessing the independence of the Consultant. The Compensation Committee reviewed each factor in depth, as well as information provided by the Consultant that related to and was responsive to each factor, which assisted in the assessment. Upon completing this assessment, the Compensation Committee also determined that that no conflicts of interest have been raised by the work performed by the Consultant.



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<b>Nominating and Governance Committee</b>	<b>Primary Responsibilities and Requirements</b>	<b>NUMBER OF MEETINGS IN 2013: 3</b>
	Identify individuals qualified to become Board members, consistent with criteria approved by the Board*	
	Select, or recommend that the Board select, the director nominees for the next annual meeting of shareholders	<b>COMMITTEE MEMBERS:</b>
	Develop, review and recommend to the Board corporate governance guidelines applicable to PolyOne and directorship practices	C.A. Cartwright (C)
	Oversee the annual evaluation of the Board	R.H. Fearon
	All members of the Nominating and Governance Committee have been determined to be independent as defined by the NYSE listing standards	G.J. Goff
		S.B. Lin
		R.A. Lorraine
		F.M. Walters

C Chair of the Committee

\* 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 2. The Nominating and Governance 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 neither the Nominating and Governance Committee nor the Board has 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 differences in race, gender and national origin, as well as differences in

viewpoint, background, experience and skills. The Nominating and Governance Committee believes that having a diverse Board leads to more innovation, unique thinking and better governance. At the end of 2013, approximately 27% of our Board members were female; however, if all of our Board nominees are elected following our 2014 Annual Meeting of Shareholders, then this percentage will be 18%. 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 Nominating and Governance 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 Nominating and Governance 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 Nominating and Governance Committee in the same manner as any other nominee for election to the Board. Finally, if the Nominating and Governance Committee determines that a candidate should be nominated for election to the Board, the Nominating and Governance Committee will present its findings and recommendation to the full Board for approval.

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<b>Environmental, Health and Safety Committee</b>	<b>Primary Responsibilities and Requirements</b>	<b>NUMBER OF MEETINGS IN 2013: 2</b>
	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	<b>COMMITTEE MEMBERS:</b>
		G.J. Goff
		S.D. Newlin
		W.H. Powell (C)
		K.J. Preete

C Chair of the Committee

**The Board and each Committee also conduct an annual self-evaluation**

***2013 Non-Employee Director Compensation***

In the first half of 2013, we paid our non-employee Directors an annual retainer of \$165,000, in quarterly installments (in arrears), consisting of a cash retainer of \$75,000 and an award of \$90,000 in value of fully vested common shares. In 2013, the Compensation Committee analyzed competitive market compensation data provided by the Consultant relating to both the cash retainer and the equity award value. These compensation elements were benchmarked against PolyOne's peer group as well as other applicable general industries. This analysis demonstrated that the Directors compensation, which had not been increased since 2011 (prior to our size increasing due to merger and acquisition activity), was now below the median of our peer group. As a result, and effective as of the third quarter of 2013, the Board increased the annual retainer to \$185,000 (payable in arrears and in quarterly installments) consisting of \$85,000 in cash and \$100,000 in value of fully vested common shares, and increased Lead Director and committee member retainers as described below, to better align the Directors' cash retainer and equity award value to current market levels.

We pay individual meeting fees only as follows: \$2,000 for each unscheduled Board and committee meeting attended and \$1,000 for participation in each unscheduled significant telephonic Board and committee meeting. In addition, the Lead Director and chairpersons of the following committees receive the additional fixed annual cash retainers (payable on a quarterly basis in arrears) listed below:

**Annual Cash Retainer      Annual Cash Retainer**  
**First and Second      Third and Fourth**  
**Quarters, 2013      Quarters, 2013**

<b>Role</b>	<b>First and Second Quarters, 2013</b>	<b>Third and Fourth Quarters, 2013</b>
Lead Director	\$25,000	\$25,000
Chair, Audit Committee	\$15,000	\$16,000
Chair, Compensation Committee	\$10,000	\$12,500
Chair, Environmental, Health and Safety Committee	\$7,500	\$10,000
Chair, Nominating and Governance Committee	\$7,500	\$10,000

We reimburse Directors for expenses associated with each meeting attended.

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Non-employee Directors may defer payment of all or a portion of their annual cash retainer under our Deferred Compensation Plan for Non-Employee Directors ( Deferred Compensation Plan ). Directors may also elect to have their cash retainer converted into our common shares. These shares, as well as the annual retainer consisting of fully vested common shares, may also be deferred under the Deferred Compensation Plan. In 2013, we awarded shares to Directors under our Deferred Compensation Plan and our 2010 Equity and Performance Incentive Plan (as defined herein). 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 deferred common shares accrued for the benefit of the participating Directors.

**2013 Non-Employee Directors Compensation Table**

Name	Fees Earned or Paid in		Total
	Cash	Stock Awards	
(a)	(b)	(c)	(d)
	(\$)	(\$)	(\$)
C.A. Cartwright	89,750	95,000	184,750
R.H. Fearon	96,500	95,000	191,500
G.J. Goff	81,000	95,000	176,000
G.D. Harnett	117,250	95,000	212,250
S.B. Lin	53,184	61,621	114,805
R.A. Lorraine	81,000	95,000	176,000
W.H. Powell	89,750	95,000	184,750
K.J. Preete	3,234	3,804	7,038
F.M. Walters	82,000	95,000	177,000
W.A. Wulfsohn	81,000	95,000	176,000

**Fees Earned or Paid in Cash (column (b))**

Non-employee Directors may defer payment of all or a portion of their \$75,000 annual cash retainer (payable on a quarterly basis), which was increased to \$85,000 in the third quarter of 2013, as well as meeting and committee chairperson fees. Fees are prorated based upon time served as a Director in any applicable quarter.

**Stock Awards (column (c))**

Our non-employee Directors' stock compensation consisted of an annual award (payable on a quarterly basis) of \$90,000, which was increased to \$100,000 in the third quarter of 2013, in value of fully vested common shares, which the Directors could elect to defer. We 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 per share fair market values, calculated in accordance with Financial Accounting Standards Board Accounting Standards Codification Topic 718 ( FASB ASC Topic 718 ), in calculating the number of shares:

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March 28, 2013 \$24.185 (930 shares); June 28, 2013 \$25.010 (899 shares); September 30, 2013 \$30.475 (820 shares); and December 31, 2013 \$35.215 (709 shares). Shares are prorated based upon time served as a Director in any applicable quarter.



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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 below.

Name	Options Awards:	Deferred Stock Awards:
	Number of Securities Underlying Unexercised Options	Number of Deferred Shares <sup>(1)</sup>
	(#)	(#)
C.A. Cartwright	-	30,538
R.H. Fearon	-	-
G.J. Goff	-	-
G.D. Harnett	6,000	99,605
S.B. Lin	-	3,719
R.A. Lorraine	-	50,033
W.H. Powell	-	46,448
K.J. Preete	-	108
F.M. Walters	6,000	23,096
W.A. Wulfsohn	-	10,892

(1) 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 from 2011 through 2013 (including the fourth quarter dividend declared on December 2, 2013 to shareholders of record on December 17, 2013, which was paid on January 9, 2014).

**Beneficial Ownership of Common Shares**

The following table shows the number of our common shares beneficially owned on March 1, 2014 (including shares the individuals have a right to acquire within 60 days of that date) by each of our Directors, each of the executive officers named in the 2013 Summary Compensation Table on page 36 (the Named Executive Officers) and by all Directors and executive officers as a group.

Name	Number of Shares	Right to Acquire	Total Beneficial Ownership
	Owned <sup>(1)</sup>	Shares	
Carol A. Cartwright	155,261 <sup>(2)</sup>	-	155,261
Richard H. Fearon	76,868	-	76,868
Gregory J. Goff	10,778	-	10,778

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Gordon D. Harnett	171,663 <sup>(2)</sup>	-	171,663
Sandra B. Lin	5,722 <sup>(2)</sup>	-	5,722
Richard A. Lorraine	50,033 <sup>(2)</sup>	-	50,033
William H. Powell	100,723 <sup>(2)</sup>	-	100,723
Kerry J. Preete <sup>(3)</sup>	108 <sup>(2)</sup>	-	108
Farah M. Walters	150,543 <sup>(2)</sup>	6,000 <sup>(4)</sup>	156,543
William A. Wulfsohn	10,892 <sup>(2)</sup>	-	10,892
Stephen D. Newlin	197,704	17,560 <sup>(5)</sup>	215,264
Robert M. Patterson	172,789	42,246 <sup>(5)</sup>	215,035
Bradley C. Richardson <sup>(3)</sup>	-	-	-
Richard J. Diemer, Jr. <sup>(3)</sup>	63,882	-	63,882

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Name	Number of Shares	Right to Acquire	Total Beneficial Ownership
	Owned <sup>(1)</sup>	Shares	
Thomas J. Kedrowski	214,925	9,896 <sup>(5)</sup>	224,821
Kenneth M. Smith	104,845	20,978 <sup>(5)</sup>	125,823
22 Directors and executive officers as a group	1,700,496	167,888	1,868,384

- (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 (as defined herein), a tax-qualified defined contribution plan. The number of common shares allocated to these individuals from the Retirement Savings Plan is provided by the administrator in a statement for the period ending March 1, 2014, based on the market value of the applicable units held by the individual. Additional common shares may have been allocated to the accounts of participants in the Retirement Savings Plan since the date that the last statement was received from the administrator. No Director or executive officer beneficially owned, on March 1, 2014, more than 1% of our outstanding common shares. As of that date, the Directors and executive officers as a group beneficially owned approximately 2.0% 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: C.A. Cartwright, 30,538 shares; G.D. Harnett, 99,605 shares; S.B. Lin, 3,719 shares; R.A. Lorraine, 50,033 shares; W.H. Powell, 46,448 shares; K.J. Preete, 108 shares; F.M. Walters, 23,096 shares; and W.A. Wulfsohn, 10,892 shares.
- (3) Mr. Preete began serving on the Board of Directors on December 18, 2013. Mr. Richardson began serving as our Executive Vice President and Chief Financial Officer on November 11, 2013. Mr. Diemer served as PolyOne's Senior Vice President and Chief Financial Officer until November 8, 2013. Beneficial ownership information for Mr. Diemer is based on information contained in the last Report on Form 4 with respect to PolyOne filed by Mr. Diemer, which is dated November 8, 2013.
- (4) Includes shares the individuals have a right to acquire upon the exercise of options within 60 days of March 1, 2014.
- (5) Includes the number of shares that would be acquired if the individuals' outstanding and exercisable stock-settled stock appreciation rights were exercised within 60 days of March 1, 2014 at \$37.50, the closing market price of PolyOne's common shares on February 28, 2014.

The following table shows information relating to all persons who, as of March 1, 2014, 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 SEC:

<b>Name and Address</b>	<b>Number of Shares</b>	<b>% of Shares</b>
BlackRock, Inc. 40 East 52nd Street, New York, New York 10022 <sup>(1)</sup>	8,541,929	8.99%
FMR LLC 82 Devonshire Street, Boston, Massachusetts 02109 <sup>(2)</sup>	7,755,544	8.16%
The Vanguard Group, Inc. 100 Vanguard Boulevard, Malvern, Pennsylvania 19355 <sup>(3)</sup>	5,833,381	6.14%
AllianceBernstein L.P. 1345 Avenue of the Americas New York, New York 10105 <sup>(4)</sup>	4,951,759	5.21%

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- (1) As of December 31, 2013, based upon information contained in a Schedule 13G/A filed with the SEC by BlackRock, Inc., BlackRock Advisors (UK) Limited, BlackRock Advisors, LLC, BlackRock Asset Management Canada Limited, BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors, BlackRock Fund Management Ireland Limited, BlackRock Institutional Trust Company, N.A., BlackRock International Limited, BlackRock Investment Management (Australia) Limited, BlackRock Investment Management (UK) Ltd, BlackRock Investment Management, LLC (collectively, BlackRock ). BlackRock reported that it had sole voting power with respect to 8,243,726 of these shares and sole dispositive power with respect to all of these shares.
- (2) As of December 31, 2013, based upon information contained in a Schedule 13G/A filed with the SEC by FMR LLC, Edward C. Johnson 3d and Fidelity Management & Research Company (collectively, FMR ). FMR reported that it had sole voting power with respect to 633 of these shares and sole dispositive power with respect to all of these shares.
- (3) As of December 31, 2013, based upon information contained in a Schedule 13G/A filed with the SEC by The Vanguard Group, Vanguard Fiduciary Trust Company and Vanguard Investments Australia, Ltd. (collectively, Vanguard ). Vanguard reported that it had sole voting power with respect to 138,446 of these shares, sole dispositive power with respect to 5,701,135 of these shares and shared dispositive power with respect to 132,246 of these shares.
- (4) As of December 31, 2013, based upon information contained in a Schedule 13G filed with the SEC by AllianceBernstein L.P. Alliance Bernstein L.P. reported that it had sole voting power with respect to 4,264,697 of these shares, sole dispositive power with respect to 4,844,682 of these shares and shared dispositive power with respect to 107,077 of these shares.

**Stock Ownership Guidelines for Non-Employee Directors**

The purpose of our stock ownership guidelines (referred to as the Guidelines ) is to better align our Directors financial interests with those of our shareholders by requiring our Directors to own a minimum level of our shares. In March 2014, we amended the Guidelines to more accurately reflect the market median multiple of salary for our Directors. This change was necessary because of the significant stock price appreciation that occurred since we last determined the Guidelines (in December 2012 at 22,000 shares). In order to reflect the Board s commitment to share ownership, the required share ownership level for non-employee Directors is now a minimum of 12,500 shares.

The Directors are expected to make continuing progress towards compliance with the Guidelines and to comply fully within five years of becoming subject to the Guidelines. 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 deferral plans and restricted stock units. As of the date of this proxy statement, all Directors are either meeting, or are on track to meet, the Guidelines. All Directors are required to retain 100% of all shares obtained through us, as compensation for services provided to us, with 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 (if applicable). This requirement to retain 100% of all shares obtained from us ceases once the Director has met the Guidelines, as long as the Guidelines continue to be met. These policies, as they relate to our Named Executive Officers, are set forth in the

Compensation Discussion and Analysis section of this proxy statement.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires that certain of our officers, our 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 SEC. These officers, Directors and greater than 10% shareholders are required by SEC 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 2013 and until the date of this proxy statement, all Section 16(a) filing requirements applicable to those officers, Directors and 10% shareholders were satisfied.

**Table of Contents****COMPENSATION****EXECUTIVE COMPENSATION***Compensation Discussion and Analysis***Introduction**

This Compensation Discussion and Analysis ( CD&A ) describes the principles underlying our executive compensation policies as well as our most important executive compensation decisions and practices for 2013. 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 six individuals are our Named Executive Officers for 2013, as that term is defined by the SEC:

<b>Name</b>	<b>Title</b>
Stephen D. Newlin <sup>(1)</sup>	Chairman, President and Chief Executive Officer
Robert M. Patterson <sup>(1)</sup>	Executive Vice President and Chief Operating Officer
Bradley C. Richardson <sup>(2)</sup>	Executive Vice President and Chief Financial Officer
Richard J. Diemer, Jr. <sup>(3)</sup>	Former Senior Vice President and Chief Financial Officer
Thomas J. Kedrowski	Executive Vice President, Global Operations and Process Improvement
Kenneth M. Smith	Senior Vice President and Chief Information and Human Resources Officer

- (1) Both Mr. Newlin and Mr. Patterson served in the positions shown for the entirety of 2013. Mr. Patterson will become President and Chief Executive Officer upon Mr. Newlin's retirement from such positions effective May 15, 2014, at which time Mr. Newlin will become Executive Chairman of the Board of Directors.
- (2) Mr. Richardson began serving as our Executive Vice President and Chief Financial Officer effective November 11, 2013.
- (3) Mr. Diemer served as our Senior Vice President and Chief Financial Officer until his separation from service on November 8, 2013. Please see the "Potential Payments Upon Termination or Change of Control" section of this proxy statement for a discussion of the terms and conditions of his separation from service.

**Executive Summary**

This section illustrates the relationship between our Named Executive Officers' compensation and how we measure performance, and highlights significant Compensation Committee actions that occurred in 2013.

We are currently undergoing a leadership transition that we believe will position us to continue to deliver long-term value to our shareholders. Effective as of May 15, 2014, Mr. Newlin will retire as President and Chief Executive Officer and will become Executive Chairman. As of Mr. Newlin's retirement, Mr. Patterson, who currently serves as our Executive Vice President and Chief Operating Officer, will become President and Chief Executive Officer. Because the leadership transition will take place in 2014, it did not affect which individuals qualified as Named Executive Officers for 2013.

**How Pay is Tied to Company Performance.** Our compensation programs are designed to: (1) reward employees for generating consistent improvement in Company performance; (2) attract and retain talented executives; and (3) align

compensation with the interests of our shareholders and the ultimate goal of improving long-term shareholder value. We believe that executive compensation, both pay opportunities and pay actually earned, should be tied to Company performance. We view Company performance in two primary ways:

the Company's operating performance, including results against our short-term and long-term goals; and return to shareholders over time.



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**Key 2013 Financial Performance Results.** PolyOne delivered outstanding performance results in 2013. The Compensation Committee believes that Mr. Newlin and our other Named Executive Officers have performed extremely well in a challenging global environment and that their compensation is commensurate with this performance. The chart below sets forth key Company results over the previous calendar year (dollar amounts below are in millions, except per share amounts).

<b>Measure</b>	<b>2012</b>	<b>2013</b>	<b>Change</b>
Stock Price Per Share <sup>(1)</sup>	\$20.42	\$35.35	73%
Market Capitalization <sup>(2)</sup>	\$1,820	\$3,400	87%
Adjusted Earnings Per Share	\$1.00	\$1.31	31%
Adjusted Operating Income <sup>(3)</sup>	\$191	\$262	37%
Revenue <sup>(4)</sup>	\$2,900	\$3,800	32%
Organic Working Capital as a Percentage of Sales	10.3%	10.1%	(2%)

- (1) Represents our closing stock price on the last trading day of the applicable fiscal year.
- (2) Represents our market capitalization on December 31, 2012 and 2013 respectively.
- (3) Our specialty platform operating income now represents 62% of our platform operating income, which is up from 2% in 2005, prior to Mr. Newlin's appointment as CEO of PolyOne.
- (4) Revenue increased 32% versus 2012 driven by second-half solid top-line organic growth and the acquisitions of Spartech and Glasforms.

In addition, we have achieved seventeen consecutive quarters of strong double-digit adjusted earnings per share growth, with a compounded annual earnings per share percentage growth rate of 25% during this period. We attained a record-level year-end adjusted earnings per share of \$1.31.

Following our acquisition of Spartech, a supplier of sustainable plastic sheet, color and engineered materials and packaging solutions, and through our aggressive integration efforts, we are already beginning to see the benefits of the acquisition. At the time of our acquisition, we estimated improving our earnings per share by \$0.01 to \$0.02 in 2013. Based on our early success in commercial and operational excellence efforts, as well as our aggressive efforts to eliminate duplicate company costs, we added \$0.12 to our adjusted earnings per share in 2013.

**Return to Shareholders.** Delivering seventeen consecutive quarters of strong double-digit adjusted earnings per share expansion, along with regularly establishing new, record levels of profit and profitability, has created shareholder value in excess of the overall market. These accomplishments were driven by our aggressive goal setting and our relentless efforts to execute our well-defined four pillar strategy of specialization, globalization, commercial excellence and operational excellence.

*Note: Adjusted earnings per share and adjusted operating income for consolidated PolyOne differ from what is reported under United States GAAP. See Appendix A for a reconciliation of non-GAAP financial measures to our*

*results as reported under GAAP.*

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**2013 Financial Results Under Incentive Plans and Pay-for-Performance.** In line with our compensation program's emphasis on pay-for-performance, compensation awarded to our Named Executive Officers for 2013 reflected PolyOne's strong financial results. The chart below sets forth certain key financial results that were used in determining payouts under our short-term and long-term incentive compensation plans for 2013, as well as the payout percentages under each plan (dollar amounts are in millions, except for percentages and per share amounts).

<b>Annual Plan</b>	<b>Measure</b>	<b>Weighting</b>	<b>2013 Targets</b>	<b>2013 Results</b>	<b>Payout %</b>
	Adjusted Operating Income	50%	\$239.3	\$272.5	194.9%
	Working Capital as a % of Sales	25%	10.5%	10.0%	191.4%
	Revenue	25%	\$3,773.4	\$3,827.8	113.9%
<b>Total Company Annual Plan Attainment</b>					<b>173.8%</b>
<b>Long-Term Incentive Plan: Cash-Settled Performance Units</b>	<b>Measure</b>	<b>Weighting</b>	<b>2011-2013 Target</b>	<b>2011-2013 Result</b>	<b>Payout %</b>
	Cumulative Adjusted Earnings Per Share (2011-2013 performance period)	100%	\$2.79	\$3.65	<b>200%</b>

All financial measures (Targets and Results) reported in the above table were calculated with adjustments for acquisitions, divestitures and special items pursuant to the terms of the plans and as approved by the Board of Directors.

**Annual Incentive Plan:** All of our Named Executive Officers earned payouts above their target 2013 Annual Plan opportunities, with an overall payout of 173.8% of target as a result of our strong fiscal 2013 performance.

**Cash-Settled Performance Units:** Cumulative adjusted earnings per share was the performance measure for this award in order to drive improvements in shareholder value. Our strong performance over the past three years led to a maximum payout (200% of target) for the cash-settled performance units granted to each Named Executive Officer under the 2011 - 2013 Long-Term Incentive Plan.

**Stock-Settled Stock Appreciation Rights:** We maintained stock price performance hurdle vesting requirements for the stock appreciation right (or SAR) awards granted as part of the 2013 - 2015 Long-Term Incentive Program to further align executive compensation with shareholder interests. The 2013 awards initially vest in one-third increments upon achieving each of the following stock price hurdles and maintaining them for thirty consecutive trading days: 10%, 15% and 20% increase respectively over the initial grant date closing stock price of \$23.08. These hurdles were met in 2013. The SARs also are subject to additional time-based vesting requirements that lapse one-third on each of the first three anniversaries of the grant date.

Details regarding each of these incentive plans and payments are set forth in the Analysis of 2013 Compensation Decisions and Actions section of this proxy statement.

We are pleased with our accomplishments in 2013, and are well-positioned to continue our transformation into a high performing global specialty company. We believe our executive compensation programs described below and in the

accompanying tables played a vital role in driving the strong financial results noted above, and appropriately align pay and performance.

**Listening to Shareholders.** At the 2013 Annual Meeting of Shareholders, we held our third annual advisory vote on Named Executive Officer compensation. For the second consecutive year, 96% of the votes cast were in favor of this advisory proposal. The Compensation Committee reviewed the voting results and considered this favorable outcome to convey our shareholder s strong support for the Compensation Committee s decisions and the existing executive compensation programs and practices. As a result, the Compensation Committee made no material changes in the structure

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of our compensation programs or pay-for-performance philosophy based on the voting results for the proposal. At the 2014 Annual Meeting of Shareholders, we will again hold an advisory vote to approve the Named Executive Officer compensation. The Compensation Committee expects to consider the results from this year's and future advisory votes on Named Executive Officer compensation.

**Executive Compensation Practices and Programs.** The executive compensation practices and programs described below and in the accompanying tables played a vital role in driving strong financial results and aligning pay with performance for 2013, and are designed to attract and retain a highly experienced, successful team to manage PolyOne. Our practices and programs are directly linked to our key business objectives and designed to create value for our shareholders.

Highlights of our practices and programs include:

- ü **Pay-for-Performance** As described below, the majority of executive pay is performance-driven and must be earned every year based on objective, challenging financial goals and individual performance.
  
- ü **Shareholders Approve our Executive Compensation** In May 2013, we received the support of 96% of the votes cast on our Named Executive Officer compensation proposal pursuant to our third advisory say-on-pay vote.
  
- ü **Mitigate Undue Risk** We utilize maximums on potential payments, include retention vehicles in our compensation programs, provide multiple performance targets and maintain robust Board and management processes to identify risk, which includes a risk assessment of executive compensation programs that is performed each year.
  
- ü **Meaningful Stock Ownership Guidelines** All Named Executive Officers are subject to stock ownership guidelines, and are either exceeding, or, for our newly-hired Named Executive Officers, are on target to achieve the Guidelines within five years of being subject to such Guidelines.
  
- ü **Vigorous Corporate Governance** We have policies that prohibit our Named Executive Officers from hedging or pledging our securities.

ü Annual Review of Share Utilization Prior to the annual equity award grants to Named Executive Officers, we evaluate annual and aggregate dilution from stock awards.

ü No Excise Tax Gross-Ups We do not provide excise tax gross-up benefits for excess parachute payments under Section 280G of the Internal Revenue Code of 1986, as amended ( Code ) in any new management continuity agreements. We also do not provide tax gross-up benefits for financial planning.

ü No Excessive Executive Benefits We provide limited executive benefits to our Named Executive Officers and those benefits provide value to our business.

Details on these practices and programs are set forth in this CD&A.

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**2013 Pay-for-Performance Analysis.** As described more fully below, we believe that the majority of each Named Executive Officer's compensation should be linked directly to our performance and the creation of shareholder value. The following chart compares cumulative total shareholder return (TSR) on our common shares against the cumulative total return of the S&P 500 Index and the S&P Mid Cap Chemicals Index for the five-year period December 31, 2008 to December 31, 2013, assuming in each case a fixed investment of \$100 and reinvestment of all dividends. Starting in 2009, our performance has significantly exceeded the S&P 500 Index as well as the S&P Mid Cap Chemicals Index.

We believe that the returns to shareholders shown in the above graph indicate that our pay-for-performance philosophy, compensation plan design and selected metrics are working, and have resulted in performance that has provided increased value to our shareholders over both the short and long-term.

We believe the compensation of our Named Executive Officers has been commensurate with our performance results. Since he joined PolyOne in 2006 as its CEO, Mr. Newlin has been highly effective at driving margin growth in the transformation of PolyOne to a high performing global specialty company. By refocusing the sales force on value and profits versus volumes, and emphasizing specialty businesses versus those more commodity in nature, Mr. Newlin and his senior management team have driven substantial earnings growth.

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The following graph provides a historical perspective comparing Mr. Newlin's earned compensation and our performance to the pay-for-performance of our peer group from 2010-2012 (data and timing limitations prohibit us from providing a 2013 analysis at this time). Mr. Newlin's earned compensation has been aligned with our recent performance, with his earned compensation approximating the 75th percentile of our peers while our performance as defined below, was at the 100th percentile.

For purposes of this graph, pay is defined as the three-year (2010-2012) sum of base salary, earned annual incentives, the value of stock awards upon vesting, the value of option/SAR exercises, and earned long-term cash incentives. Three-year performance is based on three-year TSR (2010 - 2012). The peers used in this graph include those listed on page 23 of this proxy statement.

**Compensation Philosophy and Objectives**

Our executive compensation programs reward our officers' performance and are specifically linked to our achievement of strategic operating and financial goals and are designed to be competitive in the marketplace. Our executives are rewarded for performance that meets or exceeds our strategic goals, without encouraging excessive risk-taking that could have a detrimental impact on our long-term results and the interests of our shareholders. We believe the design of our compensation plans and the relative mix of compensation elements successfully motivate our executives to improve our overall corporate performance and the profitability of the specific business unit(s) for which they are responsible, thus maximizing shareholder value. The main objectives of our executive compensation programs are to:

Attract, motivate and retain a highly qualified and successful management team to lead PolyOne in setting and effectively executing upon our strategic goals and objectives;

Foster a pay-for-performance culture by rewarding the achievement of specified strategic operating and financial objectives that maximize shareholder value; and

Ensure our goals and objectives are aligned with the interests of our shareholders by recognizing and rewarding business results and the growth of our share price through incentive programs.

**Setting 2013 Executive Compensation Levels**

*Compensation Consultant*

Our executive compensation programs are approved and overseen by the Compensation Committee, which is composed entirely of independent Directors. For 2013, the Compensation Committee retained the Consultant to assist with





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assessing the competitiveness and overall appropriateness of our executive compensation programs. The Compensation Committee worked with the Consultant and considered input from members of senior management to ensure that our executives, including our Named Executive Officers, receive market competitive compensation programs that reward business results.

As described below, the Consultant assisted the Compensation Committee by (1) benchmarking compensation so we could align base salaries, as well as annual and long-term incentive targets, with our competitive market pay philosophy discussed below, (2) providing guidance on incentive plan design, (3) monitoring and communicating trends in executive compensation to the Compensation Committee, (4) assisting with proxy statement disclosure, (5) assessing Board of Directors compensation and (6) evaluating executive retirement benefits.

*Competitive Market Pay Information and Benchmarking*

We designed our compensation programs to be competitive with companies of comparable size and industry with whom we compete for executive talent. We annually analyze competitive market compensation data relating to salary, annual incentives and long-term incentives. The Compensation Committee generally manages individual components of compensation and initially targets total compensation relative to the median (50th percentile) of the competitive market data. However, the Compensation Committee considers other factors, consisting of the responsibilities, performance, contributions and experience of each Named Executive Officer and compensation in relation to other employees to determine final total compensation amounts. As a result, we do not set total direct compensation or the component parts at levels to achieve a mathematically precise market position. For 2013, Mr. Newlin's compensation was set above the market median, which is aligned with Company performance and Mr. Newlin's skills and experience. We also periodically analyze competitive compensation market data relating to retirement benefits and other benefits. The Compensation Committee obtains advice and recommendations from the Consultant in these and other areas of total compensation.

In analyzing competitive market data for the purpose of determining the market median for 2013, we drew from three independent sources. We first reviewed proxy statement disclosures of a peer group of similarly-sized United States chemical companies to establish an estimate of market compensation for our senior executives. This approach provided insight into specific practices at business competitors or companies facing similar operating challenges.

In recent years we refined our peer group to reflect our progress toward becoming a global specialty company. In March 2013, we evaluated our current peers and other potential peers, giving specific consideration to the following factors:

<b>Factor</b>	<b>Average of Peer Group Comparator</b>	<b>PolyOne 2013 Results</b>
Company Revenue	\$3.4 billion	\$3.8 billion
Total Asset Size	\$3.9 billion	\$2.9 billion
Employee Numbers	6,300	>7,600

We also looked at the frequency with which these companies were used as peers by other companies in our industry, which companies had identified PolyOne as a peer, and whether each potential peer company had a global presence

and a specialty chemical focus. In addition, we considered whether each company was in the same Standard Industrial Classification code as PolyOne and whether we compete with them for talent. Each of the companies recommended for our peer group met a majority of the primary criteria that were established. Based on this review, we included Ashland, Inc. and Celanese Corporation and retained all other companies, such that PolyOne's current peer group consists of the following 18 companies:

**PolyOne Peer Group**

Albemarle Corporation	Cytec Industries Inc.	International Flavors & Fragrances Inc.
A. Schulman, Inc.	Eastman Chemical Company	Rockwood Holdings, Inc.
Ashland, Inc.	Ecolab, Inc.	RPM International Inc.
Axiall Corporation	Ferro Corporation	The Scotts Miracle-Gro Company
Cabot Corporation	FMC Corporation	Sigma-Aldrich Corporation
Celanese Corporation	H.B. Fuller Company	The Valspar Corporation

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The second and third independent sources of data that we used to augment the peer proxy analysis was the Consultant's analysis of competitive market data relating to (1) the broader chemical industry and (2) other applicable general industries using the following surveys: the Consultant's executive compensation database, the Consultant's Top Management Compensation Survey and Mercer's Executive Compensation Survey. To obtain comparability based on company size, the Consultant's analysis either referenced a specific sample of comparably-sized companies or calibrated the pay of a broad sample of companies against company size. The specific identity of the companies in these surveys was not material to our use of the comparability data based on this process used by the Consultant.

**Review of 2013 Named Executive Officer Compensation**

Management and the Compensation Committee annually review the specific pay disclosures of our peer group and the broad-based survey data provided by the Consultant. Management uses this data to develop recommendations for the Compensation Committee's review regarding eligibility, award opportunities, performance measures and goals for the incentive plan performance periods commencing in the following year. The Compensation Committee also considers this information when making compensation decisions and aligning each of the pay elements with our compensation objectives and relative market practices.

The Compensation Committee and management annually review and consider tally sheets, which are developed by our Human Resources department and reviewed by the Consultant, to determine the reasonableness of the compensation of our Named Executive Officers. The tally sheets provide information regarding each Named Executive Officer's base salary, annual incentives, long-term incentives, other benefits, retirement benefits and wealth accumulation.

Annually, the CEO recommends, for the Compensation Committee's review and approval, specific base salary and target incentive adjustments for the other Named Executive Officers, if an adjustment is warranted. The CEO makes his recommendations in conjunction with marketplace data and input provided by the Consultant. He does not participate in any discussions with the Compensation Committee involving his own compensation. With guidance from the Consultant regarding market pay levels and based on a rigorous review of 2012 performance and our compensation philosophy, the Compensation Committee determined the appropriate pay levels for the CEO for 2013.

**2013 Pay Mix**

Our executive compensation programs are designed to recognize an executive's scope of responsibilities, leadership ability, and effectiveness in achieving key performance goals and objectives. As an executive's level of responsibility within PolyOne increases, so does the percentage of total compensation that is linked to performance in the form of variable compensation.

We provide three elements of direct compensation that are discussed in detail below: base salary; annual incentive compensation; and long-term incentive compensation. The following table summarizes the allocation of the compensation opportunity at target, or pay mix, that was granted in 2013 to the Named Executive Officers based upon their three elements of compensation. Both the annual incentive opportunity and long-term incentive opportunity represent the variable compensation portion of each Named Executive Officer's total compensation opportunity, consistent with our overall pay-for-performance philosophy.

**Target Pay Mix**

<b>Named Executive Officer</b>	<b>Allocation</b>		
	<b>Base Salary %</b>	<b>Annual Incentive %</b>	<b>Long-Term Incentive %</b>
S.D. Newlin	18%	20%	62%
R.M. Patterson	31%	22%	47%
B.C. Richardson	33%	22%	45%
R.J. Diemer, Jr.	39%	23%	38%
T.J. Kedrowski	39%	22%	39%
K.M. Smith	39%	22%	39%

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**Analysis of 2013 Compensation Decisions and Actions**

***Base Salary***

We pay base salaries to attract talented executives and to provide a fixed base of cash compensation. Base salaries for the Named Executive Officers were individually determined by the Compensation Committee after consideration of:

- The CEO's recommendations (for all Named Executive Officers other than the CEO);
- Breadth, scope and complexity of the executive's role;
- Internal equity (in other words, employees with similar responsibilities, experience and historical performance are rewarded comparably);
- Current compensation;
- Tenure in position;
- Market pay levels and trends around merit increases;
- Relative position of the Named Executive Officer's salary to the market median for their role; and
- Individual performance.

There are three situations that may warrant an adjustment to base salary:

**Annual Merit Increase.** All employees' base salaries are reviewed annually for possible merit increases taking into account the above listed factors, but merit increases are not automatic or guaranteed. In recognition of the significant role Mr. Newlin played in transforming PolyOne into a high-performing organization, as well as his strong leadership, particularly in light of recent merger and acquisition activity, and after a review of competitive market data, the Compensation Committee approved a seven percent adjustment to his annual base salary for 2013, as outlined in the below table. In the Compensation Committee's judgment, this base salary is appropriate in order to fairly compensate and retain Mr. Newlin. The Compensation Committee also increased the annual base salaries of each of the other Named Executive Officers (excluding Mr. Kedrowski) in accordance with market pay levels, trends around merit increases and individual specific roles and responsibilities, as outlined below.

**Promotion or Change in Role.** Base salary may be increased to recognize additional responsibilities resulting from a change in an employee's role or a promotion to a new position; however, increases are not guaranteed. In recognition of his many contributions to date and as well as the increased responsibilities he assumed in connection with PolyOne's acquisition of Spartech, the Compensation Committee approved Mr. Kedrowski's promotion to Executive Vice President, Global Operations and Process Improvement with an increase in annual base salary to \$400,000.

**Market Adjustment.** A market adjustment may be awarded to an individual who is performing successfully when we recognize a significant gap between the market data and the individual's base salary. No Named Executive Officer received a market adjustment in 2013.

The below table lists the 2013 base salaries that were approved by the Compensation Committee for the Named Executive Officers, as well as the applicable percentage increase from the 2012 base salaries.

<b>Named Executive Officer</b>	<b>2012 Base Salary</b>	<b>2013 Base Salary</b>	<b>% Change</b>
S.D. Newlin <sup>(1)</sup>	\$980,000	\$1,050,000	7%
R.M. Patterson <sup>(1)</sup>	\$515,000	\$551,000	7%
B.C. Richardson <sup>(2)</sup>	N/A	\$520,000	N/A
R.J. Diemer, Jr. <sup>(1)</sup>	\$435,000	\$455,000	5%
T.J. Kedrowski <sup>(3)</sup>	\$356,000	\$400,000	12%
K.M. Smith <sup>(1)</sup>	\$365,000	\$380,000	4%

(1) Messrs. Newlin, Patterson and Smith's 2013 base salary increases went into effect thirteen months after their 2012 base salary increases, and Mr. Diemer's increase went into effect fourteen months after his date of hire.

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- (2) Mr. Richardson was hired in November 2013 and did not have a PolyOne base salary in 2012. Mr. Richardson's 2013 base salary was benchmarked against competitive market data for similar roles.
- (3) Mr. Kedrowski's 2013 promotional increase went into effect six months after his last base salary increase. Based on the competitive market data provided by the Consultant, we determined that the 2013 salaries of the Named Executive Officers were within a range of 11% above and 5% below the 2013 market medians for comparable positions, which is consistent with our competitive market pay philosophy discussed in the Competitive Market Pay Information and Benchmarking section of this proxy statement.

***Annual Incentive***

We pay an annual incentive to (1) reward our Named Executive Officers for achieving specific performance objectives that would advance our profitability; (2) drive key business results; and (3) recognize individuals based on their contributions to those results. The below table lists the 2013 individual annual incentive opportunities that were approved by the Compensation Committee for the Named Executive Officers, which are the same as the 2012 individual annual incentive opportunities (for those who were serving in 2012).

<b>Named Executive Officer</b>	<b>2013 Annual Incentive Opportunity</b>
S.D. Newlin	110%
R.M. Patterson	70%
B.C. Richardson <sup>(1)</sup>	65%
R.J. Diemer, Jr.	60%
T.J. Kedrowski	55%
K.M. Smith	55%

- (1) Mr. Richardson was hired in November 2013 and did not have a PolyOne annual incentive opportunity for 2012. Mr. Richardson's annual incentive opportunity was benchmarked against competitive market data for similar roles.

Based on the competitive market data provided by the Consultant, we determined that the 2013 Annual Plan opportunities for the Named Executive Officers were within a range of 10% above to 8% below the 2013 market median for comparable positions, which is consistent with our competitive market pay philosophy discussed in the Competitive Market Pay Information and Benchmarking section of this proxy statement.

The Compensation Committee determined, after a thorough evaluation of possible plan designs and performance measures, that we would maintain the same fundamental Annual Plan design in 2013 as we used in 2012, however, we added a revenue performance measure to encourage profitable sales growth. The Compensation Committee's evaluation demonstrated that these performance measures are the most critical elements of PolyOne's performance for both 2012 and 2013 and when combined, contribute to sustainable growth. The 2013 Annual Plan performance measures are described below.



Adjusted Operating Income. Adjusted operating income is defined as operating income excluding special items (which consist of non-recurring items as set forth in our quarterly earnings releases). The calculation includes recently acquired businesses (Spartech and Glasforms) and includes our non-core resin business results through the date of its divestiture.

Revenue. Re