

## **PolyOne Corporation Corporate Governance Guidelines**

The Board of Directors of PolyOne Corporation has adopted the following Corporate Governance Guidelines. The Guidelines, together with the charters of the committees of the Board, provide the framework for the corporate governance of the Company. The Guidelines recognize the importance of maintaining the flexibility to adapt corporate governance processes to the changing requirements of the business. They are in addition to and are not intended to change or interpret any federal or state law or regulation, including the General Corporation Law of the State of Ohio, the Company's Articles of Incorporation or Code of Regulations, or any Committee charter reviewed and approved by the Board. The Board may modify the Guidelines from time to time and may make exceptions to them.

### **1. Qualification Standards; Composition of the Board**

#### Independence

The Board believes that a substantial majority of the directors should be independent. For this purpose, independence has the meaning prescribed under the listing standards of the New York Stock Exchange as in effect from time to time and, in addition, means that the Board shall have determined that a given 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. On an on-going basis, with input and a recommendation from the Nominating and Governance Committee, the Board will affirmatively determine whether each non-employee director is independent and will disclose its determination.

#### Qualification Criteria

The Nominating and Governance Committee is responsible for reviewing and recommending nominees for election to the Board. In general, nominees are selected on the basis of the following criteria, among others: 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 their ability to devote sufficient time to the affairs of the Company; the diversity of backgrounds and experience they will bring to the Board; and the needs of the Company from time to time. All nominees should be individuals of substantial accomplishment with demonstrated leadership capabilities. The Nominating and Governance Committee is responsible for reviewing with the Board additional qualifications for directors, taking into account the composition and skills of the entire Board.

#### Conflicts of Interest

Directors are expected to be free of outside interests that conflict with the best interests of the Company. They are expected to act solely on behalf of the Company and not be influenced by a personal interest that may result from other individual or business concerns. No director should serve as a director, officer or employee of a competitor of

the Company. Directors must disclose to other directors any potential conflicts of interest they may have concerning any matter under discussion and, if appropriate, refrain from voting on a matter in which they may have a conflict.

#### Offices of Chairman of the Board and Chief Executive Officer

The Board selects the Chairman of the Board and Chief Executive Officer and determines from time to time whether the positions are to be combined and filled by one person or separated and filled by two persons. The Board's policy as to whether these roles should be separate is to adopt the practice that best serves the Company's needs at any particular time. The office of Chairman of the Board may or may not be an officer position.

#### Lead Director

On an annual basis, the Board, upon recommendation from the Nominating and Governance Committee, will select a Lead Director from the independent directors if the positions of Chairman and Chief Executive Officer are held by the same person. The length of service as Lead Director is subject to the Board's discretion. In addition to the other duties of a director under these Guidelines, the Lead Director is responsible for coordinating the activities of the independent directors, and in that role will:

- Chair executive sessions of the non-employee directors, as described below under the caption, "Executive Sessions" and provide feedback and perspective to the CEO regarding discussions at these sessions;
- Facilitate communications between the Chairman and other members of the Board;
- Provide input from the directors to the Chairman of the Board with regard to agendas and schedules for Board meetings;
- Advise the Chairman of the Board as to the quality, quantity and timeliness of the flow of information from management to the Board and regarding the effectiveness of Board meetings;
- Along with the Chair of the Nominating and Governance Committee, interview all Board candidates, and provide the Nominating and Governance Committee with recommendations on each candidate;
- Maintain close contact with the Chair of each standing committee and assist in ensuring communications between each committee and the Board;
- Consider the retention of advisers and consultants who report directly to the Board of Directors;
- Chair Board meetings when the Chairman of the Board is unable to do so; and
- Perform various other duties as may from time to time be determined by the Board.

#### Service on Other Boards

The Company does not have a policy restricting the number of boards of directors on which a director may serve. But, the Nominating and Governance Committee does consider service on other boards along with the individual circumstances of each director in connection with his or her annual selection process. Directors will advise the Chairman of the Board, the Chief Executive Officer, and the Chair of the Nominating and Governance Committee in advance of accepting an invitation to serve on the board of directors of another public company.

### Change in Director's Employment

The Board believes that non-employee directors who significantly change their principal business or professional responsibility outside of the Company should submit a conditional letter of resignation to the Board. The Nominating and Governance Committee reviews the continued appropriateness of Board membership under the circumstances and determines whether the resignation will be accepted.

### Retirement Policy

Non-employee directors will be required to retire from the Board on the first day of the month following the date of the director's 72<sup>nd</sup> birthday, although the Board may waive this limitation if it determines such waiver to be in the best interests of the Company. Employee directors will resign from the Board at the time they resign or retire from their employment with the Company, although the Board may waive this requirement if it determines such waiver to be in the best interests of the Company.

### Policy of the Board of Directors Relating to Majority Voting

It is a policy of the Board that any nominee for director who receives a greater number of votes "withheld" from his or her election than votes "for" his or her election (a "Majority Withheld Vote") 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 this policy.

The Nominating and Governance Committee shall consider each resignation tendered under this policy and recommend to the Board whether to accept or reject it. The Board will act on each tendered resignation, taking into account the Nominating and Governance Committee's recommendation, within 90 days following the certification of the election results. 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, without limitation, 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 the Company, 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 (a) its decision whether to accept or reject the director's tendered resignation and (b) if applicable, the reasons for rejecting the tendered resignation.

Any director who tenders his or her resignation pursuant to this policy shall not participate in the Nominating and Governance Committee recommendation or Board action regarding whether to accept or reject the tendered resignation. If, however, each member of the Nominating and Governance Committee received a Majority Withheld Vote in the same election, then the Board will appoint a committee comprised solely of independent directors who did not receive a Majority Withheld Vote in that election to consider each tendered resignation and recommend to the Board whether to accept or reject it. Further, if all of the directors received a Majority Withheld Vote in the same election, then the Board will appoint a committee of independent directors to consider

each tendered resignation (other than his or her own) and recommend to the Board whether to accept or reject it.

If a director's tendered resignation is rejected by the Board, the director will continue to serve until the next annual meeting of shareholders and until his or her successor is duly elected, or his or her earlier death, resignation or removal.

If a director's tendered resignation is accepted by the Board, then the Board, in its sole discretion, may fill any resulting vacancy or may decrease the number of directors comprising the Board, in each case pursuant to the provisions of the Company's Code of Regulations.

The Board shall consider as candidates for nomination for election or re-election to the Board, or to fill vacancies and new directorships on the Board, only those individuals who agree to tender, promptly following their election, re-election or appointment, an irrevocable resignation that will be effective upon (a) the occurrence of a Majority Withheld Vote for that director in his or her next election and (b) acceptance of the tendered resignation by the Board.

The Board may at any time in its sole discretion supplement or amend any provision of this policy in any respect, repeal the policy in whole or part or adopt a new policy relating to director elections with such terms as the Board determines in its sole discretion to be appropriate. The Board will have the exclusive power and authority to administer this policy, including, without limitation, the right and power to interpret the provisions of this policy and to make all determinations deemed necessary or advisable for the administration of this policy, including, without limitation, any determination as to whether any election of directors is contested. All such actions, interpretations and determinations that are done or made by the Board in good faith will be final, conclusive and binding.

## 2. **Director Responsibilities**

### Board Meetings

Directors should demonstrate willingness and the ability to commit the time required to fully discharge Board responsibilities. Directors should regularly attend meetings of the Board and of all Board committees on which they serve. To prepare for meetings, directors should review the materials that are sent to them in advance of those meetings. Each director is expected to attend the Annual Meeting of Shareholders.

Board materials related to agenda items are provided to directors sufficiently in advance of Board meetings where necessary to allow the directors to prepare for discussion of the items at the meeting.

### Executive Sessions

Non-employee directors meet in executive session without management participation as needed. Executive sessions are included on the agenda of each regularly scheduled Board meeting. The presiding director for executive sessions is the Chairman of the Board, if a non-employee director, and otherwise is the Lead Director. The Company

will disclose a method for interested parties to communicate directly with the presiding director or with the non-management directors as a group.

#### Annual Performance Evaluation

The Board and each of its committees perform annual self-evaluations. The assessments focus on the Board's contribution to the Company and specifically focus on areas in which the directors believe that the Board or any of its committees could improve. The effectiveness and contributions of individual directors are also evaluated and are considered each time a director stands for re-nomination.

#### Evaluation of Chief Executive Officer

The Board conducts an annual review of the performance and compensation of the Chief Executive Officer, according to the process determined by the Compensation Committee. The process provides for timely communication of the results of the evaluation to the Chief Executive Officer.

#### Succession Planning and Management Development

The Board regularly reviews succession planning for the Chief Executive Officer. The succession plan includes appropriate contingencies in case the Chief Executive Officer retires or is incapacitated. The Board will appoint the membership of any search committee that may be necessary to fill the office of Chief Executive Officer. The Board also conducts succession planning meetings to discuss other appropriate senior staff.

#### Committees

The Board has an Audit Committee, a Compensation Committee, a Nominating and Governance Committee, and an Environmental, Health and Safety Committee. These committees operate in accordance with (a) their respective charters, which are reviewed annually, (b) applicable law, and (c) applicable rules of the Securities and Exchange Commission and the New York Stock Exchange.

#### External Communication

The Board believes that the Company's senior management should speak for the Company. Communications with the public, the press, customers, securities analysts and shareholders should typically be handled by the Chief Executive Officer or other senior management. Where circumstances require communication from the Board, the Chairman of the Board, after consultation with other directors, should speak for the Board.

#### Director Stock Ownership

The Board believes that, in order to align the interests of directors and shareowners, directors elected by the holders of the Company's common shares should have a meaningful personal investment in the Company. In furtherance of this policy, the Board believes that each such director should own a minimum of 30,000 common shares or time-vested restricted stock, stock units or performance shares (where the applicable performance criteria have been met), either directly or through the Company's Deferred Compensation Plan for Non-Employee Directors. Directors are expected to comply with

this requirement within five years of becoming a director. As part of this guideline, all directors are required to retain 100% of all shares obtained through the Company as compensation for services provided to the Company, 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 such shares. This requirement to retain 100% of the shares obtained from the Company shall cease once the director has met the applicable guideline; provided, however, that a director can only divest of a number of shares such that the applicable guideline continues to be met. This guideline will be reviewed periodically to assure competitiveness.

3. **Access to Management and Independent Advisors**

The Board has access to management through Board and Committee meetings where operations and other senior management specified by the Chief Executive Officer are in regular attendance, and through presentations made by other members of management at those meetings. Between meetings, non-employee directors have appropriate access to the Corporation's senior management. The Board and its Committees may, in appropriate circumstances and at Company expense, consult and retain independent legal, financial or other advisors.

4. **Director Compensation**

The Compensation Committee periodically reviews the form and amount of non-employee director compensation, including cash and equity-based compensation. The Compensation Committee reviews market data for director compensation to ensure that the Company's director compensation is reasonable and competitive in relation to similar companies. The Compensation Committee will recommend any changes in compensation levels for non-employee directors for approval by the Board. The Board will set director compensation recognizing the need to preserve directors' independence.

Directors who are employees of the Company will not be compensated for their services as members of the Board or as members of the board of directors (or similar body) of any of the Company's subsidiaries or affiliates.

5. **Director Orientation and Continuing Education**

The Board or the Company will establish an appropriate orientation program and will provide necessary background materials for newly elected directors. Periodically, the Company will provide opportunities for directors to visit Company facilities in order to provide greater understanding of the Company's business and operations. The Board will encourage, but not require, directors to periodically pursue appropriate programs about the responsibilities of directors of public companies.

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