

POLYONE CORPORATION

COMPENSATION AND GOVERNANCE COMMITTEE CHARTER

Authority

- The Board of Directors, by resolution dated August 31, 2000, established the Compensation Committee and the Nominating and Governance Committee.
- The Charters of Compensation Committee and the Nominating and Governance Committee were adopted by the Board on November 1, 2000.
- The Compensation Committee and the Nominating and Governance Committee were merged on May 23, 2002 to form the Compensation and Governance Committee.
- The Charter of the Compensation and Governance Committee was adopted by the Board on May 15, 2003.

Membership

- The Committee will consist entirely of directors who meet the definition of “independent” asset forth in the Corporate Governance Standards of the New York Stock Exchange.
- Members of the Committee will be appointed each year following the annual meeting of shareholders.

Purpose

The purpose of the Committee is to:

- Discharge the Board’s responsibilities relating to compensation of the Company’s executives and, further, to assist the Board in the discharge of its fiduciary responsibilities with regard to establishment of policies governing and the implementation of all aspects of remuneration throughout the Company, including benefits and perquisites of executive officers of the Company and any other employees designated by the Committee as key employees of the Company and its subsidiaries;
- Discharge similar responsibilities with respect to the remuneration of non-employee directors;
- Produce an annual report on executive compensation for inclusion in the Company’s proxy statement, in accordance with applicable rules and regulations;
- Provide policy guidance and oversight on selected human resource policies and practices;
- Serve as a nominating committee to identify individuals qualified to serve on the Board of Directors, including the position of Chair of the Board, and select, or recommend that the Board select, the director nominees for the next annual meeting of shareholders; and
- Develop and recommend to the Board a set of corporate governance principles applicable to the Company and provide counsel to the full Board with respect to corporate governance issues, including Board and committee organization, function and charters, and assure shareholders and investors that the Board is following policies and procedures to enable it to serve the best interests of shareholder efficiently and effectively.

Duties and Responsibilities

The Committee will:

Executive Compensation and Incentives

- Assure a competitive executive compensation program in order to attract and retain qualified executives and to provide incentive to management for the attainment of the Company's goals and objectives.
- Review and approve corporate goals and objectives relevant to the Chief Executive Officer's compensation; in conjunction with the evaluation conducted by the Board, as described below, evaluate the Chief Executive Officer's performance in light of these goals and objectives; and set the Chief Executive Officer's compensation level based on this evaluation.
- Review and approve the compensation of other executive officers of the Company, taking into consideration the Company's performance and standard procedures with respect to providing competitive performance based compensation and such other factors as may, in the Committee's discretion, be appropriate.
- With respect to incentive compensation plans and equity-based plans:
 - Make recommendation to the Board with respect to incentive compensation plans and equity-based plans, which currently include the 2000 Stock Incentive Plan, the Senior Executive Poly One Annual Incentive Plan and the Strategic Improvement Incentive Plan.
 - Review and approve stock option grants and other equity based awards, including long term incentive plan awards, to officers, senior managers, key employees, and other employees of the Company and its subsidiaries under the Company's stock plans.
 - Review and approve the performance criteria, target awards, payout criteria and like items for short-term and long-term incentive compensation plans of the Company.
 - Review and approve incentive compensation payments to officers, senior managers and employees of the Company under the Company's incentive compensation plans.
- Review and approve special bonuses and/or other awards to individual key employees on a case-by-case basis for outstanding performance.
- Review and approve the terms of all employment agreements, management continuity agreements and change in control agreements for selected officers.

Non-employee Director Compensation

- From time to time review the compensation of non-employee directors and make recommendations to the Board regarding changes to existing compensation levels.
- Perform administrative functions with respect to the compensation of non-employee directors, including interpreting existing policy.

Benefit Plans and Human Resources Policies

- Periodically review and approve the structure of the Company's defined benefit plans, defined contribution plans, and other plans that are compensatory in nature.

- Periodically review goals and results aimed at creating a diverse workforce.
- Periodically review and approve corporate policies pertaining to human resource issues.

Evaluation of Executive Officers; Succession Planning

- Develop and maintain a process to enable the Board of Directors to evaluate the performance of the Chief Executive Officer on an annual basis and timely communicate the results of any such evaluation to the Chief Executive Officer.
- Review succession planning for the Chief Executive Officer and appropriate senior staff members.
- Recommend membership on any selection committee, which may be necessary to fill the office of Chief Executive Officer.

Nomination of Director Candidates

- Recommend to the full Board the criteria for selection of new directors.
- Recommend to the full Board qualified candidates for election as directors, including the slate of directors that the Board proposes for election by shareholders at the annual meeting of shareholders.

Corporate Governance

- Advise and make recommendations to the Board on all matters concerning directorship practices, including (a) the composition, chair, charter, function and duties and responsibilities of the committees of the Board, (b) continuing qualification criteria, including an annual determination of qualification criteria, (c) recommendations regarding director resignation or removal; and (d) guidelines and procedures to be used by directors in evaluating Board performance.
- Review, approve and recommend to the Board of Directors the charters of Board committees.
- Conduct an annual evaluation of the Committee's performance.

Authority to Retain Experts

- The Committee shall have sole authority to retain and terminate any consultant to be used to assist the Committee in the evaluation of non-employee director, CEO or senior executive compensation, including sole authority to approve the consultant's fees and other retention terms.
- The Committee shall have sole authority to retain and terminate any search firm to be used to identify director candidates, including sole authority to approve the search firm's fees and other retention terms.

Committee Meetings and Action

- A majority of the Committee members will be a quorum for the transaction of business.

- The action of a majority of those present at a meeting at which a quorum is present will be the act of the Committee.
- Any action, which may be taken at a meeting of the Committee, will be deemed the action of the Committee if all of the Committee members execute a written consent and the consent is filed with the Corporate Secretary.
- The Company's Chief Human Resources Officer will be the management liaison to the Committee with respect to matters concerning compensation and benefits.
- The Company's Chief Legal Officer and Corporate Secretary will be the management liaison to the Committee with respect to matters concerning the Committee's nominating and governance functions.
- The Committee may delegate its authority under this Charter relating to employees other than executive officers and non-employee directors, to the extent it deems appropriate and consistent with law and customary practice, and may otherwise fully delegate authority relating to matters it deems to be ministerial ;
- The Corporate Secretary or designee will be responsible for keeping minutes of the Committee meetings.
- The Committee will meet at least four times a year and at such other times as may be requested by its Chairman.
- The Committee will annually review its charter and recommend any changes to the Board of Directors.