

2011 Corporate Citizenship Report



■ ■ ■ Reporting 2009/2010 Performance

Lubrizol



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Letter from James L. Hambrick

Dear Readers:

We believe that responsible corporate citizenship entails a commitment to ethical behavior, economic and environmental sustainability and the welfare of our employees and the communities in which we operate. Within the pages of this report, you'll learn more about our performance in the areas of corporate citizenship: environmental, social and economic. Our intention is to provide an overview of our 2009 and 2010 practices as we work to meet current needs by maximizing performance, while minimizing any potential negative impacts in the future.

Underlying our activities is a commitment to honesty and integrity in all that we do, a commitment that reaches back to Lubrizol's founders and the early days of our company. It is a mindset that defines our daily activities and influences every decision we make. You'll find it in our corporate philosophy and spelled out in our Ethical and Legal Conduct Guidelines, which apply to every Lubrizol employee around the world, from the employees in our manufacturing plants to the senior management team.

At Lubrizol we have always understood that good corporate citizenship requires us to give back to our communities. Throughout our history, we have been a significant contributor to the social, cultural and environmental quality of life in the communities in which we operate, even as we aspire to larger impacts in the years ahead, as we continue to grow our global enterprise.

As part of our overall effort, we support open dialogue with elected officials and public agencies, building partnerships for the common good. On a corporate level, our primary areas of outreach are education and health and human services, with a growing emphasis on addressing the needs of underserved youth. Locally, each Lubrizol facility offers opportunities for employees to volunteer, and we are proud that so many of our employees are willing to lend a hand to their neighbors.

Our business culture and practices have earned us broad recognition in the business community and from the socially responsible investment community. In 2010, we were honored to be cited by *Corporate Responsibility Magazine* as one of the top 100 U.S. corporate citizens and to receive several regional awards. Improving environmental performance and focusing on sustainability are not only the right things to do—they also present important commercial opportunities. As we strive to be the essential ingredient in our customers' success, we are closely aligning our sustainability efforts with theirs for our mutual benefit. This includes providing products and services to our customers to help them meet their sustainability needs, while we continue with our own initiatives to increase our raw material conversion efficiency and conserve natural resources globally. We are developing new capabilities and gaining a greater understanding of what further improvements in environmental sustainability and stewardship will mean to our business.

Our corporate citizenship report provides us with the opportunity to both understand our challenges and set goals for improving our social, environmental and economic value performance. We value your response and look forward to hearing from you. You can contact us via www.lubrizol.com.

James L. Hambrick
Chairman, President and Chief Executive Officer

Sustainability Scorecard

Environmental Indicators		2007	2008	2009	2010
Global Greenhouse Gas Emissions	Metric tons of CO ₂ emissions per million dollars of sales	162.3	148.4	152.5	136.6
	Percentage change from 2005 in metric tons of CO ₂ emissions per metric tons produced ¹	-0.4%	-1.6%	13.6%	1.2%
Global Energy Usage	Gigajoules per million dollars of sales	2,842	2,576	2,620	2,350
	Percentage change from 2005 in gigajoules per metric tons produced ¹	-3.5%	-3.7%	10.0%	-2.0%
Global Waste Generation	Metric tons of waste per million dollars of sales	26.1	24.9	26.0	24.3
	Percentage change from 2005 in metric tons of waste per metric tons produced ¹	-17.9%	-13.4%	0.8%	-5.7%
Global Water Usage	Cubic meters per dollars of sales	0.077	0.075	0.086	0.087
	Cubic meters per metric tons produced	120	129	164	167
Social Indicators		2007	2008	2009	2010
Incident Rates for Employee Health and Safety and Process Safety	Occupational Safety and Health Administration (OSHA) recordable rate	1.45	1.05	0.86	0.94
	Ratio of Lubrizol rate to avg. American Chemistry Council OSHA recordable rate	1.18	1.01	0.89	1.02
	Process safety incidence rate	0.10	0.13	0.08	0.05
	Ratio of Lubrizol rate to avg. American Chemistry Council process safety incident rate	0.65	0.69	0.51	0.30
Ethics	Number of ethics contacts ²	226	236	237	314
	Percentage of contacts resulting in disciplinary action	13%	17%	15%	10%
Compliance	Number of notices of violations exceeding \$100,000 issued by U.S. Federal or foreign national agencies	0	0	0	0
	Number of notices of violations exceeding \$100,000 issued by local agencies	1	0	1	0
Philanthropy and Volunteerism	Lubrizol Foundation (U.S. only) monetary grants (000s) ³	\$2,900	\$2,800	\$2,400	\$2,500
	Lubrizol Foundation Assets (000s)	\$12,145	6,284	\$12,456	\$16,856
	Number of nonprofit organizations (of size \$200,000 and above) in Northeast Ohio with Lubrizol volunteers serving on boards ⁴	22	26	36	40
Economic Indicators		2007	2008	2009	2010
U.S. Supplier Diversity	Minority business enterprise purchases (direct and indirect purchases in 000s)	\$6,759	\$7,293	\$6,842	\$9,691
	Women business enterprise purchases (direct and indirect purchases in 000s)	\$6,817	\$6,004	\$3,759	\$7,569
	Minority and women business enterprise purchases as percentage of total purchases	5.7%	5.1%	4.0%	5.2%
Corporate Financial Results	Revenues (Billions)	\$4.50	\$5.03	\$4.59	\$5.42
	Gross Profit (Billions)	\$1.12	\$1.12	\$1.52	\$1.79
	Earnings as Adjusted (non-GAAP) (Millions)	\$406.9	\$412.6	\$756.2	\$1,016.0
Employment	Number of full-time employees - global	6,921	6,967	6,727	6,896

¹ The increase in 2009 is due in part to a decrease in production volume and changes to product mix relative to the 2005 baseline.

² Number of contacts increased significantly in 2010 as a result of ethics program enhancements and training classes that were introduced in Asia and Latin America. A higher % of these contacts were in the form of questions, with people seeking guidance as a preventative, proactive measure.

³ In addition to Lubrizol Foundation grants in the U.S., the Lubrizol Corporation provides close to \$900,000 to \$1,000,000 of support each year in the form of cash contributions, goods and materials to communities around the world where our facilities are located.

⁴ Additionally, Lubrizol employees participate in a multitude of company-sponsored community outreach activities each year that benefit a growing number of global nonprofit organizations. The exact amount of donated work hours is difficult to quantify, but it numbers in the thousands and it is increasing steadily.

Awards and Recognitions

International Awards and Recognition

- **Forbes Global 2000 Companies List** – Company size ranking based on equal weighting of sales, profits, assets and market value
- **Forbes Global High Performer** – An elite list of companies that set the pace in their respective industries
- **Corporate Responsibility Magazine's 100 Best Corporate Citizens for 2010 and 2011 List** – Based on publicly-available information for corporate-wide performance in areas that include environmental stewardship, ethics and philanthropy, among others

National and Regional Awards and Recognition

- **Barron's 500 List** – Ranking of the largest U.S. and Canadian companies based on generating solid sales growth and healthy returns on investment (United States and Canada)
- **Seeking Alpha Most Reliable Companies Within the Russell 1000 Index** – Based on management's ability to create wealth, earnings quality and valuation attractiveness (United States)
- **Fortune Magazine's Fortune 500 List** – Ranking based on 2009 revenues (United States)
- **Newsweek Magazine's 500 Greenest Big Companies in America List** – Ranking determined by environmental data provided by our public affairs group through a survey administered by KLD Research & Analytics, *Newsweek's* lead partner in the study (United States)
- **National Safety Council of Australia's (NSCA) Member of the Year Award for 2009** – Recognizes Lubrizol's commitment to and leadership in the implementation of a health and safety, or environmental management system or project and practices developed, to reduce the risk of work-related injury and disease (Australia)
- **2009 Auburn Community Pride Business Environment Award** – Recognizing organizations that strengthen community spirit and improve the local environment (Australia)
- **The Cleveland Plain Dealer Top Workplaces 2010** – Sponsored by one of Northeast Ohio's leading newspapers and based on results from an employee survey administered by Workplace Dynamics, *The Plain Dealer's* partner in the program (Northeast Ohio)
- **2009 NorthCoast 99 Top Workplaces in Northeast Ohio List** – Honors 99 great workplaces for top talent in Northeast Ohio (Northeast Ohio)
- **Western Lake County Chamber of Commerce Large Business Award** – Recognizing Lubrizol's outstanding performance, eco-friendliness and support of many nonprofit organizations (Northeast Ohio)
- **Ohio EPA Outstanding Achievement in Environmental Stewardship Award** – Recognizing the Wickliffe, Ohio facility/corporate headquarters for its environmental compliance and commitment to go above and beyond regulations to improve environmental performance (Northeast Ohio)
- **Cornerstone Award from United Way of Lake County** – Recognizing Lubrizol as the largest donor to the United Way of Lake County's 2009 and 2010 Campaigns (Northeast Ohio)

Industrial Awards

- **Chemical & Engineering News** (C&EN) 2009 Company of the Year – Recognizing Lubrizol results as the most impressive performance among chemical companies
- **Ohio Chemistry Technology Council Excellence in Environmental, Health, Safety and Security Performance Award** – Recognizes effective, vital and sustainable programs that have resulted in measurable enhancements to company performance and those companies working in close collaboration with government officials, industry peers and communities to share successes and encourage good relations
- **Singapore Chemical Industry Council (SCIC) Responsible Care® Award** – Recognizes companies who have performed well in maintaining high health, safety and environment standards as a result of their Responsible Care management practices
- **Frost & Sullivan Excellence in Innovation Award** – Recognized Performance Coatings' (Asia-Pacific) commercial products in the key areas of low volatile organic content, hazardous air pollutant products and continuing development efforts in low waste, energy management coatings (Asia-Pacific)
- **2010 Society of Automotive Engineers (SAE) Industry Innovator Award** – Recognized for technology innovations in an ever-changing environment
- **Society of Automotive Engineers (SAE) Environmental Excellence in Transportation Award** – Recognizes an individual, or groups of individuals, who through their ingenuity and dedication, make significant innovations in reducing the environmental impact caused by the transportation industry



Section 1

Lubrizol: Who We Are

The Lubrizol Corporation, a Berkshire Hathaway company, is an innovative specialty chemical company that produces and supplies technologies to improve the quality and performance of our customers' products in the global transportation, industrial and consumer markets.

Our business is founded on technological leadership. From a base of approximately 1,600 patents worldwide, we use our product development and formulation expertise to sustain our leading market positions and fuel our future growth. We create sophisticated chemistries that enhance the performance, quality and value of our customers' products, while working to minimize the environmental impact. Lubrizol strives to be the essential ingredient in our customers' success through collaboration, applied science and demonstrated value.

We are geographically diverse, with an extensive global manufacturing, supply chain, technical and commercial infrastructure. We operate production facilities in 17 countries, with sales and technical offices around the world, through the efforts of approximately 7,000 individuals. We sell our products in more than 100 countries and believe that our customers value our ability to supply customized, high-quality, cost-effective performance formulations and solutions worldwide.

Our Business

We have two major business segments—Lubrizol Additives (LZA) and Lubrizol Advanced Materials (LZAM). Lubrizol's Additives segment provides exceptional innovation and product development to meet the demands of customers, end users and regulators, particularly with respect to fuel economy, emissions control and equipment durability. Our Advanced Materials segment is also a leading innovator in its diverse markets. Our two business segments employ the right mix of people, ideas and market knowledge to create unique formulations and ingredients that solve our customers' most complex challenges, and address their focus on sustainability and business continuity.

Lubrizol Additives

Since 1928, Lubrizol has pioneered the development of additives to improve the performance of fuels and lubricants for transportation and industry. Today, we are a leading global supplier of fuel and lubricant additives for these markets. Our products provide value to our customers and serve to increase cost-effectiveness by reducing friction and heat, resisting oxidation, minimizing deposit formation, and preventing corrosion and wear. Our customers rely on Lubrizol's technology to improve the performance of their lubricants and fuels, which in turn improve the performance and life span of engines, transmissions and gear components, thereby reducing environmental impact.

Product Lines

You can find our engine additives in a wide range of applications including cars, trucks, buses, trains, mining and construction equipment, motorcycles, recreational vehicles, power tools, stationary gas engines and marine vessels. In addition, we offer a full range of gasoline, diesel and biofuel additives that improve engine performance, fuel economy, emissions and engine life.

We have one of the most complete product lines in the industry for all on- and off-road driveline applications. We provide innovative transmission fluid and gear oil technologies that ensure equipment runs better and lasts longer.

We also have one of the most complete lines for industrial lubricant applications in the industry. Our additive technology helps to protect hydraulic systems, industrial gears, refrigeration and heating and air conditioning systems, bearings and metalworking tools and parts.

Lubrizol Advanced Materials

Since the 1870s, as part of BFGoodrich, our Advanced Materials segment has had a rich legacy of technological achievements and product innovations. We are a leading global producer of advanced specialty polymers, polymer-based additives and chemical additives for a broad range of consumer and industrial applications. Our additives and ingredients are used in personal care products and pharmaceuticals; specialty materials, including plastics technology; performance coatings such as specialty resins; and home care and food applications.

Product Lines

Lubrizol's Noveon® Consumer Specialties offers ingredients for personal care, home care, food and pharmaceutical formulations. Key products include synthetic and naturally derived rheology modifiers and thickeners, fixative polymers, surfactants, specialty silicones, emulsifiers, film formers, elegant sensory modifiers and pharmaceutical ingredients. This product line also offers food hydrocolloids for unique, natural food texturizers in human and pet food applications.

Lubrizol's Engineered Products line is made up of two business groups:

- TempRite® Engineered Polymers is the world leader in chlorinated polyvinyl chloride (CPVC) resins and compounds. Our heat-resistant and low combustibility CPVC specialty plastics have applications in fire sprinkler and plumbing systems, and industrial piping. Today, Lubrizol CPVC compounds are also found in products as diverse as exterior building materials (such as exterior cladding and fencing), industrial systems and even aircraft interiors.
- Estane® Engineered Polymers are used in wire and cable jacketing; hose and tube; recreational footwear and apparel; medical, optical, and industrial end-use applications; and permanent static control for electronics.

Lubrizol's Performance Coatings is a leading global producer of specialty resins, polymers and additives for coatings and related industries. Our range of products includes high-performance polymers and additives for specialty paper, inks and graphic arts, and paint and textile coating applications.

Lubrizol's Corporate Philosophy

The strength of Lubrizol is the dedication of its employees to our company, our owners and our customers.

We are committed to:

- Rewarding owners by providing a high return on invested capital
- Providing superior products and outstanding service to our customers
- Investing in research and development to maintain and improve our technical position
- Insisting on honesty and integrity in dealing with customers, suppliers, all third parties and with one another
- Treating each employee with dignity and a sense of worth and supporting open communication with one another
- Developing and promoting personnel from within our ranks on the basis of individual performance
- Rewarding employees' efforts through a merit-oriented compensation program
- Maintaining the health and safety of our employees, customers and neighbors and to protecting the environment

Corporate Responsibility

For us, responsible corporate citizenship entails a commitment to ethical behavior, economic and environmental sustainability, and the welfare of our employees and the communities in which we operate. We seek to treat all with fairness, operate in a safe and healthy manner, share benefits appropriately, and support local educational, cultural and charitable organizations. We seek to include the public interest and community needs in our decision making processes.

Our ethical standard, set by our founders, continues to this day. We are committed to honesty and integrity in all that we do. Our task is to uphold and apply these standards every day in a global business.

Economic sustainability is also a vital component of responsible corporate stewardship. Many of our products provide environmental benefits to customers and end users, and enable our customers to achieve their sustainability objectives.

Fundamental to Lubrizol's business is protecting our employees, our customers, the communities in which we operate and the environment¹. It is part of our long-standing commitment to operate in an ethically and socially responsive manner while creating value for our stakeholders and society.

Our approach to sustainable development is built upon these principles and integral to the long-term growth of our enterprise. Globally, we strive to meet the current needs of our stakeholders by maximizing our environmental, societal and economic performance while minimizing any potential negative impacts on their future needs.

Environmental:

We will make day-to-day business decisions based on scientifically rigorous and intellectually honest information and data. For every product we create, we shall strive, over the life cycle of that product, to continuously improve our stewardship for the environment and to reduce:

1. the energy consumed;
2. the waste generated in all media;
3. the renewable and nonrenewable resources consumed; and
4. the persistent, bio-accumulative and toxic substances used and/or created.

We recognize that any action intended to further one of these outcomes often may adversely affect another of the outcomes. In the absence of universally accepted methodology for evaluating such trade-offs, we will make the best decisions we can using a life cycle approach.

Environmental sustainability also depends upon being able to quantify the impact and distinguish among different courses of action. To that end, our measurement tools will build upon existing Responsible Care metrics, augmented by other metrics as needed to support our continuous improvement objectives.

Societal:

Our commitment to societal performance is based upon extensive interaction between our facilities and the surrounding communities. We support and encourage open dialog with our neighbors, public health, safety and environmental professionals, educators, elected officials and other stakeholders to address concerns, report progress, create understanding and to build partnerships for the common good.

The community grants us the right to be there. As corporate citizens, we believe that giving back is the right thing to do. We seek to be a significant contributor to the social, cultural and environmental quality of life in the global communities in which we operate – through responsible operations, philanthropy and the proactive support of employee volunteerism.

We also depend upon a highly diverse, engaged and motivated workforce for their expertise, ideas and perspectives – to enhance relationships with our customers and the community, and in support of our business goals.

Economic:

Improving environmental performance and focusing on sustainability are not only the right things to do, but they also present important commercial opportunities that are essential to our customers' success and Lubrizol's growth strategy.

Accordingly, we are focused on serving our customers' sustainability and product environmental needs by providing products and services that reduce environmental impact and risk across the supply chain, reduce non-renewable energy consumption and improve overall raw material utilization.

¹ The Lubrizol Corporation Health, Safety, Environmental & Security Policy, February 3, 2009

Our businesses have product and process innovations and commercial initiatives underway that will provide sustainability solutions by helping our customers meet their needs and fulfill their commitments in their markets.

Lubrizol will continue to invest significant R&D efforts in these areas. And by inventing and producing products with reduced environmental impact or ones that improve the overall energy and raw material utilization in our operations, we also reduce Lubrizol's manufacturing costs and future liabilities.

By positioning Lubrizol as the partner of choice for our customers that have incorporated sustainability into their business strategies, and by expanding these practices across our internal processes, we positively impact the bottom line and return greater value to our stakeholders.

Certification

Lubrizol recognizes that sound business systems and procedures are critical aspects of providing products that enhance our customers' market success and environmental goals, and of pursuing our sustainability goals. We require that all facilities worldwide adhere to the guiding principles of Responsible Care, and adopt the American Chemistry Council's (ACC's) Responsible Care Management System® approach for health, safety, environmental and security.

We require third-party certification for all U.S. facilities and for our international facilities, if there is an equivalent country management system program. Where market-driven, our facilities seek certification by International Organization for Standardization (ISO) for compliance with ISO 9000 guidelines for quality, ISO 14000 certification for environmental management and ISO 17000 certification for laboratory management. Some facilities also seek OHSAS 18000 certification for occupational health and safety.

Life Cycle Assessments

We are continuing our efforts to understand the environmental impact of our business. We are selectively using life cycle assessments and life cycle inventories to evaluate the impacts of our products on the environment, including those of raw materials, the manufacturing process, and products in use and at end of life.

We believe life cycle considerations will help us generate innovations in product design, development and manufacturing processes that will lead to reductions in the environmental impact of those products and operations.

Corporate Governance

In 2010, our board of directors, in accordance with the standards of the New York Stock Exchange (NYSE), was comprised of eleven individuals, ten who are independent. Four standing committees are included within the board:

1. Organization & Compensation
2. Nomination & Governance Committee
3. Audit Committee
4. Executive

Our leading-edge board of directors Governance Guidelines have directed our governance practices for more than 15 years. The guidelines are available on Lubrizol's website (www.lubrizol.com), and include provisions for geographic diversity, defining independent directors, assessing potential conflicts of interest among members, and other terms that help maintain board independence and provide a broad perspective on governance.

In 2010, the board had one female member and three minority members. Lubrizol was a publicly held company throughout 2010. On September 16, 2011, Lubrizol became a wholly owned subsidiary of Berkshire Hathaway Inc.

Enterprise Risk Management

Lubrizol's founders believed that they had a responsibility to reduce risk to employees, customers and neighbors, and to the environment. That commitment is stated in our corporate philosophy and engrained in our culture. Today, we use a proactive process—Enterprise Risk Management (ERM)—to identify and manage risks. Using the ERM process, we have identified key risks and their causes, and assigned owners to mitigate those risks. And we continue to embed the ongoing assessment and management of risk into our business processes.

ERM encompasses the many tools that Lubrizol is using to manage risks that may impact our ability to meet our strategic objectives. This process allows us to protect and enhance stakeholder value. We expect that ERM will play an important role as we strive to continue to grow our successful, global business.

Where We Are

Since our founding in 1928, we have grown from a regional company focused on transportation to a global business serving a wide range of industries and markets. Our company now operates facilities in North and South America, Europe, Africa, the Middle East, South and East Asia, and Australia. Although our reach has become global, we stay as close as possible to the customer — developing markets first, then building manufacturing and technical capacity, and hiring local talent to meet the demand for our products. We are driven to provide innovative products and value-added services tailored to meet — and exceed — our customers’ needs and expectations. Our global infrastructure allows us to develop and deliver high-quality formulations and ingredients anytime, anywhere.

As we continue to grow as a global business, both through geographic expansion and strategic acquisitions, we seek to create a seamless organization built on a single corporate culture that both reflects our founders’ commitment to honesty and integrity and respects the geographic diversity of our workforce. Our goal is to craft the same level of commitment to ethics, training, environmental sustainability, workplace and community health and safety, and all of the other components of our culture within each new facility and business unit that becomes part of Lubrizol.

Figure 1-1
Lubrizol Worldwide Locations

MANUFACTURING

Sydney, Australia • Antwerp, Belgium • Oevel, Belgium
 Vilvoorde, Belgium • Rio de Janeiro, Brazil • Niagara Falls,
 Ontario, Canada • Lanzhou, China • Songjiang, China • Tianjin,
 China • Zhejiang, China • Le Havre, France • Moux, France
 Rouen, France • Hamburg, Germany • Ritterhude, Germany
 Mumbai, India • Vadodara, India • Kinuura, Japan • Sembilan,
 Malaysia • Apodaca, Mexico • Delfzijl, The Netherlands • Yanbu,
 Saudi Arabia • Singapore • Durban, South Africa • Pohang,
 South Korea • Barcelona, Spain • Muang, Thailand • Barnsley,
 United Kingdom • Huddersfield, United Kingdom • Paso Robles,
 CA • Peachtree City, GA • Countryside, IL • McCook, IL • Calvert
 City, KY • Louisville, KY • Lawrence, MA • Wilmington, MA
 Midland, MI • Pedricktown, NJ • Gastonia, NC • Avon Lake,
 OH • Bowling Green, OH • Painesville, OH • Spartanburg, SC
 Bayport, TX • Deer Park, TX • Houston, TX



TECHNICAL CENTERS

Antwerp, Belgium • São Paulo, Brazil • Hong Kong, China • Shanghai, China • Hamburg, Germany • Ritterhude, Germany • Mumbai,
 India • Vadodara, India • Kinuura, Japan • Apodaca, Mexico • Mexico City, Mexico • Yanbu, Saudi Arabia • Singapore • Barcelona,
 Spain • Muang, Thailand • Barnsley, United Kingdom • Blackley, United Kingdom • Hazelwood, United Kingdom • Huddersfield, United
 Kingdom • Grangemouth, United Kingdom • Paso Robles, CA • Countryside, IL • McCook, IL • Lawrence, MA • Midland, MI
 Gastonia, NC • Avon Lake, OH • Bowling Green, OH • Brecksville, OH • Wickliffe, OH • Spartanburg, SC

Manufacturing locations in **17** countries

Technical centers in **13** countries

7,000 employees worldwide

Worldwide Employee Demographics

At the end of 2010, Lubrizol globally employed a total of 6,896 individuals.² This workforce was geographically diverse in line with the company's international presence: 55% were employed in the Americas, 25% in Europe and 20% in Asia-Pacific. On a gender basis, women represented approximately 26% of the total employee population, excluding our joint venture entities.

We work hard to create a culture and work environment that embraces diversity and inclusion, encourages personal and professional growth, and remains open to change. We value our reputation as a well-regarded employer that treats employees with dignity, respect and fairness. This, in turn, contributes to a significantly lower turnover rate (including retirements) when compared to the industry as a whole.

² Total employment figure does not include contract workers, interns, co-ops or personnel on long-term disability.



Section 2

Social Responsibility Performance

Lubrizol's commitment to ethical behavior, both inside the company and with our suppliers, customers and communities, is our fundamental guide to business conduct. Our founders believed that honesty and integrity in business is essential, regardless of time and circumstances, opportunities or threats.

As responsible corporate citizens, we also believe that giving back is the right thing to do. We seek to be a significant contributor to the social, cultural and environmental quality of life in the global communities in which we operate – through responsible operations, philanthropy and the proactive support of employee volunteerism.

Employee Engagement

Lubrizol's talented workforce is the foundation for our growth and success. Our employees consistently deliver on our strategic business objectives, are highly engaged, and have the ability to grow with the company. To maintain a high level of employee satisfaction and engagement, we cultivate a respectful working environment that encourages innovation, collaboration and teamwork, as well as personal creativity and development. Lubrizol conducted an employee engagement survey of all employees in 2010 that placed Lubrizol in the top 10% of all companies globally.

To that end, we encourage open and honest communication and support employees' efforts to achieve a satisfactory work-life balance. We post questions and answers with our CEO on our employee intranet, and hold quarterly forums and regular, small-group discussions to talk about our business and our organization. To contribute to better employee performance and a quality work environment, we support flexible work arrangements when operationally feasible and create alternative scheduling options at some of our 24-hour facilities. We actively promote employee health and wellness, and some facilities sponsor family activities, including opportunities for employees to bring their children to the office to learn about their jobs and work experiences.

Compensation and Benefits

Lubrizol's success has been built on great ideas, smart people and a commitment to results. We want employees to feel a strong sense of ownership and responsibility for our long-term success. We are committed to creating an environment that encourages people to do their best work, and where the value of their individual contributions and our collective efforts is appropriately recognized. We use a variety of rewards to attract great people globally, to motivate them and to recognize their performance.

Outside the United States, benefits differ according to local laws and industry standards. In each country, Lubrizol seeks to provide above-average benefits when compared to the local market. Because local market practices differ from country to country, there may be unique benefits offered in some countries/locations that are not offered elsewhere.

In the U.S., we provide a wide range of competitive benefits to full- and part-time employees who work more than 20 hours per week, including health care, vacation and sick-leave pay, retirement benefits, life insurance, disability insurance, physicals and family/medical leave. Temporary or contract employees do not have these benefits, although they may have access to some benefits when hired through temporary agencies that provide them.

Benefits at locations where Lubrizol has entered into joint ventures (e.g., in China and India) are developed independently, but are progressive and targeted at market competitive levels.

Pay rates outside of the U.S. are consistent with our company standards and well above the prevailing minimum wage. In Europe, we benchmark salaries against industry medians and, where we have sufficient data, against peer companies. There is no country in which we do not pay significantly higher than minimum wage.

In China, South Korea, Singapore, Taiwan, and other nations in the Asia-Pacific region, our employee compensation is targeted at market median to upper-quartile level. Due to the level of competences required for our staff, our minimum pay rate is well above the statutory minimum wage in those nations. The same is true in Latin American countries.

Our compensation philosophy is to have a competitive base pay practice while utilizing other elements of rewards to create an exceptional total package. High-performing employees at Lubrizol can expect their total rewards to exceed the 75th percentile of the market.

We recognize that employees may have to manage personal and family issues along with their work responsibilities. To that end, access to employee assistance, child resource and referral, and other work-life programs are offered to employees throughout the U.S. In addition, the support of wellness efforts at all U.S. locations has expanded greatly in 2011. Fully-subsidized health screenings, health risk appraisals, wellness coaches and other programs such as weight loss and tobacco cessation are being rolled out to all locations. A number of facilities have on-site nurses who assist employees with counseling in difficult situations, as well as other health services. Our health care plan vendors provide significant support via nurse case managers, disease management programs and mental health coping skill opportunities. The health plans also provide well-care benefits.

Defined-benefit pension plans cover most U.S. employees. Benefits from these plans typically are based on a combination of service and compensation, or service and benefit unit amount. For these U.S. plans, we contribute amounts to satisfy the funding standards of the Internal Revenue Code of 1986, as amended; the Employee Retirement Income Security Act of 1974, as amended; and other federal regulations. In 2010, an age-weighted defined contribution plan replaced the defined-benefit pension program for new hires. This program is in addition to the long-standing employee profit sharing and savings program.

Outside of the U.S., several of the company's smaller defined benefit plans are not funded. In a number of locations, the company also provides access to certain non-pension, post-retirement benefits, primarily health care and life insurance for retired employees.

Training and Development

Creating and maintaining a learning environment helps us attract, hire and retain the best talent in a competitive global marketplace. Our employees are the company's most valuable assets. We know our people make a difference every day of their working lives and are the reason why our company continues to be a global market leader.

We are committed to:

- *Investment in people* — to support employee learning and development affirms that our people are our most important assets.
- *Lifelong learning* — every employee needs to continually learn and develop throughout his/her career, regardless of position or level in the company.
- *Shared responsibility* — we are mutually accountable for our long-term success.

Lubrizol University (LZU) is the means by which we train employees, and current and potential supervisors and managers. These educational programs ensure understanding of regulatory mandates and Lubrizol requirements, and make effective use of Lubrizol systems and technology. LZU's dedicated staff, augmented by both internal and external resources, provides training and development for all employees through formal classroom sessions, online Web conferences and courses, one-on-one coaching and mentoring, customized team-building sessions and tailored departmental training modules.

By job category, operators, managers, technicians and supervisors received the most training in 2009-2010. The top training topics were Responsible Care (health, safety, environmental and security, and associated regulatory compliance), ethical and legal practices, computer end-user training, career-related management/leadership skills and job skills.

Tuition reimbursement (at varying rates) is also available for eligible employees in several countries, depending on the program and the relationship to the employee's job and/or career path.

A major focus for Lubrizol in 2011 and into the near future is to help leaders hone their staff development skills. To accomplish this goal, by the end of 2011 approximately 400 leaders will have participated in a program designed to help leaders be great coaches and be able to use the talent development resources at Lubrizol to their fullest. By the

end of 2012, all Lubrizol leaders globally will have participated in this process. We also provided managers with access to 40 Harvard Manager Mentor online courses to help them further build their management and leadership skills.

Every Lubrizol employee participates in a performance and development process appropriate to the job category. Our professional, supervisory and managerial staffs, and most everyone else except some maintenance and chemical operators (who use a similar but tailored performance and development process) participate in Lubrizol's Performance and Career Management process, which aligns personal performance to company goals, evaluates effectiveness and provides guidance for improvement, development and career enhancement.

Talent Management

Lubrizol defines talent management as the translation of the Lubrizol business strategy and plan into workforce strategies, processes and actions that ensure Lubrizol has the organizational capacity for the future.

Talent management activity is co-owned by the business, employee and HR. The foundation of talent management at Lubrizol is regular performance and career management discussions between employees and their managers. Talent management is an integrated system of processes that also includes Performance and Career Management, Workforce Planning, Talent Reviews, Learning & Development, Talent Acquisition and Rewards & Recognition that support achievement of the business plan.

Talent management is also a daily activity in which employees strive to improve their performance, develop and grow, and where leaders provide coaching, feedback and support to enable the success of the employee and business.

Lubrizol has a well-established process for workforce planning that is supported by HR but owned by each business and function. Workforce planning (WFP) is an ongoing global process at Lubrizol. It is designed to evaluate the organizational capacity of the company, identify workforce risks and initiate actions to ensure we have the talent Lubrizol needs for the future. The Corporate WFP process is a top-down process; however, it is based on data that starts from each employee.

WFP starts shortly after the business plans and budget are finalized, typically in January, and formally ends in June. Each business and functional division then identifies important talent implications from the business plan. Next, succession planning is conducted for the top three to four levels of the company, and business critical jobs/roles and high potential employees are identified. Finally, demographic and other workforce data may be reviewed.

All of this information is then used to identify risks and create the actions needed to ensure Lubrizol has appropriate organizational capacity. Each business and functional division presents a workforce plan to the CEO and vice president of human resources. A summary of this succession planning material is also reviewed with the board of directors, typically at the June meeting. Lubrizol leverages workforce planning to improve global, racial and gender diversity at all levels of the organization. The company also has dedicated resources and programs to enhance inclusion.

Workplace Diversity

Our goal is a work environment free from discrimination, exploitation, intimidation or harassment of any kind. We prohibit discrimination and harassment based on personal traits, religious beliefs, disability, military service, sexual preference or ancestry. Where local laws do not prohibit discrimination, we do, anywhere we do business, anywhere in the world.

We also support internal employee groups that champion diversity within the company at a number of our facilities. These include our African American Resource Group, Asia-Pacific Resource Group, the Group of Aspiring Lubrizol Leaders (GOAL) and Women in Lubrizol Leadership (WILL). Each group creates programs for its members that address cultural education, professional development, recruiting and retention and outreach to all Lubrizol employees, as well as to the community. They are also a valuable resource to our global business.

In the U.S., partnerships with a number of organizations (e.g., the American Chemical Society, the Society of Hispanic Professional Engineers, and the National Organization for the Professional Advancement of Black Chemists and Chemical Engineers) enhance our efforts to recruit potential interns. Our growing minority scholarship program provides support ranging from one-time \$2,000 scholarships to renewable \$5,000 awards. Corporate scholarships also afford winners the opportunity to be considered for a summer internship. We support a variety of other efforts (such as tours, hands-on science and demonstrations) to encourage members of underrepresented groups to seek a science or engineering education and pursue a technical career.

The Lubrizol Minority Scholarship Program awarded \$110,065 for scholarships in 2010. Combined with The Lubrizol Foundation's grants, Lubrizol awarded \$180,065 for minority scholarships in 2010 in the areas of chemistry, chemical engineering, mechanical engineering and environmental studies.

Employee Representation

One of the keys to our success is open communication and the exchange of ideas that fuel innovation. To this end, we promote a culture where employees of all backgrounds can feel welcome and important. It is important to us that employees feel comfortable, individually and in groups, expressing their opinions and ideas related to their work. We expect employees and leaders to listen respectfully and attentively to these ideas and opinions.

At some of our facilities, for cultural or historical reasons, employees have opted for representation by unions and other representative bodies. While we work to create a positive relationship with these representative groups, we prefer an environment of open, direct communication with and among employees.

Regarding matters of health and safety, it is our standard practice to involve employees in health and safety committees at our manufacturing sites and technical facilities around the world. These committees have informational and training responsibilities and provide opportunities for workers to share ideas to improve workplace health and safety.



Our Commitment to Ethics

Our complete Ethical and Legal Conduct Guidelines booklet is available at www.Lubrizol.com.

Our Ethical and Legal Conduct Guidelines are core to our culture. They are managed internally by our chief ethics officer, who reports directly to our chief executive officer and the audit committee of our board of directors. Our corporate ethics managers and regional ethics leaders support implementation and serve as local contacts for questions or concerns about policies and procedures. Translated into the native languages of the countries in which we operate, Lubrizol's ethics guidelines describe expected behaviors and offer resources for conducting business in an ethical manner.

Employees may, anonymously or otherwise, call a dedicated ethics help line or send a message to the ethics e-mailbox with questions or for guidance on ethical dilemmas. Ethics office personnel investigate employee reports thoroughly and as discreetly as possible. Discussions and inquiries are kept in confidence to the extent permitted by our corporate policies and by law.

Our ethics guidelines cover a broad range of issues, including employment practices, privacy, conflicts of interest, sexual harassment, bribes and kickbacks, along with many other topics. Our basic policy states:

Employees and contractors of Lubrizol and its subsidiaries, as well as members of The Lubrizol Corporation board of directors, must respect the laws, customs and traditions of each country in which they operate. At the same time, these persons are not to engage in any course of conduct that, even if legal, customary and accepted in such country, could be deemed to be in violation of Lubrizol's *Ethical and Legal Conduct Guidelines*.

While the majority of Lubrizol employees adhere to the principles of honesty and integrity, a small percentage engage in activities that violate the guidelines. In 2010, our global ethics team, including the corporate ethics office staff and 34 regional ethics leaders, received 314 contacts seeking advice, asking questions or reporting possible ethics issues. Of these, the largest category was contacts regarding gifts and entertainment, with approximately 18 percent of the calls dealing with questions or concerns in this area. Other large categories of contacts included conflicts of interest, information technology related and human resource related, with each amounting to 16% of total contacts. In some cases, we investigated and determined that no violation of our guidelines occurred. Disciplinary action occurred in 10 percent (31) of the cases, with 11 cases resulting in termination. The number of contacts received in 2010 increased significantly over prior years. We believe this increase is largely attributable to ethics program enhancements implemented in Asia and Latin America, as there is typically an increase in the number of contacts following promotion of our program and awareness training.

Ethical Employment Practices

Our workforce reflects the diverse populations found in the countries and communities in which we operate. We value the service of all employees and expect employees to be treated with dignity and a sense of worth. We will only employ individuals who apply for work with us willingly and voluntarily, and are legally of age to perform such work. We demand a work environment free from exploitation and harassment of any kind, and work to protect those victimized by such practices.

Throughout the world, we are committed to practices that result in the inclusion of all employees and that advance equal employment opportunity for qualified individuals without regard to race, color, religion, sex, national origin, age, marital status, military service, disability, sexual orientation, genetic information, ancestry, citizenship, social or economic status.

We will not tolerate any labor situation that does not comply with local laws, including the use of child or forced labor. Although we do not audit our facilities to determine if there are any workplaces that may have underage or unwilling employees, we have received no reports of violations.

Fair Competition

We want to earn our business on the basis of the superior value we provide through our products and services, and not through improper, unethical or questionable business practices. As a global corporation, we have a long-standing tradition of insisting that we conduct our business in an ethical and legal manner. All activities must comply with our corporate philosophy of honesty and integrity in dealing with customers, suppliers, all third parties and with one another. We ask employees to consult with either our ethics or legal staff with any questions about proposed or potential business activities that may conflict with our guidelines or with local laws. Our corporate ethics office works with our legal division to communicate and enforce strict policies prohibiting activities that could in any way be interpreted as violations of antitrust and fair competition laws.

Employee Health and Safety Performance

Lubrizol is committed to providing a safe and healthy working environment for our employees. Our 2009 and 2010 recordable injury and illness rates – a common measure of employee health and safety – were significantly below that of all U.S.-based manufacturing. Our rate for 2009 was a historic low for Lubrizol.

This commitment to operating in a safe and healthy manner extends to our impact on our neighbors and communities in which we operate. Lubrizol tracks and investigates all reportable releases and process safety incidents – two common performance metrics – and historically has had fewer reportable releases and process safety incidents than peer organizations.

Enterprise Risk Management

As stated in our Health, Safety, Environmental & Security (HSES) policy, Lubrizol is committed to continual improvement of our health, safety, environmental and security performance. To that end, we recently enhanced our risk management efforts by establishing a formal process of documenting activities being performed to manage risk, as well as to identify areas for improvement. This effort, known as Enterprise Risk Management (ERM), provides a framework to methodically identify significant risk to the organization, and to develop and measure corrective actions to mitigate or minimize these risks.

As part of the Enterprise Risk Management process, cross-functional teams were established to identify significant risks to the organization and to develop corrective action plans to minimize the impact of these risks. The effort included employees from a number of disciplines and functional areas, bringing together a multi-faceted approach. The success of the program depends on these diverse teams working together to identify possible risks to the organization and developing plans to address them.

We seek to achieve:

- Safe and healthy workplaces for our employees
- No harm to the environment
- No incidents resulting in negative community impact
- Increased operational integrity
- Satisfied employees
- Satisfied customers
- Improved profitability



Approved by James Hambrick, Chairman, President and Chief Executive Officer, and Greg Lewis, Corporate Vice President, Global Risk Management and Chief Ethics Officer

Fundamental to our business is protecting our employees and customers, the communities in which we operate and the environment. Lubrizol is committed to continual improvement of our health, safety, environmental and security performance. We achieve this using systems to identify, evaluate, prioritize and drive mitigation of risks. We set clear, measurable health, safety, environmental (including prevention of pollution) and security goals. We rely on the creativity, innovation, accountability, responsibility and knowledge of our employees to meet these goals using a verifiable systems approach.

Lubrizol conducts its business in an ethical and socially responsible manner in compliance with applicable legal and Responsible Care requirements. We have open dialog with our stakeholders to address concerns, report progress, create understanding and build confidence in our operations and products.

Lubrizol Corporate Health, Safety and Environmental Awards

We recognize facilities that attain excellence in health, safety and environmental (HSE) performance with a **President's Safety Award** and a **CEO's Sustainable HSE Excellence Award**. We also encourage each plant to establish its own incentives and awards programs, and to celebrate milestones appropriate to its size and culture.

The criteria for the **President's Safety Award** include: 1) recordable injury rates below target; 2) lost-time injury rates below target; 3) no major HSE incidents; and 4) a contractor recordable injury rate below 1.5 for the year. **Thirty facilities earned the award in 2009 and/or 2010:**

Antwerp, Belgium	Midland, Michigan, U.S.
Avon Lake, Ohio, U.S.	Mumbai, India
Barcelona, Spain	Paso Robles, California, U.S.
Barnsley, UK	Pedricktown, New Jersey, U.S.
Bayport, Texas, U.S.	Piscataway, New Jersey, U.S.
Countryside/McCook, Illinois, U.S.	Ritterhude, Germany
Delfzijl, Netherlands	São Paulo, Brazil
Durban, South Africa	Seremban, Malaysia
Gastonia, North Carolina, U.S.	Singapore
Hamburg, Germany	Spartanburg, South Carolina, U.S.
Hazelwood, UK	Songjiang, China
Huddersfield, UK	Tianjin, China
La Porte, Texas, U.S.	Vilvoorde, Belgium
Lawrence, Massachusetts, U.S.	Wickliffe, Ohio, U.S.
Mexico City, Mexico	Yanbu, Saudi Arabia

The **CEO's Sustainable HSE Excellence Award** recognizes facilities that have earned the President's Award for the past three years. **Fourteen facilities earned the award in 2009 and/or 2010:**

Blackley,* UK	Pohang,* South Korea
Clifton, New Jersey, U.S.	São Paulo, Brazil
Gastonia, North Carolina, U.S.	Seremban, Malaysia
Houston, Texas, U.S.	Singapore Lab, Singapore
Kinuura, Japan	Songjiang, China
Mexico City, Mexico	Valencia,* Venezuela
Mourenx,* France	Yanbu, Saudi Arabia

***Special Recognition:** These sites have been annual recipients since the award's inception in 2006.

Recent Safety Record

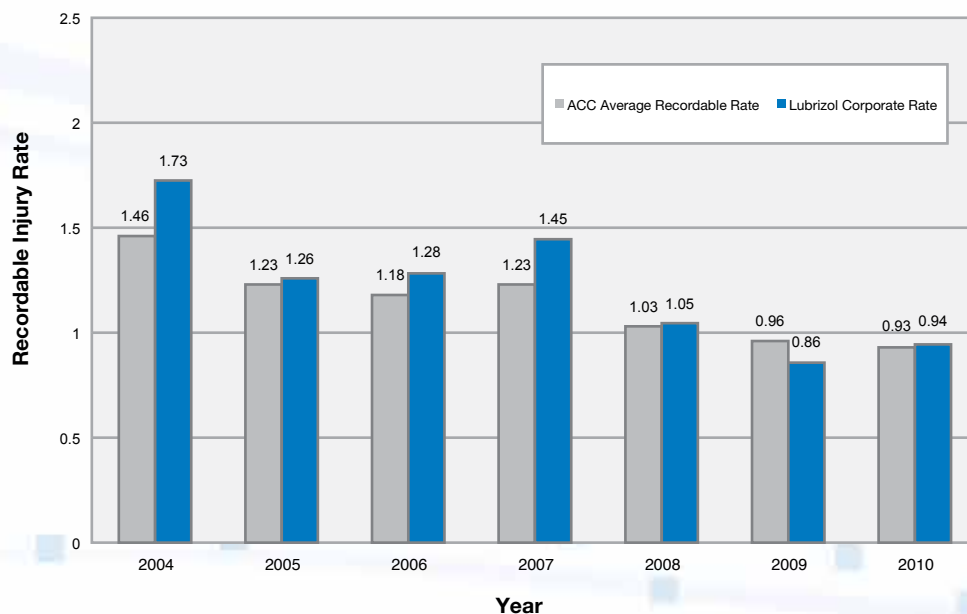
Figure 2-1 compares our safety performance to other ACC member companies. The injury rate represents the number of recordable injuries per every 100 employees per year. We have achieved a trend of steady improvement in safety performance for several years.

Progress to Goals:

In the last three consecutive years from 2008-2010, we achieved our worldwide recordable case rate goals and saw continuous improvement from year to year. We also met our lost time injury goal for the first time in 2009.

- Our recordable case rate goal for 2009 was 1.05, and our achieved rate was 0.86. Our recordable case rate goal for 2010 was 1.02 and our achieved rate was 0.94.
- Our 2009 performance put us below the average for ACC member companies, and from 2007 through 2010 we closed the differential between our injury rate and the average for ACC member companies compared to the previous four years.

Figure 2-1
Worldwide Recordable Injury Rates 2004-2010
Lubrizol Compared to ACC Membership
Performance Rating: Continual Improvement



Facility Awards and Recognition – Health, Safety and Environmental

Our worldwide facilities have been recognized externally for a variety of safety and sustainability efforts in recent years. A **subset** of awards won since 2007 include:

- Lubrizol's Ohio facilities: Avon Lake, Bowling Green, Brecksville, Painesville & Wickliffe have each received the **"Excellence in Environmental, Health, Safety, and Security Performance Award from the Ohio Chemistry Technology Council**, in recognition of programs and results that promote health, safety, security and environmental stewardship.
- Deer Park, Texas; Bayport, Texas and Wickliffe, Ohio Research and Development facilities received the **Occupational Safety and Health Administration's (OSHA) Voluntary Protection Program (VPP) Star Certification** for high-level health and safety performance. The VPP is, in OSHA's own words, its *"...official recognition of the outstanding efforts of employers and employees who have achieved exemplary occupational safety and health."*
- Bayport, Texas received recognition from the **National Petrochemical and Refiners Association** for achieving two million man hours and nine years without a lost-time injury.
- Huddersfield, United Kingdom, received a safety award from the **UK's Chemical Industries Association (CIA)** for having a mean lost-time accident rate in 2007-2009 lower than the threshold value of 0.20 in 100,000 hours worked.
- Singapore won **Silver and Bronze Awards for Workplace Safety and Health Performance from the Singapore Workplace Safety and Health Council**, plus the Gold Award for the Pollution Prevention Code. Singapore also won Achievement Awards for the Distribution, Community Awareness and Emergency Response, Employee Health and Safety, Process Safety, and Product Stewardship Codes from the Singapore Chemical Industry Council.
- Wickliffe, Ohio received a special award from the **Lake County Safety Council and Bureau of Workers' Compensation** for working at least 500,000 hours and six months without a lost-time away case. The Wickliffe site had achieved almost three years and 7,000,000 man hours.
- Wickliffe, Ohio received the **Outstanding Achievement in Environmental Stewardship Award from the Ohio Environmental Protection Agency** for performance that goes beyond compliance and demonstrates proactive leadership and outstanding results.
- Sydney, Australia was awarded the Business **Environment Award by Auburn Council** "...in recognition of outstanding corporate environmental initiatives." This award is presented each year as part of the Auburn Council Community Pride Award.
- Clifton, New Jersey was awarded a certificate as part of the **New Jersey Department of Environmental Protection's Environmental Stewardship** program for its voluntary and proactive measures taken to a level above compliance to improve the environment. Clifton also received an Award of Excellence from the Passaic Valley Sewerage Commission for exceptional compliance with reporting and wastewater pretreatment requirements.
- Lanzhou, China achieved **ISO 9001:2000, ISO 14001:2004 and OHSAS 18001:2007**, and Houston, Texas (CPI) achieved **ISO 14001**.

ACC Facility Safety Certificates

The American Chemistry Council (ACC) presents Facility Safety Certificates to member companies based on achievements in employee health and safety at U.S. facilities. Certificates of Achievement are for those facilities with zero deaths and zero days away from work cases in a calendar year. Certificates of Excellence are for those facilities with zero deaths, zero days away from work cases, and zero job transfer or restriction among both employees and contractors in a calendar year. Seventeen Lubrizol facilities in the U.S. received Facility Safety Certificates from the ACC in 2009 and/or 2010:

Avon Lake, Ohio	Excellence 2010
Bayport, Texas	Achievement 2009, Excellence 2010
Bowling Green, Ohio	Achievement 2009 and 2010
Brecksville R&D, Ohio	Excellence 2009 and 2010
Clifton, New Jersey	Excellence 2009, Achievement 2010
Countryside/McCook, Illinois	Excellence 2009 and 2010
Gastonia, North Carolina	Excellence 2009 and 2010
La Porte, Texas	Excellence 2009 and 2010
Louisville, Kentucky	Achievement 2009 and 2010
Midland, Michigan	Excellence 2009 and 2010
Painesville, Ohio	Achievement 2009
Paso Robles, California	Excellence 2009 and 2010
Pedricktown, New Jersey	Excellence 2009
Piscataway, New Jersey	Excellence 2010
Wickliffe R&D, Ohio	Achievement 2009
Wilmington, Massachusetts	Excellence 2009
Spartanburg, South Carolina	Excellence 2009 and 2010

For Responsible Care Management System certifications, see information later in this section

Community Safety Performance

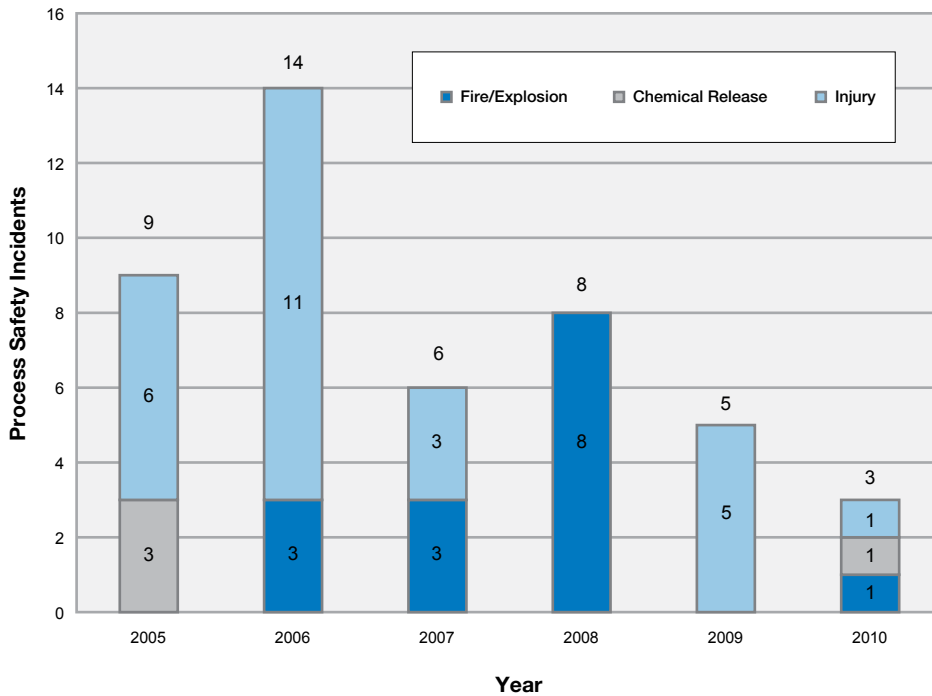
To ensure our organization's viability, we remain vigilant in the ongoing improvement of our process safety management. As a specialty chemical company, our employees are exposed to risks from raw materials, equipment and our work processes. With process safety management, we strive to prevent catastrophic events, including fires, explosions or chemical releases that could result in serious injuries. *Our key tools for anticipating and identifying areas for process safety improvement continue to be process hazard analysis, process hazard recognition training and root cause analysis. These are systematic approaches to identifying risks and fundamental causes that might lead to a problem.*

Progress to Goals:

Our goals for process safety are to 1) continuously improve our process safety incident rate performance beyond our historical best levels, and 2) achieve a process safety incident rate better than ACC members as a whole. An incident is defined by the ACC as an event causing more than \$25,000 in damages due to a fire/explosion, a release of an extremely hazardous substance above a reportable quantity, or a process-related lost time injury.

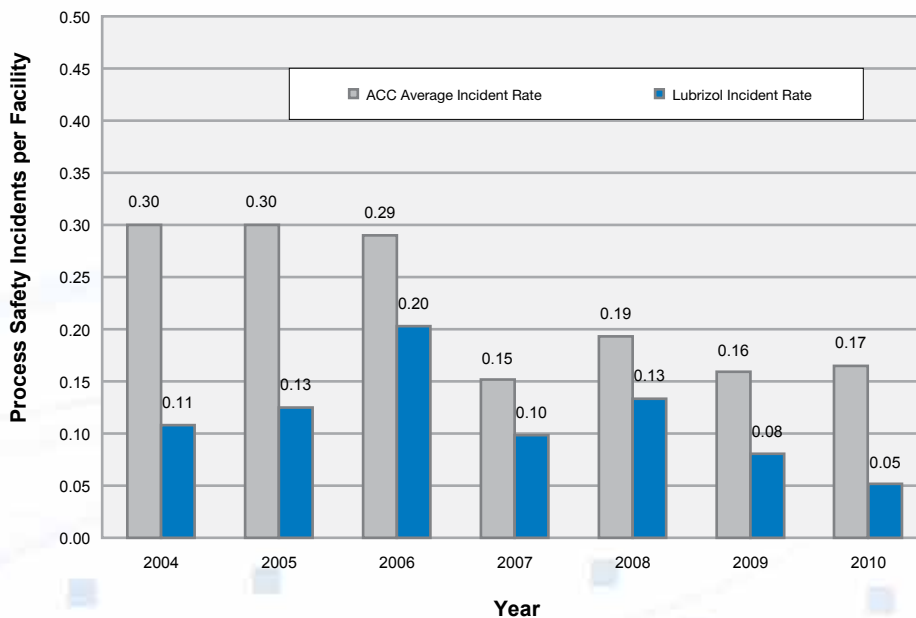
In 2009 and 2010, we achieved our process safety goals. We experienced a total of five and three process safety incidents, respectively. This was a decrease from each of the previous four years, and is better than ACC member performance.

Figure 2-2
2005-2010 Worldwide Process Safety Incidents By Type
Performance Rating: Continual Improvement



As noted in Figure 2-3 below, we consistently have a lower process safety incident rate than ACC members as a whole. We have ongoing efforts to improve our process safety performance.

Figure 2-3
2004-2010 Worldwide Process Safety Incident Rates
Lubrizol Compared to ACC Membership
Performance Rating: Record Low Rates In 2009 and 2010



Supplier Relationships

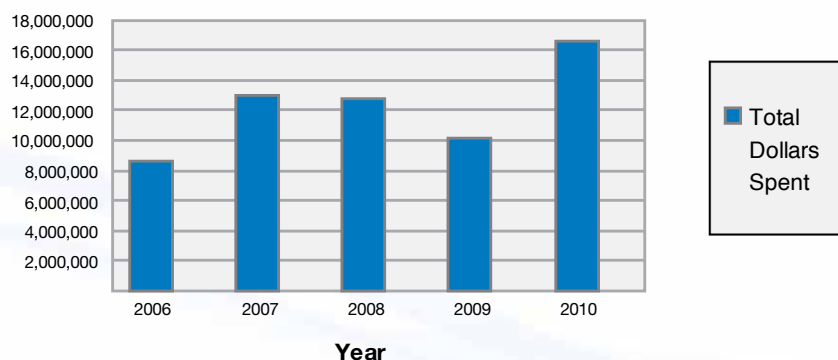
We seek supplier relationships that put into practice our beliefs in honesty and integrity – relationships built on trust. As we enter into relationships with potential suppliers, we assess their level of commitment to responsible and ethical behavior. At the beginning of every supplier relationship in the U.S. and Europe, our vendors receive information about our ethics guidelines. Each year, we send them a letter reminding them of our strict supplier policies.

We also assess our distribution partners and agents to ensure that these partners meet our minimum requirements for responsible practices. Through background checks and interviews with representatives, we review our suppliers and partners for a history of ethical behavior. Prior to engaging a toll manufacturer, an HSES assessment is done ranging from a self-assessment by the toll manufacturer for perceived low risk operations to a third-party assessment, if warranted. We do not conduct any specific audits of suppliers, toll manufacturers, distribution partners or agents for child or forced labor conditions. Over the past two years, we have not been made aware of any incidents of child or forced labor or substandard conditions at any of our raw material suppliers.

Our raw material purchases provide the resources we need to create our diverse products. Because of the important role these materials play in our ability to produce quality products, our global sourcing teams review suppliers prior to starting a new relationship and annually thereafter regarding environmental, health and safety, and other pertinent issues. Using a 16-point questionnaire, our teams assess our suppliers' participation in regulatory inspections, certification programs and other parameters important to our operations. In accordance with ISO 9000, when a supplier falls short of performance standards, we initiate a Supplier Corrective Action program. We contact the supplier in an effort to find the root cause of the problem and document all corrective actions. Our goal is to examine the trends and find solutions to problems.

As a global citizen, we value a diverse supplier base. Our business practices provide an equal opportunity for all companies to furnish the goods and services necessary to meet our evolving needs. In our U.S.-based operations, we have made a concerted effort to increase direct and indirect purchases from women- and minority-owned businesses. Our supplier diversity program helps our organization achieve and develop a diverse supplier base while maintaining quality, service and cost competitiveness. Figure 2-4 identifies our Minority and Women Business Enterprise purchasing for the past five years.

Figure 2-4
2006-2010 Minority and Business Enterprise Purchasing
Direct (Raw Materials) and Indirect (Equipment and Supplies)



Protecting the Community and the Consumer

The community grants us the right to be there. As corporate citizens, we believe that giving back is the right thing to do: to be a good neighbor, citizen and steward of our operations. We provide financial contributions to worthy local organizations, as well as volunteer our time. We try to be a significant contributor to the social, cultural and environmental quality of life. We aim for open, honest, two-way communication with all the communities in which we operate.

One example is through forums such as community advisory panels where local residents, educators, elected officials, students and company representatives meet to discuss plant operations and performance, and community concerns. We also host open houses at our facilities and, on a regular basis, conduct joint emergency response training with local emergency responders.

ACC Responsible Care Program Participation

To help ensure the safety of the communities in which we operate, we are a member participant in ACC's Responsible Care program, which provides a framework across all business activities to help manage and improve HSES performance. We take our obligations as a participant seriously. While the Responsible Care Management System (RCMS) is a U.S.-based initiative, we are implementing the management system approach to Responsible Care at each of our facilities around the world.

RCMS is based on the concept of continual improvement, following the well-established management system steps of Plan, Do, Check and Act. Internal audits at every U.S. location ensure that each site meets the Responsible Care standards for certification. To achieve Responsible Care Management System certification, facilities must also undergo a third-party systems audit. Our Wickliffe and Brecksville, Ohio, corporate headquarters were first certified in 2006 and re-certified in 2009. In addition, Lubrizol goes well beyond the ACC Responsible Care certification requirement that we certify a sample of four facilities every three years. Between 2008 and 2010, all 19 of our production and research and development sites in the U.S. received third-party certification.

Midland, Michigan	Countryside/McCook, Illinois
Calvert City, Kentucky	Brecksville R&D, Ohio
Deer Park, Texas	Louisville, Kentucky
Bayport, Texas	Gastonia, North Carolina
Pedricktown, New Jersey	Bowling Green, Ohio
Wilmington, Massachusetts	Clifton, New Jersey
Avon Lake, Ohio	Spartanburg, South Carolina
Houston, Texas	Paso Robles, California
Painesville, Ohio	La Porte, Texas
Wickliffe R&D, Ohio	

We plan to have all U.S. sites re-certified on a continuing three-year cycle.

Customers and Consumers

Our responsibility to our customers and to the ultimate consumer is to ensure that our products perform safely for their intended use throughout their life cycle, and we are fair, honest and transparent about product attributes.

Vision, our internally-developed product compliance management system, is the method by which we generate material safety data sheets, mandatory notifications to government agencies and product shipping labels in compliance with global chemical control protocols. Through the use of Vision, our product safety and compliance professionals can efficiently provide updates to customers and our product development, research and development, and manufacturing teams to let them know of new information about our products and their potential for health, safety or environmental hazards.

Most of our products are sold to business customers for use as raw materials in their finished products. Our customers often define the performance characteristics to be imparted by our ingredients, and we work to be sure that any claims of performance are true and documented.

We were not fined or charged in 2010, or any prior year, for alleged mislabeling or false marketing or performance claims of any kind.

Some of our business units conduct periodic customer satisfaction surveys, track and review business metrics and customer comments, respond to customer issues in a timely manner and use scorecards to seek customer input, which our senior management reviews.

We maintain privacy protection for our employees, customers, suppliers and others with whom we have contact. Our systems for protecting the security of data include a strong corporate policy governing the handling of privacy data, a layered firewall structure to protect the customer extranet, and regular, external penetration tests on the infrastructure and the customer extranet.

Over the past two years we:

- Leveraged a formalized risk assessment process to prioritize information security activities
- Conducted yearly external information security audits based on ISO 27002
- Educated employees through a comprehensive security awareness program
- Detected intrusions via a formal Security Information and Event Monitoring Team
- Conducted monthly network scans of systems that are available from the Internet, including the HR Benefits site and customer extranet
- Conducted annual penetration tests of external collaboration sites and customer extranet

Animal Testing

The Lubrizol Corporation is a global company concentrating on high-performance chemicals, systems and services. A thorough understanding of the risks posed by Lubrizol products to human health and to the environment is a corporate responsibility, and is required by worldwide governmental agencies for product approval. Lubrizol seeks to promote the best science combined with the ethical treatment of animals in our efforts to advance our understanding of human and environmental risk assessment.

Lubrizol, as a member company of the American Chemistry Council, affirms the principles outlined in the Council policy statements on Use of Animals in Testing and Alternative Methods. To that end, Lubrizol will adhere to the following practices with regard to the use of animals in risk characterization:

Lubrizol employs a tiered approach to hazard and exposure characterization (in order, as needed):

1. Literature search (making full use of existing information and the avoidance of duplication of testing).
2. Read-across from similar materials.
3. Computer-based molecular modeling.
4. *In vitro* methods.
5. Alternative (animal-sparing) methods.
6. Conventional *in vivo* methods.

Lubrizol subscribes to the principles of replacement, reduction and refinement in animal testing:

- Replacement: using non-animal procedures (e.g., computer-modeling or *in vitro* systems) in place of animal experiments when the exchange of procedures is scientifically valid
- Reduction: a reduction in the number of animals involved in an *in vivo* experimental design without compromising the scientific validity of the hazard characterization
- Refinement: improvement of an experimental technique to reduce animal pain or distress, or using animal species in a lower phylogenic order, provided that such are scientifically valid

In some cases, the use of animals in risk characterization is unavoidable because suitable non-animal methods are not available, non-animal or alternative methods have not been fully validated for our unique brand of chemistry, or test methods are dictated by national or international regulatory requirements. When animal testing is unavoidable, careful consideration will be given to selection of the most appropriate animal model and study design to minimize animal use and/or suffering without compromising the quality or validity of the scientific outcome. Moreover, in those cases in which animal testing remains unavoidable, Lubrizol will use only those laboratories that comply with recognized animal welfare regulations and have an accreditation or policy regarding animal welfare.

Commitment to Community

Since our founding in 1928, Lubrizol has been dedicated to making positive and lasting contributions to the social and economic well-being of the communities in which our employees live, work and raise their families. We firmly believe that enhancing the quality of life through supportive and trusting partnerships is the right thing to do. Our founders' legacy is a culture of active community support that is exemplified through a sustained focus on [volunteerism, philanthropy and civic engagement](#).

Our primary areas of outreach are education and health and human services, [with a special emphasis on addressing the needs of underserved children](#). Lubrizol also supports charitable giving and volunteerism in the areas of environmental stewardship and sustainability, and civic, cultural and economic development opportunities.

Volunteerism

We encourage employees at all levels, as individuals and through company-sponsored activities, to volunteer with community organizations. Around the world, our employees donate their time and talents to hundreds of organizations in the spirit of responsible corporate citizenship.

The number of volunteer hours that employees contribute each year with support from Lubrizol is in the tens of thousands, and it continues to grow. Some of the activities where employees volunteer extensively include:

- Organizing United Way campaigns at several of our U.S. facilities. Together with matching dollars from The Lubrizol Foundation, these campaigns generated close to \$1.0 million in 2010 for the United Way organizations near these facilities.
- Tutoring elementary school children in math and reading, providing mentoring and job shadowing and career coaching opportunities for high school and college students, conducting plant tours for schools and community partners, serving as panelists, visiting instructors and keynote speakers in classrooms and community forums, and helping to lead and support important community projects at our global locations.
- Providing expertise to diverse nonprofit organizations by serving on their boards, committees and task force groups. In Greater Cleveland alone, Lubrizol employees serve on the boards of 40 of the area's larger nonprofit organizations – from hospitals, colleges and conservation groups, to agencies that support regional economic growth, leadership development, and best practices in sustainability and philanthropy.
- Supporting health and human service organizations in diverse ways, facilitated entirely by Lubrizol's employee resource groups, including Women in Lubrizol Leadership (WILL), Group of Aspiring Lubrizol Leaders (GOAL), Asia-Pacific and African American Resource Groups. This includes conducting book sales, walkathons, collections of food, toys, blankets and clothing, and special volunteerism activities at local events.

Globally, volunteerism is directed toward specific needs of local communities by leveraging the diverse talents and expertise of our workforce. Here are some other examples of how Lubrizol employees are engaged around the world:



The name Building Bonds is a triple entendre: a play on the business of chemistry (chemical bonds), on the bonds we have to the community and the bonds we have with each other. The idea is to bring local employees together and do all that we can in one day to assist nonprofit organizations in the Greater Cleveland, Ohio, U.S. area.

Lubrizol volunteers perform many tasks during the day, including landscaping, carpentry, painting, electrical work, website development, construction and roof repairs, visiting with patients, office and clerical work, laundry, room cleaning and reorganization, blanket knitting and a host of other activities

The impact of Building Bonds is summed up in the words of the director of volunteers from one of the organizations we visit each year: *“Lubrizol does an outstanding job of accomplishing many jobs which require specific skills by providing skilled labor and equipment. The organization and productivity of the Lubrizol group is impressive and inspiring. We hear nothing but positive praise about all the work and dedication of your teams, and we are grateful for the relationship and look forward to this annual event.”*

On June 9, 2011, 365 employees from Lubrizol’s Avon Lake, Brecksville, Painesville and Wickliffe, Ohio facilities participated in our fifth annual Building Bonds event.

**BUILDING BONDS ACROSS
GREATER CLEVELAND, OHIO**

In South Africa, Lubrizol supports many charities through its socioeconomic development program. Its largest area of support is for Lily of the Valley, a children’s home in KwaZulu Natal, approximately 60 kilometers northwest of Durban.

The Lily of the Valley Children’s Village was established in 1993 primarily as a hospice to care for orphans infected by HIV/AIDS until such time as they died. At that time, their life expectancy was little more than 7 years. Lubrizol South Africa first became aware of this organization and its high standards and ethics in 2007, and on the basis of Lubrizol’s corporate belief in social responsibility became actively involved in the project.

To date, Lubrizol South Africa, together with support from many of its overseas Lubrizol colleagues, has been able to donate to and assist in the following:

- The building of a formal soccer pitch and netball pitch facilities
- The building of sports change rooms and locker facilities
- The funding of a sports co-coordinator
- The building and furnishing of an additional classroom
- Stipends for additional teachers
- The provision of toys for children and soccer equipment for young soccer players
- The building of two sets of climbing apparatus for children to play on

Lubrizol South Africa also provides significant operational funding for the activities at Lily of the Valley, and plans to provide additional near-term support for:

- A new chlorinator for their pool
- Teacher-assistant salaries
- A new classroom
- Miscellaneous projects



LILY OF THE VALLEY CARE CENTRE, SOUTH AFRICA

The Charity and Community Committee has representatives from across the Hazelwood site, and has the following mission:

- Support employees and retirees in helping good causes
- Support a nominated charity each year
- Harness Lubrizol's expertise in science to help schools and colleges in the region
- Use charity and community activities as a means of employee development

This long-standing committee of employee volunteers determines how to best meet community needs through Lubrizol-sponsored philanthropy and volunteerism. In 2010, support was directed to many important causes, some of which include:

- A ventilator for use with babies — for Derbyshire, Leicestershire and Rutland Air Ambulance — Hazelwood's 2010 designated charity
- First aid training for members of the general public plus several disadvantaged schools, through St. John Ambulance, the UK's leading first aid charity
- Donations to UK agencies that help people with cancer and heart disease
- Contributions and volunteerism support to several local schools
- Other community initiatives, including Haiti earthquake and Pakistan flood appeals, Derbyshire Wildlife Trust, children's sports, and support for military personnel



Lubrizol France is committed to volunteerism, philanthropy and community partnerships to advance a positive image toward its local and regional environment. For instance, employees are actively involved in external events to promote the wide range of jobs the chemical industry offers, and its approach to environmental stewardship and sustainability. Employees are proud to explain to young students what they do in their day-to-day work and to provide opportunities for short- or longer-term engagements. Two examples are:

- **Village de la Chimie (Chemistry Village):** Organized on “Chemical Industry Association” initiative, favoring good communication and positive discussions between students and people working within our companies.
- **“Stages en Industrie” and “Bourse aux Stages”** (Training Periods in Industry): Organized on “Regional Industry Association” and “Chamber of Commerce and Industry” initiative, gathering many local industrial companies offering training periods to students in diverse business fields.



Since 1991, Lubrizol's Wickliffe and Painesville Township sites have been involved in Trees for Wildlife, a nature education outreach program for area schools. This program shares with first graders the importance of trees in their community for sustaining the environment. It helps them understand how plants, animals, the environment and people are connected, and each child receives a white pine seedling to plant.

Lubrizol has provided funding for over 63,500 white pine trees. Over 130 Lubrizol employees have visited more than 1,100 classrooms to distribute these seedlings, along with “Woody” the tree mascot. The Trees for Wildlife program has imparted the important connection of plants, animals and people to the children, who plant the trees and learn that they can make a difference by nurturing them. Lubrizol is proud to help “plant the seeds of stewardship and sustainability” in the young students.



TREES FOR WILDLIFE - PLANTING THE SEEDS OF SUSTAINABILITY IN LAKE COUNTY, OHIO

Lubrizol's Deer Park, Texas facility partners with local elementary schools, high schools and colleges in support of programs that provide students with a better understanding of the manufacturing, chemical and energy industries and related career opportunities.

In 2010, for example, San Jacinto College held its fourth annual Energy Venture Teen Summer Camp during June and July, which focused on careers in the energy industry. Ninth and tenth grade high school students discovered how the petrochemical and refining industries touch their everyday lives in countless ways. The program was designed for young people to learn and have fun. They performed lab experiments, took a “behind the scenes” tour of an energy-related production facility and interviewed recent college graduates working in the energy field.

Lubrizol is a proud sponsor of this event by providing scholarships for students to attend the camp, and opening its doors for students to take tours of the Deer Park facility.

Another example occurs every year around May, when the Deer Park facility is visited by close to 120 Deer Park Elementary third grade students. Lubrizol opens its doors annually to give our future leaders an insight as to what Lubrizol is all about. The students start with a short introduction, and then participate in the many activities that have been set up for them. A tour through the Quality Assurance Lab, and then it's off to grab a fire hose to extinguish a mock fire. At the conclusion of the program, the students leave Lubrizol with a bag full of goodies and some great memories.



ENERGY VENTURE CAMP AND STUDENT TOURS - DEER PARK, TEXAS

Figure 2-5
Examples of Employee Community Involvement Around The World

Location	Activities
Australia: Sydney	Employees participated in Clean Up Australia Day. They cleaned the streets, wharf/river area and local park, and enjoyed a barbecue dinner after the event. The facility also participated in a community workshop to exchange ideas for waste, water and energy use reduction. As a result, Lubrizol received a community "Duck River Idol Award" – as a sustainable business champion. A "Business Environment Award" was also received for outstanding corporate environmental initiatives.
Spain: Barcelona	Employees organized a very special game with a football team of children with cerebral palsy. They also made a donation to buy new equipment and tracksuits for the team, as part of a Collaboration Program with Fundació Adecco to support social integration of disabled people.
Brazil: Rio de Janeiro	Employees supplied material (clothing, balls and other equipment) and paid for the teachers and coaches at Belford Roxo community center through Projeto Fluir.
China: Hong Kong	Employees sponsored a treasure hunt and hiking trip to Victoria Peak, and provided a buffet lunch for children from a local organization that cares for and protects the community's young.
China: Lanzhou, Tianjin Branch	The facility sponsored a training program at the BN Vocational School's plumbing training center. The program provides apprenticeships and practical skills training for children of migrant workers living in Beijing.
France: Rouen and Le Havre	Employees support many local nonprofit organizations (see feature article for two examples: Rouen and Le Havre).
Germany: Ritterhude	The facility supports several community groups, including the Red Cross, a child protection agency, a vocational school and a citizens' community fund. Employees volunteer in local fire brigades and are supported by the plant. The Chamber of Industry and Commerce recognized Ritterhude for outstanding performance regarding its Vocational Training Program.
India: Mumbai	Employees conducted community awareness programs on infectious diseases such as typhoid (including immunizations), first aid, nutrition, osteoporosis and degenerative disorders. Provided training to local truck drivers on safe driving, substance abuse and HIV/AIDS.
India: Vadodara	The facility participated in the United Nation's World Environment Day and partnered with The Forest Department in tree planting activities. Also supported Vadodara Traffic Education Trust.
Japan: Kinuura	The facility supports social welfare/volunteer parties, elementary and junior high schools, and community activities, including festivals and events. About 18 different organizations received support in 2010.
Netherlands: Delfzijl	The facility opened their doors to the general public, along with other chemical companies, to provide demonstrations using harmless chemicals in water. The day's theme was Chemicals are Everywhere, and the focus was on safety.
Singapore: Jurong	Employees spent a day with children from Sunbeam Place Children's Home, which provides a short-term residence for abused children and those who cannot live with their families. They also took children from Touch Young Arrows, which provides care for needy and disadvantaged children ages 7 to 12, to the Singapore Zoological Garden. Employees also spent the day performing rewarding work for elderly residents of the Sunshine Welfare Action Mission.
UK: Barnsley and Huddersfield	Employees participated in fundraising activities to support children who are blind or with cancer. Local children's soccer teams were also provided with equipment sponsorship, funded by a UK charities committee that resides in Hazelwood.
UK: Hazelwood	Employees support many local nonprofit organizations (see feature article: Hazelwood's Charity Committee).

Location	Activities
U.S.: Avon Lake, Ohio	Employees volunteer at organizations that provide key services for children and adults with disabilities, and they conduct book drives for school supplies in support of other charitable causes. The facility sponsors local teachers to attend an annual two-day conference to enhance their experiences in science and chemistry education, and it conducts an annual United Way campaign each fall.
U.S.: Bowling Green, Ohio	Employees are involved in a math and science tutoring program for a local high school. The tutoring program is growing, and provides employees with a rewarding way to help others while allowing the community to get to know Lubrizol better.
U.S.: Brecksville, Ohio	A regional hazmat team conducts confined space rescue training on-site, and employees participate in blood drives, walkathons, visiting patients at a local hospital, and other health and human service activities. Employees are involved in local schools, and conduct a creative United Way campaign each fall. In his 2010 state of city address, the mayor of Brecksville acknowledged Lubrizol as a great company to have in the community.
U.S.: Calvert City, Kentucky	The facility participated in a Calvert City milestone anniversary of Good Neighbor Night, where industrial plants set up booths and offered the community information concerning the products and ingredients they make. They invited employees' families for plant tours. Along with local industry members, employees also participated in educating school children on "shelter-in-place."
U.S.: Deer Park and Bayport, Texas	<p>In addition to providing strong financial support and donations of materials and products to area non-profits, Texas facilities sponsor many opportunities for employee volunteerism. These include Junior Achievement, career panel discussions and mentoring for students, and conducting plant tours and fire prevention presentations for schools.</p> <p>Employees conduct blood drives and toy collections, serve as judges for high school debate teams, and participate in March of Dimes Walks, Habitat for Humanity's home building efforts, and community festivals. They take part in an annual Trash Bash, where employees in the chemical industry volunteer to clean waterways along Galveston Bay. Household hazardous waste collection days are sponsored, and an annual United Way campaign is conducted each fall.</p>
U.S.: Louisville, Kentucky	Employees from Lubrizol's Louisville facility and other local businesses have donated time, labor and materials to get an outdoor classroom at a local elementary school up and running. The purpose of this project is to teach students living lessons in biology, science, math, writing, reading and critical thinking.
U.S.: Midland, Michigan – CPI	Employees are involved with the Jaycees, and donations are made to local charitable organizations. One event where many employees participate is the annual Jaycee winter softball tournament to raise money for a local Easter Egg hunt for children. This is held on a Saturday in the snow, and is a strong commitment to helping others.
U.S.: Paso Robles, California	The facility sponsors educational events and community activities (including a fireworks display for Independence Day).
U.S.: Painesville and Wickliffe, Ohio	<p>In addition to providing extensive monetary support, materials and in-kind donations to local organizations, both facilities sponsor many employee volunteerism opportunities. Employees tutor students at elementary schools, organize employment skills and learning about business programs for high school students, and serve on school district advisory committees. They sponsor students and teachers to attend programs that enhance their experiences in Science, Technology, Engineering & Mathematics (STEM) education, and produce brochures for "What to Do in a Chemical Emergency" that are also translated and distributed to the public at community events.</p> <p>Employees perform cleanup work along public walkways, streams and rivers, plant trees and build playgrounds in parks, participate in community day parades, and volunteer as leaders in community emergency response teams, fire departments, hazmat teams and safety brigades. Public safety groups train side-by-side with Lubrizol personnel on Lubrizol's property.</p> <p>The facilities have deep ties to youth organizations, such as scouting, and they participate in local Chamber of Commerce and civic organizations. They conduct extensive employee-driven United Way campaigns each fall, participate in blood drives, health and human service activities (e.g., Harvest for Hunger and Rebuilding Together), host many tours and sponsor college visits for junior high students for college awareness.</p>

The Lubrizol Founders Award Celebrating Exemplary Employee Service to Customers and Community



Another way that Lubrizol supports and encourages employee volunteerism is through The Lubrizol Founders Award, which is the highest recognition that Lubrizol offers to its employees.

The Founders Award celebrates the rich tradition of service to internal and external customers that was established by Lubrizol's founders. It also recognizes those employees who, like our founders, dedicate their time and talents in service to the community.

Each year, six to eight employees from around the world are flown to Lubrizol's global headquarters for a series of celebratory events hosted over several days by Lubrizol's CEO and officers – and to be formally acknowledged for their career achievements in making a difference to their customers and their communities.

Philanthropy

The Lubrizol Foundation:

The Lubrizol Foundation's 2010 Annual Report can be found at www.Lubrizol.com.

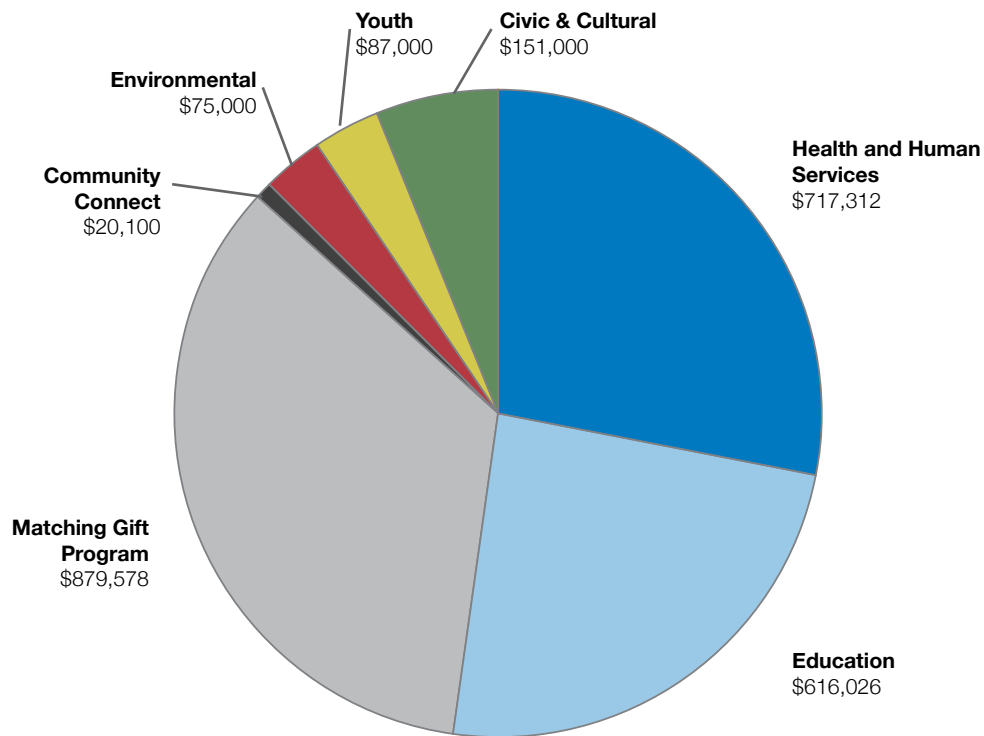
Since its inception in 1952, The Lubrizol Foundation has donated more than \$60 million to activities of a charitable nature. These contributions reflect a sustained commitment to responsible corporate citizenship by supporting nonprofit organizations and educational institutions within the United States where Lubrizol operates its major facilities.

The Foundation's primary areas of focus are education and health and human services, [with a special emphasis on addressing the needs of underserved children](#). The Foundation also provides financial support toward environmental stewardship and sustainability, plus civic, cultural and economic development initiatives.

In addition to providing direct grants and scholarships, The Foundation matches up to \$5,000 in annual donations made by individual U.S. employees (\$2,500 for retirees). The Foundation also donates \$500 annually to any one nonprofit organization where an employee has volunteered at least 40 hours of service during that year.

[In 2010, close to \\$2.6 million in direct grants, scholarships and employee-matched gifts were awarded](#) for programs that support education, health care, human services, civic, cultural, youth and environmental activities (see Figure 2-6).

Figure 2-6
The Lubrizol Foundation 2010 Grants by Type
Total Grants: \$2,546,000



Examples of the types of direct grants recently made by The Foundation include:

Education

Cleveland Technical Societies Council, endowment support to fund scholarships for our area’s highest-achieving students in the STEM fields since 1988.

Invent Now, support for underserved children via Camp Invention’s science discovery programs.

Great Lakes Science Center, underwriting camp costs for students, kindergarten through high school – introducing students to scientific concepts and career choices.

Breakthrough Charter Schools, a network of high-performing, urban public charter schools – a grant for the acquisition and renovation of unused Cleveland Metropolitan School District buildings, a drive for growth and sustainability.

Metro Catholic Parish School, support toward “Children in the City Campaign.” Located on Cleveland’s near west side, Metro Catholic School meets the needs of the area’s poorest families.

Rainey Institute, annual program support – a multi-arts community center providing instruction in music, visual arts, theater and creative writing to at-risk city youngsters ages 6-18. It serves students from Cleveland’s Hough, Central, Fairfax, Collinwood and Glenville neighborhoods.

Health and Human Services

American Red Cross Greater Cleveland Chapter, for Nurse Assistant Training program.

Center for Families and Children, renovation of the Wade Early Learning Center.

Fairhill Partners, in support of the Kinship Village Renovation Project.

HELP Foundation, key support services for individuals with developmental disabilities.

Lutheran Metropolitan Ministry, Building on the Promise campaign – relocation of the LMM.

Providence House, support for a groundbreaking study on the long-term impact of crisis nursery services on at-risk children and their families.

United Cerebral Palsy of Greater Cleveland, Steps to Independence program – an intensive therapy program for children with disabilities.

United Way of Northeast Ohio & Greater Houston, major operating support for many years.

Civic and Cultural

Downtown Cleveland Alliance, dedicated to making downtown Cleveland a most compelling place to live, work, play and visit.

WVIZ/PBS & 90.3 WCPN ideastream, sponsorship for the Ohio Public Television Statehouse News Bureau.

Musical Arts Association, annual support for The Cleveland Orchestra.

Playhouse Square Foundation, support for the Power of Three campaign – partnership among Cleveland State University, Playhouse Square and The Cleveland Play House.

Valley Art Center, support for the final phase of “The Art of Renovation.”

WKSU 89.7 Kent State University, WKSU’s News & Information Fund.

Philanthropy

The Lubrizol Corporation:

In addition to The Lubrizol Foundation support, **The Lubrizol Corporation provides about \$1.0 million annually** in cash contributions and donations of materials, products and services to charitable organizations around the world. Contributions are made locally and depend on initiatives undertaken by our global facilities, with much of this support directed to nonprofit organizations where Lubrizol employees volunteer their time and talents in significant ways. Lubrizol also contributes toward relief and recovery efforts in times of natural disasters.

Support for Environmental Stewardship and Sustainability

Both The Lubrizol Foundation and The Lubrizol Corporation provide significant financial, volunteerism and leadership support for initiatives that promote sustainability. A few of these activities are listed below:

Financial Support:

All five of Lubrizol’s Ohio facilities sponsor local teachers to attend the Teachers, Industry and Environment (TIE) Conference, an annual 2 ½-day environmental and professional development conference in Columbus, Ohio. It is **organized and funded by Ohio’s chemical industry**, in collaboration with the Ohio EPA and other groups. Teachers experience real-world environmental challenges first-hand, and discuss how they are being addressed by scientists and engineers in industry and government. Curriculum resources are provided so that these concepts can then be integrated into the classrooms of Ohio’s schools.

Since 1993, Lubrizol has sponsored 40 of the 1,000 teachers that have attended this conference. Here is a typical comment from one of the teachers that Lubrizol recently sponsored:

"I cannot thank you enough for sponsoring me to attend the TIE conference. It was fantastic. With my move to the middle school and teaching 6th grade science, the topics and lessons that were presented fit with what I teach perfectly. I am so excited to use the information and ideas in my classroom and I'm also going to present ideas from TIE at the district in-service day in November. Thank you again for your sponsorship."



Teachers observe "Dancing Bubbles" experiment.

Lubrizol and The Lubrizol Foundation have provided significant financial support to other organizations that promote environmental stewardship and sustainability in Northeast Ohio, where our global headquarters are located. Examples include:

- **Ashland University**, annual support of the Environmental Lecture Series that continues to cover critical topics on Sustainability and Environmental Issues in Ohio.
- **Cleveland Rivergate Park Project**, preserving public access to one of Cleveland's natural assets — the Cuyahoga River.
- **Geauga Park District**, in support of "Observatory Park" for stargazing and night life study — an observatory and hands-on destination for both public and private school students, providing educational opportunities focused on meeting science needs in meteorology, seismology, and astronomy.
- **Cuyahoga Valley National Park Association**, preservation of The George Stanford House, one of the most historic properties in the Cuyahoga Valley, used for educating Cleveland children about conservation and the environment.
- **Lake Erie Nature & Science Center**, a unique environmental resource in Northeastern Ohio — provides educational programs, space science programs in their planetarium, and wildlife education and rehabilitation.
- **Western Reserve Land Conservancy**, toward the renovation of White North Stables.
- **Winous Point Marsh Conservancy**, grant towards the permanent protection of wetlands that are home to endangered species in the state of Ohio and a vital stopover point for migratory waterfowl, shorebirds, and passerine birds.
- **Center of Science and Industry (COSI)**, for traveling science/environmental exhibits for schools and fairs. Lubrizol has supported this program for over 15 years and more than 1,500 children have benefited.

Financial support and in-kind donations for similar activities in other parts of the U.S. and around the world are also provided by Lubrizol's global facilities.

Volunteerism and Leadership Support:

Our employees volunteer for and provide leadership to organizations and initiatives that promote sustainability in business, education, government and the nonprofit sectors.

Lubrizol is a founding member of and serves on the steering committee for the [Corporate Sustainability Network \(CSN\)](#) in Cleveland, Ohio. CSN established a Corporate Roundtable, with members that include many of the major

global corporations headquartered in Northeast Ohio. The Roundtable provides a venue for sharing best practices and lessons learned that contribute to integrating sustainability into everyday business operations. CSN members meet regularly to discuss opportunities to stimulate economic development, job creation, social welfare and environmental stewardship throughout Northeast Ohio.

One such meeting hosted by Lubrizol at our global headquarters in Wickliffe, Ohio focused on how businesses can improve energy efficiency and reduce greenhouse gas emissions. The ideas and tools generated from this meeting were compiled for sharing at a regional sustainability summit hosted by the mayor of Cleveland and sponsored by area organizations, including Lubrizol.

Lubrizol sits on the advisory committee of the [GreenCityBlueLake Institute](#) in Cleveland, Ohio, which is the sustainability center of the Cleveland Museum of Natural History. The GreenCityBlueLake Institute champions initiatives that leverage the scientific expertise and educational resources of the Museum in order to make it a hub of sustainability information and activity.

Lubrizol leaders are also involved with educational institutions in supporting their sustainability programs and course offerings. Examples include:

- **Baldwin Wallace College (Berea, Ohio):** Lubrizol serves on the college's advisory board for the Institute for Sustainable Business Practices, and provided a start-up grant for one of its programs. The Institute is a resource center for organizations in their efforts to integrate sustainable practices into their operations and business models. The Institute offers consulting services, peer-to-peer sharing of best practices, and educational programs for community groups. It also supports the college's undergraduate degree in sustainability and two-year MBA in sustainability program.
- **Kent State University (Kent, Ohio):** Lubrizol supports ecological studies through its College of Technology by donating both software and expertise to its Life Cycle Assessment Class and Sustainable Technology Effort.
- **Cleveland State University (Cleveland, Ohio):** Lubrizol provides planning support to the Nance College of Business Center for Sustainable Business Practices by serving on its advisory board.

Lubrizol has also participated with other leading organizations as panelists and featured speakers at conferences and forums to promote global best practices in corporate citizenship, environmental stewardship and sustainable development.

Advocacy for Effective Public Policy:

Lubrizol is a member of more than 35 global trade associations and public policy organizations that advocate on an industry-wide or product basis. Through these affiliations, and individually, Lubrizol works with elected officials at all levels to promote legislation and rule making that are effective across all three areas of sustainability - economic growth, social responsibility and environmental stewardship.

We engage policy makers worldwide on issues that affect our business and industry, and advocate for science-based legislation and rule making that are good for the environment, good for business and create a fair playing field.

For example, we support comprehensive policies that promote energy diversity, stability and uninterrupted access to traditional sources, together with accelerated development of renewable energy sources that are cost competitive. We support energy efficiency and conservation polices that drive reductions to global greenhouse gas emissions.

Lubrizol employees serve in leadership capacities on committees and work groups with major trade associations, including the [American Chemistry Council](#), to promote health, safety, environmental stewardship and sustainability practices across the industry, and to advocate for legislation that is responsive to these efforts.

Lubrizol is a founding member of the [United Nations Partnership for Clean Fuels & Vehicles, which is part of the United Nations Environment Programme \(UNEP\)](#). The Partnership includes the U.S. Environmental Protection Agency (EPA), developing country environmental agencies, non-governmental organizations and industry representatives. The Partnership has worked to reduce lead and sulfur levels in fuels worldwide, and now is focusing on the critical issue of urban air pollution in developing countries. Our technologies help our customers in their efforts to meet these objectives.

Lubrizol and our subsidiaries, under current policy, may make contributions to political parties, candidates or public officials as permitted by federal, state or local laws, both in and outside of the United States. In 2009 and 2010, though, the corporation did not make any contributions to political parties, candidates or elected officials.

We encourage employees to participate actively in the political process. However, we do not permit employees to use company time or resources for political activities of a personal nature. Those must be carried out on the employee's own time and at their own expense. However, we may, in some instances, request that employees contact public officials on issues impacting the corporation and/or our industry.

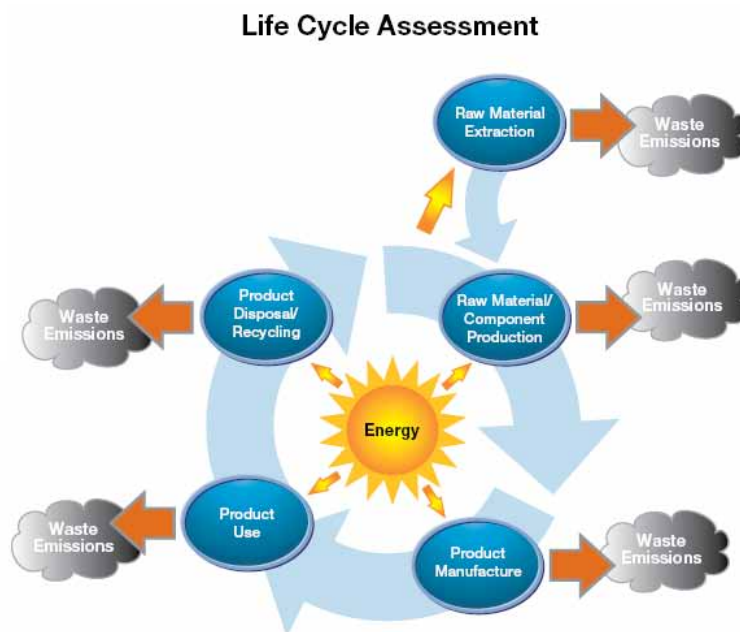


Section 3

Environmental Responsibility Performance

More than twenty years ago, environmental performance for our industry was linked primarily to the environmental impact of the manufacturing plants that produced the products sold to customers; *i.e.*, how much waste and emissions were produced and what chemicals were in them. The regulatory agencies focused on end-of-pipe regulations for manufacturing plants. Today, the environmental impact during product use and end of useful life disposal has been found to be significant. It often dwarfs and, in many cases, negates the impact of the processes used to create those products.

Life cycle assessments (LCAs) help Lubrizol consider the full impact of our products on the environment, including our raw materials, the manufacturing processes, product use and the end of useful life. For every product we create, we are striving, over the life of that product, to reduce the energy consumed, the waste generated, the renewable and nonrenewable resources consumed, and the persistent, bio-accumulative and toxic substances used or created.



While we will continue to reduce our own impact and make our own operations more efficient and sustainable, we are also focusing on enabling our customers to achieve their environmental and sustainability goals during product use.

For Lubrizol Additives, the environmental factors that impact our customers and end users, such as original equipment manufacturers, drive our innovative additive technology development. Examples of these factors and the technology they require include:

- To comply with emissions regulations, OEMs modify engine design and operating conditions, and employ the use of more sophisticated exhaust after treatment devices. Our technology is designed to ensure compatibility with after treatment systems, while simultaneously providing engine protection under these increasingly severe conditions.
- Demands for increased fuel economy are becoming more urgent, driving new formulations and new chemistry for fuels and lubricants.

- New energy generation technologies, such as wind turbines, call for the development of new lubricants, greases and hydraulic fluids.
- The use of CFC-free refrigerants, which reduce emissions of ozone-depleting chemicals and greenhouse gases, requires lubricants with different properties than with CFC-based refrigerants.
- With the increased use of geothermal heat for heating and cooling of homes and public, government and industrial institutions, there is a need for a safe heat transfer fluid for this system that does not have the flammability and other undesirable characteristics of current fluids.

In addition, our technology, at a minimum, must help to maintain equipment durability and, preferably, increase it. OEMs are choosing different engine design and after treatment system paths to achieve fuel economy and emissions requirements. Consequently, using the right oil for the right application is imperative to ensure that durability is not sacrificed in the quest to maximize fuel economy and/or reduce emissions.

For Lubrizol Advanced Materials, the environmental factors that impact our customers and end users in the consumer markets we serve also drive our research and development efforts and new product innovations. Examples include:

- End users modify processes and process chemicals to comply with a combination of federal and state emission mandates, while still meeting performance criteria of the finished product. This applies to everything from paper making chemicals to paints and coatings products. Elimination of hazardous air pollutants (HAPs) and reduction of volatile organic compounds (VOCs) all drive the process.
- Demands for increased use of raw materials based upon renewable resources and less dependence on synthetic gas and oil-based raw materials is becoming especially important, as the synthetic materials become increasingly costly and hard to procure. We are working on performance coatings that partially utilize raw materials derived from plants or biomass processes. There are opportunities to utilize chemicals from recycling processes, as well.
- Personal care products are being formulated with polymers that contain naturally-derived ingredients from plants.

Resource Conservation Goals

We recognize that energy, water and the materials we use in our products and operations are precious resources. In 2006, we announced several major goals for reducing resource use by 2012, from the baseline year of 2005:

- **A seven percent reduction in worldwide energy consumption per production amount**
- **A five percent reduction in worldwide waste generation per production amount**
- **A five percent reduction in disposal of waste directly to the environment (e.g., landfills, deep wells, etc.) per production amount**

Our performance through 2010 regarding these goals is discussed in the sections that follow.

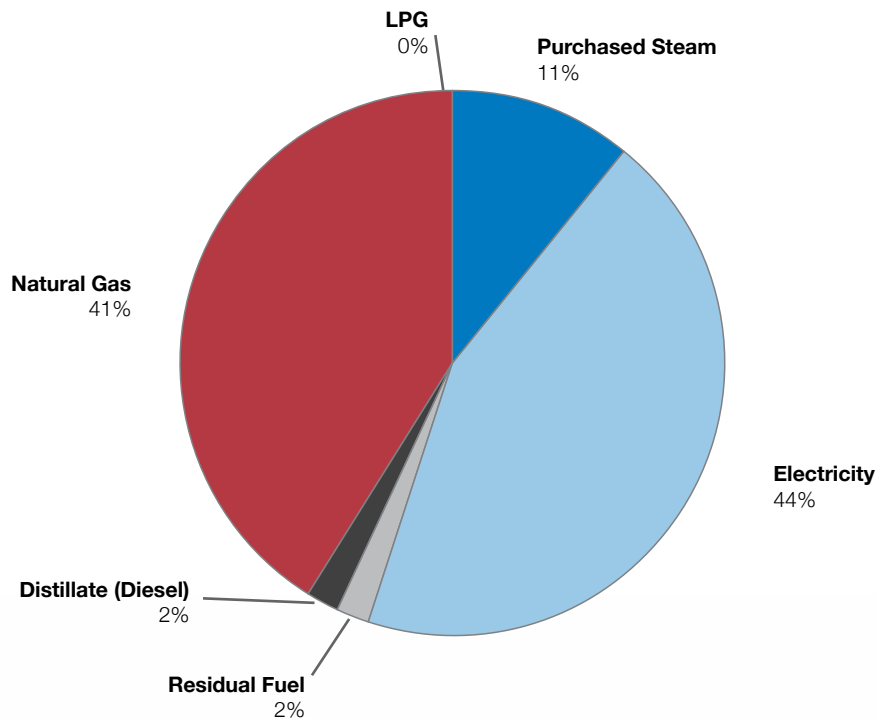
Improving operational efficiency and raw material conversion efficiency are ways we are conserving resources. Our manufacturing facilities have significant projects planned, underway or completed to reduce energy usage, raw material consumption and water usage, and to decrease waste generation and greenhouse gas emissions. And, we are reengineering our products and process technologies in ways that are good for the environment and good for our business.

In 2011, we also launched a comprehensive, enterprise-wide life cycle analysis of our business to identify environmental stewardship and sustainability opportunities up and down the supply chain. All of these efforts will drive additional progress toward these goals, and enable us to develop new goals for improved raw material and energy efficiencies.

Energy Use

We use energy in a variety of forms, including natural gas, diesel, residual fuel, liquid petroleum gas, electricity and purchased steam (see Figure 3-1). **Total energy use in 2010 was 12.7 million gigajoules (GJ), of which 5.8 million GJ was direct energy and 6.9 million GJ was indirect energy (electricity and purchased steam).** Total energy use in 2010 was essentially unchanged from 2005.

**Figure 3-1
2010 Energy Sources**

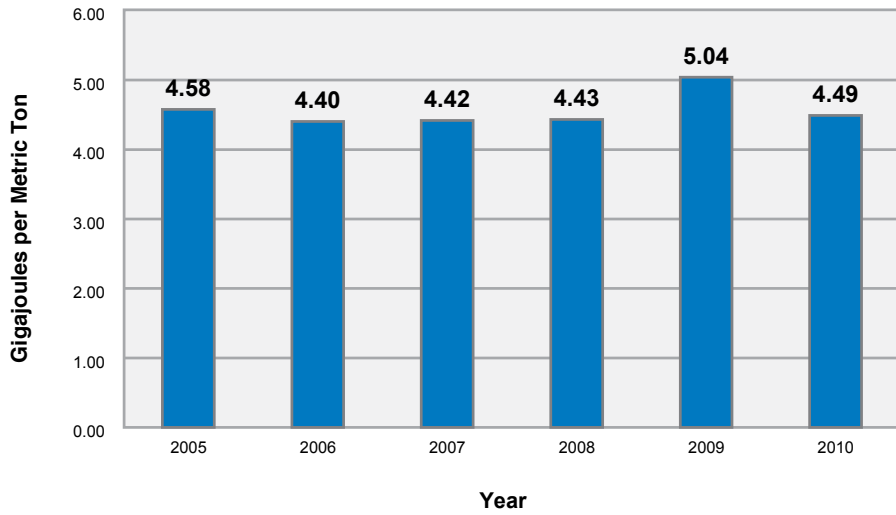


Progress to Goal:

We realized modest progress toward our goal of a seven percent reduction in worldwide energy consumption per production amount in 2012 vs. 2005. And, while we have not yet attained this target in 2010, we have plans in place to achieve additional progress in 2011 and 2012.

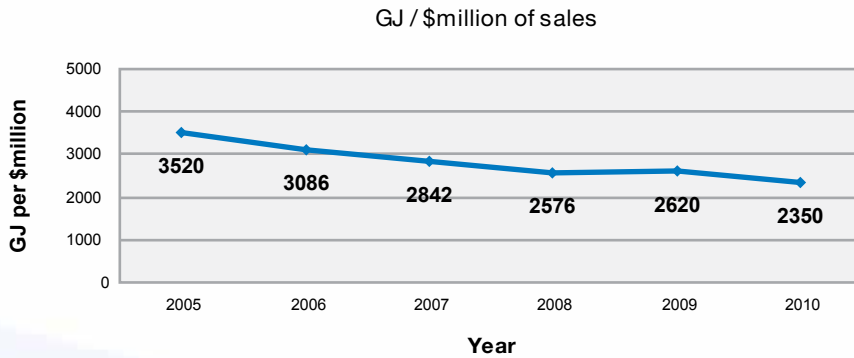
On an energy use per metric ton of product produced basis, our global energy consumption decreased 2.0% in 2010 vs. 2005. When indexed to sales, we have lowered our global energy usage by 33.2% over the same time period (see Figures 3-2 and 3-2(A)).

**Figure 3-2
Global Energy Use Rates**



The increase in 2009 is due in part to a decrease in production volume and changes to product mix relative to the 2005 baseline.

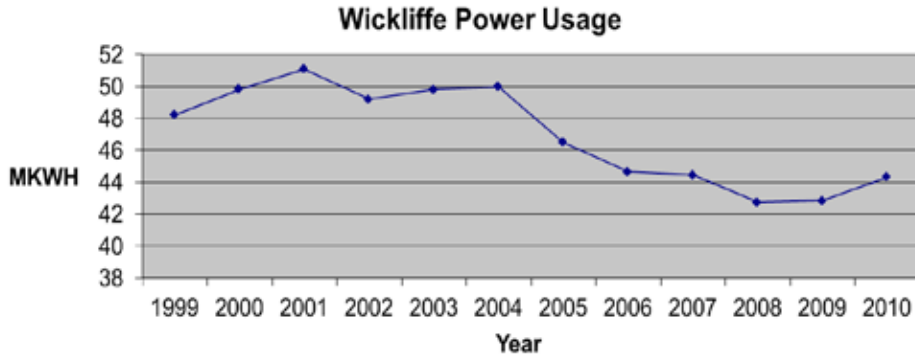
**Figure 3-2(A)
Global Energy Indexed to Sales**



On a worldwide basis, Lubrizol invests millions of dollars annually in energy savings projects, including energy efficient lighting, windows, HVAC systems, motors, boilers, roofing materials, insulation, computers and monitors. Automatic monitoring and control systems are also being installed to regulate the use of energy during peak and nonpeak demand periods. These have resulted in significant, verifiable reductions in energy usage at these facilities.

At our Wickliffe, Ohio (U.S.) global headquarters, during a 6-year period from 2004 through 2010, electricity usage decreased 14.3%, while occupied square footage increased by 9.4% (see Figure 3-3).

Figure 3-3
Electricity Consumption at Lubrizol's
Global Headquarters Facility

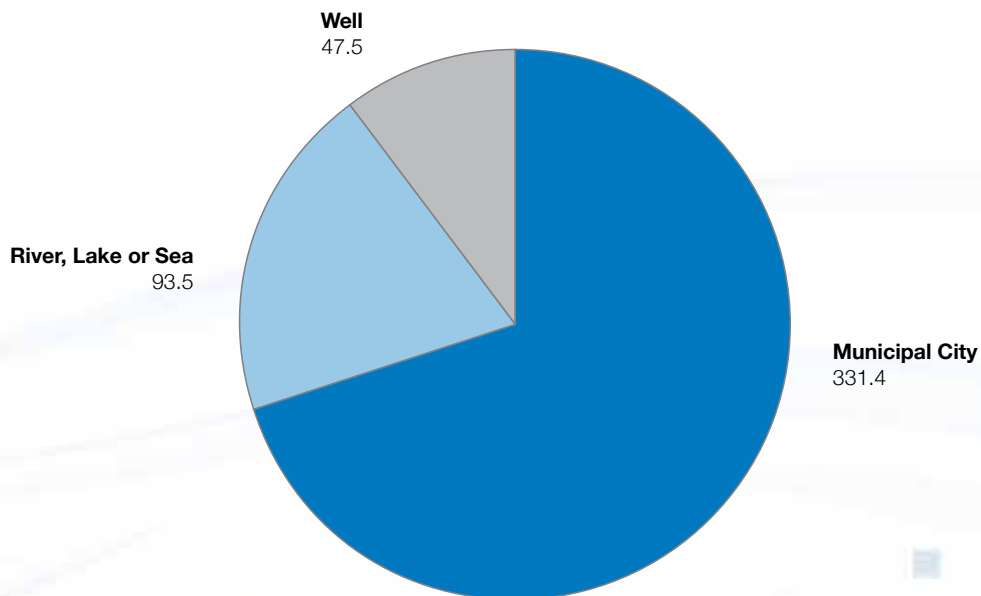


We have also looked at the practicality of renewable energy sources (solar and wind) for some of our facilities. Due to cost and reliability factors, these sources are not economically viable at this time. Renewable energy projects currently depend upon external grants and subsidies to be competitive with traditional sources of energy. As technologies improve and costs decrease, we will evaluate these opportunities in the future.

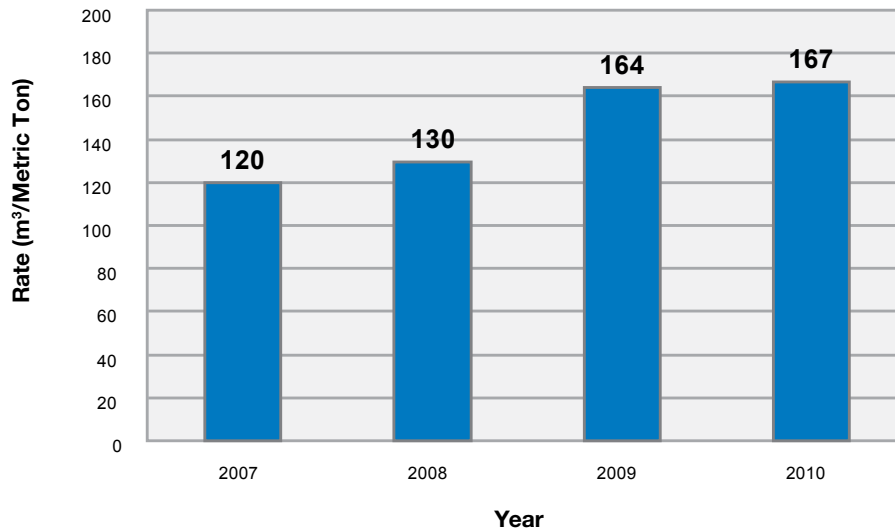
Water Use

Our dominant water source is municipal water suppliers. In a limited number of locations, we draw on wells or surface waters (see Figure 3-4). **Total water use in 2010 was 472.4 million cubic meters.** This figure does not include non-contact cooling water.

Figure 3-4
2010 Water Use by Source
Million cubic meters



**Figure 3-5
2007 - 2010 Global Water Use Rate**



We are working to improve the collection of our global water usage data, and to set goals and identify reduction opportunities. Accordingly, several of our manufacturing facilities have already initiated water conservation projects.

In 2009, our Painesville, Ohio (U.S.) manufacturing facility took steps to improve plant-wide condensate return for use as boiler feed water. The plant's offices and manufacturing systems are primarily heated by steam generated by boilers, which Lubrizol operates on site. When steam is used to heat this equipment, it condenses into hot water, some of which is returned, or "recycled" to the boilers and converted back to steam and reused in the plant. As more hot water condensate is recycled to boilers, energy efficiency goes up, and water consumption goes down.

As a result of equipment and procedural changes made, almost 43,000,000 gallons of water and 52,000 Mcf of natural gas will have been saved by the end of 2011. Greenhouse gas emissions will also have been significantly reduced.

**LUBRIZOL PAINESVILLE,
OHIO (U.S.) CONDENSATE
RECOVERY**

Other examples of water conservation initiatives and successes at Lubrizol facilities include:

- Avon Lake, Ohio (U.S.) has realized a 30% reduction in water used through improvements in the internal treatment of waste sludge. The facility has also reduced water used in cooling tower operations and boiler house condensate quench water.
- Deer Park and Bayport, Texas (U.S.) are installing water meters to identify water flow reduction opportunities. Potential savings are estimated to be in the order of 100,000 gallons per day.
- Clifton, New Jersey (U.S.) has reduced its internal water consumption by approximately 40% since 2006 by changing the procedures for the plant's effluent system.
- At Louisville, Kentucky (U.S.), the water supply pump for high pressure reactor cleaning is being automated to eliminate unnecessary water flow. This will reduce annual water flow to the sewer by over 11 million gallons.

- Our Oevel, Belgium plant reduced water consumption by approximately 300% since 2005 by upgrading pumping systems, recuperation of city water used for cooling reasons, and elimination of leaks.

Biodiversity and Habitat

We do not engage in any business operations (manufacturing, research and development, warehousing and office facilities) that require us to own or operate tracts of land with significant habitat value.

Waste

Historically, we have been very successful in minimizing the amount of waste we generate, which has significantly reduced operating costs. Waste has three types of costs associated with it:

1. The cost of the unused raw material
2. The cost to properly treat or dispose of the waste, either on-site or off-site
3. The cost that may be incurred if there is a need to clean up the facility where the waste was treated or disposed of

We have always managed the hazardous and nonhazardous waste we generate in compliance with the then-applicable regulations. In addition, we address environmental contamination associated with our materials being present on third-party sites. We also address contamination resulting from waste handling or chemical operations at some of our operating sites, both previously and currently owned.

In all cases, Lubrizol works with the regulatory agency or, as appropriate, other potentially-responsible parties to ensure the site is cleaned up to meet the agency's standards, which are protective of human health and the environment. Lubrizol also maintains monetary reserves to meet its financial responsibilities for environmental remediation. These reserves are adjusted periodically and ranged between \$7.0 million to \$8.0 million in 2009 and 2010.

Materials Conservation – Replace, Reduce, Reuse and Recycle

Hydrocarbon-based derivatives with mineral- and metal-based secondary materials are the primary building blocks for our products. Increasingly, we see growth opportunities for the use of plant-based materials. For example, we have already developed some bio-based lubricant additives, plus advanced materials for the specialty coatings and personal care markets that rely on plant-based ingredients such as soy surfactants and a cassia thickening agent.

Within our production facilities, we reuse or recycle raw materials whenever possible. Some materials are recovered from the process and reused directly back in the process where they were generated. Others have to go through a recycling step, such as distillation, before being returned to the process. Solvents, such as xylene or alcohols (methyl, isopropyl, butyl, etc.), are examples of materials that are reused and/or recycled. In addition, in some of our plants, we use by-products from one process as a feedstock for a different process. We also reuse and recycle shipping containers and materials, including totes, drums and pallets.

In our office buildings around the world, we reduce waste by increasing the use of electronic vs. paper documents, and by recycling office materials such as paper, plastic, glass, and cardboard. We also donate used furniture and equipment to local schools and charities.

Examples of the types of changes we have made to reduce waste at the source include:

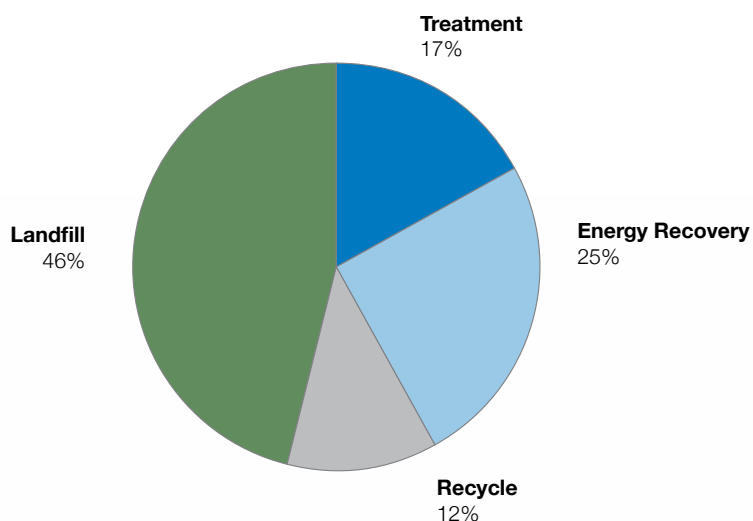
- *Solvent Selection.* The initial process to make a new fuel additive required a hazardous solvent. As part of our new product development process, we determined that a less-hazardous solvent could be used. This solvent does not have to be removed from the product, which, in turn, improves batch yield, lowers energy use and reduces equipment requirements.
- *Streamlining Processes.* Initial processing of a particular product used several hazardous materials and generated significant amounts of waste. We worked to reduce overall waste by more than 70 percent and greatly improved process safety, which reduces the possibility of injuries, accidental damage to equipment and impact on the community.

- *Formulating.* We eliminated the use of a volatile solvent in the manufacture of a lubricant additive. Because we no longer use a solvent in the process, the aqueous byproduct, which was solvent contaminated, does not have to be incinerated. It can be treated in a wastewater treatment system. Eliminating the solvent also reduces risk during product handling and transportation and reduces waste generation by 75 percent.
- *Raw Material Recycling.* By changing reaction conditions and recycling unreacted raw materials, we were able to decrease process by-product generation by 20 percent, which increased throughput.
- *Wastewater Discharge Improvement.* A multidisciplinary team reduced sources of organics contributing to the chemical oxygen demand of the wastewater discharged from a production facility, thereby reducing its impact on the environment.

Where waste cannot be reduced at the source, we seek alternatives to landfilling.

In 2010, we recycled, treated or used for energy recovery 54 percent of the 131,554 metric tons of waste generated (see Figure 3-6).

**Figure 3-6
2010 Waste Disposal by Management Type**



Other examples of global waste generation and disposal reduction initiatives and successes:

- Avon Lake, Ohio (U.S.) significantly increased the amount of isopropyl alcohol (IPA) that is recycled and reused on-site, thus reducing the waste IPA sent off-site.
- Clifton, New Jersey (U.S.) reduced nonhazardous waste generation through enhanced completion of the esterification reaction. As a result of this effort, the *New Jersey Department of Environmental Protection (DEP)* recognized the Clifton plant with an *Environmental Stewardship Initiative award for materials conservation*. Clifton continues to apply this concept to other ester products.
- Hazelwood, UK Research & Development reduced the test sample size, so less blend waste is generated. The Blend Test Services department has implemented a sample management process and placed limitation on sample retention times to reduce inventory and lead to a reduction in unwanted stock materials, which need to be disposed of.

- Rouen, Le Havre, and Mourenx, France, as well as Rio de Janeiro, Brazil and Wilmington, Massachusetts, do not dispose of waste to a landfill or directly to the environment. All of the waste is incinerated, recycled or treated.
- Paso Robles, California (U.S.), and Avon Lake and Bowling Green, Ohio (U.S.) have found new avenues to sell waste materials to markets for useful applications rather than disposing of these materials.
- General and/or focused recycling initiatives have been implemented at many of our global facilities, including but not limited to: Oevel, Belgium; Barnsley, UK; Wickliffe, Painesville and Bowling Green, Ohio (U.S.); Songjiang, China; Singapore; Seremban, Malaysia; Midland, Michigan (U.S.); Durban, South Africa; Delfzijl, Netherlands; Houston, Deer Park and Bayport, Texas (U.S.); Gastonia, North Carolina (U.S.); Ritterhude, Germany; Spartanburg, South Carolina (U.S.); Louisville, Kentucky (U.S.) and Chicago, Illinois (U.S.).
- Wickliffe, Ohio received the *2010 Outstanding Achievement in Environmental Stewardship Award from the Ohio Environmental Protection Agency* for performance that goes beyond compliance and demonstrates proactive leadership and outstanding results, including its efforts to reduce waste at the source and to increase the amount of waste that is reused and recycled.

Types of materials typically recycled across Lubrizol include:

- Cardboard packaging
- Steel and other metals
- Solvent waste (processed and returned for reuse)
- Drums (metal and fiber)
- Computers and computer packaging (including polystyrene)
- Plastic and metal cans
- Office paper (including newspaper and phone directories)
- Office printers, furniture and equipment
- Fluorescent bulbs
- Inorganic waste (e.g., acid by-products)

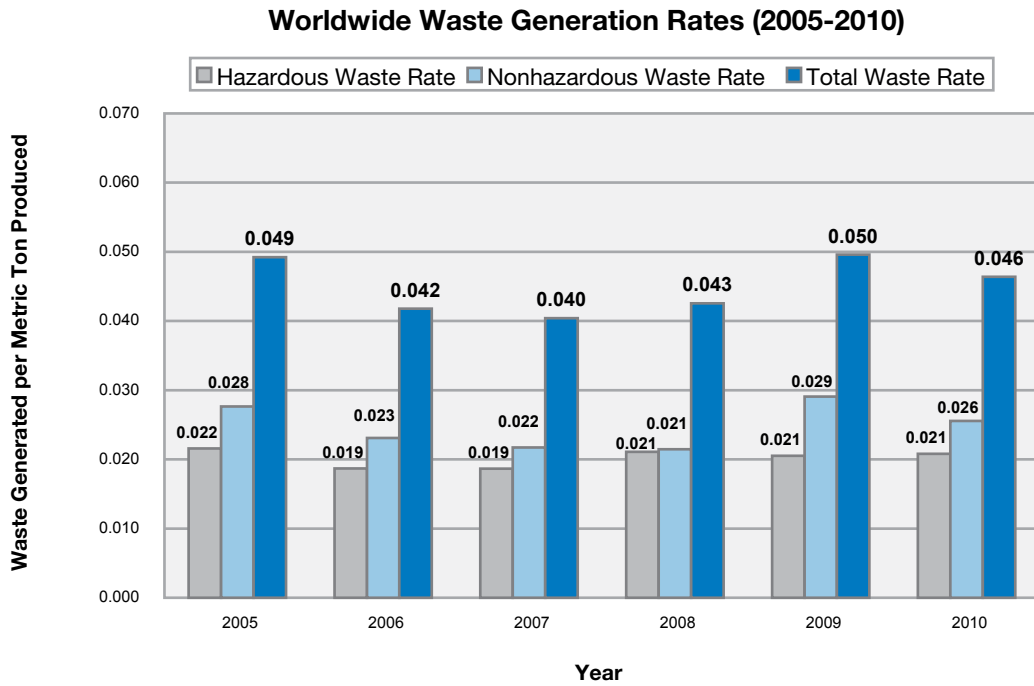
Progress to Goal:

We achieved our goal of a 5% reduction in worldwide waste generation per production amount by 2012, relative to 2005.

- **In 2010, the waste generation rate (metric tons of waste per metric ton of products produced) was down 5.7%, relative to 2005** (see Figure 3-7).
- **When indexed to sales, (metric tons of waste per million dollars of sales), the waste generation rate in 2010 was down 35.7%, relative to 2005** (see Figure 3-7(A)).



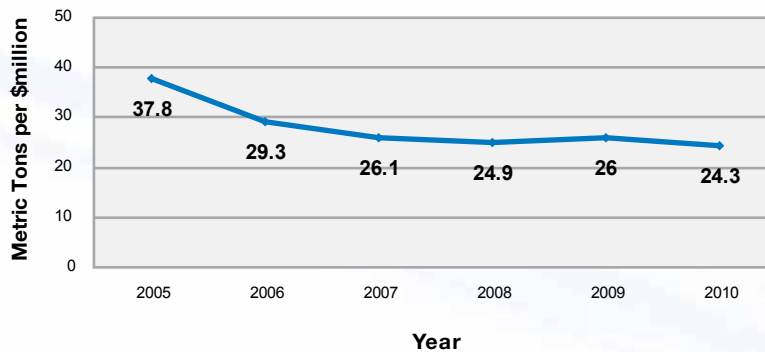
Figure 3-7
2005-2010 Worldwide Waste Generation Rates
Metric Tons Waste per Metric Ton Production



The 2010 total waste production of 131,654 metric tons was down 3.7% relative to 2005, when 136,654 metric tons of waste was produced. In 2010, 55% of this waste was nonhazardous (production and non-production-related waste), and 45% hazardous (production waste). This is similar to 2005, as 56% was nonhazardous and 44% was hazardous.

Figure 3-7(A)

Global Waste Indexed to Sales
 Metric Tons per \$million of sales



In 2010, we under-performed against our goal of a 5% reduction of overall waste directly to the environment (e.g., landfills, deep wells, etc.) per production amount by 2012, relative to 2005.

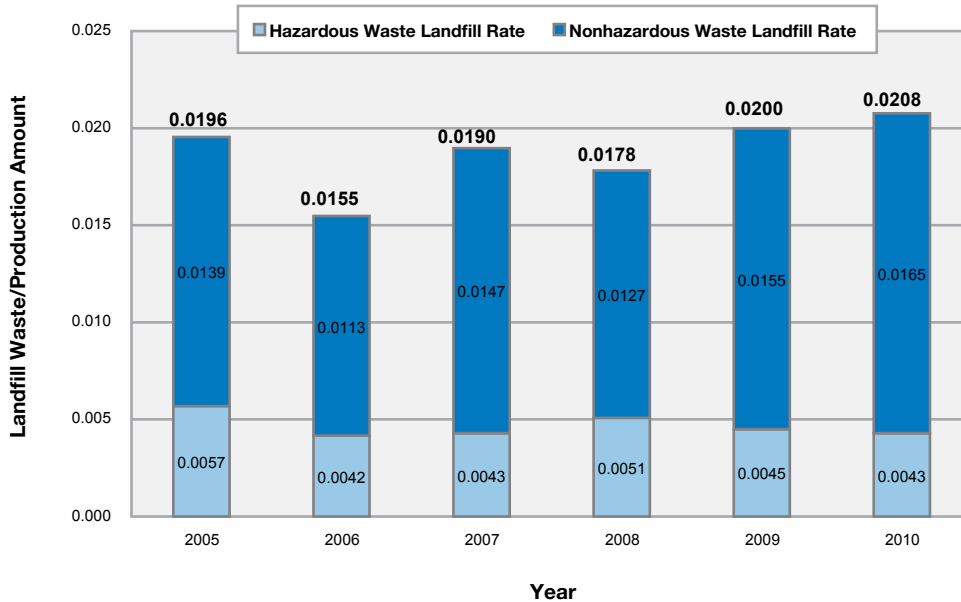
On a disposal rate basis (metric tons of waste disposed per metric ton of product produced), the overall rate increased by 6.2% in 2010 relative to 2005.

- When indexed to sales, the overall disposal rate decreased by 27.5% in 2010, relative to 2005.

Figure 3-8 illustrates the 2005-2010 worldwide waste landfill rate.

Figure 3-8
2005-2010 Worldwide Waste Landfill Rate
Metric Tons of Waste per Metric Ton of Production

(Metric Tons of Waste Direct to Environment (Landfill) per Metric Ton of Production)



In 2010 relative to 2005, the hazardous waste disposal rate decreased by 24.6%, while the non-hazardous disposal rate increased by 18.7%.

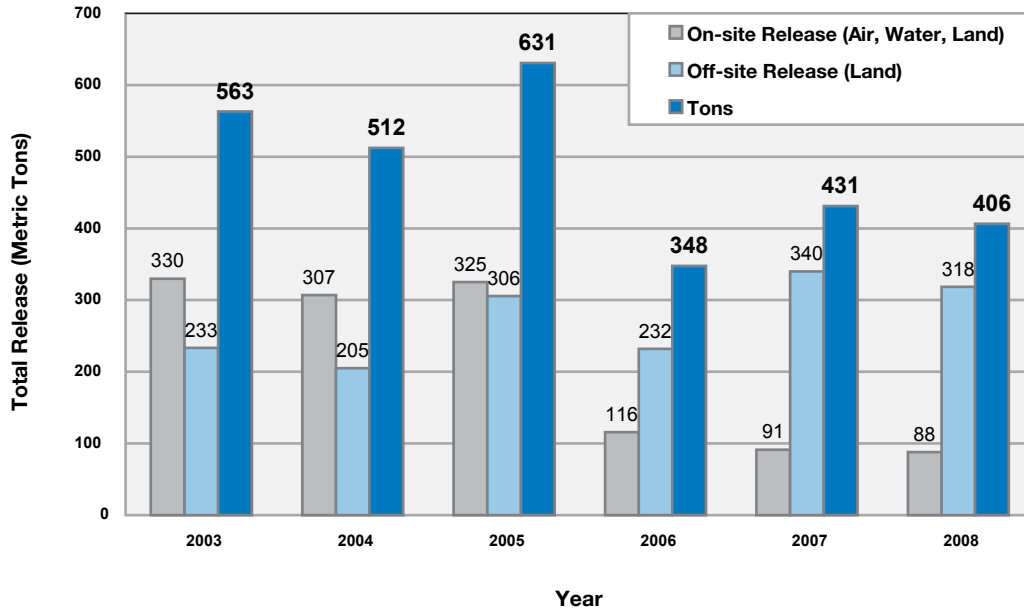
We are evaluating process improvements and global waste reduction projects to reduce the overall rate of waste, both hazardous and nonhazardous, that is disposed to landfills, and we expect to achieve additional progress in 2011 and 2012.

Toxic Release Inventory and Greenhouse Gas Emissions

We have made progress in reducing regulated emissions and discharges. Our most recent (2008) Toxic Release Inventory (TRI) data show a general trend downward in on-site and off-site total releases since 2003 (except 2005 off-site releases).

Total releases for 2008 were 406 metric tons, a 35.7 percent reduction from 2005 (see Figure 3-9).

Figure 3-9
2003-2008 U.S. Facilities Toxic Release Inventory
Metric Tons



Our total greenhouse gas (GHG) emissions from direct sources (e.g., fuel burning) and indirect sources (e.g., electricity use) rose slightly (3.2 percent) between 2005 and 2010 (see Figure 3-10).

- When measured against production volume (metric tons of GHG/metric tons of production), GHG emissions increased by 1.2% in 2010, relative to the 2005 baseline year.
- When indexed to sales (metric tons of GHG/\$million of sales), GHG emissions decreased by 31.0% over that same time period (see Figure 3-10(A)).

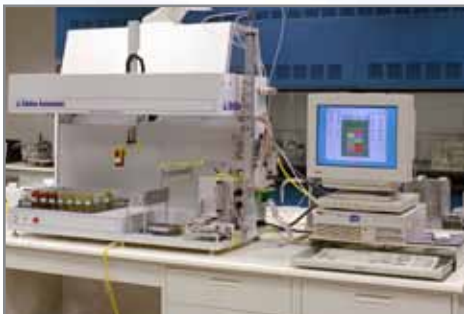


Figure 3-10
2005-2010 Global Greenhouse Gas Emissions by Source
Metric Tons CO₂ Equivalents

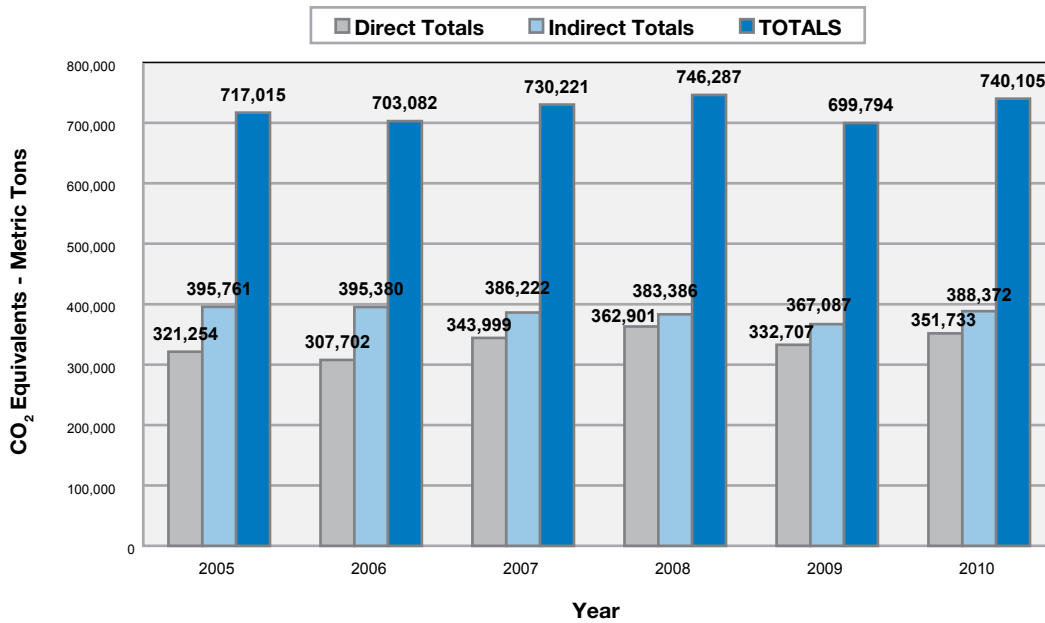
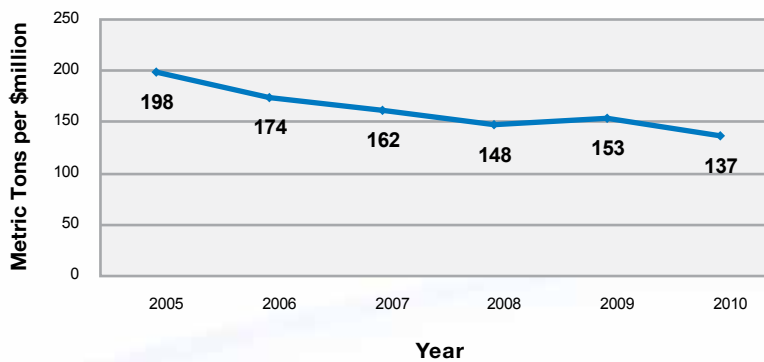


Figure 3-10(A)

Global GHG Emissions Indexed to Sales
Metric Tons CO₂ Equivalents per \$million of sales



Electricity use and natural gas as fuel account for the majority of our GHG emissions (78.3%). Accordingly, our focus on energy conservation projects and related initiatives in these areas, as outlined earlier in this section, will drive reductions in GHG emissions in 2011 and beyond.

Helping Our Customers Meet Their Sustainability Needs

Our primary goal has been to provide our customers with products that help them meet their environmental stewardship and sustainability needs. These include:

- Lubricant and fuel additives that increase efficiency (reduce energy consumption), increase equipment durability and reduce emissions; additives to allow the increased use of biofuels; additives that are compatible with aftermarket exhaust treatment systems and facilitate product recovery and recycling; additives that avoid use of toxic materials on customer “blacklists.”
- Polymer product formulations for the paint and coatings market that deliver high performance with low volatile organic compound (VOC) emissions during use.
- Estane thermoplastic polyurethane (TPU) polymers that offer recyclability and eliminate solvents in certain applications, such as waterproof/breathable coatings and adhesives.
- Diesel fuel additives designed for use with ultra-low sulfur diesel and biodiesel to keep both older and the latest-design diesel engines running at their optimum. This reduces emissions and improves fuel economy and power, while holding out the prospect of qualifying for CO₂ emission reduction credits, with bona fide market value.
- Geothermal heat transfer fluids that are biodegradable, have low biological oxygen demand and are benign to aquatic organisms.
- Synthetic-based compressor lubricants for use with non-CFC refrigerants in air conditioning and refrigeration compressor applications, as well as performance packages for air compressors lubricants.
- Recyclable CPVC piping systems that have been demonstrated to outperform competing materials on a life cycle basis and meet today’s stringent environmental standards.
- Gear fluid additives, specialty coating materials and other products designed specifically for wind turbine applications.
- Personal care products with ingredients from bio-based, naturally-derived sources.

Lubrizol’s innovative technologies are designed to meet the growing needs of our customers in these areas. Improving environmental performance and focusing on sustainability are not only the right things to do, they also present important commercial opportunities that are essential to our customers’ success and Lubrizol’s growth strategy.



Heavy residual fuel oil, a by-product of petroleum refining, is one of the least expensive liquid fuels available. This makes it attractive for numerous industrial applications, such as open-flame furnaces and power plants. But its drawbacks include high concentrations of asphaltenes, sulfur, vanadium, and other impurities that can lead to poor combustion, increased system deposits, reduced efficiency, and high levels of pollutants.

Specially-formulated additives developed by Lubrizol can help optimize the value of residual fuel. Additives can improve the combustion process, which will reduce fuel consumption. Additives greatly reduce the amount of deposits that accumulate on critical surfaces, which results in reduced maintenance and increased efficiency. Additives also help to significantly reduce the amount of emissions released into the environment. See Figure 3-11 for comparison images from typical case studies.

Figure 3-11
Images from case studies comparing smoke emissions and deposit control.

Without Additives



With Lubrizol Additives



In 2007, the comprehensive new EU REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) regulation came into force.

The benefits of REACH to the chemical industry include:

- Revealing more information about the chemistry in products to further reassure users that, when handled and used safely, there is minimal possibility of significant adverse effects
- Encouraging technological innovation by making it less expensive to develop new chemistry compared with reformulating older products
- Allowing for closer controls of substances of very high concern in a risk-based manner
- Encouraging the substitution of substances of high concern with less dangerous substances where economically and technically viable
- Allowing for the efficient functioning of the EU chemicals market

The first phase of REACH registration, which was completed at the end of 2008, gave Lubrizol six months to pre-register all substances already on the EU market. Pre-registration allows for continued sales of existing substances, while providing a tiered registration schedule through 2018. We also asked our European suppliers to confirm that they pre-registered the substances supplied to us, thereby ensuring continuity of supply. In addition, we pre-registered a significant number of substances to enable our existing non-EU customers to continue exporting products containing Lubrizol chemistries to the EU.

The next phase of REACH registration is tiered, and requires Lubrizol to register substances that it pre-registered and intends to continue to place on the market after set deadlines. The first of these deadlines was at the end of 2010, and all of Lubrizol's high-volume substances were successfully

registered by this deadline. We have now moved our focus to the significant number of substances requiring registration by the 2013 and 2018 deadlines.

In addition to the registration activities, the chemical industry is beginning to communicate additional information to customers to assist with the safe use of chemical substances. Lubrizol is evaluating this additional information to determine whether new requirements should be implemented for continued safe use of chemical substances.

The various requirements of REACH placed upon Lubrizol will be resource-intensive, but we expect to be able to fully comply.

Packaging

We encourage suppliers to ship raw materials in dedicated bulk containers or in packaging that is reusable and/or recyclable. Large-volume bulk materials are usually shipped by truck and rail in dedicated tankers, and by sea in dedicated isotainers, all of which minimize the need for cleaning and, therefore, waste generation. Reusable totes and fabric bags handle smaller-volume bulk materials. Drum recyclers and reconditioners take our drums for cleaning and either reuse, recycling or reconditioning.

We ship our products to our customers in a variety of container and package types. Shipments without containers are provided by parcel tanker and pipeline. Bulk container shipments include truck and rail tank cars by ground, and isotainers by sea. We ship our products in a variety of reusable rigid or flexible totes. Liquids are frequently shipped in reconditioned 264 gallon (1,000 liter) or 275 gallon (1,040 liter) rigid totes. The typical rigid tote is a polymer “bottle” enclosed within a steel cage for protection. Almost half of the totes are cleaned and reused, and reconditioned totes are purchased rather than new ones. Some liquids are being shipped in collapsible *bag in a box* totes. When emptied, these totes can be flattened for shipment, thereby taking up much less space. Rather than shipping in multiple bags, solids are shipped in flexible totes that resemble large boxes with built-in pallets. Where bags are necessary, bags of various types and larger sizes are used, all of which is focused on minimizing waste.

We also ship products in fiber, steel, or polymer drums and cardboard boxes. Some of the steel drums are reconditioned, and two-thirds of the polymer drums contain up to 75 percent recycled materials. Corrugated boxes used to ship products contain up to 26 percent recycled content.

Transportation

Our global supply strategy with regional production and distribution allows us to reduce intercontinental shipments. We do not own or operate our own truck fleet; we use common carriers for products shipped by truck. Currently, we have no formal initiatives to reduce the environmental impact of these transportation modes.

As part of our quarterly assessment of tank truck carriers, we review their safety and environmental performance with them. If a carrier has a poor safety or environmental performance record with our cargo, or as evidenced by their publically-reported safety performance, this is documented along with the corrective action taken on a *Carrier Corrective Action Request*. This is reviewed quarterly with the carrier and, if we are not satisfied with their performance, the relationship is terminated.

Life Cycle Assessment

We are implementing environmental life cycle assessments (LCA) and Life Cycle Inventories (LCI) on a selective basis to understand the full environmental impact of our products and technologies—from manufacture, through use, to the end of a product’s useful life and its disposal. Since we began using LCA and LCI tools in 2003, *we have completed six product LCAs and have more in progress. Going forward, we will base any environmental claims made for our product lines on life cycle considerations.*

Examples of our LCA efforts include:

- *Analyzing the impacts of different intervals between engine oil changes*—both passenger cars and commercial vehicles. As oil breaks down over time, the viscosity increases, resulting in increased fuel use.
- *Comparing of impacts across our TempRite CPVC plumbing products to PVC, PEX and copper piping in various tube diameters.*¹
- Of particular note is our recently-completed ISO-compliant, peer-reviewed LCA for BlazeMaster CPVC pipe and fittings used in fire sprinkler applications. This LCA was then coupled with a comparative LCA measuring CPVC environmental performance against that of steel. The results support marketing claims for BlazeMaster based upon its superior performance in numerous environmental impact categories.

Cost is a significant barrier to implementing LCAs in a larger number of product categories. We have developed an internal capability, using commercially-available LCA software, to generate first approximation LCA results to help guide business managers when deciding whether to invest greater resources in more detailed LCA analyses.

Compliance

As a global producer of specialty chemicals, we are subject to the jurisdiction of a full range of regulatory bodies.² We must comply with thousands of laws and rules, including, but not limited to, those pertaining to securities disclosure and accounting; competition; worker and public safety; transportation, labeling and registration of chemical substances; environmental emissions and the storage, treatment and disposal of waste and by-products; workforce rules, including the laws related to collective bargaining and unions; and import-export laws, including some related to terrorism and national security.

To assure compliance, and as required under our RCMS programs, we conduct regulatory compliance audits. In 2009 and 2010, we completed 45 global corporate HSES and process safety audits. We track the audit findings and corrective actions using a global action tracking software platform that allows us to monitor progress toward action completion in real-time, worldwide.

There were eight reported transportation-related incidents in the U.S. during 2009, which involved four non-bulk packages, one tank truck and one rail car. During 2010, there were ten transportation-related incidents in the U.S., which involved two non-bulk packages, one IBC, one tank truck and six rail cars. Lubrizol had one transportation-related notice of violation in 2009, and received none in 2010.

We are currently working on expanding our network of support and response for transportation incidents to provide better global coverage.

¹ In conjunction with the Plastic Pipe and Fittings Association

² Securities and Exchange Commission (SEC), the U.S. Environmental Protection Agency (EPA) and its state equivalents, the Occupational Safety and Health Administration (OSHA), or the Transportation, Labor, Treasury, Commerce, Energy or Homeland Security Departments



Section 4

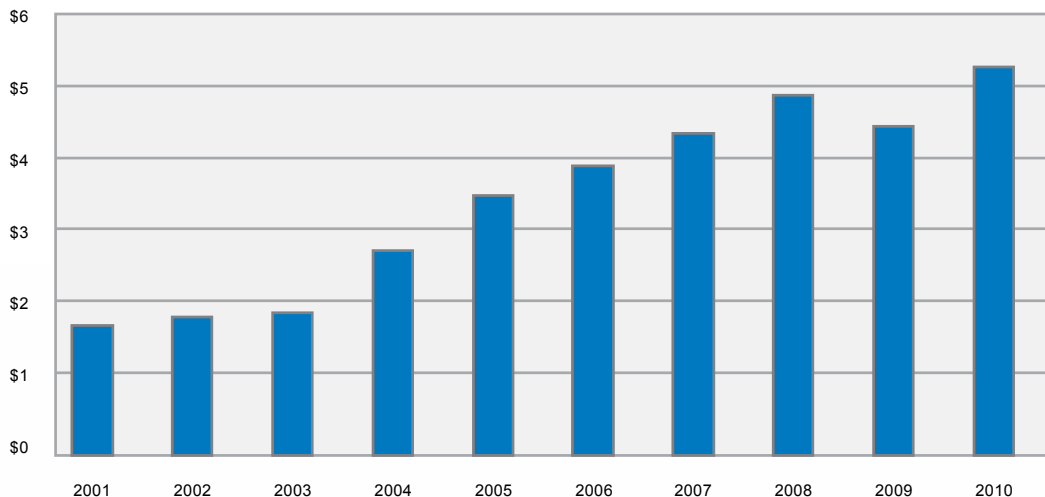
Economic Responsibility Performance

We believe that rapid globalization, industry rationalization and greater demand for performance technology are creating an environment in which fiscally-responsible, environmentally and socially progressive companies will continue to prosper. We work closely with customers, equipment manufacturers, technical societies and regulators to understand current and future market needs. Our customers demand innovation, and we have the capability to deliver. In turn, our economic performance allows us to provide economic benefits to our investors, employees, suppliers and the communities in which we operate.

Financial Performance

In 2010, total revenues were \$5.42 billion, an increase of 18.1% over 2009. Earnings as adjusted (non-GAAP) were \$1.02 billion, an increase of 34.4 % over 2009. We continued to create growth opportunities through technical innovations and superior service that contributed to our customers' success. And over the past decade, we have achieved a 13% compound annual revenue growth due to organic growth and acquisition (see Figure 4-1).

Figure 4-1
Historical Summary of Revenue Growth - \$Billion



In 2010, Lubrizol again made *Fortune* magazine's list of the 500 largest companies in the U.S. Lubrizol moved up in the ranking order to 423 from 453. And, on the basis of 2010 profitability metrics, total shareholder return and earnings per share growth, Lubrizol is among the top performers of the 16 chemical companies that are on the Fortune 500.

Lubrizol also moved up in the Forbes Global 2000 ranking, to 1220 from 1249, and we were ranked number 20 globally in our industry sector of specialty chemicals. Unlike the Fortune 500, which is a ranking solely on 2010 revenues, the Forbes Global 2000 ranking is based on a combination of revenues, net income, assets and market value. Lubrizol stands out as a world-renowned corporation whose financial performance continues to excel.

Lubrizol also received several other awards related to its financial results, including being named *Chemical & Engineering News' (C&EN) 2009 Company of the Year*, for exhibiting the most impressive performance among chemical companies.

Our strong operating performance is a reflection of our careful planning and solid execution over many years, and we are well-positioned for continued, sustainable growth into the future.

Climate Change Regulation and Our Business

We believe that our company's products can play an important role in helping the consumers of our customers' finished products address climate change regulations around the globe. Our additive products are critical for efforts to increase fuel efficiency (reducing greenhouse gas emissions), and to reduce nitrogen oxide (NO_x) emissions from the combustion of liquid fossil fuels. In addition, we are working closely with stakeholders to provide additive products that facilitate the use of bio-based fuels and meet the lubrication requirements of renewable energy sources, such as wind turbines. Enhancing our customers' success in these endeavors is a business growth opportunity for Lubrizol.

Socially Responsible Investment

Our financial and sustainability performance across social, environmental and economic indices has been sufficiently strong to merit our inclusion in the Domini 400 Social Index, the Calvert Social Index and five KLD social indexes.

Related to our inclusion in these indices, Lubrizol was acknowledged for its strong performance in the areas of social responsibility and corporate citizenship. These include being named to:

Newsweek Magazine's 500 Greenest Big Companies in America List (2009 and 2010) (Ranking determined through a survey administered by KLD Research & Analytics, *Newsweek's* lead partner in the study) [United States]

Corporate Responsibility Magazine's 100 Best Corporate Citizens List (2010 and 2011)

(Based on publicly available information for corporate-wide performance in areas that include environmental stewardship, ethics and philanthropy, among others)

Community Economic Benefits

In 2010, our global full-time workforce was 6,896 employees, an increase of 2.5% over 2009.

We pay competitive wages and salaries and offer competitive benefits to ensure that we have an engaged workforce that supports our company's objectives. As a high technology, specialty chemical manufacturing company, the types of jobs we provide tend to be higher paying than many of those in other sectors. Overall, company-wide compensation and benefits in 2010 were more than \$700 million, contributing to the growth and vitality of all of the global communities where our people live and work.

It is important that each facility reflect the diversity of the region in which it is located, and we make every effort to recruit local talent for all positions, including senior management. We apply our policy of equal employment opportunity throughout the recruitment process and in all aspects of employment. We also engage in a variety of programs to identify potentially-qualified individuals for jobs where diversity may be enhanced.

In addition to the economic benefits our employees enjoy, and then share with the communities in which they live and work, we purchase supplies and services from local companies that total in the hundreds of millions of dollars annually.

Philanthropically, The Lubrizol Foundation and The Lubrizol Corporation combined make significant charitable contributions of cash, goods and materials to the social and educational infrastructure and environmental quality of the communities in which we operate – in the amount of about \$3.5 million annually. When combined with the tens of thousands of hours of company-sponsored employee volunteerism donated globally each year, the economic benefits to the communities that we serve are even more profound.

The Lubrizol Foundation

Since its inception in 1952, The Lubrizol Foundation's priority has been to support educational opportunities and health and human services for children and adults in the U.S. where our major facilities are located.

In 2010, The Foundation gave more than \$616,000 (about 25% of its total \$2.5 million budget) to support schools, mostly in the greater Cleveland, Ohio and Houston, Texas areas. This included \$398,800 in scholarships, fellowships and awards to 34 colleges and universities. Under the terms of its program, the Foundation selects the schools and designates the fields of study, with principal emphasis on chemistry, chemical engineering and mechanical engineering. All grants are based on established student achievement and/or academic potential, or the financial need of exceptional students. The colleges and universities select the student recipients.

The Foundation's matching gift and community connection programs awarded almost \$900,000 to organizations that our employees support with monetary donations and/or their time. Grants totaling about \$717,000 were also provided for health and human services, with \$467,000 being given directly to United Way organizations in Ohio, Texas and North Carolina.

And in 2011, The Lubrizol Foundation awarded the largest grant in its history: a \$1.0 million donation to Breakthrough Charter Schools for the acquisition and renovation of unused Cleveland Metropolitan School District buildings, as an investment in Cleveland, Ohio's children.

FOUNDATION SUPPORT OF THE COMMUNITY



Section 5

Self-Assessment/Conclusions

The opportunity to review our company's performance as a corporate citizen provides us a means to build on and deepen our strengths, articulate and understand our challenges and set goals for improved social, environmental and economic performance.

Our commitment to an ethic of honesty and integrity has not wavered since our founding. We continue to improve upon our efforts toward sustainability in the practical, day-to-day operations of our business. Our ethical commitment means that we need to be honest with ourselves about our social, environmental and economic performance and what we need to address to satisfy ourselves that our efforts reflect our standards for integrity.

Our Strengths

We do many things well. Our ethics program is highly developed, deeply ingrained and can serve as a model for other corporations that seek to commit their whole organization (and its outside stakeholders) to strong, day-to-day ethical behavior. We are happy to share our educational methods and practices with other companies that wish to draw on our knowledge. At the same time, our program will continue to benefit from periodic, external reviews.

Our commitment to being a good neighbor is rooted in the values and philosophy of Lubrizol's founders, and has been sustained for over 83 years. It is evidenced by our reputation as an ethical, safe and environmentally-responsible corporation that is focused on continuous improvement in health, safety, environmental and security performance. And it is affirmed by the unwavering dedication of our employees and retirees to donate their time, talents and resources in service to their communities around the world.

Our program of employee benefits, training and development is a strength that has enabled us to hire well and keep our people. Exploring innovative approaches to inclusion, benefits, training, development and community engagement will open new opportunities for recruitment, enrich employees' experiences and deepen the pool of potential Lubrizol leaders.

We are a performance-driven, customer-oriented business built on technologies that differentiate us from the competition, and with applications that add value and help our customers grow. Our patents and technologies come from our passion and commitment to research. We embrace working with our customers, striving to understand their challenges in order to provide them with customized solutions. Our technology in additives, ingredients and compounds not only enhances the quality, performance and value of our customers' products, but also works to reduce their environmental impact.

Our track record of consistent, profitable growth has been critical to reinvesting in the business and ensuring long-term value. Building and maintaining margins is the cornerstone of our growth strategy, which includes geographic expansion, product innovation, an industry-leading global supply chain, infrastructure enhancements and portfolio-enriching acquisitions.

Our Challenges

The reduction of waste and emissions has been a long-time area of focus at Lubrizol. We have established tracking systems and metrics, and we are making incremental progress on many of these metrics. And while we have not yet challenged ourselves by setting stretch goals such as "zero waste emissions," we are moving forward in our sustainability practices.

The innovation and creativity that have been engineered into the chemistry of our products can be brought to bear on our business processes, manufacturing operations and supply chain practices to minimize the amount of waste that is disposed of directly to the environment. This can be accomplished through greater reduction at the source, reuse and recycling.

We recognize the potential for climate change regulation to affect our customers' businesses, and we are working hard to help them address the issue. We have started to assess the impact of climate change regulation on our raw material sourcing, the ability of our current suppliers to meet our future needs, our ability to produce our products using current manufacturing methods and delivering products to our customers.

Globally, there are many current or planned voluntary and mandatory proposals and regulatory initiatives that impact greenhouse gas (GHG) accounting, energy efficiency policies, supply chain initiatives and sustainability goals. We are following the progression of these issues with the intent to effectively develop a comprehensive strategy that, in addition to meeting requirements of environmental stewardship, will provide opportunities for competitive advantage.

Lubrizol products are dependent on the petrochemical supply chain for raw materials. Our offices, laboratories and manufacturing processes require energy, most of which is supplied by fossil fuels, and our distribution is almost entirely dependent on fossil fuels. Accordingly, a sustained and concerted focus on improving operational efficiency and energy conservation at each of our facilities around the world will be necessary to drive further reductions in our global GHG emissions.

Water use represents another long-term challenge for the world at large. Water is being withdrawn in certain countries at rates that are not sustainable over the long term. Failure to protect watersheds and rainforests, combined with increasing demands from growing populations, will continue to adversely affect water quantity and quality.

Overall, our company uses a relatively small amount of water for heating and cooling our process vessels and buildings. We use an even smaller amount as an ingredient in some manufacturing processes and in our offices and technical facilities. Our raw material suppliers have larger-scale water use, partly as a heat transfer medium and partly in processing. We have not calculated the degree of water use across the life cycle of our products.

We know that additional conservation in our operations is important, and Lubrizol is committed to doing its part to reduce water consumption and to protect water quality where our facilities are located around the globe.

On the Horizon

Our company combines science and ethics to serve the health, safety and well-being of human and ecological communities. Our founders began with products that improved vehicle efficiency by reducing friction. We've moved beyond efficiency to effectiveness—stewardship—and today we strive to use resources efficiently, to conserve resources for the long run, to shift to resources that are renewable for the long term, and to use resources and produce products that do not harm human or ecosystem health.

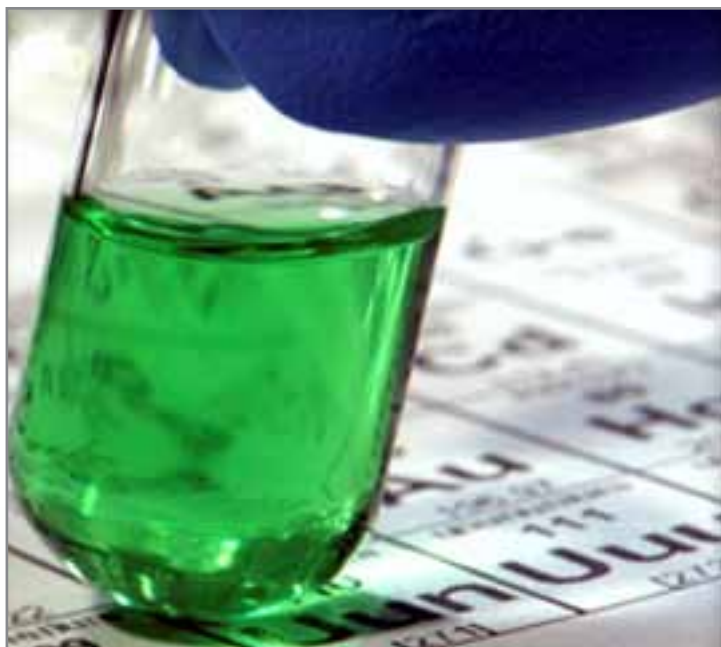
Our scientists and engineers know how to innovate, and how to design products and processes to achieve a performance goal. We put these talents to the task of designing products for our customers and our customers' customers that enhance value for all. In addition, they follow core principles that recognize the finite nature of Earth's resources—energy, water and materials. As good stewards, we must also consider the environmental sustainability of a product as a measure of its performance.

Waste, emissions, and safety and environmental incidents do not provide value to our investors, employees, customers or our customers' customers, and will never be acceptable. We will not be complacent about their existence in our products, our manufacturing facilities or our corporate operations. We have to take a serious look at how we can move toward a zero goal in all of these areas, while maintaining our financial viability.

Sustainability only makes sense when there is growth in economic and societal value, in conjunction with shrinking our overall environmental footprint related to resource extraction, production, product life and final disposal. In our path toward sustainability, we will measure the environmental footprint of our facilities and our products from the origins of raw materials to the end of their useful lives, set ambitious, continuous improvement goals and be transparent with stakeholders on our progress.

We understand that the goal of sustainability is more than an environmental value—it is also a key indicator of social and financial success. No company in this century can profit, in all senses of the word, without excellent stewardship of its financial resources — and of the social and environmental wealth we hold in common.

In 1928, Lubrizol was founded by six visionary individuals who believed that doing business right meant treating people right, giving back to society and protecting the planet's resources for future generations to enjoy. Eighty-three years later, their message of sustainability resonates more clearly than ever as we aspire to become one of the largest and most profitable specialty chemical companies in the world.



With you every step of the way.

The Lubrizol Corporation
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