POLYONE CORP
Form DEF 14A
March 25, 2008

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 þ

Filed by a Party other than the Registrant o

Check the appropriate box:

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

POLYONE CORPORATION
(Name of Registrant as Specified In Its Certificate)

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

Payment of Filing Fee (Check the appropriate box):

þ No fee required.

o 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:

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

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

POLYONE CORPORATION

Notice of 2008
Annual Meeting of Shareholders
and Proxy Statement

POLYONE CORPORATION

**NOTICE OF ANNUAL MEETING
OF SHAREHOLDERS**

The Annual Meeting of Shareholders of PolyOne Corporation will be held at the Cleveland Marriott Downtown at Key Center, 127 Public Square, Cleveland, Ohio in the Grand Ballroom (Salons F through H) at 9:00 a.m. on Thursday, May 15, 2008. The purposes of the meeting are:

1. To elect Directors;

2. To approve the PolyOne Corporation 2008 Equity and Performance Incentive Plan;

3. To ratify the appointment of Ernst & Young LLP as PolyOne Corporation s independent registered public accounting firm for the fiscal year ending December 31, 2008; and

4. To consider and transact any other business that may properly come before the meeting.

Shareholders of record at the close of business on March 17, 2008 are entitled to notice of and to vote at the meeting.

For the Board of Directors

Lisa K. Kunkle
Vice President, General Counsel
and Secretary

March 25, 2008

**Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Shareholders to be held on May 15, 2008:**

The proxy statement, proxy card and annual report to shareholders for the fiscal year ended December 31, 2007 are available at our internet website, www.polyone.com, on the Investors Relations page.

POLYONE CORPORATION
PolyOne Center
33587 Walker Road
Avon Lake, Ohio 44012

PROXY STATEMENT
Dated March 25, 2008

Our Board of Directors respectfully requests your proxy for use at the Annual Meeting of Shareholders to be held at the Cleveland Marriott Downtown at Key Center, 127 Public Square, Cleveland, Ohio in the Grand Ballroom (Salons F through H) at 9:00 a.m. on Thursday, May 15, 2008, and at any adjournments of that meeting. This proxy statement is to inform you about the matters to be acted upon at the meeting.

If you attend the meeting, you may vote your shares by ballot. If you do not attend, your shares may still be voted at the meeting if you sign and return the enclosed proxy card. Common shares represented by a properly signed card will be voted in accordance with the choices marked on the card. If no choices are marked, the shares will be voted to elect the nominees listed on pages 3 through 4 of this proxy statement, to approve the PolyOne Corporation 2008 Equity and Performance Incentive Plan and to ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2008. 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, DH Compounding Company Savings and Retirement Plan and Trust and PolyOne Canada Inc. Retirement Plan. If you receive a separate voting instruction card for one of these plans, you must sign and return the card as indicated on the card in order to instruct the trustee on how to vote the shares held under the plan. You may revoke your voting instruction card before the trustee votes the shares held by it by giving notice in writing to the trustee.

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

We are mailing this proxy statement and the enclosed proxy card and, if applicable, the voting instruction card, to shareholders on or about March 31, 2008. Our headquarters are located at PolyOne Center, 33587 Walker Road, Avon Lake, Ohio 44012 and our telephone number is (440) 930-1000.

PROPOSAL 1 ELECTION OF DIRECTORS

Our Board of Directors currently consists of nine Directors. Each Director serves for a one-year term and until a successor is duly elected and qualified, subject to the Director s earlier death, retirement or resignation. Our Corporate Governance Guidelines provide that all non-employee Directors will retire from the Board not later than the first Annual Meeting of Shareholders following the Director s 70th birthday. In accordance with these Guidelines, Mr. Embry retired from the Board at the 2007 Annual Meeting of Shareholders.

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

Following are the nominees for election as Directors for terms expiring in 2009 and a description of the business experience of each nominee. Each of the nominees is a current member of the Board. The reference below each Director s name to the term of service as a Director includes the period during which the Director served as a Director of The Geon Company (Geon) or M.A. Hanna Company (M.A. Hanna), each one of our predecessors. The information is current as of March 17, 2008.

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

J. Douglas Campbell Director since 1993 Age 66	Retired Chairman and Chief Executive Officer of ArrMaz Custom Chemicals, Inc., a specialty mining and asphalt additives and reagents producer. Mr. Campbell served in this capacity from December 2003 until the company was sold in July 2006. Mr. Campbell served as President and Chief Executive Officer and was a Director of Arcadian Corporation, a nitrogen chemicals and fertilizer manufacturer, from December 1992 until the company was sold in 1997.
Dr. Carol A. Cartwright Director since 1994 Age 66	Retired President of Kent State University, a public higher education institution. Dr. Cartwright served in this capacity from 1991 until her retirement in July 2006. Dr. Cartwright serves on the Boards of Directors of KeyCorp, FirstEnergy and The Davey Tree Expert Company.
Gale Duff-Bloom Director since 1994 Age 68	Retired President of Company Communications and Corporate Image of J.C. Penney Company, Inc., a major retailer. Ms. Duff-Bloom served in this capacity from June 1999 until her retirement in April 2000. From 1996 to June 1999, Ms. Duff-Bloom served as President of Marketing and Company Communications of J.C. Penney.

Richard H. Fearon Director since 2004 Age 52	Executive Vice President, Chief Financial and Planning Officer of Eaton Corporation, a global manufacturing company, since April 2002. Mr. Fearon served as a Partner of Willow Place Partners LLC from 2001 to 2002 and was the Senior Vice President Corporate Development for Transamerica Corporation from 1995 to 2000.
Robert A. Garda Director since 1998 Age 69	Retired Director of McKinsey & Company, Inc., a management consulting firm. Mr. Garda served in this capacity from 1978 to 1994. He served as an Executive-in- Residence of The Fuqua School of Business, Duke University, from 1997 to 2005, as an independent consultant from 1995 to 1997 and as President and Chief Executive Officer of Aladdin Industries from 1994 to 1995. Mr. Garda serves on the Boards of Directors of INTIGRAL, Inc. and Ryan Herco Flow Solutions.
Gordon D. Harnett Director since 1997 Age 65	Lead Director of our Board of Directors since July 18, 2007. Retired Chairman, President and Chief Executive Officer of 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 The Lubrizol Corporation and EnPro Industries, Inc.
Edward J. Mooney Director since 2006 Age 66	Retired Chairman and Chief Executive Officer of Nalco Chemical Company, a specialty chemicals company. Mr. Mooney served in this capacity from 1994 to 2000. Mr. Mooney also served as Déléqué Général North America, of Suez Lyonnaise des Eaux from 2000 to 2001, following its acquisition of Nalco. Mr. Mooney serves on the Boards of Directors of FMC Corporation, FMC Technologies, Inc., Northern Trust Corporation, Cabot Microelectronics Corporation and Commonwealth Edison Company (a wholly-owned subsidiary of Exelon Corporation).
Stephen D. Newlin Director since 2006 Age 55	Chairman, President and Chief Executive Officer of PolyOne since February 2006. Mr. Newlin served as President Industrial Sector of Ecolab, Inc., a global developer and marketer of cleaning and sanitizing specialty chemicals, products and services from 2003 to 2006. Mr. Newlin served as President and a director of Nalco Chemical Company, a manufacturer of specialty chemicals, services and systems, from 1998 to 2001 and was Chief Operating Officer and Vice Chairman from 2000 to 2001. Mr. Newlin serves on the Boards of Directors of Black Hills Corporation and The Valspar Corporation.
Farah M. Walters Director since 1998 Age 63	President and Chief Executive Officer of QualHealth, LLC, a healthcare consulting firm that designs healthcare delivery models, since 2005. From 1992 until her retirement in June 2002, Ms. Walters was the President and Chief Executive Officer of University Hospitals Health System and University Hospitals of Cleveland. Ms. Walters serves on the Board of Directors of Celanese Corporation.

CORPORATE GOVERNANCE AND BOARD MATTERS

Director Independence

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

A Director will not be deemed to be independent if, within the preceding three years:

(a) the Director was our employee, or an immediate family member of the Director was either our executive officer or the executive officer of any of our affiliates;

(b) the Director received, or an immediate family member of the Director received, more than $100,000 per year in direct compensation from us, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation was not contingent in any way on continued service);

(c) the Director, or an immediate family member of the Director, is a current partner of Ernst & Young LLP, our external auditor or within the last three years was a partner or employee of Ernst & Young LLP and personally worked on our audit during that time;

(d) the Director was employed, or an immediate family member of the Director was employed, as an executive officer of another company where any of our present executive officers serve on that company s compensation committee; or

(e) the Director was an executive officer or an employee, or an immediate family member of the Director was an executive officer, of a company that makes payments to, or receives payments from, us for property or services in an amount which, in any single fiscal year, exceeds the greater of $1,000,000, or 2% of such other company s consolidated gross revenues.

An immediate family member includes a Director s spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law, and anyone (other than domestic employees) who shares such Director s home.

A Director s service as an executive officer of a not-for-profit organization will not impair his or her independence if, within the preceding three years, our charitable contributions to the organization in any single fiscal year, in the aggregate, did not exceed the greater of $1,000,000 or 2% of that organization s consolidated gross revenues.

The Board of Directors determined that J. Douglas Campbell, Carol A. Cartwright, Gale Duff-Bloom, Richard H. Fearon, Robert A. Garda, Gordon D. Harnett, Edward J. Mooney, and Farah M. Walters 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.

Lead Director

Our independent Directors meet regularly in executive sessions. In 2006, the Board of Directors amended our Corporate Governance Guidelines to allow the independent directors to designate a Lead Director to preside at executive sessions. The Lead Director acts as the key liaison between the independent directors and the Chief Executive Officer and is responsible for coordinating the activities of the other independent directors and for performing various other duties as may from time to time be determined by the independent directors. In July 2007, the Board elected Mr. Harnett to serve as the Lead Director. Ms. Walters served as our Lead Director from May 2006 until July 2007.

Board Attendance

The Board met eight times during 2007, 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 the Board on which such member served in 2007. Each Director is expected to attend the Annual Meeting of Shareholders. In 2007, six of our Directors attended the Annual Meeting of Shareholders.

Committees of the Board of Directors

As of the date of this proxy statement, our Board has nine directors and the following four committees: the Audit Committee, the Compensation and Governance Committee, the Environmental, Health & Safety Committee and the Financial Policy Committee. The following table sets forth the membership of the standing committees of our Board of Directors, as of the date of this proxy statement, and the number of times each committee met in 2007. The current function of each committee is described below.

Director	Audit Committee	Compensation & Governance Committee	Environmental, Health & Safety Committee	Financial Policy Committee
Mr. Campbell		X	X	X*
Dr. Cartwright	X	X		
Ms. Duff-Bloom		X	X	X
Mr. Fearon	X*	X		
Mr. Garda	X	X		
Mr. Harnett	X	X*		
Mr. Mooney		X	X*	X
Mr. Newlin			X	X
Ms. Walters		X		X
	8	7	2	4

Number of Meetings
in 2007

X Member

* Chairperson

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

The Compensation and Governance Committee reviews and approves the compensation, benefits and perquisites afforded our executive officers and other highly-compensated personnel. The Committee has similar responsibilities with respect to non-employee Directors, except that the Committee s actions and determinations are subject to the approval of the Board of Directors. The Committee also has oversight responsibilities for all of our broad-based compensation and benefit programs and provides policy guidance and oversight on selected human resource policies and practices. To help it perform its responsibilities, the Committee makes use of PolyOne resources, including members of senior management in our human resources, legal and finance departments. In addition, the Committee directly engages the resources of Towers Perrin as an independent outside compensation consultant (the Consultant) to assist the Committee in assessing the competitiveness and overall appropriateness of our executive compensation programs. In 2007, the Committee, assisted by the Consultant, analyzed competitive market compensation data relating to salary, annual incentive and long-term incentive. In analyzing competitive market data, the Committee reviewed data from a peer group of similarly-sized U.S. chemical companies and reviewed data from the Consultant s Compensation Data Bank and other published surveys. The Consultant then assisted the Committee in benchmarking base salaries and annual and long-term incentive targets to approximate the market median. The Consultant, assisted by our human resources department, also prepared tally sheets to provide the Committee with information regarding our executive officers total annual compensation, termination benefits and wealth accumulation. More detailed information about the compensation awarded to our executive officers in 2007 is provided in the Compensation Discussion and Analysis section of this proxy statement. The Consultant maintains regular contact with the Committee and interacts with management to gather the data needed to prepare reports for Committee review.

The Committee recommends to the Board of Directors candidates for nomination as Directors, and the Committee advises the Board with respect to governance issues and directorship practices, reviews succession planning for the Chief Executive Officer and other executive officers and oversees the process by which the Board annually evaluates the performance of the Chief Executive Officer. All members of the Compensation and Governance Committee have been determined to be independent as defined by the NYSE listing standards.

The Compensation and Governance Committee will consider shareholder suggestions for nominees for election to our Board of Directors as described on page 3. The Committee uses a variety of methods for identifying and evaluating nominees for Directors, including third-party search firms, recommendations from current Board members and recommendations from shareholders. Nominees for election to the Board of Directors are selected on the basis of the following criteria:

Business or professional experience;

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

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

Substantial accomplishments with demonstrated leadership capabilities;

Freedom from outside interests that conflict with our best interests;

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

Our needs from time to time.

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

In the past, the Committee has engaged a third-party search firm, at our expense, to assist in identifying qualified nominees for the Board. The search firm was asked to identify possible candidates who meet the minimum and desired qualifications, to interview and screen such candidates (including conducting appropriate background and reference checks), to act as a liaison among the Board, the Committee and each candidate during the screening and evaluation process, and thereafter to be available for consultation as needed by the Committee. In the beginning of 2007, the Committee used a third-party search firm to identify possible candidates for Board membership. The Committee may engage the services of a third-party search firm in 2008, to assist it again in identifying potential nominees to the Board.

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

The Financial Policy Committee exercises oversight with respect to our capital structure, borrowing and repayment of funds, financial policies, management of foreign exchange risk and other matters of financial risk management, banking relationships and other financial matters.

The Board of Directors has adopted a written charter for each of the standing committees of the Board of Directors. These charters are posted and available on our investor relations internet website at www.polyone.com under the Corporate Governance page. Shareholders may request copies of these charters, free of charge, by writing to PolyOne Corporation, 33587 Walker Road, Avon Lake, Ohio 44012, Attention: Secretary, or by calling (440) 930-1000. The Board and each Committee conduct an annual self-evaluation.

Code of Ethics, Code of Conduct and Corporate Governance Guidelines

In accordance with applicable NYSE listing standards and Securities and Exchange Commission regulations, the Board of Directors has adopted a Code of Ethics, Code of Conduct and Corporate Governance Guidelines. These are also posted and available on our investor relations internet website at www.polyone.com under the Corporate Governance page. Shareholders may request copies of these corporate governance documents, free of charge, by writing to PolyOne Corporation, 33587 Walker Road, Avon Lake, Ohio 44012, Attention: Secretary, or by calling

(440) 930-1000.

In October 2007, the Board amended our Corporate Governance Guidelines to adopt a policy relating to majority voting. Pursuant to the policy, any nominee for election as a Director of the Board who receives a greater number of votes withheld from his or her election than votes for his or her election in an election of Directors that is not a contested election is expected to tender his or her resignation as a Director to the Board promptly following the certification of the election results. Neither abstentions nor broker non-votes will be deemed to be votes for or withheld from a Director s election for purposes of the policy. The Compensation 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 Compensation and Governance Committee s recommendation. The Compensation and Governance Committee in making its recommendation, and the Board in making its decision, may consider any factors or other information that it considers appropriate, including the reasons (if any) given by shareholders as to why they withheld their votes, the qualifications of the tendering Director and his or her contributions to the Board and to PolyOne, and the results of the most recent evaluation of the tendering Director s performance by the other members of the Board. The Board will promptly disclose its decision whether to accept or reject the Director s tendered resignation and, if applicable, the reasons for rejecting the tendered resignation.

Communication with Board of Directors

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

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

Director Compensation

In 2007 and for the first quarter of 2008, we paid our non-employee Directors an annual retainer of $100,000, quarterly in arrears, consisting of a cash retainer of $50,000 and an award of $50,000 in value of fully vested common shares. Effective April 1, 2008, we increased the cash retainer to $60,000 and the annual stock award to equal $75,000 in value. We grant the shares payable to the Directors quarterly and determine the number of shares to be granted by dividing the dollar value by the arithmetic average of the high and low stock price on the last trading day of each quarter. We pay individual meeting fees only as follows: fees of $2,000 for each unscheduled Board and committee meeting attended and fees of $1,000 for participation in each unscheduled significant telephonic Board and committee meeting. In addition, the Chairpersons of each committee receive a fixed annual cash retainer, payable quarterly, as follows: $5,000 for Environmental, Health and Safety and Financial Policy Committees and $10,000 for Audit and Compensation and

Governance Committees. We reimburse Directors for their expenses associated with each meeting attended.

Prior to April 1, 2008, we granted each new non-employee Director, at the time of his or her initial election or appointment as a Director, an award of 8,500 common shares. Effective April 1, 2008, we eliminated this initial share award.

Directors who are not our employees may defer payment of all or a portion of their compensation as a Director under our Deferred Compensation Plan for Non-Employee Directors. A Director may defer the compensation as cash or elect to have it converted into our common shares and, prior to April 1, 2008, the Director could defer cash compensation into common shares at a rate equal to 125% of the cash compensation amount. Effective April 1, 2008, we eliminated this premium on cash deferred in the form of common shares.

We award share awards made to Directors under either our Deferred Compensation Plan for Non-Employee Directors or our 2005 Equity and Performance Incentive Plan. Deferred compensation, whether in the form of cash or common shares, is held in trust for the participating Directors. Interest is earned on the cash amounts and dividends, if any, on the common shares deferred accrue for the benefit of the participating Directors.

2007 DIRECTOR COMPENSATION

Name	Fees Earned or Paid in Cash(2) ($)	Stock Awards(3)(4) ($)	Option Awards(4) ($)	Total ($)
J.D. Campbell	59,000	50,000		109,000
C.A. Cartwright	54,000	50,000		104,000
G. Duff-Bloom	54,000	50,000		104,000
W.R. Embry(1)	22,794	17,995		40,789
R.H. Fearon	59,167	50,000		109,167
R.A. Garda	54,000	50,000		104,000
G.D. Harnett	64,000	50,000		114,000
E.J. Mooney	57,333	50,000		107,333
F.M. Walters	59,833	50,000		109,833

(1) Mr. Embry retired from the Board on May 10, 2007.

(2) Non-employee Directors may defer payment of all or a portion of their cash compensation as a Director (cash retainer of $50,000, meeting fees, and chair fees) under our Deferred Compensation Plan for Non-Employee Directors. In 2007, a Director could defer his or her compensation as cash or elect to have it converted into our common shares at a rate equal to 125% of the cash compensation amount. The following elected to defer all or a portion of their cash compensation into our common shares and have received the 25% premium on the amount deferred into stock: Mr. Campbell ($14,750 in premiums); Ms. Duff-Bloom ($3,375 in premiums); Mr. Garda ($6,750 in premiums); and Mr. Mooney ($14,333 in premiums).

(3) In 2007, we paid non-employee Directors an annual award of $50,000 in value of fully vested common shares, which the Directors could elect to defer under our Deferred Compensation Plan for Non-Employee Directors. We granted the shares quarterly and determined the number of shares to be granted by dividing the dollar value by the arithmetic average of the high and low stock price on the last trading day of each quarter. We used the

following quarterly fair market values in calculating the number of shares: March 30, 2007 $6.155; June 29, 2007 $7.280; September 28, 2007 $7.465; and December 31, 2007 $6.560.

(4) In 2007, we did not grant any stock options to our non-employee Directors. The number of outstanding stock options held by each non-employee Director at the end of the fiscal year is set forth in the following table. All of these options are fully exercisable. In addition, the number of fully-vested deferred shares held in an account for each Director at the end of the fiscal year is set forth in the following table. None of our non-employee Directors exercised stock options in 2007.

Name	Option Awards Number of Securities Underlying Unexercised Options (#)	Stock Awards Number of Deferred Shares (#)
J.D. Campbell	46,000	121,132
C.A. Cartwright	39,000	49,011
G. Duff-Bloom	46,000	93,373
W.R. Embry	39,000	0
R.H. Fearon	15,000	0
R.A. Garda	61,500	41,870
G.D. Harnett	39,000	96,441
E.J. Mooney	0	27,668
F.M. Walters	54,000	92,024

BENEFICIAL OWNERSHIP OF COMMON SHARES

The following table shows the number of our common shares beneficially owned on March 17, 2008 (including options exercisable within 60 days of that date) by each of our Directors and nominees, each of the executive officers named in the Summary Compensation Table on page 29 and by all Directors and executive officers as a group.

Name	Number of Shares Owned[(1)]	Right to Acquire Shares[(3)]	Total Beneficial Ownership
J. Douglas Campbell	123,188(2)	46,000	169,188
Dr. Carol A. Cartwright	94,610(2)	39,000	133,610
Gale Duff-Bloom	93,871(2)	46,000	139,871
Richard H. Fearon	20,763(2)	15,000	35,763
Robert A. Garda	83,090(2)	61,500	144,590
Gordon D. Harnett	113,252(2)	39,000	152,252
Edward J. Mooney	27,668(2)	0	27,668
Farah M. Walters	93,080(2)	54,000	147,080
Stephen D. Newlin	235,000	0	235,000
W. David Wilson	154,155	215,600	369,755
Bernard Baert	35,766	14,042	49,808
Michael E. Kahler	40,586	0	40,586
Michael L. Rademacher	65,067	151,024	216,091
16 Directors and executive officers as a group	1,415,324	832,038	2,247,362

(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 approximate number of shares credited to the named executives accounts in our Retirement Savings Plan, a tax-qualified defined contribution plan. The number of common shares allocated to these individuals is provided by the savings plan administrator in a statement for the period ending December 31, 2007, based on the market value of the applicable plan units held by the individual. Additional common shares may have been allocated to the accounts of participants in the savings plan since the date of the last statements received from the plan administrator. No Director, nominee or executive officer beneficially owned, on March 17, 2008, more than 1% of our outstanding common shares. As of that date, the Directors and executive officers as a group beneficially owned approximately 2.4% of the outstanding common shares.

(2) With respect to the Directors, beneficial ownership includes shares held under the Deferred Compensation Plan for Non-Employee Directors as follows: J.D. Campbell, 121,132 shares; C.A. Cartwright, 49,011 shares; G. Duff-Bloom, 93,373 shares; R.H. Fearon, 0 shares; R.A. Garda, 41,870 shares; G.D. Harnett, 96,441 shares; E.J. Mooney, 27,668 shares; and F.M. Walters, 92,024 shares.

(3) Includes shares the individuals have a right to acquire on or before May 15, 2008. The executive officers named in the table (the Named Executive Officers) also have the right to acquire common shares upon the exercise of vested stock-settled stock appreciation rights (SARs) as follows: Mr. Newlin, 425,000 SARs; Mr. Wilson, 130,200 SARs; Mr. Baert, 78,100 SARs; Mr. Kahler, 88,500 SARs; and Mr. Rademacher, 83,700 SARs. The number of shares to be acquired cannot be determined because it depends on the market value of our common

shares on the date of exercise and the applicable withholding taxes.

The following table shows information relating to all persons who, as of March 17, 2008, were known by us to beneficially own more than five percent of our outstanding common shares based on information provided in Schedule 13Gs filed with the Securities and Exchange Commission:

Name and Address	Number of Shares	% of Shares
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, California 90401	7,337,768(1)	7.9%
Barclays Global Investors, NA 45 Fremont Street San Francisco, California 94105	6,635,948(2)	7.1%
State of Wisconsin Investment Board P.O. Box 7842 Madison, Wisconsin 53707	6,100,700(3)	6.5%
Barrow, Hanley, Mewhinney & Strauss, Inc 2200 Ross Avenue, 31st Floor Dallas, Texas 75201-2761	5,926,420(4)	6.4%
Jeffrey L. Gendell 55 Railroad Avenue Greenwich, Connecticut 06830	5,453,293(5)	5.8%
New York Life Trust Company, Trustee 51 Madison Avenue New York, New York 10010	4,952,764(6)	5.3%

(1) As of February 6, 2008, based upon information contained in a Schedule 13G/A filed with the Securities and Exchange Commission. Dimensional Fund Advisors LP, as an investment advisor, has sole voting power and sole dispositive power with respect to all of these shares.

(2) As of February 6, 2008, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. Barclays Global Investors, NA, as an investment advisor and reporting on behalf of a group of affiliate entities, has sole voting power with respect to 5,391,602 of these shares and has sole dispositive power with respect to all of these shares.

(3) As of February 8, 2008, based upon information contained in a Schedule 13G filed with the Securities and Exchange Commission. The State of Wisconsin Investment Board has sole voting and sole dispositive power with respect to all of these shares.

(4) As of February 13, 2008, based upon information contained in a Schedule 13G/A filed with the Securities and Exchange Commission. Barrow, Hanley, Mewhinney & Strauss, Inc. has sole voting power with respect to 2,528,600 of these shares and has sole dispositive power with respect to all of these shares.

(5) As of February 8, 2008, based upon information contained in a Schedule 13G/A filed with the Securities and Exchange Commission. Mr. Gendell, as the managing member of Tontine Management, L.L.C., Tontine Capital Partners, L.P. and Tontine Overseas Associates, L.L.C., has shared voting and shared dispositive power with respect to all of these shares.

(6) As of February 14, 2008, based upon information contained in a Schedule 13G/A filed with the Securities and Exchange Commission. New York Life Trust Company, as Trustee for The PolyOne Retirement Savings Plan and Excel Polymers Retirement Savings Plan, as a bank, has sole voting power and sole dispositive power with respect to all of these shares.

Share Ownership Guidelines

We have established share ownership guidelines for our non-employee Directors, executive officers and other elected corporate officers to better align their financial interests with those of shareholders by requiring them to own a minimum level of our shares. These individuals are expected to make continuing progress towards compliance with the guidelines and to comply fully within five years of becoming subject to the guidelines. These policies, as they relate to our Named Executive Officers, are discussed in the Compensation Discussion and Analysis section of this proxy statement. In December, 2007, the Board decided, in order to reflect the Board s commitment to share ownership and better align the interests of our Board members with our shareholders, to increase the required share ownership level for directors from 17,000 shares to a number of shares equal to five times the annual cash retainer (which, based on year-end stock values, more than doubles the required ownership level).

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended, requires that our executive officers and Directors, and persons who own more than 10% of a registered class of our equity securities, file reports of ownership and changes in ownership with the Securities and Exchange Commission. Executive officers, Directors and greater than 10% shareholders are required by Securities and Exchange Commission rules to furnish us with copies of all forms they file. Based solely on our review of the copies of such forms received by us and written representation from certain reporting persons, we believe that, during 2007 and until the date of this proxy statement, all Section 16(a) filing requirements applicable to our executive officers, Directors and 10% shareholders were satisfied.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Introduction

Our executive compensation programs are approved and overseen by the Compensation and Governance Committee of the Board of Directors (the Committee), which is composed entirely of independent directors. The Committee has selected and retained an independent compensation consultant, Towers Perrin (the Consultant). The Committee works in conjunction with the Consultant and with input from members of senior management, principally the Chairman, President and Chief Executive Officer, the Chief Human Resources Officer, the Chief Financial Officer and the General Counsel.

This report contains management s discussion and analysis of the compensation awarded to, earned by, or paid to the following executive officers (the Named Executive Officers):

Stephen D. Newlin Chairman, President and Chief Executive Officer

W. David Wilson Senior Vice President and Chief Financial Officer

Bernard Baert Senior Vice President & General Manager, Colors and Engineered Materials, Europe and Asia

Michael E. Kahler Senior Vice President, Commercial Development

Michael L. Rademacher Senior Vice President & General Manager, Distribution

Executive Compensation Programs Objectives and Overview

The objectives of our executive compensation programs are to: (1) attract, retain and motivate the management team who leads in setting and achieving the overall goals and objectives of our company; (2) foster a pay-for-performance culture by rewarding the achievement of specified financial goals and growth of our share price; and (3) align our goals and objectives with the interests of our shareholders by recognizing and rewarding business results through incentive programs.

While we believe that all components of total compensation (which are identified in the Summary Compensation Table) should be valued and considered when making decisions regarding pay, the primary focus of our executive compensation program is on base salary, annual incentive and long term incentives. We believe that compensation opportunities should be competitive with the industry compensation practices of the companies we compete with for executive talent and that total compensation should be fair to both employees and shareholders.

Our incentive programs focus on the critical performance measures that determine our company s overall success. For positions with significant business unit responsibilities, incentive programs also emphasize success at the business unit level, which often leads to Named Executive Officers at comparable levels being paid differently across the organization. The structure of base salary and annual and long-term incentive opportunities is designed to reward executives for the efficient execution of their day-to-day responsibilities and attainment of short term results, balanced with the need for sustainable, long-term success.

The following table outlines the major elements of compensation in 2007 for our Named Executive Officers.

Compensation Element	Definition	Rationale
Base Salary	Fixed compensation payable bi-weekly	Intended to pay for completing day-to-day job responsibilities assigned to the position
Annual Incentive Plan	Variable, cash compensation that is earned when pre-established annual performance goals are achieved	Builds accountability for important annual financial goals Limits fixed expenses; payment is required only upon achievement of specified goals
Long-Term Incentive Plan (2 Components)		
50% Cash-settled Performance Units	Variable, cash compensation that is earned when pre-established three-year financial goals are achieved	Emphasizes achievement of long-term strategic goals and objectives Limits fixed expenses; payment is required only upon achievement of specified goals Avoids stock dilution through cash awards Multi-year incentive is common market practice
50% Stock-settled Stock Appreciation Rights	Variable compensation that vests only if, and grows in value as, our share price rises Paid in PolyOne common shares	Emphasizes stock price growth Limits fixed expenses; payment is required only upon achievement of specified goals Vesting conditions require growing stock price before any value can be realized by participant Multi-year incentive is common market practice
Retirement Plans		
U.S. Defined Contribution Plans	Qualified 401(k) defined contribution plan	The qualified defined contribution plan is a standard tax-qualified benefit offered to all employees subject to limitations on compensation and benefits under the Internal Revenue Code

Nonqualified excess 401(k) defined contribution plan	Restores benefits that are limited by the Internal Revenue Code in the qualified plan for most highly-paid executives

Compensation Element	Definition	Rationale
Belgium Defined Contribution Plan	Tax-efficient defined contribution plan	Mr. Baert is a participant in a standard tax-efficient defined contribution plan provided to most Belgium employees
Defined Benefit Plans (These plans have been closed to new participants since formation of PolyOne)	Qualified defined benefit pension plan	Mr. Wilson is a participant in a legacy defined benefit pension plan offered to certain heritage employees
	Nonqualified, excess defined benefit plan	Restores benefits that are limited by the Internal Revenue Code in the qualified plan and applies to all eligible plan participants
Post-Retirement Medical Plan (This plan has been closed to new participants since formation of PolyOne)	Capped Company-paid subsidy of premiums for medical coverage for retirees similar to coverage provided to active employees	Mr. Wilson is a participant in a legacy post-retirement medical plan offered to certain heritage employees
Perquisites	Car allowance Relocation benefits Executive Physicals Financial planning and tax preparation; excess liability insurance	Standard market practice Relocation benefits assist in attracting new executive talent Executive physicals help to ensure continuity of our management team Other perquisites are modest and are typical for executives at comparable companies

Setting the Level of Compensation

We have designed our compensation programs to be competitive with companies of comparable size and industry as well as companies with whom we compete for executive talent. The Committee obtains advice from the Consultant relating to competitive salaries and annual and long-term incentives, as well as other items of total compensation, including retirement benefits, health and welfare benefits and perquisites. Management and the Committee review the specific pay disclosures of the defined peer group of chemical companies as well as survey data of similarly-sized chemical and other companies, as provided by the Consultant. The Committee discusses and considers this information when making compensation decisions. This process is described in the Compensation Oversight Processes section of this report. The Committee manages compensation so as to align each of the pay elements with market practices.

The Committee targets base salaries around the median of observed market practice and sets annual and long-term incentive targets (incentive as a percent of salary) to approximate the market median. We believe the maximum potential annual incentive payouts (no award shall be greater than double the target award) are consistent with the typical market range around target awards.

Our actual awards of performance units and SARs are based on the market data and an evaluation of an individual s performance. In 2007:

- We delivered 50% of the assigned long-term incentive target opportunity for a position, based upon competitive median long-term incentive practices, in the form of cash-settled performance units in order to avoid the dilution associated with share-based awards and to reward executives for achieving growth in our operating income, one of the measures we consider critical to our overall success.

We delivered the remaining 50% of the assigned long-term incentive target opportunity in the form of stock-settled SARs because they align executive and shareholder interests and because they help preserve cash.

We assigned a value to a single performance unit and we established a value for a single SAR based on the Towers Perrin binomial valuation method. We then determined the actual number of performance units and SARs by dividing the targeted dollar value allocated to each element by the value of a single performance unit and SAR, respectively.

The following table summarizes the allocation of the compensation opportunity at target that was granted in 2007 to the Named Executive Officers, based upon the primary elements of compensation (2007 base salary, Annual Incentive Plan 2007 target opportunity and long-term incentive grants made in 2007, including performance units that will pay out in 2010, if earned). The compensation opportunity is consistent with our overall pay-for-performance philosophy. Generally, employees at more senior levels in the organization, including the Named Executive Officers, have a greater proportion of their compensation tied to incentive compensation. Targeted pay opportunity levels align with the market in each individual pay element.

	Proportionate Size of Primary Elements of Compensation				
Element	**Newlin**	**Wilson**	**Baert**	**Kahler**	**Rademacher**
Base Salary	24%	37%	45%	42%	42%
Annual Incentive Opportunity	24%	19%	23%	21%	21%
Long-Term Incentive Opportunity*	52%	44%	32%	37%	37%

* *Long-term incentive relating to the performance units for the 2007-2009 performance period would be paid in 2010, if earned.*

Benchmarking Competitive Compensation

Each year, we analyze competitive market compensation data relating to salary, annual incentive, and long-term incentive. Periodically, we also analyze competitive market compensation data relating to retirement benefits and perquisites.

In analyzing competitive market data, we draw from two independent sources. First, we review proxy statement disclosures of a peer group of similarly-sized U.S. chemical companies (listed below) to establish an estimate of market compensation for our most senior executives. This approach provides insight into explicit company practices at business competitors or companies facing similar operating challenges. However, it does not provide market information for positions below the senior management level, nor does it address competitors for talent outside the chemical industry.

Albemarle Corporation	Eastman Chemical Company	Hercules Incorporated
Arch Chemicals, Inc.		The Lubrizol Corporation

A. Schulman, Inc.	Ferro Corporation	RPM International Inc.
Cabot Corporation	FMC Corporation	Spartech Corporation
Chemtura Corporation	Georgia Gulf Corporation	The Valspar Corporation
Cytec Industries Inc.	H.B. Fuller Company	

Note: Lyondell Chemical Company was considered a peer for the purpose of the 2006-2008 performance unit plan, but given its growth in size over the period, it has been removed from the comparison group.

Second, we review data from Towers Perrin s Compensation Data Bank and other published surveys relating to the chemical industry or other applicable general industries, as provided by the Consultant, to augment the peer proxy analysis and provide a more robust sense of market practices. To obtain comparability based on company size, the data either references a specific sample of companies or calibrates the pay of a broad sample of companies against company size. This data is used as one of several inputs into management s and the Committee s deliberation on appropriate compensation levels. Other inputs include performance, scope of responsibilities, retention, internal equity considerations and other factors.

Elements of Compensation

The following discussion provides additional details about the main elements of compensation for the Named Executive Officers.

Base Salary

As described above, our policy is to target base pay at the market median but does allow actual pay levels to deviate from target based on performance, responsibility, experience and marketability unique to each individual. Based on data provided by the Consultant, the salaries of the Named Executive Officers range from 93% to 109% of the market median for comparable positions. For 2007, the Committee approved base salary increases for the Named Executive Officers averaging 4.9%.

Annual Incentive

The Senior Executive Annual Incentive Plan (the Annual Plan) was approved by shareholders in 2005 and includes a set of performance measures that can be used in setting bonuses under the plan. The Annual Plan determines how participants (including all Named Executive Officers) can earn annual cash awards. In 2007, the performance measures used for the corporate staff participants in the Annual Plan (including Messrs. Newlin, Wilson and Kahler) were company operating income (70% weighting with a $66 million performance target) and company-controlled cash flow (30% weighting with a $25 million performance target).

The performance measures used for Messrs. Baert and Rademacher as participants in the Annual Plan were business unit operating income (60% weighting with a $27 million performance target for Mr. Baert and a $20 million performance target for Mr. Rademacher), company operating income, (20% weighting with a $66 million performance target) and company-controlled cash flow (20% weighting with a $25 million performance target).

In the Annual Plan:

Company-controlled cash flow is defined as (operating income plus depreciation and amortization) plus/minus (changes in average working capital less capital expenditures, interest and other expenses).

Operating income is defined as operating income less raw material joint venture operating income and less any specified special items.

The Committee chose these performance measures in order to drive profitability and promote consistency in operational performance. Goals were generally designed to reward executives for the attainment of challenging but achievable annual business goals.

Consistent with our approach described above to approximate the market median in targeting annual incentives, the 2007 target bonus levels for the Named Executive Officers were: $741,635 for

Mr. Newlin, $181,990 for Mr. Wilson, $142,981 for Mr. Kahler, $153,788 for Mr. Rademacher, and an equivalent of $210,834 for Mr. Baert (whose compensation is based in Euros). These targeted levels are set at 100% of salary earned for Mr. Newlin and 50% of salary earned during the year for each of the other Named Executive Officers.

Achievement of a performance goal at the threshold level would result in payment of 50% of the targeted award for that particular performance goal; achievement of a performance goal at the target level would result in payment of 100% of the targeted award for that performance goal; and, achievement at the maximum level or greater would result in payment of 200% of the targeted award for that goal. The awards are interpolated if performance falls between the levels. The actual amount awarded to the Named Executive Officers for 2007, ranged from 78.9% of the targeted amount to 136.7% of the targeted amount. The actual amounts earned under the Annual Plan for 2007 are included in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

The Annual Plan, as it applies to the Named Executive Officers, is structured to comply with Section 162(m) of the Internal Revenue Code of 1986, as amended (the Internal Revenue Code). In order to qualify the amounts earned under the Annual Plan as performance-based , the Committee may exercise discretion only to reduce an award. The Annual Plan is structured so that achievement of the threshold level of performance in any of the measures described above will result in the funding of the plan at maximum. Actual awards are calculated using the Plan formula described above and if funded at maximum as described above, the maximum awards are reduced, as necessary, to deliver awards that are consistent with the attainment levels that were achieved for management incentive plan participants. For a more detailed discussion of Section 162(m) of the Internal Revenue Code, see the Tax Considerations section of this report.

To provide consistency and understanding for plan participants, performance measures and weightings for the Annual Plan are similar for 2008 to what they were for 2007. To put additional emphasis on earnings, the weighting for corporate participants was changed from 70% weighting for operating income and 30% weighting for cash flow to 80% and 20%, respectively.

Long-Term Incentive

The 2005 Equity and Performance Incentive Plan was approved by shareholders in 2005 and permits a variety of types of incentive awards. We use the shares authorized under this plan in making our long-term incentive awards. If approved by shareholders, the 2008 Equity and Performance Incentive Plan will be used to make future grants of long-term incentive awards. For a description of the proposed 2008 Equity and Performance Incentive Plan, see Proposal 2-Approval of the PolyOne Corporation 2008 Equity and Performance Incentive Plan in this proxy statement.

(1) Awards Granted in 2007

Cash-Settled Performance Units

In March 2007, long-term incentive awards were granted under the 2005 Equity and Performance Incentive Plan using two vehicles 50% of the award s value was in the form of performance units for the performance period 2007-2009 and 50% in the form of stock-settled SARs. The performance units granted in March 2007 will be paid in cash, subject to achievement of performance goals relating to company operating income for the three-year period from January 1, 2007 through December 31, 2009. The awards represented 50% of the total long-term incentive opportunity.

The Committee selected this performance measure in order to focus on improvement in overall company profitability. Generally, the Committee sets the target levels for the performance measures consistent with the levels established under the projections for our 3-year financial plan. The Committee believes that the budgeted levels reflect challenging but obtainable targets. If the targeted level of achievement for each performance measure were obtained, this would represent a significant improvement over the levels attained in previous years. These targeted levels are intended to be achievable, but a maximum level of performance would require extraordinary levels of performance, which we believe are possible but unlikely to be achieved. In setting the applicable target levels, the Committee may consider how achievement of the performance criteria could be impacted by events expected to occur in the coming years.

If we were to achieve the target performance level, a participant would earn a target-level award; if we were to attain only the threshold performance level, 50% of the target award would be earned; and if we were to attain the maximum performance level, the participant would earn 200% of the target award. If our performance fell between the threshold and target or between target and maximum, earnings under the plan would be interpolated.

Stock-Settled SARs

To reinforce our ongoing commitment to enhancing shareholder returns, 50% of the long-term incentive opportunity awarded in March 2007 to executives, including the Named Executive Officers, consists of SARs that, when exercised by the holder, are settled in our common shares. The SARs granted in March to all Named Executive Officers have a base price of $6.585. All SARs granted in 2007 have an exercise term of seven years and vest upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ $7.24; 1/3 @ $7.90 and 1/3 @ $8.56 (with a minimum vesting period of one year from the date of grant). All SARs granted in 2007 have met the target prices set for vesting during 2007.

We believe the SAR awards include more rigorous vesting conditions than are typically seen in the market for SARs or stock options, reinforcing our commitment to aligning pay and performance for executives. The SARs will vest only if the stock price hurdles mentioned above are attained and in no event will any SARs vest sooner than one year after grant, regardless of how our stock price performs. The SARs expire seven years after grant, which is shorter than typical market practice.

We do not and have not otherwise backdated the exercise or base price of any stock option or SAR. In the past, we have set the exercise price of an option or base price of a SAR based on the average of the high and low stock price on the day preceding the date of grant. After considering alternatives relating to this practice and upon the advice of our outside advisors, the proposed 2008 Equity and Performance Incentive Plan will, if approved, alter this practice. To be consistent with evolving market practices, we would set the exercise or base price as the closing sales price on the date of grant. Additional information regarding this matter can be found in the Timing with Respect to Equity Award Grants section of this report.

(2) Awards Granted in Prior Years

In March 2008, the Committee approved the payout of performance shares relating to the long-term incentive award that was granted in 2005, for the 2005-2007 performance period. All of the Named Executive Officers other than Messrs. Newlin and Kahler (who were not employed by us at the time of grant) received an award of performance shares relating to this grant. These awards achieved target performance for one of the three performance measures (i.e., level of EBITDA in relation to debt achieved 6 quarters at less than or equal to 3.00), and 33% of the performance shares that were granted were paid out. Threshold performance was not attained for either of the two

other performance measures (return on invested capital (threshold of 10%) and cash flow (threshold of $140 million)) and, therefore, no performance shares relating to these measures were eligible for payout. Mr. Newlin received an award of phantom units upon his hire date that paid out in March 2008. This award is described in the Employment Agreement of the Chief Executive Officer section of this report.

All outstanding equity awards are set forth in the 2007 Outstanding Equity Awards at Fiscal Year-End table in this proxy statement.

(3) Awards Granted in 2008

For 2008, the long-term incentive awards consist of 40% cash-settled performance units, 30% stock-settled SARs and 30% restricted stock units (RSUs). The Committee decided to grant RSUs and SARs (as opposed to only granting SARs) in order to provide a greater portion of the long-term incentive in the form of equity and provide a more meaningful and tangible form of equity award.

The performance units are earned based on achievement of goals relating to earnings per share growth over the three-year performance period of 2008-2010.

The SARs granted in 2008 have a term of seven years and will vest one-third per year over three years.

Each RSU is equal in value to one share of PolyOne common stock and the RSUs will pay out in the form of our common shares on a one-for-one basis. The RSUs will vest on the third anniversary of the date of grant.

Retirement Benefits

We offer a defined contribution retirement benefit to all U.S. employees through an Internal Revenue Code tax-qualified profit sharing/401(k) plan (the Qualified Savings Plan). The Qualified Savings Plan provides employees with individual retirement accounts funded by (1) an automatic Company-paid contribution of 2% of eligible earnings for all employees, (2) a Company-paid match on employee 401(k) contributions equal to dollar-for-dollar on the first 3% of earnings the employee contributes plus $0.50 per dollar on the next 3% of earnings the employee contributes, and (3) for certain heritage employees, an additional automatic company-paid contribution of up to 4% of eligible earnings (of the Named Executive Officers, only Mr. Wilson receives this contribution in the amount of 4%). The Internal Revenue Code limits employee contributions to $15,500 and earnings upon which employee/company contributions are based to $225,000 in 2007.

The PolyOne Supplemental Retirement Benefit Plan (the Nonqualified Savings Plan) is an unfunded, nonqualified plan that provides benefits similar to the Qualified Savings Plan, but without the Internal Revenue Code contribution and earnings limitations. The benefits under the Nonqualified Savings Plan are offset by the Qualified Savings Plan. Together these plans are intended to provide the Named Executive Officers with retirement income equivalent to that provided to all other employees under the Qualified Savings Plan. As a result, the Named Executive Officers can expect a retirement income that replaces a portion of their income while employed similar to that received by all other employees participating in the Qualified Savings Plan who are not impacted by the Internal Revenue Code limitations of the Qualified Savings Plan.

Mr. Baert is based outside the United States and does not participate in the Qualified Savings Plan or the Nonqualified Savings Plan. Mr. Baert participates in a standard defined contribution retirement benefit plan generally provided to all Belgium employees (except that some employees hired prior to May 2003 (other than Mr. Baert) elected to remain in the Belgium defined benefit

plan previously offered as the standard retirement plan). The plan provides employees with individual retirement accounts funded by (1) an automatic Company paid contribution of 5% of base pay up to a salary limit plus 15% of base pay in excess of the salary limit, and (2) employee contributions of 5% of base pay above that salary limit. The salary limit, which is indexed annually, was 38,800 for 2007.

Mr. Wilson is also eligible, along with certain other legacy employees, to receive pension payments under a company-funded Internal Revenue Code qualified defined benefit pension plan as well as an unfunded, nonqualified defined benefit pension plan (the Qualified Pension Plan and Nonqualified Pension Plan , respectively). In addition, upon becoming retirement eligible (55 years of age with 10 years of service), Mr. Wilson will be eligible to receive certain retiree medical benefits. These plans existed prior to our formation in 2000 through the consolidation of Geon and M.A. Hanna and generally benefited all nonunion employees of Geon.

The amount of Mr. Wilson s pension depends on a number of factors including monthly Final Average Earnings (FAE) and years of benefit service to us (Benefit Service). The Qualified Pension Plan provides a monthly lifetime benefit equal to 1.15% times FAE times Benefit Service plus 0.45% times FAE in excess of 2002 Covered Compensation (as defined by the Internal Revenue Code) times Benefit Service limited to 35 years.

The Nonqualified Pension Plan is similar to the Nonqualified Savings Plan in that it restores benefits lost in the Qualified Pension Plan due to Internal Revenue Code limitations on earnings and benefits. The Nonqualified Pension Plan benefit formula is the same as the Qualified Pension Plan except without the Internal Revenue Code qualified plan earnings limitations. The Nonqualified Pension Plan benefit is offset by the Qualified Pension Plan benefit.

The Qualified Pension Plan and Nonqualified Pension Plan were frozen to new entrants effective December 31, 1999. Benefit Service was frozen effective December 31, 2002 in both plans. In response to Internal Revenue Code Section 409A, the Nonqualified Pension Plan accrued benefit was temporarily frozen effective December 31, 2004. Following the release of final guidance relating to Section 409A of the Internal Revenue Code, in October, 2007, changes were made to the Nonqualified Pension Plan to ensure 409A compliance and the Plan was unfrozen for earnings increases retroactively to December 31, 2004. Earnings were never frozen in the Qualified Pension Plan so participants, including Mr. Wilson, continue to accrue additional benefits under that plan.

Messrs. Newlin, Baert, Kahler and Rademacher do not participate in a defined benefit plan.

Perquisites

We provide certain perquisites to the Named Executive Officers, which we believe are comparable to perquisites provided by the companies with which we compete for executive talent. These perquisites for those Named Executive Officers based in the United States include a monthly car allowance, reimbursement of expenses for financial planning and tax preparation, an annual physical examination, and group insurance providing excess liability umbrella insurance coverage in an amount equal to $5 million. For Mr. Baert, perquisites typical and comparable to perquisites provided by companies in Europe include a company provided automobile, meal and entertainment allowance, reimbursement of expenses for financial planning and tax preparation, and group insurance providing excess liability umbrella insurance coverage in an amount equal to $5 million. The specific amounts attributable to perquisites for 2007 are disclosed in the Summary Compensation Table.

Messrs. Newlin and Kahler were eligible for reimbursement of their relocation expenses under our standard relocation plan. During 2007, we reimbursed Messrs. Newlin and Kahler for expenses associated with the closing costs on their homes that they purchased near our headquarters and other incidental relocation expenses.

We believe that the perquisites that we provide are typical for senior executives and further our goals by retaining the best leaders.

We also provide other benefits such as medical, dental and life insurance and disability coverage to each U.S.-based Named Executive Officer, which are identical to the benefits provided to all other eligible U.S.-based employees. Medical, dental and life insurance coverage for Mr. Baert is identical to the benefits provided to all other Belgium-based employees. We also provide vacation and paid holidays to all employees, including the Named Executive Officers. The Named Executive Officers are eligible for the following vacation: Mr. Newlin five weeks, Mr. Wilson six weeks, Mr. Baert 26 days, and Messrs. Kahler and Rademacher 4 weeks.

We do not provide or reimburse for personal country club memberships for any Named Executive Officer. We do maintain a corporate membership to a country club that is used for customer entertainment and other business purposes. We pay the monthly dues for this membership and incur expenses only for these business purposes. Any personal use of this facility by a Named Executive Officer is at the officer s personal expense, with no incremental cost to us.

Compensation Oversight Processes

Salary Adjustments

During the first quarter, the Committee reviews executive compensation marketplace data provided by the Consultant. This report benchmarks our executive compensation compared to our peer group and the market in general. In addition, the Committee reviews tally sheets that contain information regarding the executives total annual compensation, termination benefits and wealth accumulation. A more detailed description of the tally sheets is provided in the Review of Tally Sheets section of this report.

In the first quarter of the calendar year, based upon individual performance and results achieved, the Chief Executive Officer recommends for the Committee s review and approval specific salary adjustments for each of the executive officers, including the Named Executive Officers. The Chief Executive Officer makes his recommendations in conjunction with the marketplace data and input provided by the Consultant. The Committee sets the target compensation at or near the median, with adjustments to account for our specific facts and circumstances. Based upon the Chief Executive Officer s recommendation, in March 2007, the Committee increased the salaries of the Named Executive Officers, effective in the first pay period in April 2007.

In 2007, the Committee determined, based on marketplace data and Mr. Newlin s tally sheet data, that a 7.9% increase in salary was appropriate. In the Committee s judgment, the total compensation package provided to Mr. Newlin, as described in the Employment Agreement of the Chief Executive Officer section of this report, is appropriate in order to fairly compensate and retain our Chief Executive Officer.

Plan-Based Awards

In the fourth quarter, the Committee reviews period-to-date performance and estimates of incentive payouts for the in-progress performance periods. In the first quarter of the following year, the Committee evaluates actual performance against pre-set goals and determines earnings under just-completed plan periods. Generally, the Committee approves payouts based on pre-set

24

performance criteria and will not exercise discretion to increase an award. The Committee, however, has exercised its discretion to reduce an award.

In addition, in the first quarter, the Committee and management review competitive incentive data provided by the Consultant. Management develops preliminary recommendations for eligibility, award opportunities, performance measures and goals for the plan periods to commence the subsequent year for the Committee s review. The Committee approves final terms in the first quarter of the subsequent year.

Review of Tally Sheets

The Committee and management have reviewed and considered tally sheets in connection with pay deliberations. Tally sheets, including all components of compensation, are reviewed by the Committee to determine the reasonableness of the compensation of our executive officers. Tally sheets are created collaboratively by the Consultant and our Human Resources department.

The tally sheets provide information regarding the Named Executive Officers total annual compensation, termination benefits and wealth accumulation. Total annual compensation includes: salary, annual incentive, long-term incentive, perquisites, and retirement benefits. This information is comparable to the amounts reported in the Summary Compensation Table. Payments under various forms of termination are reviewed and disclosed elsewhere in this proxy statement.

In aligning the overall program with market practices, benchmarking against the market occurs, but is limited in scope to the elements considered as compensation. The process of reviewing tally sheets began in late 2006 and we again reviewed tally sheets in mid-2007. We have committed to annually review tally sheets (and the related wealth accumulation analyses) and use that information in connection with compensation related decisions.

Tax Considerations

Cash compensation, such as base salary or annual incentive compensation, is taxable to the recipient as ordinary income when earned, unless deferred under a company-sponsored deferral plan. Deferrals under tax-qualified plans, such as a 401(k) plan, do not affect our current tax deduction. Deferrals under supplemental executive deferral plans delay our tax deduction until the deferred amount (and any accumulation thereon) is paid. Stock-settled SARs are generally taxable as ordinary income when exercised. We realize a tax deduction at that time. The Committee does review potential tax implications before making decisions regarding compensation.

Management and the Committee are aware of Section 162(m) of the Internal Revenue Code, which generally limits the deductibility of executive pay in excess of one million dollars, and which specifies the requirements for the performance-based exemption from this limit. The Committee generally manages our incentive programs to qualify for the performance-based exemption. It also reserves the right to provide compensation that does not meet the exemption criteria if, in its sole discretion, it determines that doing so advances our business objectives. We believe the compensation paid to our Named Executive Officers in 2007 is fully deductible.

Accounting Considerations

When reviewing preliminary recommendations and in connection with approving the terms of a given incentive plan period, management and the Committee review and consider the accounting implications of a given award, including the estimated expense and/or dilutive considerations. Depending upon the type of accounting treatment associated with an incentive plan design, management and the Committee may alter or modify the incentive award due to the accounting treatment if

the award (and the related accounting consequences) were to adversely affect our financial performance.

Employment Agreement of the Chief Executive Officer

On February 13, 2006, we entered into an agreement with Mr. Newlin, under which he agreed to serve as our Chairman, President and Chief Executive Officer. The agreement provided for specified awards intended to serve as an inducement to join the company, for Mr. Newlin s initial base salary and for his participation in our various long-term incentive and benefit plans in effect from time to time during the term of his employment. Mr. Newlin also received a grant of a two-year cash incentive, consisting of phantom units subject to the achievement of specified performance goals over a two-year period (2006-2007), with each unit being equal in value to one share of our common stock. The terms of the units provide that payout will not be less than the targeted number of units (87,000) at the grant date stock price of $9.185. The phantom units were paid out in cash at the targeted number of units in March 2008.

In addition, the agreement provides for certain payments upon termination of Mr. Newlin s employment, as described more fully in the Potential Payments Upon Termination or Change-in-Control section of this proxy statement. In October, 2007, this agreement was amended to ensure that any payments made pursuant to the agreement were in compliance with Section 409A of the Internal Revenue Code.

Termination Payments for Other Named Executive Officers

Effective May 25, 2006, the Committee approved the PolyOne Corporation Executive Severance Plan (the Executive Severance Plan) that is designed to provide severance protection to certain officers who are expected to make substantial contributions to our success and thereby provide for stability and continuity of operations. Under the terms and conditions of the Executive Severance Plan, officers are entitled to receive Severance Payments upon their termination of employment for reasons other than cause, death or disability. The plan details and estimates of these payments are provided in the Potential Payments Upon Termination or Change-in-Control section of this proxy statement.

The payments are to be made in compliance with Section 409A of the Internal Revenue Code and in October, 2007, the plan was amended to ensure compliance with Section 409A. These severance benefits are contingent upon our receipt of a signed release of all claims against us and signed non-compete, non-solicitation and non-disparagement agreements.

Change in Control Payments

We have entered into management continuity agreements (Continuity Agreements) with all of our elected corporate officers, including each of the Named Executive Officers. These agreements are designed to provide severance protection should a change in control of PolyOne occur and the executive officer s employment be terminated either by us without cause or by the executive for good reason (as defined in the agreements). Generally, a change in control will be deemed to have occurred if (1) any person becomes the beneficial owner of 25% or more of the combined voting power of our outstanding securities (subject to certain exceptions); (2) there is a change in the majority of our Board of Directors; (3) certain corporate reorganizations occur where the existing shareholders do not retain more than 60% of the common shares and combined voting power of the outstanding voting securities of the surviving entity; or (4) there is shareholder approval of a complete liquidation or dissolution of PolyOne.

The payments under these Continuity Agreements are to be made in compliance with Section 409A of the Internal Revenue Code and the agreements were amended in October 2007 to ensure compliance with Section 409A.

These agreements are intended to provide for continuity of management in the event of a change in control. The agreements are automatically renewed each year unless we give prior notice of termination of the Continuity Agreement. The agreements provide that covered executive officers could be entitled to certain severance benefits. The details of the severance payments and benefits are provided in the Potential Payments Upon Termination or Change-in-Control section of this proxy statement.

In order to provide additional protection in the event of a change in control, our equity awards and Annual Plan provide for accelerated benefits in the event of a change in control. In the event of a change in control and a termination of the executive s employment by us without cause or by the executive for good reason (as defined in the agreements), the SARs remain exercisable for their full term. These change-in-control provisions affect all participants in those programs, including the Named Executive Officers.

Compensation Policies

Timing with Respect to Equity Award Grants

In recent years, including 2007, the base price of SARs has been set according to our normal practice as outlined in the 2005 Equity and Performance Incentive Plan and is based on the average of the high and low price of our common shares on the trading day immediately before the day the award was approved by the Committee. This practice has allowed the Committee to know the actual base price at the time of approval. Because the base price could be different than the closing price on the day of the grant, the pricing difference is explained in the 2007 Grants of Plan-Based Awards table in this proxy statement. The 2008 Equity and Performance Incentive Plan, if approved by shareholders, will change this practice to set the base price of SARs (and the exercise price of any options granted) as the closing price of our common shares on the date of grant. Further, if we are in possession of material information that has not been publicly disclosed, the Committee will not grant equity awards until all such information is available to the public.

Stock Ownership Guidelines

In order to better align their financial interests with those of shareholders, we believe our executives should own a meaningful number of our shares. We have adopted share ownership guidelines specifying a minimum level of share ownership for all executives, including all Named Executive Officers. The specific levels of share ownership for the Named Executive Officers are noted in the following table. Executives are expected to accumulate the specified shares within five years of their becoming subject to the policy. The applicable guidelines are reduced after age 55 by 10% of the original level of ownership each year for five years.

In general, shares counted toward required ownership include shares directly held and shares vested in our benefit or deferral plans (including RSUs and phantom shares under our nonqualified deferral plan).

Element	Newlin	Wilson	Baert	Kahler	Rademacher
Share Ownership Target (in shares)	315,000	90,000	73,500	75,000	64,000
Total Share Ownership as of 3/17/08	349,700	182,826	48,366	53,186	77,667
Attainment Status	111.0%	203.1%	65.8%	70.9%	121.4%

Note: Ownership targets have been reduced by 30% for Mr. Baert and 20% for Mr. Rademacher, according to the applicable guideline pertaining to age reduction as discussed above. Messrs. Newlin and Kahler have been with the Company approximately two years and are not yet required to meet 100% of their share ownership target.

Repayment of Earned Incentives upon Restatement of Financial Results

We have adopted a policy that is consistent with the requirements of the Sarbanes-Oxley Act of 2002, which requires the Chief Executive Officer and Chief Financial Officer to reimburse us for any awards received during the twelve-month period following the release of financial results that subsequently require an accounting restatement due to material noncompliance with any financial reporting requirement if they are subject to automatic forfeiture under Section 304 of the Sarbanes-Oxley Act of 2002.

Conclusion

Our executive compensation programs are competitive in the marketplace and linked to our performance. These programs allow us to attract and retain high-caliber executives. We believe the design of our compensation plans and the relative mix of compensation elements successfully motivates our executives and aligns both the short-term and long-term interests of employees and shareholders.

The following table sets forth the compensation for the fiscal year ended December 31, 2007 of our principal executive officer, principal financial officer and our other three most highly compensated executive officers.

SUMMARY COMPENSATION TABLE

ion	Year	Salary ($)	Bonus[3] ($)	Stock Awards ($)	Option/ SAR Awards[6] ($)	Non-Equity Incentive Plan Compensation[7] ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings[8] ($)	All Other Compensation ($)	
lin,									
	2007	$ 741,635	$ 0	$ 589,333(4)	$ 778,565	$ 1,482,066	$ 0	$ 208,069(9)	$
	2006	589,615	600,000	505,374	558,936	959,700	0	110,196(10)	
n,									
	2007	363,981	0	241(5)	218,060	167,595	168,279	94,846(11)	
cial									
	2006	354,058	50,000	75,561	158,724	242,707	0	81,711	
	2007	421,668	0	169(5)	144,609	166,263	0	86,727(12)	
r,									
e									
	2006	349,999	0	53,125	105,333	219,576	0	70,030(13)	
er,									
	2007	285,962	0	0	196,144	131,671	0	128,390(14)	
	2007	307,577	0	160[5]	138,141	210,229	0	64,508[15]	

r,

(1) Mr. Newlin was elected Chairman, President and Chief Executive Officer, effective February 21, 2006.

(2) Mr. Baert s compensation is based in Euros. The conversion rate used for purposes of converting the Euros earned by Mr. Baert into dollars for purposes of this table was 1.00 = $1.4724, which is the conversion rate used in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

(3) Amounts in this column include a signing bonus of $600,000 for Mr. Newlin and a one-time recognition award in the amount of $50,000 for Mr. Wilson in recognition of the additional duties and responsibilities assumed in connection with executive and operating matters during the CEO-transition period.

(4) This reflects a restricted stock award granted in 2006 to Mr. Newlin under our 2005 Equity and Performance Incentive Plan as part of his hiring package with a compensation cost for 2007 of $589,333. The amount reflected in the table for 2007 includes the dollar amount recognized for financial statement reporting purposes for 2007 with respect to the award computed in accordance with Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment (SFAS 123(R)). Additional information regarding the assumptions used in determining the cost reflected in the table can be found in Note Q of the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

(5) This reflects the compensation cost under SFAS 123(R) in 2007 of performance shares granted in 2005. Additional information regarding the assumptions used in determining the costs reflected in the table can be found in Note Q of the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007. These performance shares are described in more detail in footnote (3) to the 2007 Option Exercises and Stock Vested table.

(6) This column includes the grants of target-priced, stock-settled SARs granted in 2007 to the Named Executive Officers under our 2005 Equity and Performance Incentive Plan. The cost of these awards as reflected in the table was based on the dollar amount recognized for financial statement reporting purposes for 2007 with respect to these awards, computed in accordance with SFAS 123(R). These grants are described more fully in the narrative following the 2007 Grants of Plan-Based Awards table and in the Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2007 Stock-Settled SARs section of this proxy statement. This column also reflects the dollar amount recognized for financial statement reporting purposes in 2007 with respect to awards granted in prior years. Additional information regarding the assumptions used in determining the costs reflected in the table can be found in Note Q of the Notes to the Consolidated Financial Statements contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007.

(7) This column reflects amounts earned by the Named Executive Officers under the Annual Plan. The terms of the Annual Plan are described more fully in the narrative following the 2007 Grants of Plan-Based Awards table and in the Compensation Discussion and Analysis Elements of Compensation Annual Incentive section of this proxy statement. For Mr. Newlin, this column also reflects amounts paid pursuant to a two-year cash incentive that was granted to Mr. Newlin in connection with his employment agreement. This grant is described more fully in the Compensation Discussion and Analysis Employment Agreement of the Chief Executive Officer section of this proxy statement.

(8) Among the Named Executive Officers, only Mr. Wilson participates in the Qualified Pension Plan and the Nonqualified Pension Plan that existed prior to our formation in 2000 through the consolidation of Geon and M.A. Hanna. The aggregate actuarial present value of Mr. Wilson s accumulated benefits under the Qualified Pension Plan and the Nonqualified Pension Plan increased by the amount shown in the table above. This increase was due to the fact that earnings under the Nonqualified Pension Plan were unfrozen following the release of final guidance relating to Section 409A of the Internal Revenue Code, as described more fully under the 2007 Pension Benefits table in this proxy statement. Above-market or preferential earnings are not available under any of our non-qualified deferred compensation plans.

(9) Amounts under All Other Compensation for Mr. Newlin include tax gross-ups on personal benefits (including a gross up on reimbursement of moving expenses described below) in the amount of $32,397, PolyOne s cash contributions to our Qualified Savings Plan in the amount of $14,625, PolyOne s cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of $94,462 and excess liability umbrella insurance coverage in the amount of $856. Mr. Newlin also received perquisites in 2007, reflected in the table, with the following incremental costs: reimbursement of moving expenses ($30,736), car allowance ($14,400), financial planning and tax preparation expenses ($13,000) and executive physical ($7,593).

(10) Mr. Newlin s 2006 All Other Compensation and Total columns have been revised to include the cost of an executive physical ($6,471) that occurred in 2006.

(11) Amounts under All Other Compensation for Mr. Wilson include tax gross-ups on personal benefits in the amount of $4,767, PolyOne s cash contributions to our Qualified Savings Plan in the amount of $23,625,

PolyOne s cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of $45,552, and excess liability umbrella insurance coverage in the amount of $856. Mr. Wilson also received perquisites in 2007, reflected in the table, with the following incremental costs: car allowance ($14,400) and financial planning and tax preparation expenses ($5,646).

(12) Amounts under All Other Compensation for Mr. Baert include PolyOne s cash contributions to a tax-efficient savings plan, generally provided to all Belgium employees, in the amount of $52,630 and excess liability umbrella insurance coverage in the amount of $856. Mr. Baert also received perquisites in 2007, reflected in the table, with the following incremental costs: company provided automobile ($27,176), meal vouchers ($1,627) and customer entertainment allowance ($4,438).

(13) Mr. Baert s 2006 All Other Compensation and Total columns have been revised to include the cost of excess liability umbrella insurance coverage provided in 2006 ($987).

(14) Amounts under All Other Compensation for Mr. Kahler include tax gross-ups on personal benefits (including a gross up on reimbursement of moving expenses described below) in the amount of $33,481, PolyOne s cash contributions to our Qualified Savings Plan in the amount of $14,625, PolyOne s cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of $10,239, and excess liability umbrella insurance coverage in the amount of $856. Mr. Kahler also received perquisites in 2007, reflected in the table, with the following incremental costs: reimbursement of moving expenses ($54,689), car allowance ($12,000) and financial planning and tax preparation expenses ($2,500).

(15) Amounts under All Other Compensation for Mr. Rademacher include tax gross-ups on personal benefits in the amount of $3,769, PolyOne s cash contributions to our Qualified Savings Plan in the amount of $14,625, PolyOne s cash contributions under our non-qualified retirement plan providing for benefits in excess of the amounts permitted to be contributed under the Qualified Savings Plan in the amount of $25,843 and excess liability umbrella insurance coverage in the amount of $856. Mr. Rademacher also received perquisites in 2007, reflected in the table, with the following incremental costs: car allowance ($12,000), financial planning and tax preparation expenses ($4,285), and executive physical ($3,130).

2007 GRANTS OF PLAN-BASED AWARDS

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			Estimated Future Payouts Under Equity Incentive Plan Awards[3]					
	Grant Date	Threshold[2] ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards: Number of Shares of Stock or Units (#)	Exercise or Base Price of Option /SAR Awards[4] ($/Sh)	Closing Market Price on Grant Date
	*	$ 370,818	$ 741,635	$ 1,483,270						
	3/8/2007	522,550	1,045,100	2,090,200						
	3/8/2007					308,400			$ 6.585	$ 6.48
	*	90,995	181,990	363,981						
	3/8/2007	149,400	298,800	597,609						
	3/8/2007					88,200			6.585	6.48
	*	105,417	210,834	421,668						
	3/8/2007	89,850	179,700	359,400						
	3/8/2007					53,100			6.585	6.48
	*	71,491	142,981	285,962						
	3/8/2007	85,950	171,900	343,800						
	3/8/2007					50,700			6.585	6.48
cher	*	76,894	153,788	307,577						

3/8/2007	94,050	188,100	376,200			
3/8/2007				55,500	6.585	6.48

* There is no Grant Date for these awards. This row relates to awards made under our cash-based Annual Plan.

(1) The first row of this column for each Named Executive Officer represents the annual cash incentive opportunity for the Named Executive Officers under the Annual Plan. The actual amount earned for 2007 under the Annual Plan is reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. The second row of this column for each Named Executive Officer represents the performance units awarded to each Named Executive Officer under our 2005 Equity and Performance Incentive Plan. Each performance unit is equal in value to $1.00. These performance units will be paid in cash, if earned, and are subject to achievement of specified performance goals over a three-year performance period (2007-2009).

(2) Threshold refers to the minimum amount payable upon reaching the threshold level of performance. If threshold performance is not attained, the participant will receive $0 for this award.

(3) The numbers in this column represent stock-settled SARs granted to the Named Executive Officers under our 2005 Equity and Performance Incentive Plan, which become exercisable only upon the achievement of target prices relating to our common stock. If the applicable target prices are met, a portion of the total award becomes exercisable, as explained in the following narrative disclosure. The award of SARs provides for a single estimated payout and, thus, the total number of stock-settled SARs granted in 2007 is reported in the Target column above.

(4) In setting the base price of SARs, we have followed the practice of using the average of the high and low sales price of our common shares on the trading day immediately before the day the award was approved by the Committee. This practice is in compliance with our 2005 Equity and Performance Incentive Plan. The award of stock-settled SARs that was granted on March 8, 2007 to the Named Executive Officers was

priced using the average of the high and low sales price on the trading day immediately before the date of grant ($6.585).

(5) This represents the grant date fair value of each equity-based award, computed in accordance with SFAS 123(R).

Set forth below is narrative disclosure relating to the Summary Compensation Table and the 2007 Grants of Plan-Based Awards table.

Senior Executive Annual Incentive Plan

Annual cash incentives were granted in 2007 under our Annual Plan and are based on achievement of performance goals relating to company operating income, and company-controlled cash flow (for the corporate staff participants) and business unit operating income, company operating income and company-controlled cash flow (for Messrs. Baert and Rademacher). Achievement of a performance goal at the threshold level results in payment of 50% of the targeted award for that performance goal; achievement of a performance goal at the target level results in a payment of 100% of the targeted award for that performance goal; and, achievement at the maximum level or greater results in payment of 200% of the targeted award for that goal. In no event will a Named Executive Officer receive an award that exceeds the plan maximum of $2,000,000. If performance falls between the levels, the award payouts are interpolated. For a more detailed discussion of our annual incentive plan, see Compensation Discussion and Analysis Elements of Compensation Annual Incentive.

Cash-Settled Performance Units

Cash-settled performance units were granted in 2007 under our 2005 Equity and Performance Incentive Plan and are based on achievement of performance goals, over a three-year period, relating to company operating income. If we achieve performance at the threshold level, 50% of the performance units will be earned; if we achieve performance at the targeted level, 100% of the performance units will be earned; and, if we achieve performance at the maximum level or greater, 200% of the performance units will be earned. If performance falls between the levels, the number of performance units earned is interpolated. For a more detailed discussion of the performance units granted in 2007, see Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2007 Cash-Settled Performance Units.

Stock-Settled SARs

In 2007, our Compensation and Governance Committee granted stock-settled SARs to the Named Executive Officers. These SARs have a term of seven years and vest upon the attainment of target prices (sustained for three consecutive trading days) for our common shares as follows: 1/3 @ $7.24; 1/3 @ $7.90 and 1/3 @ $8.56. In no event may the SARs vest sooner than one year from the date of grant. For a more detailed discussion of the stock-settled SARs granted in 2007, see Compensation Discussion and Analysis Elements of Compensation Long-Term Incentive Awards Granted in 2007 Stock-Settled SARs.

Employment Agreements

We do not have employment agreements with any of our Named Executive Officers, except for Mr. Newlin. Mr. Newlin s Employment Agreement is described in detail in the Compensation Discussion and Analysis Employment Agreement of the Chief Executive Officer and the Potential Payments Upon Termination or Change-in-Control sections of this proxy statement.

2007 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option/SAR Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options/SARs (#) Exercisable(1)	Number of Securities Underlying Unexercised Options/SARs (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options/SARs (#)	Option/ SARs Exercise Price ($)	Option/ SARs Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
S.D. Newlin						200,000(2)	1,316,000(6)		
	116,600(4)		58,300(4)	9.1850	2/20/2013				
			308,400(3)	6.585	3/7/2014				
W.D. Wilson			26,400(5)	8.9400	1/4/2012				
	42,000(4)		21,000(4)	6.5100	1/3/2013				
			88,200(3)	6.585	3/7/2014				
	128,536	0		10.3125	2/3/2008				
	200	0		9.0000	9/4/2010				
	71,100	0		8.7000	2/27/2011				
	82,400	0		12.2200	3/25/2012				
	61,900	0		6.0000	3/31/2013				
B. Baert			18,600(5)	8.9400	1/4/2012				

25,000(4)	12,500(4)	6.5100	1/3/2013