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My Fellow Stakeholders:

This report addresses our performance in the areas of corporate citizenship: environmental social, and economic. Globally, we strive to meet the current needs of our stakeholders by maximizing our performance in these areas while minimizing any potential negative impacts on their future needs. This report is not exhaustive. Instead, it provides a snapshot of our 2007 and 2008 practices, in the context of our most deeply held values.

Our commitment to absolute honesty and integrity is a fundamental principle, unchanged since Lubrizol's founding in 1928. It permeates our daily activity and influences every decision we make. It is specific and spelled out in our 32-page Ethical and Legal Conduct Guidelines, which apply to every Lubrizol employee around the world, including our board members and myself.

Our business culture and practices have earned us broad recognition in the business community and from the socially responsible investment community. Our excellent performance across social, environmental and economic indices has merited our inclusion in the Domini 400 Social IndexSM, the Calvert Social Index[®] and five KLD social indexes based on environmental, social and governance performance.

We know a great deal about how to motivate and engage a diverse, highly educated workforce, as well as how to keep a technology-based business on a sustainable financial path. It is newer ground for us to learn what further improvements in environmental sustainability and stewardship will mean to our business in a time of pending climate change legislation and natural resource limitations.

In 2006, we set several new major goals for reducing resource use by 2012, using 2005 data as a baseline. These goals include a five percent reduction in worldwide waste generation and a seven percent reduction in worldwide energy consumption. We have made moderate progress in reducing energy use and good progress in raw material conversion efficiency improvement. We fully expect to achieve these goals.

I welcome this opportunity to review our company's citizenship. I see it as a means for us to build on and deepen our strengths, articulate and understand our challenges and set goals for improved social, environmental and economic value performance. I also welcome your response as a stakeholder and look forward to hearing from you. You can contact us via www.lubrizol.com

—James L. Hambrick, Chairman of the Board, President and Chief Executive Officer

A Sustainability Scorecard

Environmental Indicators		2007	2008
Greenhouse Gas Emissions	Percentage change from 2005 ¹ in kilograms of CO2 emissions per kilograms produced	-0.1%	-2.3%
Worldwide Energy Usage	Percentage change from 2005 ¹ in gigajoules per kilograms produced	-1.3%	-4.6%
Waste Generation	Percentage change from 2005 ¹ in kilograms of waste per kilograms produced	-18.2%	-15.9%
Water Usage	Cubic meters per kilograms produced	0.114	0.108
Incident Rates for Employee Health and Safety and Process Safety	Occupational Safety and Health Administration (OSHA) recordable rate	1.45	1.05
	Ratio of Lubrizol rate to average American Chemistry Council OSHA recordable rate	1.18	0.85
	Process safety incidence rate	0.10	0.13
	Ratio of Lubrizol rate to average American Chemistry Council process safety incident rate	0.65	0.69
Social Indicators			
Ethics	Number of ethics contacts	226	236
	Percentage of contacts resulting in disciplinary action	13%	17%
Compliance	Number of notices of violations exceeding \$100,000 issued by U.S. Federal or foreign national agencies ²	0	0
	Number of notices of violations exceeding \$100,000 issued by local agencies	1	0
Economic Indicators			
U.S. Supplier Diversity	Minority business enterprise purchases (direct and indirect purchases in 000s)	\$6,759	\$7,293
	Women business enterprise purchases (direct and indirect purchases in 000s)	\$6,817	\$6,004
	Minority and women business enterprise purchases as percentage of total purchases	5.7%	5.1%
Corporate Philanthropy	Total Lubrizol corporate and foundation monetary grants and in-kind donations (000s)	\$4,000	\$3,700
	Total Lubrizol corporate and foundation giving as percentage of earnings as adjusted (Non-GAAP)	1.4%	1.3%

¹ 2012 environmental goals, which were set in 2006, use 2005 as the base year

² Including the U.S. Securities and Exchange Commission (SEC), U.S. Environmental Protection Agency (EPA) or state equivalents, Occupational Safety and Health Administration (OSHA), or the Departments of Commerce, Energy, Homeland Security, Labor, Treasury and Transportation or by counterpart authorities in other countries

Section 1

Lubrizol: Who We Are

The Lubrizol Corporation 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, and we strive to minimize the environmental impact.

We are geographically diverse, with an extensive global manufacturing, supply chain, technical and commercial infrastructure. We operate production facilities in 18 countries, with sales and technical offices around the world, through the efforts of more than 6,800 individuals. We sell more than 12,000 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 is exceptional at innovation and product development that meets 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 where customers 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 transportation and industrial 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 improves the performance and lifespan of engines, transmissions and gear components thereby reducing their 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 to name a few. 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 that covers 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 have 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 in the form of specialty resins and additives 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.

Our TempRite® Engineered Polymers line is the world leader in chlorinated polyvinyl chloride (CPVC) resins and compounds. These materials produce heat-resistant and low-combustibility products used in fire sprinkler, plumbing, industrial piping, fencing and exterior cladding applications. We expanded beyond our traditional CPVC with the introduction of an innovative cross-linked polyethylene flexible piping system (PEX) making us the only global supplier of both CPVC and PEX piping solutions.

Estane® Engineered Polymers are used in: applications including 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 high-performance resins and polymer, hyperdispersants, wax additives and compounds for the paints, coatings and adhesives, graphic arts, paper and textiles and engineered substrate markets.



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

We are committed to:

- Rewarding shareholders 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.

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.

Environmental as well as fiscal sustainability is vital to our corporate stewardship. Many of our products provide environmental benefits to customers and end users and enable our customers to achieve their environmental objectives.

Fundamental to Lubrizol's business is protecting our employees, our customers, the communities in which we operate and the environment³. 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 tradeoffs, 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.

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

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; 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 renewable and non-renewable energy consumption and improve overall raw material utilization.

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 a critical aspect of providing products that enhance our customers' market success and environmental goals and pursuing our sustainability goals. We require that all facilities worldwide implement the American Chemistry Council's (ACC's) Responsible Care Management System® for health, safety, environmental and security and 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 the 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. In addition, some of our facilities seek OHSAS 18000 certification for occupational health and safety.

Life Cycle Assessments

We also have undertaken efforts to understand the environmental impact of our business. We are learning how to use life cycle assessments 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

Our board of directors, in accordance with the standards of the New York Stock Exchange (NYSE), currently comprises nine individuals, eight of whom are independent. The board has three standing committees:

1. Executive Committee
2. Organization, Compensation, Nomination and Governance Committee
3. Audit Committee

Our board of directors Governance Guidelines have been leading edge and directed our governance practices for more than 15 years. The guidelines are available on Lubrizol's Web site (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 2008, the board had one female member and two minority members.

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, under the leadership of one of our senior managers, 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 and sells in more than 100 countries around the world. 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.

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 the other components of our culture within each new facility and business unit that becomes part of Lubrizol.



Worldwide Employee Demographics

At the end of 2008, Lubrizol globally employed a total of 6,967 individuals. This workforce was geographically diverse in line with the company's international presence: 56% were employed in the Americas, 22% in Europe and 22% in Asia Pacific. On a gender basis, women represented approximately 25% of the total employee population, excluding our joint venture entities.

Our worldwide employee population broke down into the following categories for 2008:

- 21 percent – management
- 29 percent – professionals
- 10 percent – administrative
- 7 percent – technician
- 32 percent – labor

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.





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. Today, our approach to ethical conduct is grounded in a simple truth: We treat others as we would like to be treated.

Employment Policies

Lubrizol's talented workforce is the foundation for our growth and success. Our employees consistently deliver on our strategic business objectives and are motivated and have the ability to evolve 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.

To that end, we encourage open and honest communications 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.

Compensation and Benefits

We target to pay above-average wages and ensure high-quality working environments to maintain a satisfied, engaged workforce. 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 with 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 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. For example, in Belgium and the U.K., where industry-sector labor agreements set the minimum wage, Lubrizol wages are better than 130 percent of the statutory minima.

In China, 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 the U.S., the lowest pay rate in 2008 was approximately 15 percent above the federal minimum wage. The lowest pay rate in Ohio, the location of our headquarters and a number of key facilities, was more than 12 percent above the state minimum wage.

We recognize that employees may have to manage personal and family issues along with their work responsibilities. We support wellness efforts at U.S. locations, and several facilities have on-site nurses who assist employees with counseling in difficult situations. 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 all 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. 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 2007 and 2008. The top three training topics were Responsible Care (health, safety, environmental and security and associated regulatory compliance), ethical and legal practices 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.

Every Lubrizol employee participates in an employee review 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 career management 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.

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 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. Regional ethics leaders support implementation and serve as local contacts for questions 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 call a dedicated phone number for guidance on an ethical dilemma or to report an ethical concern, anonymously or otherwise. Our corporate 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.

We updated our ethics guidelines in 2007, and by mid-2008 our global ethics team trained more than 6,000 employees and contractors. The 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 2008, our global ethics team, including the corporate ethics office staff and 32 regional ethics leaders, received 236 contacts seeking advice, asking questions or reporting possible ethics issues. Approximately 18 percent of the calls dealt with HR-related issues, 17 percent were related to inappropriate computer usage, and 14 percent dealt with conflict of interest issues or questions. In some cases, we investigated and determined that no violation of our guidelines occurred. Disciplinary action occurred in 17 percent (41) of the cases, with 17 cases resulting in termination. The number of contacts received in 2008 represented a four percent increase from 2007. There is typically an increase in the number of contacts following awareness training such as that occurring in late 2007 and 2008.

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 only will employ individuals who apply to work for 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, 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 either with our ethics or legal staffs 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 even arguably be interpreted as violations of antitrust and fair competition laws. The chemical industry globally has been closely examined in these areas, and many companies have been pursued. We never have been the subject of such an investigation.

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

Protecting 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 and Women in Lubrizol Leadership. 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 also are a valuable resource to our global business.

In the U.S., partnerships with a number of organizations (e.g., the American Chemical Society, the National Action Council for Minority 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. We are on track to reach \$200,000 in corporate scholarships annually by 2011. Combined with The Lubrizol Foundation's grants, Lubrizol awarded \$171,600 for minority scholarships in 2007 and \$145,200 in 2008.

Employee Health and Safety Performance

It is safer to work at Lubrizol than in most grocery stores. We are committed to providing a safe and healthy working environment for all of our employees. Our 2008 recordable injury rate—a common measure of employee health and safety—is four times lower than that for all U.S.-based manufacturing⁴.

Standards of Care

Lubrizol's Standards of Care (SOC) outline our worldwide requirements for health, safety, environmental and security (HSES) procedures and guidelines, which provide consistency in operations across our organization. Where specific country regulations exceed our SOC guidelines, sites must meet both the SOC and local or national regulations.

We implement Standards of Care through an open process that allows all employees to participate in shaping our HSES operating procedures and guidelines. Any employee or plant location may draft a SOC. All facilities then have the opportunity to comment on the draft before senior management review and approval. Once approved, a new SOC is distributed to all sites and incorporated into required HSES operating procedures. In 2007 and 2008, Lubrizol employees developed SOCs for confined space entry, drum handling, near-miss reporting, equipment isolation and lockout/tagout, medical waste management, guidelines for developing a plant decommissioning plan, communication of site investigation and remediation activities and mechanical integrity.

Elements of Excellence

Beyond our required SOC, we also teach and apply Elements of Excellence – superior HSES practices as identified by the American Chemistry Council and other professional and trade associations. These elements are implemented based on facility-specific needs and resources.

⁴ National Safety Council 2007 Safety Data

We seek to achieve:

- Reduced risk resulting in fewer injuries
- 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

Health, Safety, Environmental & Security Policy

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. Twenty-seven facilities earned the award in 2007 and/or 2008:

• Antwerp, Belgium	• Oevel, Belgium
• Barcelona, Spain	• Paso Robles, California, U.S.
• Barnsley, U.K.	• Peachtree City, Georgia, U.S.
• Chagrin Falls, Ohio, U.S.	• Rio de Janeiro, Brazil
• Clifton, New Jersey, U.S.	• Ritterhude, Germany
• Delfzijl, Netherlands	• Sao Paulo, Brazil
• Durban, South Africa	• Seremban, Malaysia
• Gastonia, North Carolina, U.S.	• Songjiang, China
• Lanzhou, China	• Spartanburg, South Carolina, U.S.
• LeHavre, France	• Tianjin, China
• Louisville, Kentucky, U.S.	• Vadodara, India
• Mexico City, Mexico	• Vilvoorde, Belgium
• Midland, MI, U.S.	• Yanbu, Saudi Arabia
• Mumbai, India	

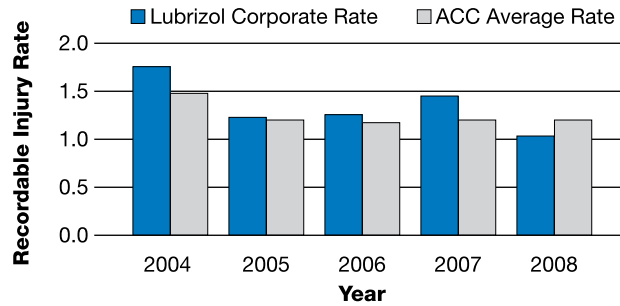
The CEO's Sustainable HSE Excellence Award recognizes facilities that have earned the President's Award for the past three years. Eleven facilities earned the award in 2007 and/or 2008:

• Blackley, U.K.	• Pohang, Korea
• CPI Houston, U.S.	• Qingpu, China
• Huddersfield, U.K.	• Singapore
• Kinuura, Japan	• Spartanburg Lab, South Carolina, U.S.
• Mourenx, France	• Valencia, Venezuela
• Pedricktown, New Jersey, U.S.	

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. In 2008, we were able to meet our worldwide recordable case rate goals. We also operated at or near our lost time injury goals. Our 2008 performance puts us below the average for ACC member companies. Following a review of the data, we identified that slips, trips and falls accounted for 26 % of our injuries in 2008. We are focusing on this issue in 2009. Sites were asked to initiate activities to address this issue, which will include training to increase awareness and a thorough evaluation of walking and working surfaces.

Figure 2-1
Worldwide Recordable Injury Rates 2004-08
Lubrizol Compared to ACC Membership
Performance Rating⁵: Good Improvement



Facility Awards and Recognition

Our worldwide facilities were recognized for a variety of efforts in 2007 and 2008:

- 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.
- Clifton, New Jersey, received an Award of Excellence from the Passaic Valley Sewerage Commission for exceptional compliance with reporting and wastewater pretreatment requirements.
- Houston, Texas (CPI), achieved ISO 14001.
- Jurong, Singapore, received a Silver Annual Safety & Health Performance Award from the Ministry of Manpower for the sixth consecutive year. The facility recorded one million man hours with no lost time. In addition, they received the following SCIC's (Singapore Chemical Industry Council) Responsible Care awards: Gold Award for Pollution Prevention Code and Achievement Award for community awareness and emergency response, employee health and safety, process safety, product stewardship and distribution.
- Lanzhou, China, achieved ISO 9001: 2000, ISO 14001:2004 and OHSAS 18001:2007.
- Sydney, Australia, received the National Safety Council of Australia's award for Best Occupational Health and Safety Training Program.
- Wickliffe Research and Development, Ohio, received the City of Wickliffe Beautification Commission Recycling Award.
- Wickliffe, Painesville, Avon Lake and Bowling Green, Ohio, were recognized by the Ohio Chemistry Technology Council's Excellence in Environmental, Health, Safety and Security Performance Award.
- Wickliffe Research and Development, Ohio, and Deer Park, Texas, 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."

⁵Lubrizol's internal evaluation of its progress

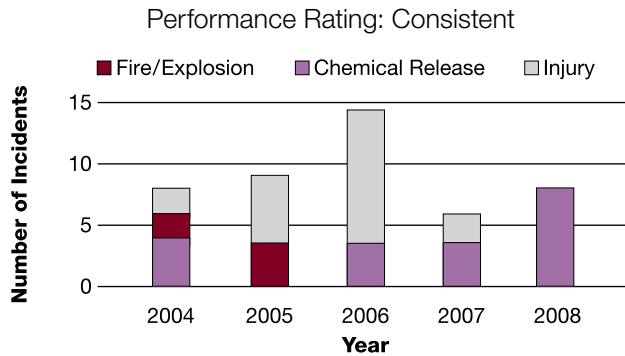
(For Responsible Care Management System certifications, see page 18)

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 can result in serious injuries. Our primary tools for anticipating and identifying areas for process safety improvement continue to be process hazards analysis and root cause analysis, which are systematic approaches to identifying risks and fundamental causes that might lead to a problem.

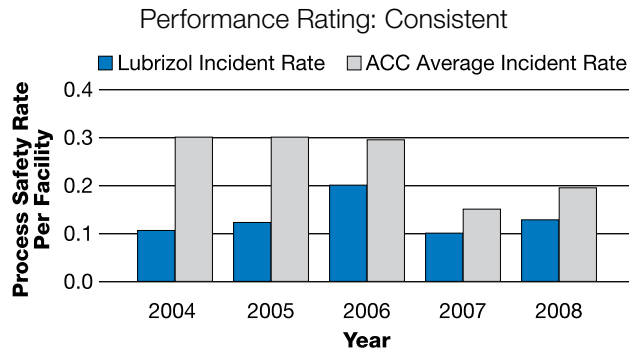
In 2007 and 2008, we experienced a total of six and eight process safety incidents, respectively, as defined by the ACC. This was a decrease from 14 incidents in 2006 (see Figure 2-2).

Figure 2-2
2004-2008 Worldwide Process Safety Incidents
By Type



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
2004-2008 Worldwide Process Safety Incident Rates
Lubrizol Compared to ACC Membership



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.

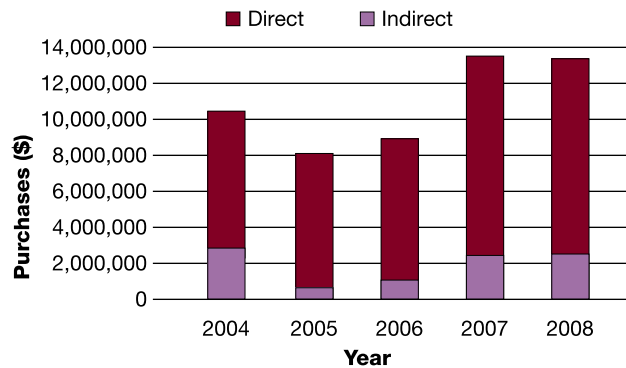
We also assess our distribution partners and agents to ensure that these partners meet our minimum requirements for responsible practices. Through background checks and interviews with representatives, we review our suppliers and partners for a history of ethical behavior. Prior to engaging a toll manufacturer, 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 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 four years.

Figure 2-4
2004-2008 Minority and Business Enterprise Purchasing

NOTE: Direct refers to raw material purchases. Indirect refers to purchases of 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.

Responsible Care 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 system at each of our facilities around the world.

RCMS is based on the concept of continuous improvement, following the 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. We also conduct second-party audits in which internal teams visit other plants to conduct systems and compliance audits. To achieve Responsible Care Management System certification, facilities also must undergo a third-party systems audit. Our Wickliffe and Brecksville, Ohio, headquarters were certified in 2006. In addition, between 2006 and 2008, 15 of our production and research and development sites received certification:

Avon Lake, OH
Bayport, TX
Brecksville R&D
Calvert City, KY
Chicago, IL
Deer Park, TX
Gastonia, NC
Houston, TX

Louisville, KY
Midland, MI
Painesville, OH
Pedricktown, NJ
Jurong, Singapore
Wickliffe R&D
Wilmington

We plan to have all U.S. sites certified by 2010, and, in 2009, we have begun recertifying those sites previously certified on a three-year cycle.

One RCMS requirement is to conduct regulatory compliance audits. In 2008, we completed 28 global corporate HSES and process safety audits, and we track the audit findings and corrective actions on a semiannual basis.

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 risks.

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 2008, 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 as well as the customer extranet.

In 2007 and 2008, we:

- Created a formalized risk assessment process to prioritize security activities
- Conducted monthly network scans of systems that are available from the Internet, including the HR Benefits site and customer extranet
- Required encryption of critical or privacy data on removable media (CD, DVD, memory stick, etc.) or e-mailed over the Internet
- Strengthened information security awareness by training all users on information theft and our information security policy.
- Set up encryption on all laptops, including a monitoring program to log compliance with the policy
- Distributed USB memory sticks with enforced, strong encryption
- Initiated a project to extend our host-based intrusion detection software
- Established a secure external collaboration site for customer interaction
- Initiated a project to further strengthen SAP security
- Updated corporate information security policies



Animal Testing

Product safety requires testing for potential hazards and risks. We do not conduct animal testing internally for any products or product ingredients. In some cases, the use of animals in hazard and 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.

As a member company of the ACC, we affirm the principles outlined in their policy on *Use of Animals in Testing and Alternative Methods*. To that end, we employ a tiered approach to the use of animal testing to evaluate hazard and risk. These steps are (the least harmful listed is first):

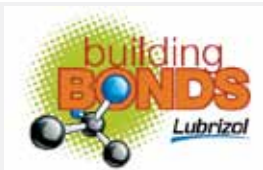
1. Literature search (make full use of existing information and avoid test duplication)
2. Read-across from similar materials
3. Computer-based molecular modeling
4. In vitro methods
5. Alternative (animal-sparing) methods
6. Conventional animal testing

When animal testing is unavoidable, we carefully select 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. We contract animal testing only to those laboratories that comply with recognized animal welfare regulations and have an accreditation or policy regarding animal welfare.

Community Involvement

We encourage employees at all levels, both as individuals and through company-sponsored activities, to volunteer with community organizations. Our people have donated their time, expertise and skills to local organizations ranging from schools to orphanages to health and human service nonprofits.

Long-term, company-sponsored activities in the Northeast Ohio region include tutoring at-risk kids, employee service on nonprofit boards and committees, science demonstration days, support of Trees for Wildlife and holiday gifts for kids in need. In 2007, the company expanded its efforts through an annual Building Bonds day in which employees in Northeast Ohio worked with area nonprofit organizations to complete projects in a single day. A second annual Building Bonds day was held in 2008.



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.

Each June, 175 employees from five of Lubrizol's Northeast Ohio locations clean streams and parks, paint, clean, repair and assist local, nonprofit organizations who either don't have enough or the right kind of volunteers to provide them what they need. In 2008, we painted, landscaped, braced crumbling porches and built a veterans' memorial garden for an organization that connects aging adults with supporting organizations. In addition, employees painted, landscaped, built shelving and power washed a deck for another area nonprofit.

In one organization's thank you note, the volunteer coordinator said, "So much was accomplished and our staff, patients and family greatly appreciated your generous efforts. The paint is beautiful, our OSHA kits are complete and the landscaping looks wonderful. ..."

Lubrizol South Africa has become involved in a local initiative to improve the conditions of abandoned or orphaned HIV-positive babies and children. South Africa, and Durban especially, has some of the highest HIV rates in the world. A child as young as seven can become homeless or the head of the family. Children of all ages, including babies, have been abandoned by parents too sick to care for them.

The Lily of the Valley Care Centre in Tala Village, 60 km northwest of Durban, cares for 130 babies and toddlers. The Lubrizol South Africa facility built a sports center and helped with a computer-training project. Next on Lily's list are plans to build a school.

Our South Africa facility manager reports, "Lubrizol's vision is to start considering the development of the kids who are getting older and will face leaving the safety of the centre." He and his colleagues have begun to explore alternatives for future education for such children and possibly experience working at Lubrizol when they become adults.

In 2008, to keep the children fit, they built a soccer field and sports building and are helping with a computer training project. Additional donations from Lubrizol around the world include:

- Our Hazelwood facility donated £1,000, which allowed Lily to have a tarmac area to practice their net ball skills.
- Our Holland office collected and sent second-hand soccer gear for the children.

Figure 2-5 shows examples of community volunteer activities throughout the world.
Figure 2-5

Worldwide Examples of Employee Community Involvement in 2007 and 2008

Location	Activities
Australia: Sydney	Employees participated in Clean Up Australia Day with local Girl Guides. They also cleaned the streets, wharf/river area and local park and enjoyed a barbeque dinner after the event. Total collection: a full truckload of rubbish.
Brazil: Rio de Janeiro	Supplied the material (clothing, balls and other equipment) and paid for the teachers and coaches at Belford Roxo community center through Projeto Fluir.
China: Lanzhou, Tianjin Branch	Sponsored a training program at the BN Vocational School's plumbing training centre. The program provides apprenticeships and practical skills training for children of migrant workers living in Beijing.
France: Rouen and Le Havre	Employees staffed a table at a telethon for Association Française contre les Myopathies (the French equivalent of the U.S. Muscular Dystrophy Association) and raised €12,500 through the sale of calendars, hot chocolate, candy, lottery tickets and Christmas decorations.
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.
Japan: Kinuura	Employees participated in a cleanup campaign along the road that leads to the facility and in No Car Day to reduce CO2 and emissions.



Location	Activities
Netherlands: Delfzijl	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	<p>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.</p> <p>Took children from Touch Young Arrows, which provides care for needy and disadvantaged kids aged seven to 12, to the Singapore Zoological Garden.</p> <p>The facility also collected for and made donations to cyclone and earthquake victims.</p>
U.K.: Blackley, Manchester	Employees participated in several fundraising activities to support children in need and the Oldham Cancer Support.
U.K.: Hazelwood	Employees supported local, nonprofit organizations (see feature article: Hazelwood's Charity Committee).
U.S.: Brecksville, Ohio	Employees participated in blood drives, Books Are Fun, choir performances for patients at the Brecksville Veterans Hospital and other health and human service activities (e.g., Harvest for Hunger).
U.S.: Calvert City, Kentucky	<p>The facility participated in Calvert City's 20th anniversary of Good Neighbor Night where industrial plants set up booths and offered the community information concerning the products and ingredients they make.</p> <p>They celebrated 50 years of manufacturing Carbopol® polymers by inviting employees' families for plant tours to explain how they make it.</p> <p>Along with other local industry members, employees also participated in educating school children on how to shelter-in-place.</p>
U.S.: Deer Park and Bayport, Texas	<p>Provided financial support, product donations and individual gifts to several organizations such as Boys and Girls Harbor.</p> <p>Took part in an annual Trash Bash, where employees in the chemical industry volunteer to clean waterways along Galveston Bay.</p> <p>March of Dimes first aid sponsor.</p> <p>Hosted onsite blood drives.</p> <p>Sponsored household hazardous waste collection day.</p> <p>Sponsored and participated in local river cleanups.</p> <p>Participated in Habitat for Humanity's home building effort.</p>
U.S.: Paso Robles, California	Sponsored several educational events and community activities (including fireworks display on Independence Day).



Location	Activities
U.S.: Painesville, Ohio	Employees tutored students in reading at local elementary schools, participated in local blood drives, facilitated an employment skills workshop and participated in various health and human service activities throughout the year (e.g., Day of Caring, Harvest for Hunger and Rebuilding Together). They also sponsored college visits for junior high students for early college awareness.
U.S.: Wickliffe, Ohio	Employees participated in annual Community Cleanup Days, multiple blood drives and various health and human service activities each year (e.g., Harvest for Hunger, and Rebuilding Together). They also tutored elementary school students in reading.

Financial Support

In 2007 and 2008, The Lubrizol Foundation, the company's philanthropic arm, provided \$2.9 and \$2.8 million, respectively, in outright and employee-match grants to U.S. nonprofit organizations for both operating and capital expenses. Primary recipients include educational, health and human services, civic and cultural organizations, youth activities and environmental groups (see Figure 2-6).

The Foundation matches up to \$5,000 in donations made by individual employees, retirees, board members and their spouses. In addition, the Foundation donates \$300 to one nonprofit organization to which an employee has volunteered a minimum of 40 hours of service in a calendar year.

Globally, the corporation gave over \$800,000 in grants and in-kind donations in 2008. Contributions are made locally and depend on initiatives undertaken by each location. We will be exploring ways to create a systematic approach to global giving.

Each year, the approximately 270 employees at Lubrizol's Hazelwood, U.K., facility adopt a charity. In 2007, they chose Treetops Hospice. Treetops is located in Risley, Derbyshire and provides palliative care services free of charge to adults who have life-limiting illnesses associated with heart disease, multiple sclerosis, motor neuron disease and cancer. Their services include day care, home care, physical therapy, a caregivers' support group and bereavement support. Only 27 percent of their budget is funded through Britain's National Health Service.

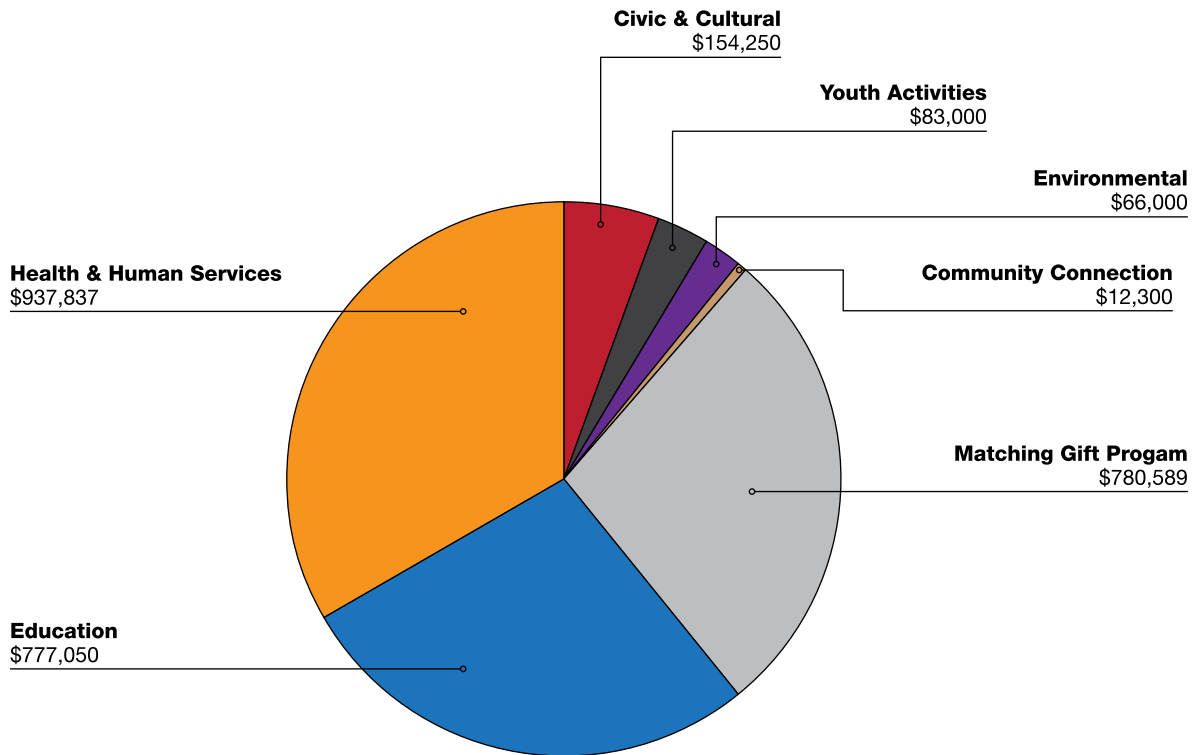
Our Hazelwood employees gave Treetops nearly £5,000 in 2007, directly and as gifts in-kind, including a grant of £1,000 from the facility. In addition, employees raised £1,000 from a sponsored charity football match, and over £600 from a range of other employee-organized fund raisers, including a sponsored walk and donations of "fines" collected for laptop or cell phone use in meetings.

In 2008, the Hazelwood charity committee adopted Umbrella as their chosen agency and donated over £6,100 to this organization that helps disabled children and their families. In addition, they contributed over £5000 to support a host of other deserving, nonprofit organizations, including:

- South Africa's Lily of the Valley orphanage;
- MacMillan Cancer Support;
- Amyloidosis Research Center;
- Belper Drop Inn; and
- Derby Association for the Blind.



Figure 2-6
 The Lubrizol Foundation 2008 Grants by Type
 Total Grants: \$2,811,026



Public Policy Involvement

We engage policymakers worldwide on issues that affect our business and industry. In general, we have benefited from increasingly stringent regulations affecting energy and fuel use, especially those intended to increase energy efficiency and reduce emissions. Our technologies help our customers in their efforts to meet these twin goals.

We advocate for science-based legislation and rulemaking and for creating a fair playing field. As an example, we believe that legislation should not designate specific biodiesel additives. Rather, new legislation should establish a professionally vetted technical process for creating new performance-based specifications for biodiesel fuels.

We spent approximately \$148,000 on product advocacy efforts in 2007 but none in 2008. In North America and Europe, we are a member of 35 trade associations and public-policy organizations that advocate on an industry-wide or product basis.

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 the United States. In 2007 and 2008, though, the company 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.

Sustainable Business Involvement

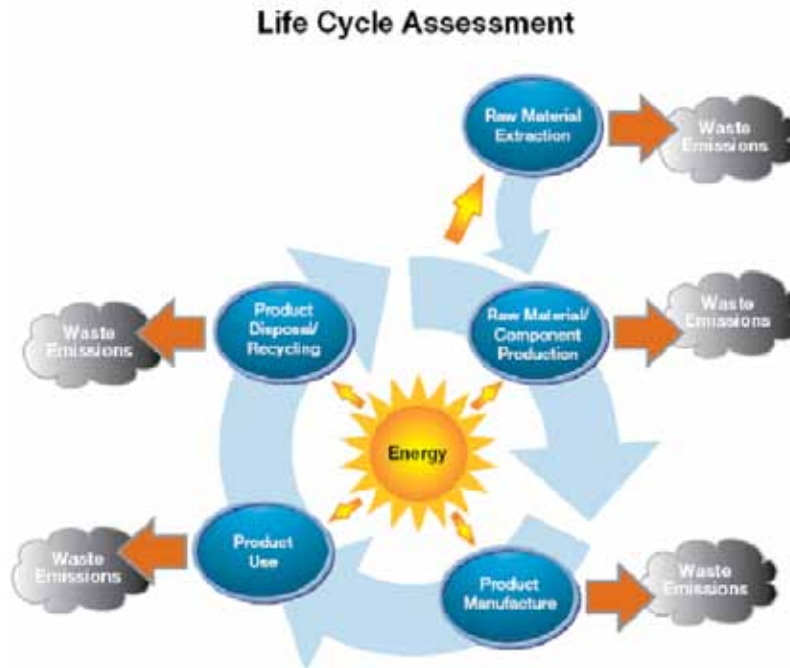
Lubrizol is one of the founding members of the Corporate Sustainability Network (CSN) in Cleveland, Ohio. CSN established a Corporate Roundtable whose members include many of the major global corporations with headquarters in Northeast Ohio. The Roundtable provides a venue for sharing best practices 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.

Section 3

Environmental Responsibility Performance

Twenty years ago, environmental performance was linked only to the environmental impact of the manufacturing plants that produced our products; i.e., how much wastes 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, often dwarfing and, in many cases, negating the impacts of the process used to create our products.

Life cycle assessments (LCAs) help us 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 impacts and make our own operations more sustainable, we now focus 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 aftertreatment devices. Our technology is designed to ensure compatibility with aftertreatment 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 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 flammability and other undesirable characteristics of current fluids.

In addition, our technology, at a minimum, must maintain equipment durability and preferably increase it. OEMs are choosing different engine design and aftertreatment 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.

Resource Conservation

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

In addition, we are establishing annual goals for raw material efficiency. Over the next year, we also will set multiyear energy reduction targets for our facilities.

Materials

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. We already have developed some bio-based lubricant additives and other products 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 in the process where they were generated. Others have to go through a recycling process 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 two of our plants, we use byproducts from one process as a feedstock for a different process.

Energy Use

We use energy in a variety of forms including natural gas, diesel, residual fuel, liquid petroleum gas, electricity and purchased steam. Total energy use for 2008 was 12.8 million GJ, of which 6.0 million GJ was direct energy and 6.8 million GJ was indirect energy (electricity and purchased steam). While energy use increased by 0.8% over our 2005 base year, the energy use per metric ton of product produced decreased 4.5%.



Figure 3-1
2008 Energy Sources

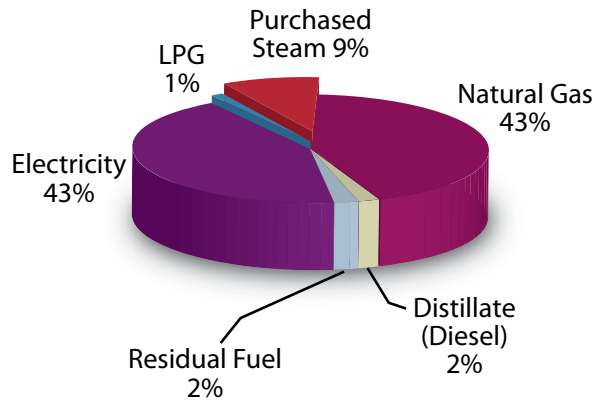
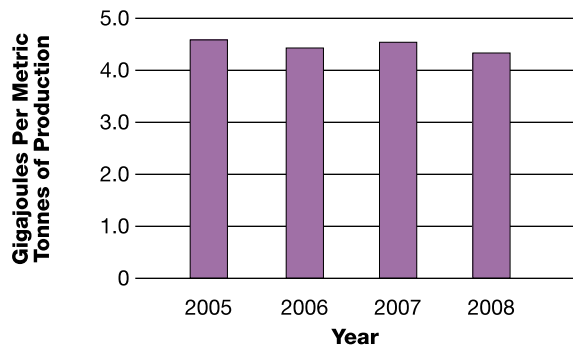


Figure 3-2
2005-2008 Worldwide Energy Use Rates
Performance Rating: Good Improvement

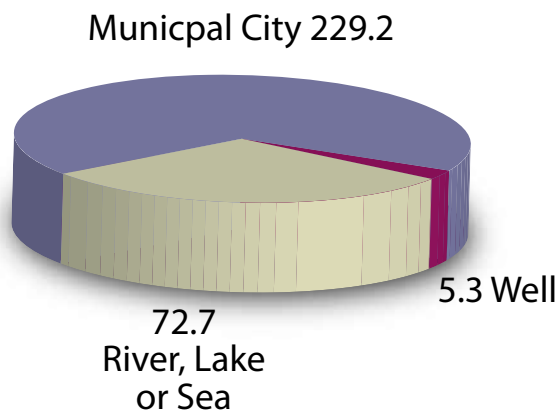


Some of our recent energy savings efforts include lighting upgrades (more efficient lighting combined with lighting controls), energy-efficient motor replacements, and conversion to more fuel-efficient boilers.

Water Use

Our dominant water source is municipal water suppliers. In a limited number of locations, we draw on wells or surface waters. Total water use in 2008 was 307.2 million cubic meters. This figure does not include non-contact cooling water.

Figure 3-3
2008 Water Use by Source
Million cubic meters



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 onsite 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.

We always have managed the hazardous and nonhazardous waste we generate in compliance with the then-applicable regulations. However, 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.

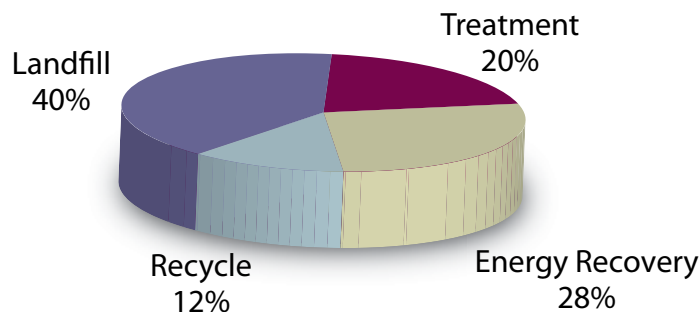
In all cases, Lubrizol works with the regulatory agency or, as appropriate, other potentially responsible parties to ensure the site is cleaned up to meet the agency's standards, which are protective of human health and the environment. Lubrizol maintains environmental reserves to meet its financial responsibilities for remediation. These reserves, which are adjusted periodically, were \$18.7 million at the end of 2007 and \$12.7 million at the end of 2008.

Some examples of changes we have made to address 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 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 byproduct generation by 20 percent, which increased throughput.
- *Wastewater discharge improvement.* A multidiscipline 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, we seek alternatives to landfilling. In 2008, we recycled, treated or used for energy recovery 60 percent of the 117,432 metric tons of waste generated.

Figure 3-4
2008 Waste Disposal by Management Type

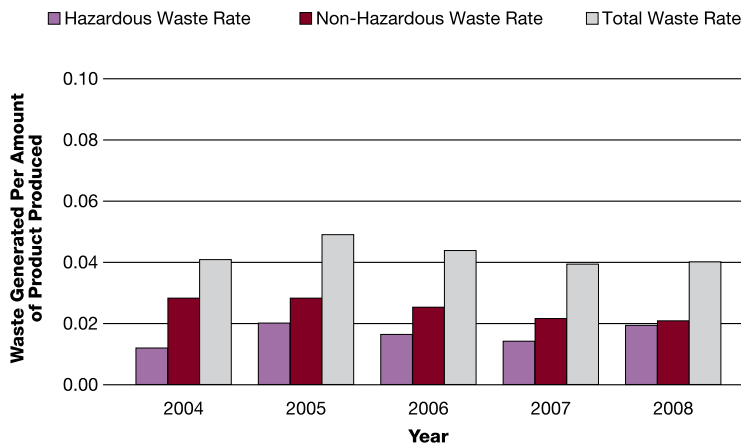


Types of materials we typically recycle include:

- Cardboard packaging
- Steel and other metals
- Solvent waste (processed and returned for reuse)
- Off-grade Estane thermoplastic polyurethane (sold to make sandals in Africa)
- Drums (metal and fiber)
- Computers and computer packaging (including polystyrene)
- Plastic and metal cans
- Office paper (including newspaper and phone directories)
- Fluorescent bulbs
- Inorganic waste (e.g., acid byproducts)

Of the waste generated worldwide in 2008, 41 percent was nonhazardous (production waste), 49 percent hazardous (production waste) and 10 percent not related to production and not hazardous. Absolute generation and generation rates (amount of waste generated per amount of products produced) of both hazardous and nonhazardous waste climbed from 2004 to 2005 and then began a trend downward. Total waste generation was reduced by 11 percent between 2005 and 2008; the waste rate decreased 15.9 percent during this period. Lubrizol continues to look for ways to reduce waste.

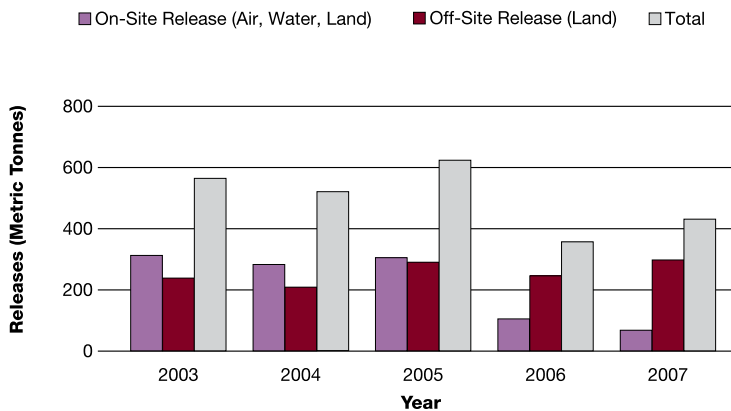
Figure 3-5
2004-2008 Worldwide Waste Generation Rates
Performance Rating: Consistent



Toxic Release Inventory and Greenhouse Gas Emissions

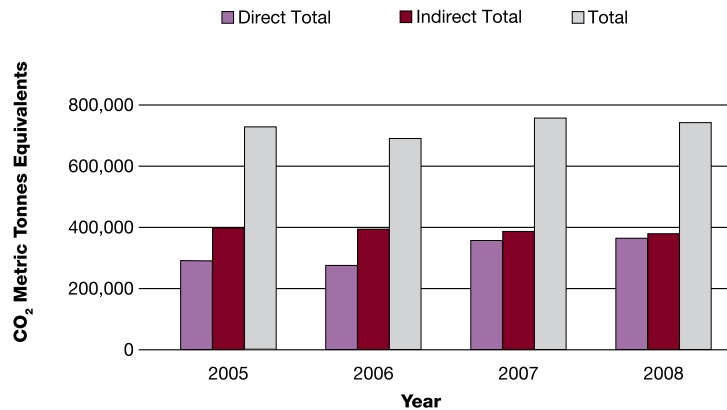
We have made some progress in reducing regulated emissions and discharges. Our most recent (2007) Toxics Release Inventory (TRI) data show a general trend downward in onsite and off-site total releases since 2004 (except 2005 off-site releases). Total releases for 2007 were 431 metric tonnes, a 31.6 percent reduction from 2005.

Figure 3-6
2003-2007 TRI for U.S. Facilities
Performance Rating: Consistent



Our total greenhouse gas (GHG) emissions from direct sources (e.g., fuel burning) and indirect sources (e.g., electricity use) rose slightly (3.3 percent) between 2005 and 2008 to 740,810 metric tons. Electricity use and natural gas as fuel account for the majority of emissions (80.5 percent).

Figure 3-7
2005-2008 GHG Emissions by Source
Performance Rating: Consistent



Lubrizon France adopted a 28-point action plan for sustainable development for 2008. Their goals included:

- Reduce consumption of potable water
- Improve waste segregation in the cafeteria
- Identify overly lighted areas for a net savings of €110,000 per year beginning in 2009
- Ship 60 percent of aqueous sodium sulfide solution produced in Rouen by rail

Also noteworthy: Lubrizon-France, as part of a local industrial committee in Rouen, is advocating for local bus service to the industrial area and supporting the construction of a community child care center. They also installed cap collectors to collect plastic bottle caps, which go to an association that provides equipment to people with disabilities.

LUBRIZOL FRANCE
AND SUSTAINABLE
DEVELOPMENT

Supporting our customers

Our primary goal has been to support our customers' sustainability and environmental product needs by providing:

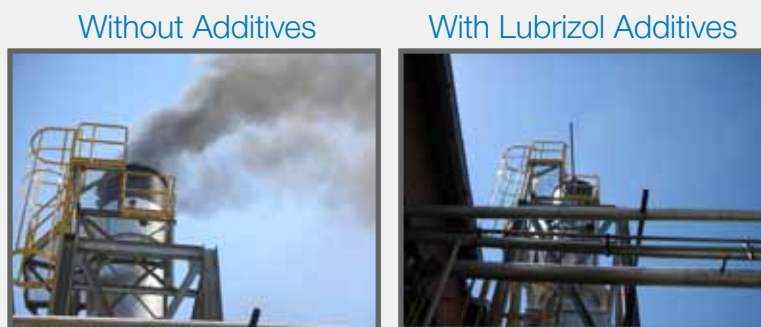
- Lubricant and fuel additives that increase efficiency (reduce energy consumption), increase equipment durability and reduce emissions; additives to allow the increased use of bio-fuels; additives that are compatible with after-market exhaust treatment systems and facilitate product recovery and recycling; 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 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—reduced emissions and improved fuel economy and power
- Geothermal heat transfer fluids that are biodegradable, have low biological oxygen demand and 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.



Heavy residual fuel oil, a byproduct of petroleum refining, is among 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 3-8 for comparison images from typical case studies.

Figure 3-8
Images from case studies comparing smoke emissions and deposit control.



In 2008, our European Union (EU) facilities pre-registered products in compliance with the comprehensive new EU REACH (Registration, Evaluation, and Authorization of Chemicals) regulations, which will ensure that chemicals in our products can continue to be used safely and without adverse effect on humans and the environment.

The first phase of REACH, which was completed at the end of 2008, gave us six months to pre-register all substances already on the market that we manufactured in the EU or imported ourselves. We have also asked our European suppliers to confirm that they pre-registered the substances they supply to us, thereby ensuring continuity of supply. In addition, we pre-registered a significant number of substances in such a way that our existing non-EU customers could continue to export products containing Lubrizol chemistries to the EU.

The next phase of REACH will involve Lubrizol registering its substances. This will be resource-intensive and expensive, but we expect that our full compliance with REACH will provide benefit by:

- Revealing more information about the chemistry in our products to further reassure users that they can be handled and used safely.
- Encouraging technological innovation by making it less expensive to develop new chemistry compared with reformulating older products.

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 (1000 liter) or 275 gallon (1040 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 product 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) on a selective basis to understand the full environmental impacts 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 tools in 2003, we have completed five product LCAs and have five more in progress. Going forward, we will base any environmental claims made for our product lines on life cycle considerations.

Examples of our current 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 diameters¹.

Cost is a significant barrier to implementing LCAs in a larger number of product categories. We have developed a tool that customizes the information an LCA provides based on business need. This new tool provides more cost-efficient answers to understanding life cycle impacts across a wide range of products.

Compliance

As a publicly traded global producer of specialty chemicals, we are subject to the jurisdiction of a full range of regulatory bodies². 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 byproducts; workforce rules, including the laws related to collective bargaining and unions; and import-export laws, including some related to terrorism and national security.

We enjoy a strong record of compliance in all of these areas. However, in 2007, we resolved one local environmental emissions issue that occurred at our Louisville, Kentucky, U.S. plant, where we make chemical resins, by the payment of a \$110,700 fine to the Louisville Metropolitan Air Pollution Control District. This was the sole fine assessed against the corporation in 2007. In 2008, we paid \$41,660 in fines and assessments to three state environmental agencies in the United States. Internationally, we had no offenses or violations in 2007 or 2008 from any counterpart authorities in other countries where we do business.

There were 12 transportation-related incidents in the U.S. during 2007 and 14 incidents in 2008 that involved Lubrizol products classified as dangerous goods. To date, we have not received any notices of violation or fines for any of the 2007 incidents and have received one notice of violation for a 2008 incidents. Regulators may still be evaluating the 2008 incident reports.

¹ In conjunction with the Plastic Pipe and Fittings Association

²Securities and Exchange Commission (SEC), the Environmental Protection Agency (EPA) and its state equivalents, 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 shareholders, employees and suppliers and the communities in which we operate.

Financial Performance

In 2008, total revenues were \$5.0 billion, an increase of 12% over 2007, and earnings as adjusted improved to \$4.09 per diluted share compared with \$4.06 in 2007. We continued to create growth opportunities through technical innovations and superior service that contributed to our customers' success.

Climate Change Regulation and Our Business

We believe that our company will play a role in addressing climate change regulation around the globe. Our additive products are critical to efforts to increase fuel efficiency (reducing greenhouse gas emissions) and to reduce nitrogen oxide (NOx) emissions from 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 growth opportunity.

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.

Community Economic Benefits

We pay competitive wages and salaries to ensure that we have a workforce that supports our company's objectives. At most of our facilities, our lowest paid employees earn above the legal minimum wage applicable to that location. Overall, wages and salaries in 2008 were more than \$400 million, company wide.

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 a wide variety of supplies and services from local companies. Our current information systems only allow us to track the location of expenditures for our Lubrizol Additives business segment; we will, however, be able to report these expenses for both business segments in the future through enhanced accounting at our Advanced Materials facilities. Figure 4-1 identifies estimated 2008 local spending in Ohio and Texas, where we operate major Additives facilities. These are minimum expenditures:

Figure 4-1
2008 Lubrizol Additives Local Economic Spending

Location	Expenditures
Ohio	\$110.6 million
Texas	\$322.8 million

The Lubrizol Foundation and corporation combined made some significant charitable contributions to the social and educational infrastructure and environmental quality of the communities in which we operate – in the amount of \$3.7 million

Since its inception in 1952, The Lubrizol Foundation's priority has been to support higher education. In 2008, The Foundation gave more than \$777,000 (a little more than a fourth of its total \$2.8 million total) to support schools, mostly in the greater Cleveland and Houston areas.

Of that, the Foundation also awarded \$437,300 as scholarships, fellowships and awards to 43 colleges and universities in 2008. 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 program awarded more than \$780,000 to organizations that our employees support either with monetary donations or their time. In addition, the Foundation had grants totaling more than \$937,000 for health and human services, with more than \$443,000 being provided to United Way agencies in Ohio and Texas.

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 have been learning and continue to learn and improve on what sustainability means to 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 a number of things well. Our ethics program is highly developed, deeply engrained 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 education 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 program of employee benefits, training and development also is a strength that has enabled us to hire well and keep our people. Exploring innovative approaches to inclusion, benefits, training and development may open new opportunities for recruitment, enrich employees' experiences and deepen the pool of potential Lubrizol leaders.

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 consumer's products but also works to reduce their environmental impact.

Our Challenges

Waste and emissions have been a long-time concern. We have established tracking systems and metrics, and we are making incremental progress on many of these metrics. However, we have not yet challenged ourselves by setting stretch goals such as "zero waste emissions," which would push us toward increased sustainability. Our creativity has focused on our products; we need to address how we can bring that level of creativity to our business processes.

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. Most 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; our distribution are almost entirely dependent on fossil fuels. We will continue to assess how climate change regulation will affect our world and develop a plan for dealing with its impacts on us and our customers.

Water use represents another long-term, worldwide challenge. Water has been withdrawn 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. However, we know that additional conservation in our operations will be necessary.

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.

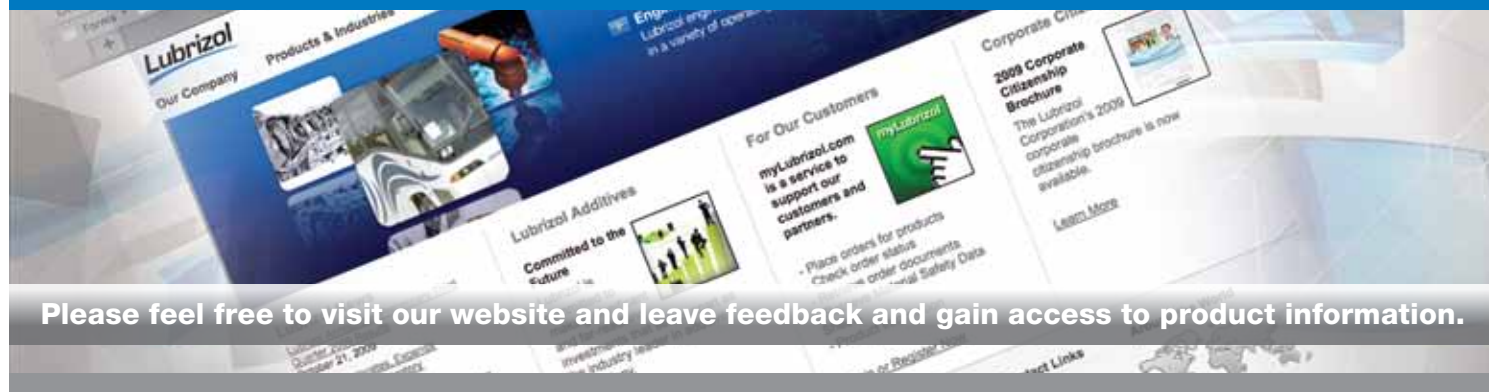
Our scientists and engineers know how to innovate, how to design products and processes to achieve a performance goal. We put these talents to the task of designing products for our customers and our customers' customers that enhance value for all and follow core principles that recognize the finite nature of Earth's resources—energy, water and materials. As good stewards, we now have to consider further 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 shareholders, our employees, our customers or our customers' customers and will never be acceptable. We will not be complacent about their existence in our products, production processes and corporate operations. We have to take a serious look at how we move our thinking toward a zero goal while maintaining our financial viability.

Sustainability only makes sense when there is growth in shareholder value and societal value in conjunction with shrinking our overall environmental footprint related to resource extraction, production, product use 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 sustainability is more than an environmental value—it also is 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.

Join us online at www.Lubrizol.com



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