CABOT CORP
Form DEF 14A
January 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

SCHEDULE 14A INFORMATION

(Rule 14a-101)

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant x **Filed by a Party other than the Registrant** ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

Cabot Corporation

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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January 27, 2012

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cabot Corporation, which will be held on Thursday, March 8, 2012 at 4:00 p.m., local time, at the Corporate Headquarters of Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts.

If you received your annual meeting materials by mail, the notice of annual meeting, proxy statement and proxy card (or voter instruction form if your shares are held through a broker or bank) are enclosed along with a copy of our Annual Report on Form 10-K. If you received your annual meeting materials by e-mail, the e-mail contains voting instructions and links to the proxy statement and Annual Report on the Internet.

You will find information regarding the matters to be voted on at the meeting in the attached proxy statement. Following the formal portion of the meeting, there will be a report on Cabot s operations during fiscal 2011 followed by a question and answer period.

Whether or not you plan to attend the annual meeting, it is important that your shares be represented. You may vote by mailing a completed proxy card or, if your proxy card or voter instruction form so indicates, by phone or the Internet.

We look forward to seeing you at the meeting.

Sincerely,

PATRICK M. PREVOST
President and Chief Executive Officer

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Notice of Annual Meeting of Stockholders

to be held on March 8, 2012

The 2012 Annual Meeting of Stockholders of Cabot Corporation will be held on Thursday, March 8, 2012 at 4:00 p.m., local time, at the Corporate Headquarters of Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts, for the following purposes:

1. To elect four directors, John K. McGillicuddy, John F. O Brien, Lydia W. Thomas and Mark S. Wrighton, to the class of directors whose term expires in 2015;

2. To hold a non-binding advisory vote on the compensation of our named executive officers;

3. To approve an amendment to the Cabot Corporation 2009 Long-Term Incentive Plan to increase by 2,454,000 the number of shares available for issuance thereunder;

4. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2012; and

5. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

You may vote if you were a stockholder of record at the close of business on January 17, 2012. To ensure that your vote is properly recorded, please vote as soon as possible, even if you plan to attend the annual meeting. Most stockholders have three options for submitting their vote: (1) by Internet, (2) by phone or (3) by mail. You may still vote in person if you attend the annual meeting. For further details about voting, please refer to the section entitled About the Annual Meeting beginning on page 1 of this proxy statement.

If your shares are held in street name in a stock brokerage account or by a bank or other nominee, you must provide your broker with instructions on how to vote your shares in order for your shares to be voted on important matters presented at the annual meeting. If you do not instruct your broker on how to vote in the election of directors, on compensation matters and on the amendment to Cabot s equity incentive plan, your shares will not be voted on these matters.

This notice and proxy statement are first being sent to stockholders on or about February 3, 2012. Our Annual Report on Form 10-K is being sent with this notice and proxy statement.

By order of the Board of Directors,

Jane A. Bell

Secretary

Cabot Corporation

Two Seaport Lane, Suite 1300

Boston, Massachusetts 02210-2019

January 27, 2012

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ABOUT THE ANNUAL MEETING

Cabot Corporation

Two Seaport Lane, Suite 1300

Boston, Massachusetts 02210-2019

Proxy Statement

References to the Company , Cabot , we , us , and our in this proxy statement mean Cabot Corporation.

About the Annual Meeting

Who is soliciting my vote?

The Board of Directors of Cabot Corporation is soliciting your vote at the 2012 Annual Meeting of Stockholders (2012 Annual Meeting).

What am I voting on?

You are voting on:

- Proposal 1: Election of John K. McGillicuddy, John F. O Brien, Lydia W. Thomas and Mark S. Wrighton to the class of directors whose term expires in 2015 (*see page 13*);
- Proposal 2: Approval, on an advisory basis, of the compensation of our named executive officers (*see page 58*);
- Proposal 3: Approval of an amendment to the Cabot Corporation 2009 Long-Term Incentive Plan to increase by 2,454,000 the number of shares available for issuance thereunder (*see page 59*);
- Proposal 4: Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2012 (*see page 69*); and
- Any other business properly coming before the meeting.

How does the Board recommend that I vote my shares?

The Board s recommendation can be found with the description of each item in this proxy statement. In summary, the Board recommends that you vote:

FOR each of the four nominees for director;

FOR the approval, on an advisory basis, of the compensation of the Company s named executive officers, as such information is disclosed in the Compensation Discussion and Analysis, the compensation tables and the accompanying narrative disclosure beginning on page 26 (commonly referred to as say-on-pay);

FOR the approval of an amendment to the Cabot Corporation 2009 Long-Term Incentive Plan to increase by 2,454,000 the number of shares available for issuance thereunder; and

FOR the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2012.

Unless you give other instructions on your proxy card, the persons named as proxy holders will vote in accordance with the recommendations of the Board of Directors.

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Who is entitled to vote?

Only stockholders of record at the close of business on January 17, 2012 will be entitled to vote at the 2012 Annual Meeting. As of that date, there were 63,026,604 shares of our common stock outstanding. Each share of common stock is entitled to one vote. There is no cumulative voting.

State Street Bank and Trust Company is the trustee of common stock held in the Cabot Common ESOP Fund portion of Cabot s Retirement Savings Plan and is the record owner of all of those shares. The Vanguard Fiduciary Trust Company is the trustee of the Cabot Common Stock Fund portion of the Retirement Savings Plan and is the record owner of all of those shares. Each trustee is authorized to vote such shares in accordance with instructions from participants in, and the terms of, the Retirement Savings Plan.

How many votes must be present to hold the meeting?

Your shares are counted as present at the 2012 Annual Meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to hold our meeting, holders of a majority of our outstanding shares of common stock as of January 17, 2012 must be present in person or by proxy at the meeting. This majority is referred to as a quorum. Proxy cards or voting instruction forms that reflect abstentions and broker non-votes will be counted as shares present to determine whether a quorum exists to hold the 2012 Annual Meeting.

What is a broker non-vote?

Under the rules that govern brokers who have record ownership of shares that they hold in street name for their clients who are the beneficial owners of the shares, brokers normally have discretion to vote such shares on routine matters, such as ratifications of independent registered public accounting firms, but not on non-routine matters. Broker non-votes generally occur when the beneficial owner of shares held by a broker does not give the broker voting instructions on a non-routine matter for which the broker lacks discretionary authority to vote the shares. Proposals 1, 2 and 3 are non-routine matters. Therefore, if your shares are held in street name and you do not provide instructions as to how your shares are to be voted on proposals 1, 2 and 3, your broker will not be able to vote your shares on these proposals. We urge you to provide instructions to your broker so that your votes may be counted on these important matters.

How are votes counted? How many votes are needed to approve each of the proposals?

For each of proposals 1, 2, 3 and 4, you may vote **FOR** , **AGAINST** , or **ABSTAIN** .

Proposal 1 Election of Directors. A nominee will be elected to the Board of Directors if the votes properly cast for his or her election exceed the votes properly cast against such nominee s election. Broker non-votes and abstentions will have no effect on the results of this vote.

Proposal 2 Say-on-Pay. Because proposal 2 is an advisory vote, there is no minimum vote requirement that constitutes approval of this proposal.

Proposal 3 Amendment to 2009 Long-Term Incentive Plan. The affirmative vote of a majority of the votes properly cast on proposal 3 is required to approve the proposed amendment to the Cabot Corporation 2009 Long-Term Incentive Plan, provided that the number of votes cast constitutes more than fifty percent of the shares entitled to vote on the proposal (the minimum votes cast). With respect to attaining the minimum votes cast, abstentions are counted, but broker non-votes are not. With respect to approving proposal 3, abstentions will have the effect of votes against this proposal and broker non-votes will have no effect on the results of this vote.

Proposal 4 Ratification of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the votes properly cast on proposal 4 is required to ratify the appointment of Cabot s independent registered public accounting firm. Abstentions will have no effect on the results of this

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vote. Brokers generally have discretionary authority to vote on the ratification of our independent registered public accounting firm, thus we do not expect any broker non-votes on this proposal. To the extent there are any broker non-votes, they will have no effect on the results of this vote.

What if there are more votes AGAINST a nominee for director than votes FOR ?

Each of the nominees is an incumbent director who has tendered a conditional resignation that is effective upon (i) the failure to receive a majority of the votes cast for his or her re-election at the 2012 Annual Meeting and (ii) the Board s acceptance of this resignation. The Governance and Nominating Committee of the Board of Directors is responsible for initially considering the resignation and making a recommendation to the Board of Directors. The director whose resignation is under consideration is expected to abstain from participating in any decision regarding his or her resignation. The Governance and Nominating Committee may consider any factors it deems relevant in deciding whether to accept a director s resignation. If the resignation is not accepted, the director will continue to serve until his or her successor is elected and qualified.

How do I vote?

You can vote either *in person* at the meeting or *by proxy* without attending the meeting. If your shares are held in street name in a brokerage account or by a bank or other nominee, you must request a legal proxy from your bank, broker or other nominee and bring that proxy to the meeting to vote in person at the meeting.

Even if you plan to attend the 2012 Annual Meeting, we encourage you to vote your shares by proxy. Most stockholders have three options for submitting their votes by proxy: (1) by Internet, (2) by phone or (3) by mail. If you have received your 2012 Annual Meeting materials by mail, please follow the voting instructions on your proxy card. If you have received your 2012 Annual Meeting materials electronically, please follow the voting instructions that were e-mailed to you. Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Eastern Time, on March 8, 2012.

If you hold your Cabot stock in a brokerage account, your ability to vote by telephone or over the Internet depends on your broker s voting process. Please follow the directions on your voter instruction form carefully.

How do I vote if I hold my stock through Cabot s employee benefit plans?

If you hold your stock through a Cabot employee benefit plan, you have the right to instruct the trustees of the plan or plans in which you participate how to vote your shares. You can vote your shares by following the instructions on the enclosed proxy card. The trustees of each plan will have the voting instructions of each participant in the plans tabulated and will vote the shares of the participants by submitting a final proxy card representing each plan s shares for inclusion in the tally at the 2012 Annual Meeting.

If you hold shares in the Retirement Savings Plan, your vote will influence how the plan s trustees vote (i) those shares for which no instructions are received from other plan participants and (ii) those shares that have not yet been allocated to participants accounts because the trustees will vote those shares in the same proportion as the shares for which instructions are received. Similarly, if you hold shares in the Cabot Canada Ltd. Employees Stock Purchase Plan, your vote will influence how the trustee of that plan votes those shares for which no instructions are received from other plan participants as those shares will be voted in the same proportion as shares for which instructions are received. If you hold shares in either of those plans and do not vote, the plan trustees will vote your shares (along with all other shares in the plan for which instructions are not provided) in the same proportion as those shares for which instructions are received from other participants in the plan.

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In order for your instructions to be followed, you must provide instructions for the shares you hold through a Cabot employee benefit plan by returning your completed and signed proxy card to the Company s transfer agent by March 6, 2012 or by voting over the telephone or the Internet by 1:00 a.m., Eastern Time, on March 7, 2012.

Can I change or revoke my vote?

Yes. You can change or revoke your vote by (1) re-voting by telephone or by Internet as instructed above (only your latest telephone or Internet vote will be counted), (2) signing and dating a new proxy card or voting instruction form and submitting it as instructed above (only your latest proxy card or voting instruction card will be counted), (3) if your shares are registered in your name, delivering timely notice of revocation to the Secretary, Cabot Corporation, 2 Seaport Lane, Suite 1300, Boston, Massachusetts 02210, or (4) attending the meeting and voting in person. Attending the meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it. If you hold shares through a bank or broker, you must follow the instructions on your voting instruction form to revoke any prior voting instructions.

Who counts the votes?

We have hired Computershare Trust Company, N.A., our transfer agent, to count the votes represented by proxies cast by ballot, telephone and the Internet. A representative of Computershare and either Cabot s Corporate Secretary or a representative of Cabot s Law Department will act as Inspectors of Election.

What if I return my proxy card but don t vote for some of the matters listed?

If you return a signed proxy card without indicating your vote, your shares will be voted in line with the recommendation of the Board of Directors for each of the proposals for which you did not indicate a vote.

Can other matters be decided at the 2012 Annual Meeting?

We are not aware of any other matters that will be considered at the 2012 Annual Meeting. If any other matters arise, the named proxies will vote in accordance with their best judgment.

Who can attend the meeting?

The 2012 Annual Meeting is open to all Cabot stockholders. If you need directions to the meeting, please call Cabot s Investor Relations Group at (617) 342-6090. When you arrive at Cabot s Corporate Headquarters, please go to the 13th Floor and signs will direct you to the meeting room. You need not attend the 2012 Annual Meeting to vote.

Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on March 8, 2012

This proxy statement and our 2011 Annual Report on Form 10-K are available at the following Internet address: http://www.cabot-corp.com/2012annualmeeting.

If you received your 2012 Annual Meeting materials by mail, we encourage you to sign up to receive your stockholder communications by e-mail. Electronic delivery benefits the environment and saves the Company money by reducing printing and mailing costs. With electronic delivery, you will be notified by e-mail as soon as the Annual Report on Form 10-K and proxy statement are available on the Internet, and you can easily submit your stockholder votes online. If you are a registered holder (you hold your Cabot shares in your own name through our transfer agent, Computershare Trust Company, N.A., or you have stock certificates), visit *www.computershare.com/us/investor* to create a login and to enroll.

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Your electronic delivery enrollment will be effective until you cancel it. If you later change your mind and would like to receive paper copies of our proxy statements and annual reports, please revisit Computershare s website *www.computershare.com/us/investor* to change your delivery preference or call them at (800) 730-4001 in the U.S. or at (781) 575-3170 outside the U.S.

If you hold your Cabot stock through a bank or broker, please refer to the information provided by that entity for instructions on how to elect to view future proxy statements and annual reports over the Internet and how to change your elections.

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THE BOARD OF DIRECTORS AND ITS COMMITTEES

Our Board of Directors held nine meetings in fiscal 2011. Each director attended at least 85% of the Board meetings and the total meetings held by all of the Committees on which he or she served during the periods that he or she served.

The Board of Directors has five standing Committees: Audit, Compensation, Executive, Governance and Nominating (Governance), and Safety, Health and Environmental Affairs (SH&E). The following table shows the membership of these committees. The Audit, Compensation, Governance, and SH&E Committees presently are composed entirely of independent directors. The Executive Committee presently is composed of one employee director and three independent directors.

Name	Audit	Compensation	Executive	Governance	SH&E
John S. Clarkeson		X	X	X*	
Juan Enriquez-Cabot	X				X
Gautam S. Kaji	X				X
Roderick C.G. MacLeod	X				X
Henry F. McCance		X*	X	X	
John K. McGillicuddy	X*				X
John F. O Brien			X*	X	
Patrick M. Prevost			X		
Sue H. Rataj	X				
Ronaldo H. Schmitz		X			X
Lydia W. Thomas	X				X*
Mark S. Wrighton		X			X

* Committee Chair

Audit Committee

The Audit Committee assists the Board of Directors in its oversight of (i) the integrity of Cabot s financial statements, (ii) our compliance with legal and regulatory requirements, (iii) the independent registered public accounting firm s qualifications and independence, (iv) the performance of our internal audit function and (v) our risk assessment and management processes. The Audit Committee, among other functions:

Has the sole authority to appoint, retain, terminate and determine the compensation of our independent registered public accounting firm.

Monitors the qualifications, independence and performance of our independent registered public accounting firm and approves professional services provided by the independent registered public accounting firm.

Reviews with our independent registered public accounting firm the scope and results of the audit engagement.

Reviews the activities and recommendations of our independent registered public accounting firm.

Discusses Cabot s annual audited financial statements and quarterly financial statements with management and Cabot s independent registered public accounting firm, including our disclosures under Management s Discussion and Analysis of Financial Condition and Results of Operations.

Reviews Cabot s accounting policies, risk assessment and management processes, control systems and compliance activities.

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The specific responsibilities and functions of the Audit Committee are identified in the Committee s charter, a copy of which is posted on our website (*www.cabot-corp.com*) under the heading About Cabot Governance. The Audit Committee met twelve times in fiscal 2011.

Compensation Committee

The primary responsibilities of the Compensation Committee are to:

- Approve the corporate goals and objectives relevant to the compensation of our Chief Executive Officer (CEO), evaluate the CEO s performance and approve the CEO s salary and incentive compensation.
- Establish policies applicable to the compensation, severance or other remuneration of Cabot s management Executive Committee, review and approve performance measures and goals under incentive compensation plans applicable to such employees, and approve their salaries, annual short-term and long-term incentive awards, any severance payments and any other remuneration.
- Review the aggregate amount of bonuses to be paid to participants in Cabot s annual short-term incentive plan.
- Administer Cabot s incentive compensation plans, equity-based plans and supplemental benefits arrangements, which includes approving the aggregate number of stock awards granted under Cabot s long-term incentive program.
- Appoint the members of the Company s Benefits and Investment Committees and monitor their activities.

The specific responsibilities and functions of the Compensation Committee are identified in the Committee s charter, a copy of which is posted on our website (*www.cabot-corp.com*) under the heading About Cabot Governance. The Compensation Committee met four times during fiscal 2011 and acted by written consent twice.

Executive Committee

The Executive Committee reviews and, where appropriate, approves corporate action with respect to the conduct of our business between Board of Directors meetings. Actions taken by the Executive Committee are reported to the Board at its next meeting. The Executive Committee met once during fiscal 2011.

Governance Committee

The Governance Committee is charged primarily with:

- Developing and recommending to the Board corporate governance policies and procedures.
- Identifying individuals qualified to become directors of Cabot.
- Recommending director candidates to the Board to fill vacancies and to stand for election at the annual meeting of stockholders.
- Recommending committee assignments.

- Leading the annual review of the Board s performance.

- Recommending compensation and benefit policies for Cabot s directors.

- Reviewing and making determinations regarding interested transactions under Cabot s Related Person Transaction Policy and Procedures.

The specific responsibilities and functions of the Governance Committee are identified in its charter, a copy of which is posted on our website (*www.cabot-corp.com*) under the heading About Cabot Governance. The Governance Committee met four times during fiscal 2011.

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SH&E Committee

The SH&E Committee reviews all aspects of Cabot s safety, health and environmental management programs and performance. In particular, the Committee reviews the following:

- Cabot s environmental reserve, and risk assessment and management processes.
- Environmental and safety audit reports, performance metrics, performance as benchmarked against industry peer groups, assessed fines or penalties, and site security and safety issues.
- Safety, health and environmental training initiatives.
- Cabot s safety, health and environmental budget and capital expenditures.

The specific responsibilities and functions of the SH&E Committee are identified in the Committee s charter, a copy of which is posted on our website (*www.cabot-corp.com*) under the heading About Cabot Governance. The SH&E Committee met three times during fiscal 2011.

Our Board s Role in Risk Oversight

Our Board oversees our enterprise-wide program of risk management. Cabot management is primarily responsible for day-to-day risk management practices and, together with other personnel, regularly engages in an enterprise-wide risk assessment. This assessment is updated on a continual basis and includes a comprehensive review of a broad range of risks, including financial, operational, business, legal, regulatory, reputational, governance, and managerial risks which may potentially affect the Company. From this assessment, the most significant risks in terms of their likelihood and severity are identified, and plans to manage and mitigate these risks are developed. Cabot management regularly reports to either the full Board or the relevant Committee of the Board our major risk exposures, their potential financial impact on Cabot, and the steps we take to manage them.

Our Board has ultimate responsibility for risk oversight and oversees our corporate strategy, business development, capital structure, market exposure and country specific risks. Each Committee also has responsibility for risk oversight. The Audit Committee focuses on financial risk, including internal controls and legal and compliance risks and receives regular reports from our independent registered public accounting firm and our general counsel. The Audit Committee also oversees the Company s enterprise risk management processes. The SH&E Committee assists the Board in fulfilling its oversight responsibility by assessing the effectiveness of our safety, health and environmental programs and initiatives and overseeing matters related to stewardship and sustainability of our products and manufacturing processes. The Compensation Committee considers human resources risks and evaluates and sets compensation programs that encourage decision-making predicated upon a level of risk consistent with our business strategy. Finally, the Governance Committee considers governance and Board and CEO succession planning risks, and evaluates director skills and qualifications to appoint particular directors to the standing Committees to ensure each Committee has the requisite skills to oversee the applicable risks that are the focus of that Committee. The Company has a robust risk management program, the strength of which is not dependent on the Board s leadership structure.

Our Compensation Discussion and Analysis (CD&A) describes our compensation policies, programs and practices for our executive officers. Our goal-setting, performance assessment and compensation decision-making processes described in our CD&A apply to all participants in our corporate short and long-term incentive programs. Participants in our long-term incentive program who are not members of the management Executive Committee receive awards consisting of time-based restricted stock units and performance-based restricted stock units, and otherwise the program is consistent throughout the Company. Beyond our corporate short-and long-term incentive programs, substantially all of our facilities outside North America offer annual cash incentive plans.

Our management evaluated the design of all of our incentive plans to assess whether any portion of our incentive compensation programs encourages excessive risk taking. The assessment was presented to and reviewed by the Compensation Committee. Among the program features evaluated were the types of

compensation offered, performance metrics, the alignment between performance goals, payout curves and the Company s business strategy, and the overall mix of incentive awards. The Company s compensation programs are designed with features that mitigate risk without diminishing the incentive nature of the compensation. Specific features of the programs to mitigate risk include, as applicable, the following: caps limiting the amount that can be paid under the corporate short- and long-term incentive programs and all of the local cash incentive programs; a balanced mix of annual and longer-term incentive opportunities; the mix of cash and equity incentives; multiple performance metrics; management processes to oversee risk associated with each of our incentive programs; stock ownership guidelines for members of the management Executive Committee; and significant controls for business decisions. In our CD&A we describe in more detail the features of our executive compensation programs that are designed to mitigate risk, including the oversight provided by the Compensation Committee, which reviews and approves the design, goals and payouts under our corporate short- and long-term incentive programs and each executive officer s compensation. Based on our assessment, we believe our compensation policies, programs and practices do not create risks that are reasonably likely to have a material adverse effect on the Company.

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DIRECTOR COMPENSATION

Directors who are Cabot employees do not receive compensation for their services as directors. Annual compensation for non-employee directors is comprised of cash compensation and a grant of Cabot common stock. The Governance Committee is responsible for reviewing the form and amount of compensation paid to our non-employee directors. The Governance Committee generally reviews director compensation annually and recommends changes to our Board of Directors as appropriate. In reviewing director compensation, the Governance Committee reviews competitive market data to evaluate the reasonableness of our director compensation and the appropriate mix of cash and equity compensation.

Cash Compensation

Cash compensation for our non-employee directors for fiscal 2011 consisted of an annual retainer of $65,000, plus the following annual amounts for specific roles:

- $21,000 for serving on the Audit Committee (plus another $40,000 for serving as Chair of the Audit Committee).
- $7,000 for serving on each of the Compensation, SH&E or Governance Committees (plus another $10,000 for serving as Chair of the Compensation, SH&E or Governance Committees).
- $110,000 for serving as Non-Executive Chairman of the Board of Directors.

Cash compensation is paid quarterly and, when Committee membership changes during a quarter, is pro-rated to reflect service during the quarter.

During calendar year 2011, the Governance Committee engaged Mercer LLC to assist with a review of the competitiveness of Cabot s director compensation practices. Following this review and upon the recommendation of the Governance Committee, our Board of Directors approved an increase, effective January 1, 2012, from $65,000 to $75,000 in the annual cash retainer payable to each non-employee director for his or her service on the Board. No other changes were made in the cash compensation package.

Stock Compensation

Under our Non-Employee Directors Stock Compensation Plan (the Directors Stock Plan), each non-employee director is eligible to receive each calendar year shares of Cabot common stock as a portion of his or her compensation for services to be performed in that year. The number of shares awarded is set each year by the Governance Committee. For calendar 2011, the Governance Committee approved an award of 1,796 shares to each non-employee director whose term of office continued after the 2011 Annual Meeting of Stockholders. Arthur Goldstein, whose term of office expired at the 2011 Annual Meeting, received a pro-rated grant of 449 shares. The closing price of our common stock on January 14, 2011 was $41.77. Ms. Rataj, who was elected to the Board effective September 9, 2011, received a pro-rated grant of 756 shares on September 9, 2011. The closing price of our common stock on September 9, 2011 was $33.11.

As of January 17, 2012, there were 163,170 shares available for issuance under the Directors Stock Plan.

We believe that it is desirable for directors to have an equity interest in Cabot and we encourage all directors to own a reasonable amount of Cabot stock to align director and stockholder interests and to enhance a director s long-term perspective. Accordingly, our Corporate Governance Guidelines require non-employee directors to have an equity ownership in Cabot of at least 10,000 shares. It is expected that this ownership interest will generally be achieved within a five-year period beginning when a director is first elected to the Board. For purposes of determining a director s compliance with this ownership requirement, any deferred shares are

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considered held by the director. In addition, where equity-based compensation is a component of compensation, each non-employee director is required to retain the shares granted in any given year for a period of three years from the date of issuance or until the director s earlier retirement.

Reimbursement of Certain Expenses; Charitable Giving Program

Our Corporate Governance Guidelines state that Cabot will not provide retirement or other benefits or perquisites to non-employee directors. Directors, however, are reimbursed for reasonable travel and out-of-pocket expenses incurred for attending Board and Committee meetings and are covered by Cabot s travel accident insurance policy for such travel.

As part of our charitable giving program, upon Mr. Goldstein s retirement from the Board of Directors, we made a contribution totaling $25,000 on his behalf to several charities that he selected.

Deferred Compensation

Under the Cabot Corporation Deferred Compensation Plan, directors can elect to defer receipt of any cash compensation payable in a calendar year for a period of at least three years or until they cease to be members of the Board of Directors. In any year, these deferred amounts are, at the director s choice, either (i) credited with interest at a rate equal to the Moody s Corporate Bond Rate for the month of November prior to the beginning of the applicable year or (ii) treated as invested in Cabot phantom stock units, based on the market price of shares of Cabot common stock at the time of deferral (with phantom dividends being accrued and treated as if reinvested in phantom stock units). Mr. Enriquez-Cabot and Mr. McCance elected to defer receipt of their 2011 cash compensation and treat the deferred amounts as invested in phantom stock units.

Under the Non-Employee Directors Stock Deferral Plan, directors also may defer receipt of the shares of common stock issuable to them under the Directors Stock Plan. For each share of stock deferred, a director is credited with one Cabot phantom stock unit to a notional account created in the director s name. Dividends that would otherwise be payable on the deferred shares accrue in the account and are credited with interest at a rate equal to the Moody s Corporate Bond Rate for the month of November prior to the beginning of the year. The rate used to calculate interest during 2011 was 5.37%. At the end of the deferral period, the deferred shares of Cabot common stock are issued to the director, along with the accrued cash dividends and interest earned, either in one issuance or in installments over a period of up to ten years. Mr. Enriquez-Cabot, Mr. McCance, Mr. McGillicuddy, and Dr. Schmitz elected to defer their 2011 stock awards.

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Director Compensation Table

The following table sets forth the compensation paid to our non-employee directors in fiscal 2011:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	Total ($)
John S. Clarkeson	89,000	75,019	490	164,509
Juan Enriquez-Cabot	93,000	75,019	374	168,393
Arthur L. Goldstein	66,500	18,755		85,255
Gautam S. Kaji	93,000	75,019		168,019
Roderick C.G. MacLeod	93,000	75,019		168,019
Henry F. McCance	89,000	75,019	374	164,393
John K. McGillicuddy	113,000	75,019	83	188,102
John F. O Brien	182,000	75,019		257,019
Sue H. Rataj	5,141	25,031		30,172
Ronaldo H. Schmitz	79,000	75,019	521	154,540
Lydia W. Thomas	103,000	75,019		178,019
Mark S. Wrighton	79,000	75,019	8,491	162,510

1. Cash compensation has been pro-rated to reflect changes in Board and Committee service that occurred during the fiscal year. The amounts reported in this column for Messrs. Enriquez-Cabot and McCance were deferred under the Deferred Compensation Plan described above.

2. Reflects the grant date fair value for shares of stock granted to each non-employee director computed in accordance with FASB ASC Topic 718, excluding the effect of estimated forfeitures. The grant date fair value was calculated by multiplying the number of shares granted to the director by the closing price of our common stock on the date of grant, which was September 9, 2011 ($33.11) for Ms. Rataj and January 14, 2011 ($41.77) for all other non-employee directors. The stock awards reported in this column for Messrs. Enriquez-Cabot, McCance and McGillicuddy and Dr. Schmitz were deferred under the Non-Employee Directors Stock Deferral Plan described above.

3. Represents above-market earnings on compensation that has been deferred by Messrs. Clarkeson, Enriquez-Cabot, McCance and McGillicuddy and Drs. Schmitz and Wrighton.

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PROPOSAL 1 ELECTION OF DIRECTORS

Director Qualifications

The Governance Committee identifies candidates for election to the Board of Directors; reviews their skills, characteristics and experience; and recommends nominees for director to the Board for approval.

We believe that potential directors should possess the highest personal and professional ethics, integrity and values, and be committed to representing the long-term interests of our stockholders. In addition to reviewing a candidate s background and accomplishments, candidates are evaluated in the context of the current composition of the Board of Directors and the evolving needs of our businesses. It is the Board s policy that at all times at least a majority of the Board s members must be independent under Cabot s Corporate Governance Guidelines. It is also the Board s policy that the Board as a whole reflect a range of talents, skills, diversity and expertise, particularly in the areas of (i) management, (ii) strategic planning, (iii) accounting and finance, (iv) domestic and international markets, (v) corporate governance, and (vi) the specialty chemicals and related industries sufficient to provide sound and prudent guidance about Cabot s operations and interests.

In addition, the desired attributes of individual directors are (i) integrity and demonstrated high ethical standards; (ii) sound judgment; (iii) demonstrated leadership; (iv) knowledge, experience and skills in at least one specialty area, such as corporate management, accounting or finance, marketing, manufacturing, technology, information systems, international business or the specialty chemicals industry; (v) compassion; (vi) willingness and ability to work with other members of the Board openly and constructively; (vii) the ability to communicate clearly and persuasively; and (viii) diversity of origin, background, experience and thought. We believe that it is valuable to have a diverse Board that is representative of our global business, customers, employees and stockholders. The Governance Committee implements and assesses the effectiveness of this practice by considering each Board member s professional experience, background, education, skill, age, race, gender and national origin when selecting nominees for director. We also require that our Board members be able to dedicate the time sufficient to ensure the diligent performance of their duties on our behalf.

Board of Directors

Our Board of Directors currently has twelve members and is divided into three classes serving staggered three-year terms. Directors for each class are elected at the annual meeting of stockholders held in the year in which the term for their class expires.

Four directors are proposed to be elected at the 2012 Annual Meeting. The terms of John K. McGillicuddy, John F. O Brien, Lydia W. Thomas and Mark S. Wrighton expire this year and our Board of Directors has nominated each of them for a three-year term that will expire at the annual meeting in 2015. All of them are current directors elected by stockholders at previous annual meetings.

Effective September 9, 2011, Cabot s Board of Directors elected Sue H. Rataj as a director in the class whose term expires at the 2013 Annual Meeting of Stockholders and as a member of the Audit Committee.

Upon the election of the nominated directors, Cabot s Board of Directors will have twelve members. We expect that all of the nominees will be available for election, but if any of the nominees is not available at the time of the 2012 Annual Meeting, proxies received will be voted for substitute nominees to be designated by the Board of Directors or, if no substitute nominees are identified by the Board, proxies will be voted for a lesser number of nominees. In no event will the proxies be voted for more than four nominees.

Vote Required

A nominee will be elected to the Board of Directors if the votes properly cast for his or her election exceed the votes properly cast against such nominee s election.

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Recommendation

The Board of Directors recommends that you vote FOR the election of its four nominees.

Certain Information Regarding Directors

In addition to the information presented below regarding the specific experience, qualifications, attributes and skills that qualify the nominees and the directors whose terms of office will continue after the 2012 Annual Meeting to serve as a director of the Company, all of the nominees and directors have a reputation for honesty, integrity, sound judgment and adherence to high ethical standards. Each of the nominees and directors has demonstrated the willingness and ability to make the significant commitment of time and energy to serve on our Board and its Committees, and to engage management and each other openly and constructively.

John S. Clarkeson

Age: 69

Committee Memberships: Compensation, Executive, Governance (Chair)

Director since: 1998

Term of Office Expires: 2013

Business Experience:

Mr. Clarkeson is Chairman Emeritus of The Boston Consulting Group, Inc., a management consulting firm, a position he has held since May 2007. Mr. Clarkeson joined The Boston Consulting Group in 1966 and served as Chief Executive Officer from 1986 to 1997, Chairman of the Board of Directors from 1998 to 2003 and Co-Chairman of the Board of Directors from 2004 to April 2007. Mr. Clarkeson also serves as a trustee of Northeast Utilities. In his over forty years of experience with The Boston Consulting Group, Mr. Clarkeson gained significant leadership experience as he partnered with clients worldwide to provide business strategy advice. Among his many qualifications, Mr. Clarkeson brings to the Board substantial management, corporate governance and strategic planning expertise.

Juan Enriquez-Cabot

Age: 52

Committee Memberships: Audit, SH&E

Director since: 2005

Term of Office Expires: 2014

Business Experience:

Mr. Enriquez-Cabot has served as Chairman of the Board of Directors and Chief Executive Officer of Biotechonomy, a life sciences research and investment firm, since 2003 and Managing Director of Excel Venture Management, a life sciences investment company, since March 2008. Prior to that, Mr. Enriquez-Cabot served as Director of the Life Science Project at Harvard Business School from 2001 to 2003. He is a member of the Board of Directors of Synthethic Genomics, an organization focused on the commercialization of genomic-driven technologies. Mr. Enriquez-Cabot s background and experience in technology ventures has provided him the opportunity to develop significant expertise in technology and international business matters, which makes him well qualified to serve on the Board. Mr. Enriquez-Cabot, who is a member of the extended Cabot family, brings to the Board the extensive leadership experience he gained through his involvement in Biotechonomy and Excel Venture Management.

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Gautam S. Kaji

Age: 70

Committee Memberships: Audit, SH&E

Director since: 1998

Term of Office Expires: 2014

Business Experience:

Mr. Kaji has served as Chairman of the Board of Directors of Centennial Group, Inc., a strategic advisory firm specializing in emerging market economies, since founding the firm in 1998. Prior to founding the Centennial Group, Mr. Kaji held various positions with the World Bank from 1968 to 1997, serving as Regional Vice President, East Asia and Pacific from 1991 to 1994 and Managing Director, Operations, and Chairman, Loan Committee, World Bank Group in Asia and Africa from 1994 until his retirement in 1997. He also served as a Director of Swarna Dwipa Co LLP, Singapore, a fund management company he co-founded, from October 2007 until July 2010. Mr. Kaji is a member of the Board of Directors of Emerging Markets Forum, a not-for-profit venture of the Centennial Group; Infrastructure Development Finance Co., a specialized financial intermediary for infrastructure development; and LEWA (USA) Inc., a public charity that provides support for the Lewa Wildlife Conservancy and other wildlife conservation oriented entities in Kenya. He also serves as Asia Council Member of The Nature Conservancy, a conservation organization. From December 2009 until October 2010, he served as a member of the Board of Directors of Mahindra Satyam, a global business and information technology services company. Through his substantial management and strategic planning experience in emerging markets, Mr. Kaji brings a unique perspective to the Board of Directors. Mr. Kaji also brings to the Board his significant experience in accounting and finance, which he gained through his various positions with the World Bank and through his leadership at the Centennial Group.

Roderick C.G. MacLeod

Age: 61

Committee Memberships: Audit, SH&E

Director since: 1998

Term of Office Expires: 2013

Business Experience:

Mr. MacLeod is a Principal of Waverley Investments Ltd., a private equity investment company, a position he has held since co-founding the company in 1999, and a Principal of St. Martins Finance Ltd., a private equity investment company, since co-founding the company in 1985. Prior to his current positions, Mr. MacLeod served as General Manager for Business Development for Adia S.A. (now Adecco S.A.), a human resources company, from 1980 to 1991. Through Mr. MacLeod s more than thirteen-year tenure on our Board of Directors, he has developed an extensive knowledge of the Company and the specialty chemicals industry. As a qualified chartered accountant, Mr. MacLeod brings to the Board his expertise in business and accounting and finance matters, which he gained through his substantial experience in private equity. He is a member of the extended Cabot family.

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Henry F. McCance

Age: 68

Committee Memberships: Compensation (Chair), Executive, Governance

Director since: 2005

Term of Office Expires: 2014

Business Experience:

Mr. McCance is Chairman Emeritus of Greylock Partners, a private venture capital firm, a position he has held since January 2008. Mr. McCance joined Greylock in 1969 and served as President from 1990 until January 2008 and Chairman of the Board of Directors from 1997 until January 2008. Mr. McCance also served as a member of the Investment Committee of Yale University from 2003 to June 2011. During his tenure with Greylock Partners, Mr. McCance provided significant leadership to the firm s numerous equity investments and oversaw the firm s strategic direction, skills which make him uniquely qualified to serve on our Board. He has served on the boards of, and led the firm s investment in, numerous public and private companies, where he developed substantial expertise with regard to accounting and finance, management, strategic planning and domestic and international markets and business.

John K. McGillicuddy (Nominee for Election)

Age: 68

Committee Memberships: Audit (Chair), SH&E

Director since: 2008

Term of Office Expires: 2012

Business Experience:

Mr. McGillicuddy was a partner with KPMG LLP, a public accounting firm, from 1975 until his retirement in 2000. During his tenure with KPMG, he served as an audit partner, SEC reviewing partner and in various management positions. Mr. McGillicuddy is also Chairman of the Board of Directors of Watts Water Technologies, Inc., a manufacturer of water safety and flow control products, and a member of the Board of Directors of Brooks Automation, Inc., a worldwide provider of automation, vacuum and instrumentation solutions to the global semiconductor and related industries. He is a former chairman of the Better Business Bureau of Massachusetts. Mr. McGillicuddy brings to the Board his substantial expertise in accounting and finance matters, which he gained during his more than 25 years of experience in public accounting. In serving on the boards and committees of several public companies, Mr. McGillicuddy has developed significant experience and skills in corporate governance, financial reporting and public company leadership.

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John F. O Brien (Non-Executive Chairman of the Board) (Nominee for Election)

Age: 68

Committee Memberships: Executive (Chair), Governance

Director since: 1990

Term of Office Expires: 2012

Business Experience:

Mr. O Brien was Chief Executive Officer and President of Allmerica Financial Corporation (now known as The Hanover Insurance Group, Inc.), an insurance and diversified financial services company, from 1995 until his retirement in 2002. From 1989 until 2002, Mr. O Brien also served as President and Chief Executive Officer of First Allmerica Financial Life Insurance Company, Chairman of the Board of Directors of Allmerica Investment Trust and Chairman of the Board of Directors of Allmerica Securities Trust. Mr. O Brien is also a member of the Board of Directors of LKQ Corporation, a nationwide provider of recycled auto parts; a family of mutual funds managed by BlackRock, an investment management advisory firm; and the lead director of The TJX Companies, Inc., an off-price retailer of apparel and home fashions in the U.S. and worldwide. Mr. O Brien s tenure as Chief Executive Officer and President of a Fortune 500 insurance company and significant leadership and management experience provides him with substantial knowledge and skills with respect to strategic planning, accounting and finance, and corporate governance and makes him uniquely qualified to serve as Non-Executive Chairman of the Board. In addition, his service as lead director of The TJX Companies and a member of the boards of LKQ and BlackRock gives him extensive experience in leadership, management and corporate governance matters.

Patrick M. Prevost

Age: 56

Committee Memberships: Executive

Director since: 2008

Term of Office Expires: 2014

Business Experience:

Mr. Prevost joined Cabot in January 2008 as President and Chief Executive Officer. Prior to joining Cabot, since October 2005, Mr. Prevost served as President, Performance Chemicals, of BASF AG, an international chemical company. Prior to that, he was responsible for BASF Corporation s Chemicals and Plastics business in North America. Before joining BASF in 2003, he held senior management positions at BP and Amoco. Mr. Prevost is a member of the Board of Directors of General Cable Corporation, a global leader in copper, aluminum and fiber optic wire and cable products. Mr. Prevost is also a member of the Board of Directors of the American Chemistry Council, a trade association representing the business of chemistry at the global, national and state levels. As Cabot s President and Chief Executive Officer, Mr. Prevost has a strong understanding of Cabot s business and is uniquely qualified to serve on the Board of Directors. Mr. Prevost has substantial experience in the chemicals industry, which has provided him with a deep knowledge of technology, international business, strategic planning and manufacturing.

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Sue H. Rataj

Age: 54

Committee Memberships: Audit

Director since: 2011

Term of Office Expires: 2013

Business Experience:

Ms. Rataj was Chief Executive, Petrochemicals for BP, a global energy company, from April 2008 until her retirement in April 2011, with global responsibility for BP s petrochemicals operations. Prior to that, Ms. Rataj held a variety of senior management positions with BP, most recently serving as Group Vice President, Refining and Marketing from July 2007 until April 2008. During her tenure with BP, Ms. Rataj gained significant expertise in SH&E and risk management and accounting and finance matters, particularly in the context of a chemicals company. She also brings substantial leadership and management experience to the Board of Directors.

Ronaldo H. Schmitz

Age: 73

Committee Memberships: Compensation, SH&E

Director since: 2001

Term of Office Expires: 2013

Business Experience:

Dr. Schmitz was Executive Director of the Deutsche Bank Group and served as a member of the Board of Directors from 1991 until his retirement in 2000. Prior to joining Deutsche Bank AG as Executive Vice President in 1990, Dr. Schmitz served as a member of the Board of Managing Directors at BASF AG, an international chemical company, from 1980 to 1990. Dr. Schmitz is a member of the Supervisory Board of Sick AG, a producer of sensors and sensor solutions for industrial applications in factory, logistics and process automation. He previously served on the boards of GlaxoSmithKline plc, a pharmaceutical and healthcare company, Rohm and Haas Company, now a wholly-owned subsidiary of The Dow Chemical Company, and Legal & General Group plc, a provider of insurance, investment management and financial services. Dr. Schmitz brings his extensive international leadership experience to the Board of Directors. During his tenure at the Deutsche Bank Group, Dr. Schmitz developed a deep understanding of accounting and finance matters and international markets. Dr. Schmitz s service with BASF AG and Rohm and Haas Company contributed to his extensive knowledge of the chemicals industry. In addition, he has gained particular insight into matters relating to public company oversight from his service on numerous public company boards of directors.

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Lydia W. Thomas (Nominee for Election)

Age: 67

Committee Memberships: Audit, SH&E (Chair)

Director since: 1994

Term of Office Expires: 2012

Business Experience:

Dr. Thomas has served as a Trustee of Noblis, a nonprofit science, technology and strategy organization, since October 2008 and previously served as President and Chief Executive Officer from 1996 until her retirement in 2007 and as a consultant from October 2007 until October 2008. Prior to Noblis, Dr. Thomas held several executive positions, including Senior Vice President and General Manager, Vice President and Technical Director, at The MITRE Corporation, a not-for-profit organization that provides systems engineering, risk management, research and development, and information technology support to government agencies. Dr. Thomas is a member of the Board of Directors of the Northern Virginia Technology Council, a membership association for the technology community in Northern Virginia; Mueller Water Products, Inc., a manufacturer and marketer of infrastructure and flow control products for use in water distribution networks and treatment facilities; and INOVA Health System, a not-for-profit health care system. She also serves as a member of the Homeland Security Advisory Council to the Secretary of Homeland Security, a Trustee of the Washington Mutual Investors Fund and as a member of the Council on Foreign Relations. She previously served as Vice Chair of the Board of Trustees of George Washington University. Dr. Thomas brings her significant leadership experience and accounting and finance skills gained while serving in executive positions at Noblis and The MITRE Corporation to the Board of Directors. During her more than seventeen-year tenure on the SH&E Committee, Dr. Thomas has demonstrated her expertise in safety and environmental matters. In addition, Dr. Thomas substantial knowledge relating to information systems and risk management makes her well qualified to serve as a member of the Audit Committee and Chair of the SH&E Committee.

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Mark S. Wrighton (Nominee for Election)

Age: 62

Committee Memberships: Compensation, SH&E

Director since: 1997

Term of Office Expires: 2012

Business Experience:

Dr. Wrighton has served as Chancellor of Washington University in St. Louis since 1995. Prior to 1995, Dr. Wrighton was a faculty member at the Massachusetts Institute of Technology for 23 years where he served as head of the chemistry department from 1987 to 1990, and as Provost from 1990 to 1995. Dr. Wrighton is a member of the Board of Directors of Brooks Automation, Inc., a worldwide provider of automation, vacuum and instrumentation solutions to the global semiconductor and related industries, and Corning, Inc., a specialty glass and ceramics company, and previously served as a member of the Board of Directors of A.G. Edwards, Inc., a financial services company. Dr. Wrighton brings to the Board his extensive scientific knowledge and understanding of complex technology gained during his more than thirty years of experience as a professor, chemist and research scientist. As the chancellor of a major research university, Dr. Wrighton has developed significant management and leadership experience. In addition, Dr. Wrighton s service on numerous public company boards provides him with a deep understanding of matters relating to public company management and oversight.

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CORPORATE GOVERNANCE

Corporate Governance Guidelines

Our Board of Directors has adopted Corporate Governance Guidelines that address the following matters, among others: director qualifications and independence, Board Committees, director retirement, director compensation, Board performance evaluations, Board and Committee meetings, access to senior management, CEO evaluation and succession planning. The Corporate Governance Guidelines are posted on our website (*www.cabot-corp.com*) under the heading About Cabot Governance.

Director Independence

Our Board of Directors, upon the recommendation of its Governance Committee, has determined that each of Cabot s non-management directors who served as a director during the fiscal year is independent under the Board s director independence standards as detailed in our Corporate Governance Guidelines. The Governance Committee annually reviews the independence of all directors and reports its finding to the full Board. To assist in this review, the Board has adopted director independence guidelines. In the event a director has a relationship that is not addressed by the independence guidelines, the Governance Committee evaluates the relevant facts and circumstances of the relationship and makes a recommendation to the full Board of Directors about whether the relationship constitutes a material relationship with Cabot. After examining all known relationships between the directors and Cabot, the Board concluded that none of the non-management directors who served as directors during the fiscal year had a material relationship with Cabot.

In evaluating and determining the independence of the non-management directors, the Board considered the following:

Mark S. Wrighton is Chancellor of Washington University in St. Louis (WUSTL). Since 2006, Cabot Corporation Foundation has made an annual $60,000 contribution to support a scholar in an MBA program in WUSTL s McDonnell International Scholars Academy, and has pledged to make a $60,000 contribution in fiscal 2012. Cabot is one of 19 companies who support scholars through this program. In addition, during fiscal 2011, Cabot made a one-time contribution of $150,000 to support the establishment of the Cabot Corporation Xinsheng Zhang Lectureship, which will become an annual component of the McDonnell Academy and will feature a distinguished global leader to speak on U.S. China issues. The contribution of $150,000 has been placed in a separate endowment account, established by the Board of Trustees of Washington University, and is devoted to supporting the travel and local expenses of the lecturer and other expenses associated with publicizing and hosting the lectures. The Board determined that the contributions to WUSTL would not impair Dr. Wrighton s independence or judgment given that the total amount contributed by Cabot was less than 1% of the total contributions made to WUSTL during WUSTL s 2011 fiscal year. Further, Dr. Wrighton has no personal interest in, nor receives any personal benefit from, these contributions.

Transactions with Related Persons

Policy and Procedures for the Review of Related Person Transactions

Our Board has adopted a written policy for the review and approval or ratification of transactions involving related persons. Related persons consist of any person who is or was (since the beginning of the fiscal year) a director, nominee for director or executive officer of Cabot, any greater than 5% stockholder of Cabot and the immediate family members of any of those persons. The Governance Committee is responsible for applying the policy with the assistance of our General Counsel.

Transactions covered by the policy consist of any transaction, arrangement or relationship (including any indebtedness or guarantee of indebtedness) or any series of similar transactions, arrangements, or relationships in

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which (1) the aggregate amount involved will or may be expected to exceed $100,000 with respect to any fiscal year, (2) Cabot is a participant and (3) any related person has or will have a direct or indirect interest (an interested transaction).

Under the policy, the following interested transactions have a standing pre-approval from the Governance Committee, even if the aggregate amount is greater than $100,000:

Certain sales of stock by executive officers to Cabot. (1) Sales of Cabot stock by an executive officer (including the CEO) to Cabot to pay withholding taxes on vested stock under our long-term incentive program or (2) other sales by executive officers (excluding the CEO) provided that the sale has been approved by our CEO, the per share purchase price is the fair market value of our common stock on the date of sale, the proceeds from the sale to the executive officer do not exceed $500,000, and the sale does not take place during a quarterly blackout period.

Certain transactions with other companies. Any transaction between Cabot and another company if the aggregate amount involved does not exceed the greater of $1,000,000 or 2% of that company s total revenues, or any transaction where Cabot is indebted to another company if the total amount of Cabot s indebtedness to the other company does not exceed 1% of that company s total consolidated assets. In both cases, the pre-approval applies if the related person s only relationship is as an employee (other than executive officer), director or beneficial owner of less than 10% of the other company s shares.

Employment of executive officers; director compensation. Any employment by Cabot of an executive officer if the related compensation is required to be reported in our proxy statement or if the compensation was approved by our Compensation Committee. Any compensation paid to a director if the compensation is required to be reported in our proxy statement.

Other transactions. Competitively bid or regulated public utility services transactions; transactions involving trustee-type services; and transactions where the related person s interest arises solely from the ownership of our common stock and all common stockholders received the same benefit on a pro rata basis.

Each interested transaction by a related person should be reported to our General Counsel for presentation to the Governance Committee for approval before its consummation or for ratification, if necessary, after its consummation. The Chair of the Governance Committee has the authority to pre-approve or ratify (as applicable) any interested transaction with a related person in which the aggregate amount involved is expected to be less than $500,000. In determining whether to approve or ratify an interested transaction, the Governance Committee and the Chair may take into account such factors as they deem appropriate, which may include whether the interested transaction is on terms no less favorable than terms generally available to an unaffiliated third party under the same or similar circumstances and the extent of the related person s interest in the transaction.

Transactions with Related Persons

Cabot and its subsidiaries had no transactions, nor are there any currently proposed transactions in which Cabot or its subsidiaries was or is to be a participant, in which the amount involved exceeds $120,000 and any related person (as defined above) had or will have a direct or indirect material interest reportable under SEC rules, except as described below.

Under our long-term equity incentive program, employees are permitted to satisfy withholding taxes that may be due upon vesting of shares of restricted stock by selling a portion of that stock back to Cabot. These shares are sold to Cabot at a per share price equal to the closing price of Cabot common stock on the date the shares vest. In accordance with this program, Eduardo E. Cordeiro and Brian A. Berube sold shares of Cabot common stock back to Cabot at a per share price of $42.70 to satisfy withholding tax obligations on their shares of Cabot restricted stock that vested in May 2011. Mr. Cordeiro sold 14,883 shares for an aggregate dollar value of $635,504 and Mr. Berube sold 9,707 shares for an aggregate dollar value of $414,489. No other executive officer sold shares to Cabot with a dollar value in excess of $120,000.

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As described in detail under Director Independence above, we have made certain payments to Washington University in St. Louis where Dr. Wrighton is Chancellor. The Governance Committee determined that Dr. Wrighton did not have a direct or indirect material interest in any of the payments made by Cabot to Washington University.

Non-Executive Chairman of the Board; Executive Sessions

John F. O Brien serves as Non-Executive Chairman of the Board. Although our Corporate Governance Guidelines do not require that our Chairman and Chief Executive Officer positions be separate, our Board believes that this leadership structure is appropriate at this time because it allows our Chief Executive Officer to focus on the strategic and operational aspects of our business, while allowing the Non-Executive Chairman of the Board to provide independent leadership of the Board. Our Board recognizes that future circumstances may lead it to change the leadership structure depending on Cabot s needs at the time, and as such, believes that it is important to retain flexibility. In the future, if the Chief Executive Officer also serves as Chairman of the Board, our Corporate Governance Guidelines require that an independent director be appointed annually as lead director to lead the executive sessions of the non-management directors at Board meetings.

The Non-Executive Chairman of the Board is charged primarily with:

- presiding over meetings of our Board and stockholders, including executive sessions of the non-management directors;
- serving as an ex-officio member of each Board committee and, upon invitation, attending committee meetings where possible;
- establishing an agenda for each Board meeting in collaboration with our CEO and meeting with our CEO following each meeting to discuss any open issues and follow-up items;
- facilitating and coordinating communication among the non-management directors and our CEO and an open flow of information between management and our Board;
- in collaboration with the Governance Committee, leading our Board s annual performance review;
- meeting with each non-management director at least annually;
- providing assistance to our CEO by attending selected internal business management meetings and meeting with our CEO as necessary;
- coordinating the periodic review of management s strategic plan;
- in collaboration with the Compensation Committee, leading our Board s review of the succession plans for our CEO and key senior management and coordinating such officers annual performance reviews;
- working with management on effective stockholder communication; and

performing such other duties and services as our Board may require.

Director Attendance at Annual Meeting

Recognizing that director attendance at the annual meeting can provide our stockholders with an opportunity to communicate with Board members about issues affecting Cabot, we actively encourage our directors to attend the annual meeting. In 2011, all of our directors whose term of office continued after the annual meeting attended the annual meeting.

Code of Business Conduct and Ethics

We have adopted Global Ethics and Compliance Standards, a code of ethics that applies to all of our employees and directors, including the Chief Executive Officer, the Chief Financial Officer, the Controller and

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other senior financial officers. The Global Ethics and Compliance Standards are posted on our website (*www.cabot-corp.com*) under the caption About Cabot Governance.

Communications with the Board

Stockholders or other interested parties wishing to communicate with the Board, the non-management directors or any individual director may contact the Non-Executive Chairman of the Board by calling 1-800-853-7602; by submitting a form on our website that is located under the caption About Cabot Governance Contacting Cabot s Board of Directors ; or by writing to Cabot Corporation Board of Directors, c/o Alertline Anonymous, P.O. Box 3767, 13950 Ballantyne Corporate Place, Suite 300, Charlotte, North Carolina 28277.

Anyone who has a complaint or concern regarding our accounting, internal accounting controls or auditing matters may communicate that concern to the Chair of the Audit Committee by calling 1-800-853-7602; by submitting a form on our website that is located under the caption About Cabot Governance Contacting Cabot s Board of Directors ; or by writing to Cabot Corporation Audit Committee, c/o Alertline Anonymous, P.O. Box 3767, 13950 Ballantyne Corporate Place, Suite 300, Charlotte, North Carolina 28277. All communications to the Board of Directors or the Audit Committee will also be sent to Cabot s Office of Compliance.

Governance Committee Processes for Director Nominations

Process for Identifying and Evaluating Director Nominees

Generally, the Governance Committee identifies candidates for election to the Board of Directors through the business and other networks of the directors and management. The Committee may also solicit recommendations for director nominees from third-party search firms or any other source it deems appropriate. The Governance Committee s review and evaluation of a candidate generally includes inquiries as to the candidate s reputation and background, examination of the candidate s experience and skills in relation to the Board s requirements at the time, consideration of the candidate s independence as measured by the Board s independence standards, and any other considerations that the Governance Committee deems appropriate. Candidates recommended by our stockholders are evaluated on the same basis as candidates recommended by our directors, management, third-party search firms or other sources.

Procedures for Stockholders to Recommend Director Nominees

The Governance Committee will consider director candidates recommended by stockholders in accordance with the procedures set forth in our by-laws. Those procedures require a stockholder to notify the Company s Secretary in writing at Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts 02210, of a proposed nominee not less than 60 days and no more than 90 days prior to the anniversary date of the immediately preceding Annual Meeting of Stockholders. The notice to the Secretary should include the following:

- the candidate s name, age and address;
- the candidate s principal occupation or employment;
- the class and number of shares of Cabot stock, if any, beneficially owned by the candidate;
- the name and address of the stockholder as they appear on Cabot s books;
- the class and number of shares of Cabot stock directly or indirectly held of record, owned beneficially and represented by proxy by such stockholder as of the date of the notice;

any derivative security directly or indirectly owned beneficially by the stockholder and any other pecuniary interest or indirect pecuniary interest in Cabot stock, as such terms are defined under the Securities Exchange Act of 1934, as amended (the Exchange Act);

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- a representation that the stockholder intends to appear in person or by proxy at the meeting to nominate the candidate specified in the notice;

- a description of all direct and indirect compensation and other material monetary arrangements, agreements or understandings during the past three years, and any other material relationship, if any, between the stockholder and its respective affiliates or associates, or others with whom they are acting in concert, on the one hand, and the candidate and his or her respective affiliates, associates and others with whom any of them are acting in concert, on the other hand;

- any other information regarding the candidate or stockholder that would be required to be included in a proxy statement relating to the election of directors; and

- a statement signed by the candidate confirming that, if elected, he or she will comply with Cabot s Global Ethics and Compliance Standards, Policy on Transactions in Securities, Corporate Governance Guidelines and any other applicable rule, regulation, policy or standard of conduct applicable to the directors.

In addition, any person nominated by a stockholder must complete and submit a questionnaire, in a form available from Cabot upon the request of the stockholder, with the notice described above. If the stockholder holds its shares by or through a nominee, the information required to be provided in the notice shall be provided about the person who has the power to direct the voting and disposition of the shares of Cabot stock and who has a pecuniary interest in such shares in lieu of the stockholder.

Board Retirement Policy

The Board of Directors retirement policy for non-employee directors requires each director who is not a Cabot employee to submit his or her resignation to the Board prior to, and effective at, the annual meeting of stockholders next following the calendar year of such director s seventy-second birthday. The Board is authorized to make exceptions to this retirement policy for special circumstances involving the Company.

The Board of Directors also has a retirement policy for employee directors that requires each employee director to submit his or her resignation to the Board (i) prior to and, if accepted, effective at the annual meeting of stockholders following the calendar year of such director s sixty-fifth birthday, or (ii) if the director ceases to be an employee of Cabot prior to such annual meeting, no later than the date of and, if accepted, effective upon the termination of such director s employment with Cabot. Each resignation submitted pursuant to this policy is required to specifically state that the resignation is to be effective only upon acceptance by the Board of Directors. In each case, the Governance Committee will consider the resignation and make a recommendation to the Board. If a resignation submitted pursuant to this policy is not accepted, the employee director is thereafter required to submit his or her resignation annually to the Board of Directors for consideration.

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EXECUTIVE COMPENSATION

Compensation Committee Report

The Compensation Committee of the Board of Directors has reviewed the Compensation Discussion and Analysis (CD&A) section included in this Proxy Statement. The Compensation Committee has also reviewed and discussed the CD&A with members of management who are involved in the compensation process.

Based on this review and discussion, the Compensation Committee recommended to the Board of Directors that the CD&A be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the year ended September 30, 2011.

The members of the Compensation Committee of the Board of Directors have provided this report:

Henry F. McCance, Chair

John S. Clarkeson

Ronaldo H. Schmitz

Mark S. Wrighton

Compensation Discussion and Analysis

Executive Summary

Our Performance for Fiscal 2011. We had a strong fiscal 2011 as measured by both our financial performance and the execution of our strategy. Our many accomplishments reflect our continued efforts to deliver earnings growth through leadership in performance materials by focusing on margin improvement, capacity expansion and emerging market growth, developing new products and businesses and actively managing our portfolio of businesses. Our financial results and other successes in the year included the following:

- We reported robust segment earnings driven by substantial margin improvements, including benefits from our investments in energy centers and yield technology, resulting in earnings per share (EPS) of $3.57 and adjusted EPS of $3.02 for the year. If we included the results from our Supermetals Business, which in August we agreed to sell and thus was reflected as a discontinued operation in our financial statements, adjusted EPS would have been $3.82 per share.

- We achieved a year earlier than expected our previously announced long-term financial goals relating to adjusted EPS and adjusted return on invested capital (adjusted ROIC) and have set a new target for 2014 of adjusted EPS of $4.50 per share with adjusted ROIC in excess of 13%.

- We ended the year with a strong cash balance of $286 million.

We entered into an agreement for the sale of our Supermetals Business at an attractive price, which we believe will reduce the cyclicality of our results in the future. The sale was completed in January 2012.

We delivered consistently solid results in our Rubber Black Business and Performance Segment from our value pricing initiatives and investments in new products and technologies.

We undertook significant capacity expansions, focused in emerging markets, to enable the next phase of our growth and execution of our strategy, including:

- adding significant masterbatch production capacity at our carbon black plant in Tianjin, China;

- commencing capacity expansion of our inkjet color pigment dispersion and polymer lines;

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commencing construction to expand the production capacity of our fumed silica plant in Barry, Wales;

entering into a joint venture with Risun Chemicals Company, Ltd. to construct a new carbon black facility in Xingtai, China;

commencing construction of a major expansion of our fumed silica capacity in Jiangxi Province, China with our joint venture partner China National Bluestar (Group) Corporation; and

developing expansions of our Rubber Blacks capacity in Indonesia, South America and the EMEA region.

With respect to our safety and environmental performance, we continued to perform at world-class levels and maintained our leadership position among our peers, with a total recordable incident rate of 0.35. In addition, our injury severity rate decreased by one-third in fiscal 2011 compared with fiscal 2010.

The bar graphs below illustrate the Company s strong financial performance for fiscal 2011 compared with fiscal years 2007 through 2010, as measured by adjusted EPS, adjusted earnings, before interest, taxes and depreciation (adjusted EBITDA) and adjusted ROIC. These three performance metrics, together with net working capital days, serve as the four financial performance metrics under our short- and long-term incentive compensation plans. Adjusted EBITDA and net working capital days, the metrics used in our short-term incentive compensation plan, reflect our near-term business goals as adjusted EBITDA measures our operating profitability and net working capital days reflects how efficiently we manage the day-to-day cash used to run our operations. The performance-based restricted stock units granted under our long-term incentive compensation program are earned on the achievement of annual adjusted EPS and adjusted ROIC goals over a three-year performance period. These metrics are aligned with our long-term financial goals of improving our after-tax profitability and use of capital, and the targets for the fiscal 2011 awards reflect the long-term goals of achieving adjusted EPS of $3.00 per share and adjusted ROIC of 13% that were in place when those awards were granted. The information in these graphs includes the results from our Supermetals Business because we operated and managed the business for the entire fiscal year and its results were part of the incentive compensation targets we established for fiscal 2011.

Throughout this CD&A, we refer to our adjusted EPS, adjusted EBITDA and adjusted ROIC performance, which are non-GAAP financial measures. Appendix A to this proxy statement contains an explanation of how we calculate these measures.

Characteristics of our Executive Compensation Program. As more fully described below, our executive compensation program is designed to motivate and reward the executive officers for their performance on an annual and long-term basis and to align their interests with those of our shareholders by linking compensation opportunities and amounts to the long-term financial and strategic growth objectives of the Company. The following characteristics of our executive compensation program work to reward performance and reduce the possibility that executive officers will make business decisions that maximize short-term results at the expense of the Company s long-term value:

Balanced Mix of Pay Components**:** The target compensation mix is not overly weighted toward annual short-term incentive (STI) awards and represents a balance of cash, stock options and long-term incentive (LTI) awards, both performance- and time-based, that vest over three years.

Significant Performance-Based Compensation**:** More than half of the total compensation awarded to our executive officers is performance-based.

Balanced Approach to Performance-Based Awards**:**

STI and LTI incentive compensation performance targets are tied to financial metrics that reflect our near- and longer-term business goals, including, for fiscal 2011, adjusted EBITDA, net working capital days, adjusted EPS and adjusted ROIC.

STI awards are based on an assessment of individual leadership qualities and contributions toward the achievement of strategic goals, in addition to financial metrics.

STI and LTI programs provide for different percentage payouts based on the level of performance.

The shares issuable upon vesting of performance-based awards depends on the degree of achievement of financial performance metrics for each year within the three-year performance cycle.

Capped Incentive Awards**:** STI award payouts are capped at 200% of target and performance-based restricted stock unit payouts are capped at 150% of target.

Committee Discretion to Reduce STI Awards**.** The Compensation Committee retains discretion to reduce STI awards in appropriate circumstances.

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- ***Stock Ownership Guidelines*****:** Our guidelines require the CEO to own equity in Cabot with a value of five times salary and other members of the management Executive Committee to own equity in Cabot with a value of three times salary.

- ***No Excise Tax Gross-Ups*****:** In 2012, we eliminated all excise tax gross-up payments.

- ***Eliminated Automatic Acceleration of Equity Awards upon a Change in Control*****:** For awards issued after March 8, 2012, we eliminated the automatic acceleration of equity awards upon a change-in-control.

- ***Limited Perquisites*****:** We provide a modest level of perquisites to our executive officers, consisting primarily of financial planning services and an executive physical examination.

- ***Hedging Policy*****:** Our executives are not permitted to engage in any transaction in which they may profit from short-term speculative swings in the value of our securities.

At our 2011 Annual Meeting, in our first Say on Pay proposal, 92% of the votes cast were in favor of the compensation of our named executive officers. The Committee considered this very positive support for our compensation and continued to make compensation decisions consistent with our stated executive compensation philosophy and objectives.

Changes to be implemented in 2012 that address compensation best practices. During the year, the Compensation Committee reviewed the competitiveness of the benefit provided by the Senior Management Severance Protection Plan (the Severance Plan) and the change-in-control provisions contained in the long-term equity compensation program. Based on this review, the Board of Directors determined that it was in the best interest of the Company to make certain changes and adopted the following improvements.

- Effective January 13, 2012, we amended the Severance Plan to eliminate the requirement that we make a participant whole for any excise tax payable by the participant on certain change-in-control payments and benefits (the 280G tax gross up). At the same time, we reviewed the competitiveness of the Severance Plan. We increased the benefit under it to provide a more competitive total compensation program to our CEO and the members of our management Executive Committee to continue to retain these individuals during periods of uncertainty as to their future employment with us. The Severance Plan has a double trigger, meaning that benefits are paid only in the event the participant s employment is terminated without cause or by the participant for good reason following a change in control.

- Effective January 13, 2012, we amended our 2009 Long-Term Incentive Plan to eliminate the automatic, single trigger acceleration of vesting of equity awards upon a change in control for awards granted on or after March 8, 2012. The Compensation Committee will retain authority to accelerate the vesting of awards and intends to implement double trigger vesting in connection with a change in control.

Performance-Based Awards and Payouts. We believe 2011 incentive compensation appropriately reflected our strong financial performance as well as the individual performance of our executive officers. The percent of total direct compensation (which consists of base salary, STI, LTI and any other direct compensation paid during the year) awarded to our CEO for fiscal 2011 that was performance-based (meaning STI and the grant date value of the performance-based restricted stock units and stock options) was 58%. This percent is lower than the percent of performance-based compensation paid to Mr. Prevost in fiscal 2010 because Mr. Prevost s compensation for 2011 includes the value of a one-time award of time-vested restricted stock units made to help him cover the significant loss he incurred in the year on the sale of his home in Germany, which is described below under the heading Additional Compensation awarded to Mr. Prevost . Excluding the value of this award, the percent of direct compensation paid to Mr. Prevost that was performance-based was 65%. The percent of total direct compensation awarded to our other named executive officers for fiscal 2011 that was performance-based was approximately 57%.

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For payments made under the STI program, the portion of the award opportunity based on corporate performance paid out at 138.4%. The Company s adjusted EBITDA achievement for fiscal 2011 was between the target and the maximum performance goals established by the Committee. However, the Company did not achieve its net working capital (NWC) goals and no payments were made on the basis of this metric. The balance of the STI awards made to each named executive officer reflected each officer s strong individual performance and leadership during the year. The total STI award paid for the year to our CEO was 144% of his target award opportunity and for our other named executive officers ranged from 130% to 148% of their target award opportunities.

The LTI awards for fiscal 2011 were in the middle of the target value range for each officer established by the Committee. With respect to outstanding cycles of performance-based restricted stock units, the number of shares earned on the basis of fiscal 2011 performance was 150% of target for year two of the 2010 awards and 143.5% of target for year one of the 2011 awards.

The first part of the remainder of this Compensation Discussion and Analysis (CD&A), entitled Compensation Philosophy, Objectives and Process , discusses in greater detail the goals of our compensation program for executives and the structure in place to align our program with those objectives. The second part, Description of the Structure of each Element of Compensation , provides an overview of the programs we have in place to compensate our executives and an analysis of the function of each program in achieving our compensation objectives. The third part, 2011 Compensation Analysis , provides an analysis of compensation decisions for fiscal 2011.

Compensation Philosophy, Objectives and Process

Continuing to position Cabot for future success requires high caliber talent to support our strategy to grow earnings through leadership in performance materials. Our executive compensation program is designed to provide a competitive and internally equitable compensation and benefits package that rewards individual and Company performance, and reflects job complexity and the strategic value of the individual s position while ensuring long-term retention and motivation. We seek to accomplish these goals in a way that is aligned with the long-term interests of our shareholders.

To achieve these goals, our executive compensation program follows these principles:

- Offer a total compensation and benefits opportunity that is competitive in our industry;
- Reward executives based on our business performance by closely aligning a substantial portion of the compensation paid to our executives with the performance of the Company on both a short- and long-term basis;
- Set performance goals that support the Company s long-term financial goals;
- Motivate individual performance by rewarding the specific performance and achievements of individual executives and their demonstrated leadership; and
- Align the financial interests of our executives and our stockholders through equity grants and share retention guidelines.

The Compensation Committee

As discussed under The Board of Directors and its Committees Compensation Committee , on page 7, the Compensation Committee is charged with all compensation actions related to members of the Company s management Executive Committee, which consists of Mr. Prevost and the officers who report directly to him. The Compensation Committee s complete roles and responsibilities are set forth in the written charter adopted by the Board of Directors, which can be found at www.cabot-corp.com under About Cabot Governance.

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Role of the Compensation Consultant

The Compensation Committee has retained Pearl Meyer & Partners (PM&P) as its independent compensation consultant. PM&P reports directly to the Compensation Committee and does not provide any other services to Cabot. When directed to do so by the Committee, PM&P works cooperatively with Cabot s management to develop analyses and proposals for presentation to the Committee. The Committee generally relies on PM&P to provide it with comparison group market data and information as to market practices and trends, to assess the competitiveness of the compensation we pay to our CEO and other executives, and to review the Committee s proposed compensation decisions. PM&P does not make specific base salary and/or short- and long-term incentive award recommendations, although it does provide external competitive market award data for the Committee and our CEO to consider. In fiscal 2011, the consulting services provided by PM&P also included reviewing the composition of the compensation peer group, preparing a preliminary pay-for-performance analysis, reviewing the competitiveness of our severance protection and change-in-control arrangements, providing advice on the new share request under our 2009 Long-Term Incentive Plan included in this proxy statement, and providing advice on whether our compensation policies and practices create any material risks.

PM&P attends all regularly scheduled meetings of the Compensation Committee as well as most of the preparatory meetings with the Committee Chair. PM&P attends executive sessions of the Committee as requested by the Committee.

Role of the Chief Executive Officer and Other Officers

Our CEO and the Company s Vice President of Human Resources, working with internal resources as well as PM&P, propose to the Committee the design of our executive compensation programs and recommend modifications to existing, or the adoption of new, plans and programs. In addition, our CEO recommends to the Committee the performance metrics used to determine payouts under our STI and LTI programs, and each executive officer s individual performance goals are jointly developed by the executive and the CEO.

Before the Committee makes compensation decisions, the CEO provides his assessment of each executive officer s performance, other than his own, addressing such factors as the officer s achievement of individual goals, leadership accomplishments, contribution to Cabot s performance and the achievement of Company goals, areas of strength and areas for development. He then makes specific award recommendations. In preparing compensation recommendations for the Committee, our CEO and Vice President of Human Resources and other internal resources review compensation and survey data compiled by PM&P for similarly-situated executives at our peer group of companies and specific external competitive market award data provided by PM&P. Mr. Prevost attends Compensation Committee meetings but is not present for, and does not participate in, the discussions concerning his own compensation. All decisions relating to the compensation of our executive officers are made solely by the Committee and are reported to the full Board of Directors.

Use of Benchmarking Comparison Data

The Committee targets executive compensation so that target total annual cash and long-term compensation opportunities for each executive are competitive with comparable positions at a group of comparable companies. We believe this allows us to successfully attract and retain the high caliber and experienced executive talent critical to our long-term success. To gauge the reasonableness and competitiveness of executive compensation determinations, the Committee considers compensation data for similarly-situated executives at a comparison group of companies, which we refer to as our peer group. The comparison group consists of companies in the diversified chemicals or specialty chemicals industries with similar products and services and comparable revenues and market capitalization to Cabot.

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The Committee, with input from management and PM&P, annually reviews the companies included in our peer group and may add or eliminate companies as determined appropriate. For purposes of fiscal 2011 compensation matters our peer group consisted of:

A. Schulman, Inc.	Lubrizol Corp.
Albemarle Corp.	OM Group, Inc.
Arch Chemicals Inc.	PolyOne Corp.
Cytec Industries Inc.	Rockwood Holdings
Ferro Corp.	RPM International Inc.
FMC Corp.	Sigma-Aldrich Corp.
H.B. Fuller	W.R. Grace & Co.

The Committee reviewed the peer group companies during 2011 and for fiscal 2012 has removed Lubrizol, which agreed to be acquired by Berkshire Hathaway, and added Chemtura Corp., Eastman Chemical Co., Solutia Inc., and Valspar Corp. The size of the peer group was expanded to align with market practices and provide a broader comparison group.

The Committee and management also consider compensation survey data. The survey data used is based on information reported in various Towers Wyatt and Mercer Human Resources Consulting surveys. For positions where peer group and survey data are available, the data is averaged to also provide a market composite perspective for compensation other than long-term incentive compensation.

Factors Considered in Determining Amounts of Compensation

The key factors the Committee considers in determining an executive officer s total compensation opportunity include the executive officer s role and level of responsibility, performance, leadership, experience, employee retention, internal equity (the relationship of pay among the executive officers in the context of their responsibilities) and external competitiveness. The actual compensation for each executive officer may be above or below the officer s target compensation opportunity and above or below the intended market level depending largely on the degree to which Company and individual performance objectives are achieved.

Over the past two years, the Compensation Committee has been rebalancing the allocation of total direct compensation paid to our executive officers. Historically, base salaries and short-term incentive compensation have been below mid-market of the benchmarking data and long-term incentive compensation has been at approximately the 75^{th} percentile of the benchmarking data. The Compensation Committee intends, over time, to set our executives base salaries and target level short-term incentive payouts generally at the mid-market of the benchmarking data and target long-term incentive award values generally at the 65^{th} percentile of the benchmarking data. With these changes, slightly less weighting will be placed on long-term equity awards than in the past, which the Committee believes will result in a more appropriate balance between short- and long-term incentive compensation for the Company.

At least annually the Committee reviews tally sheets that detail all elements of an executive officer s compensation and benefits for the current and immediately prior fiscal years, as well as a projection of compensation for the upcoming year. The tally sheets currently include the executive officer s base salary, short-term incentive compensation awards, the value of long-term incentive awards at the time they were awarded, any unrealized gain on unvested long-term incentive awards at the end of the fiscal year, dividends or dividend equivalents paid on unvested awards, the value of accrued benefits under the Cabot retirement plans, the value of health, disability and life insurance and of financial planning assistance, and amounts payable upon termination of employment, including upon a change in control. The tally sheets are provided to the Committee as a means to review the total compensation and benefits package and the impact of compensation decisions. After reviewing the tally sheets, the Compensation Committee made no changes to the current compensation program or any individual executive officer s proposed compensation for 2011 in light of the information set forth in the tally sheet.

Each November, the Committee (i) determines any adjustments to base salaries, with any adjustment made to be effective the following January, (ii) sets corporate performance metrics applicable to the STI and LTI programs for the new fiscal year, (iii) makes LTI awards, and (iv) establishes compensation goals and maximum payment levels under the Short-Term Incentive Compensation Plan (the STI Plan) for the new fiscal year for each named executive officer. The annual compensation process also concludes at the Committee s meeting in November, when the Committee evaluates the Company s performance against criteria set for the just-concluded performance period and on this basis determines amounts payable under the STI program.

Developing Company Performance Metrics

The performance metrics we set support our short- and long-range plan and business strategy. For fiscal 2011, we selected a total of four different financial metrics for our STI and LTI plans to capture the performance we are seeking to achieve on both a short- and longer-term basis, and to promote well-rounded management performance. In setting our short and long-range performance metrics, we begin with our annual and long-range business plans and consider other factors including our past variance to targeted performance, economic and industry conditions and industry sector performance. We set challenging, but realistic, goals for the Company and our executives to drive the achievement of our short- and long-term objectives. We recognize that the metrics we use may need to change over time to reflect new priorities and business circumstances. Accordingly, we expect to reassess the performance metrics annually.

Description of the Structure of each Element of Compensation

Our executive compensation program consists of three primary components: base salary, short-term incentive bonuses, and long-term incentive compensation. In addition to these primary components, we provide our executives with retirement, severance, health and other personal benefits described below.

Base Salary

Base salary provides a secure base of compensation in an amount that recognizes the role and responsibility of the executive officer, as well as his experience, performance and contributions. The Committee considers base salary increases for our executive officers, including the named executive officers, annually. The amount of any increase is based primarily on the named executive officer s performance, the level of his responsibilities, internal equity considerations and the external competitiveness of his base salary and overall total compensation. The Committee s review of these factors is subjective and no fixed value or weight is assigned to any specific factor when making salary decisions.

Short-Term Incentive Compensation

Our annual STI program is designed to motivate and reward our executive officers in achieving the Company s short-term financial and operational objectives and the executive s individual goals. Our STI Plan is designed to comply with Internal Revenue Code Section 162(m) and thereby is designed to allow for the full tax deduction for annual incentive payments made under it. This Plan includes a maximum amount for the awards that can be paid to our CEO and the other named executive officers. For fiscal 2011, the Committee determined the amount of the annual incentive awards that would be paid to the named executive officers, which was less than the Plan maximum, based on the achievement of pre-established corporate and individual goals, as described below. For our executive officers, 70% of their award is based on the degree to which these corporate performance goals are achieved and 30% is based on their individual performance and achievements. For our 2011 fiscal year, the two financial metrics used to measure corporate performance for determining payouts were: (i) adjusted EBITDA, which had an 80% weighting and (ii) net working capital (NWC) measured in days,

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which had a 20% weighting. These metrics and their assigned weights reflect our near-term business goals, as adjusted EBITDA measures our operating profitability and NWC measured in days reflects how efficiently we manage the day-to-day cash used to run our operations.

The annual target incentive opportunity for our named executive officers is expressed as a percentage of base salary, which is 100% for Mr. Prevost and 60% for the other named executive officers. The actual short-term cash incentive paid to an executive can range from 0% to 200% of his target and depends on the degree to which the corporate performance goals are attained and on his individual performance.

With respect to the corporate goals, threshold, target, stretch and maximum goals for adjusted EBITDA and NWC are established by the Committee at the beginning of the fiscal year. The percent of the target bonus opportunity that is payable with respect to each metric on the basis of the Company s performance against these goals is as follows:

Degree of Performance Achieved	Percent of target bonus opportunity payable with respect to each metric
Below Threshold	0%
Threshold	50%
Target	100%
Stretch	125%
Maximum	200%

The payout on performance between the nearest reference points is interpolated on a straight line basis. In addition, if the threshold adjusted EBITDA goal is not achieved, none of the target bonus opportunities applicable to either corporate performance objective is payable. Even if the corporate financial goals are achieved, the Committee nonetheless retains discretion to decrease the amount of the awards based on our achievement of other corporate goals in the areas of safety and environmental performance and with respect to customers and innovation.

As explained above, 30% of an executive officer s target bonus relates to individual job performance, and the actual amount paid on this basis can range from 0% to 200% of that 30% target bonus. At the beginning of the fiscal year, the Compensation Committee, with input from the other independent directors, establishes the personal objectives for our CEO, and each executive develops with the CEO his personal objectives for the year. In assessing each executive s individual performance, the Committee considers the officer s personal achievements, including his achievements against his personal objectives, as well as his individual contributions to the management team, leadership and management of his business, region or function.

The Committee does not assign specific numerical weightings or ratings to the individual goals and the performance of each officer is evaluated as a whole. Furthermore, there are no formal threshold levels of achievement applicable to the individual performance component of the STI program. Ultimately, the determination of the payout of the portion of the total bonus paid for individual performance is based on the subjective judgment of the Committee after reviewing all factors.

The threshold financial metrics established for fiscal 2011 and the amounts paid for fiscal 2011 are described below under 2011 Compensation Analysis.

Long-Term Incentive Compensation

We believe it is important to provide our executives with a long-term incentive award to promote retention, incent sustainable growth and long-term value creation, and to further align the interests of our executives with those of our shareholders by exposing the executive to stock price changes during the performance and vesting periods.

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In 2008, the Compensation Committee established for each executive officer an LTI target award value range that it uses as a guide to establish the value of equity awards that may be granted to the officer for a particular fiscal year. The award value range for each executive officer was developed from an evaluation of market data obtained from PM&P for equity incentive compensation grant practices for comparable positions at companies in Cabot s peer group and compensation survey reports, and an assessment of the individual s position, role and responsibilities within the Company, the overall competitiveness of his total direct compensation, and internal equity considerations based primarily on each executive s job responsibilities, effectiveness and experience. The Committee has continued to use these award value ranges as they continue to generally reflect target opportunities for comparable positions at companies in the peer group. In determining the value of equity awards to be granted in a particular year, the Committee also considers current competitive market information for a general understanding of competitive equity compensation practices and the impact of the grants on equity incentive plan share usage, share dilution, the Company s compensation expense and employee retention concerns.

When making LTI awards, the Compensation Committee first determines the total value of the award, and then delivers that value in three components: performance-based stock units representing 35% of the value of the award, stock options representing 35% of the value of the award, and time-based stock units representing 30% of the value of the award.

Performance-based restricted stock units

The performance-based restricted stock unit awards vest at the end of three years, and the number of shares issuable, if any, when the award vests, will depend on the degree of achievement of corporate performance metrics for each year within the three-year performance period. Based on the degree to which we achieve the performance metrics, an executive may earn between 0% and 150% of the number of stock units allocated to this portion of his award. For 2011 awards, the two financial metrics used to measure corporate performance were: (i) adjusted EPS, which has a 65% weighting, and (ii) adjusted ROIC, which has a 35% weighting. Threshold, target and maximum goals were established for these metrics for each year in the three-year performance cycle, and will be used to calculate the number of shares that will be issuable for a particular year when the award vests in accordance with the following payout curve.

Degree of Performance Achieved	**Percent of shares issuable with respect to each metric**
Below Threshold	0%
Threshold	50%
Target	100%
Maximum	150%

The payout on performance between the nearest reference points is interpolated on a straight-line basis. In valuing the performance-based stock units for purposes of determining the amount to be granted, the Committee assumes that the Company will achieve target performance against the financial goals.

Stock options

The stock options are granted with an exercise price equal to 100% of the closing price of Cabot s common stock on the date of grant. The stock options vest over a three-year period (30% on each of the first and second anniversaries of the date of grant and 40% on the third anniversary of the date of grant) and have a ten-year term.

Time-based stock units

The time-based stock units vest in their entirety at the end of three years. During the restricted period, participants receive dividend equivalents, in cash, on each restricted stock unit when and if dividends are declared and paid on the Company s outstanding shares of common stock. The objective of providing such

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dividend equivalent payments is to help focus our executives on, and to reward them for, managing the business to produce cash that is capable of being distributed to shareholders in the form of a dividend. Dividend equivalents also mirror the income generation associated with stock ownership. When the stock units vest, they will be converted to shares of Cabot common stock.

We believe these equity incentive awards have been effective in achieving our compensation objectives (such as rewarding performance and the execution of our business strategy, employee retention and attraction, and aligning the interests of our executives with our shareholders). All of the awards promote alignment with our shareholders in share price appreciation. In addition, performance-based restricted stock units reward performance and the execution of our goal to deliver year-over-year growth in earnings and to increase the operating profit we generate relative to the capital we invest in our businesses. Time-based restricted stock units encourage employee retention by providing some level of value to executives who remain employed for three years. Restricted stock units also support an ownership culture and thereby encourage our executives to take actions that are best for Cabot s long-term success. The multi-year vesting conditions applicable to all of these awards also encourage employee retention. Importantly, although each of these equity awards provides a competitive economic value on the date of grant, their ultimate value to an executive will depend upon the degree to which we achieve objectively measurable performance metrics and the market value of our common stock after the end of the vesting period. That value will be largely dependent upon our performance, our stock price appreciation and market dynamics.

Risk Assessment

We believe our approach of setting goals based on multiple performance criteria, setting of targets with payouts at multiple levels of performance, capped payments and evaluation of performance results and discretion to reduce the amount of an STI award assist in mitigating excessive risk-taking that could harm our value or reward poor judgment by our executives. Several features of our programs reflect sound risk management practices. We believe we have allocated our compensation among base salary and short and long-term compensation target opportunities in such a way as to not encourage excessive risk-taking. Further, we use different financial metrics to determine award amounts under our STI and LTI programs. Although the corporate performance metrics that determine payouts under these programs for certain business segment leaders are based in part on the achievement of business segment metrics, the metrics that determine payouts for our executive officers are company-wide metrics only. This is based on our belief that applying Company-wide metrics encourages decision-making that is in the best long-term interests of Cabot and our shareholders as a whole. Our Compensation Committee reviews and approves the design, goals and payouts under our STI and LTI plans and approves each executive officer s compensation. In addition, the Committee retains discretion to reduce STI awards in appropriate circumstances. The mix of types of equity awards used under our long-term incentive program also mitigates risk. Further, to reduce the likelihood of inappropriate risk-taking and to account for the time horizon of risk, we have a share ownership policy, capped payments under our annual STI program and our performance-based restricted stock units and impose multi-year vesting on our equity awards. We monitor the risks associated with our executive compensation programs on an on-going basis. In September 2011, management presented the Committee with the results of a study it conducted of our compensation programs to assess the risks arising from our compensation policies and practices. The Committee agreed with the study s findings that these risks were within our ability to effectively monitor and manage and that these risks are not reasonably likely to have a material adverse effect on the Company.

Share Ownership Guidelines

To further align the interests of our executives and our stockholders, in November 2008 we adopted share ownership guidelines for members of our management Executive Committee. Under our guidelines, we expect our CEO to own equity in the Company of five times salary, and each other officer who reports directly to the CEO to own equity of three times salary. Officers who were members of the Executive Committee at the time these guidelines were adopted are expected to achieve them by November 2013, five years after their adoption. New members of the Executive Committee are expected to achieve these ownership guidelines within a five-year period. The Compensation Committee reviews compliance with these guidelines on an annual basis.

Recoupment of Compensation

As required by the provisions of the Dodd-Frank Act, the Company plans to adopt a policy to recover incentive compensation from our executive officers in the event of an accounting restatement. As the provisions of the Dodd-Frank Act are subject to specific SEC rulemaking, management has determined that it is in the best interest of the Company to postpone adopting a recoupment policy pending this rulemaking.

Retirement and Other Benefit Programs

The named executive officers participate in the full range of benefits and are covered by the same plans and on the same terms as provided to all full-time U.S. salaried employees (with certain exceptions for employees covered by collective bargaining agreements).

Retirement Plans. The U.S. retirement plans have been designed to work with Social Security to replace 70-80% of pre-retirement base pay for an employee working for Cabot for 30 years and retiring at age 65. The benefits consist of matching contributions and ESOP allocations under the Company s tax-qualified Retirement Savings Plan (RSP) (a defined contribution plan), and quarterly accruals under the Company s tax-qualified Cash Balance Plan (a hybrid pension plan). In addition, we provide benefits to our executives under the Supplemental RSP and Supplemental Cash Balance Plan, which allows us to provide benefits comparable to those that would be available under the tax-qualified plans if the maximum limits established by ERISA and the Internal Revenue Code did not apply. These supplemental plans use the same benefit formulas as the qualified plans, and use the same types of compensation to determine benefit amounts.

Change in Control Severance Plan. We provide severance benefits under our Severance Plan to all of our executive officers and certain other senior-level executives if their employment is terminated following a change in control. We provide these severance benefits because we believe that some severance arrangements and financial protection in the event of a change in control is necessary to enable executives to maintain their focus on Cabot and its business during periods of uncertainty as to their future employment with us. The provisions of the Severance Plan are described under the heading Potential Payments following a Change in Control Severance Plan on page 53.

Deferred Compensation Plan. Our Deferred Compensation Plan permits eligible employees, including our named executive officers, to voluntarily defer up to 50% of their salary and any short-term incentive bonuses and to receive a return based on the Moody s Corporate Bond Rate. The ability to defer income is provided to executive officers as a way to assist them to save for future financial needs with relatively little cost to us. The amounts deferred are a general obligation of ours and we may use the cash that has been deferred for our general corporate purposes.

Health and Welfare Plans. The health and welfare plans are the same as those offered to all other employees working in the same country.

Death Benefit Protection. The death benefit protection plan provides our executives with a death benefit equal to three times the executive s base salary, payable to his beneficiary at the time of his death.

Perquisites. We provide our executive officers a modest level of perquisites, consisting principally of financial planning services and an executive physical examination. We provide these benefits to help our executives maintain their health and manage their finances, in both cases so that they are able to focus their attention on Cabot s business.

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2011 Compensation Analysis

Base Salary

Each of our named executive officers received an increase in his base salary for 2011. The increases reflected the individual performance of the executive, internal equity considerations, and individual job responsibilities. The increases also addressed external competitiveness matters. The Compensation Committee has a strategy of targeting these salaries, over time, at the 50th percentile of the benchmarking data. The base salaries, on average, have been below this level and the increases reflected, in part, the Committee s intention to align base salaries with competitive market practices and reward individual performance. Base salary increases from calendar 2010 to calendar 2011 for our named executive officers averaged 6%. Mr. Prevost s salary increase was 5.9%. With these increases, base salary levels of our named executive officers for 2011 were at or below the 40th percentile of the market composite data.

Short-Term Incentive Compensation Payouts

The Compensation Committee set performance goals for the 2011 STI program based on adjusted EBITDA and NWC days.

The target bonus for Mr. Prevost is 100% of his base salary and his maximum bonus is 200% of base salary. The target bonus for each of the other named executive officers is 60% of his base salary, with a maximum of 120% of his base salary. As described above, for our executive officers, 70% of their award is based on the degree to which the corporate performance goals are achieved and 30% is based on their individual performance and achievements.

For fiscal 2011, the Compensation Committee established the following mix of Company performance measures for the STI program:

Objective	Weight
Increase in adjusted EBITDA	80%
Decrease in NWC days	20%

The table below details the financial objectives and results for the Company against which all of the executive officers were evaluated. The portion of the award opportunity based on our corporate performance paid out at 138.4%, reflecting our strong adjusted EBITDA performance, offset by our failure to achieve the threshold level of NWC performance.

2011 Short-Term Incentive Plan Company Targets and Results

	Threshold Level	Target Level	Stretch Level	Maximum Level	2011 Results	Percent Payout
Adjusted EBITDA	$ 370 million	$ 450 million	$ 470 million	$ 530 million	$ 508 million	172.5%
Net Working Capital Measured in Days	90 days	88 days	86 days	82 days	94 days	0%
Total						138.4%

For purposes of determining the Company s performance relative to these adjusted EBITDA goals, the Committee included the results of our Supermetals business. As required under accounting rules, in our financial statements, these results are reflected as discontinued operations and would not normally be included in the calculation of adjusted EBITDA because we entered into an agreement to sell this business during the year. However, because we continued to operate and manage the business during the entire fiscal year and until the transaction closed in January 2012, the Committee included these results in calculating our adjusted EBITDA performance for determining payouts under the incentive plans.

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In addition to these performance metrics, the Committee also reviewed the Company s progress with respect to safety, health and environmental performance and the achievement of other corporate goals with respect to innovation and customers. The STI awards made reflect each executive officer s contribution to the Company s financial performance, excellent execution on strategic goals and strong positioning for long-term growth. The award made to Mr. Prevost also recognized Mr. Prevost s exceptional performance against his individual goals and his leadership in the following areas:

The Company continued to deliver adjusted earnings growth despite slightly reduced volumes for the year. In fiscal 2011, the Company achieved robust earnings with $3.82 of adjusted earnings per share (including the results of our Supermetals business) and 16% adjusted return on invested capital. In addition, during the year the Company achieved its previously announced long-term adjusted EPS and adjusted ROIC goals and set a new target of achieving adjusted EPS of $4.50 per share in 2014 while delivering in excess of 13% adjusted ROIC.

The Company entered into an agreement for the sale of its Supermetals Business, which was completed in January 2012. This transaction allows us to focus resources on our primary expertise, which is specialty chemicals and performance materials, and we believe will also reduce the cyclicality of Cabot s financial results in the future.

The Company made significant progress in research and development activities for energy recovery and process technology, as well as new product development. These projects will produce operating efficiencies, cost-savings and new products and services that will improve our long-term growth potential and our long-term return on assets.

The Company continued to invest in capacity expansions, including in emerging markets, to deliver future volume and earnings growth. This work will begin to pay off in fiscal 2012 as additional masterbatch and fumed silica capacity becomes available in China, additional rubber blacks capacity becomes available in Indonesia and additional inkjet capacity becomes available in the United States. In China, we also established a new joint venture partner relationship with the intention to build our third carbon black manufacturing site in that country.

Under Mr. Prevost s leadership, the Company rearticulated Cabot s Values of Integrity, Respect, Excellence and Responsibility. The Company has always believed that the manner in which financial and strategic objectives are achieved is important. During the year our core set of Values were reviewed and the rearticulated Values were rolled out to the organization. During the performance review process, these Values will continue to be used to assess how objectives are achieved.

Mr. Prevost continued to develop a pipeline of future leaders. The Company retained key leaders, took concrete steps on senior leadership succession planning and enhanced leadership development programs that will produce long-term results for the Company.

The awards made to the other executive officers also recognized the following significant accomplishments of each individual.

Eduardo E. Cordeiro, EVP and Chief Financial Officer:

With Mr. Cordeiro s disciplined financial focus, the Company continued to deliver adjusted earnings growth, met or exceeded almost all financial targets and maintained a strong cash flow and balance sheet to provide financial strength for investment.

Mr. Cordeiro directed a number of key financial initiatives in the areas of tax planning and global cash management and in the year the Company entered into a new revolving credit facility on attractive terms.

Mr. Cordeiro continued to provide strong guidance to our corporate strategy and business development efforts, including in connection with the divestiture of the Supermetals business.

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Under Mr. Cordeiro s direction, the Information Technology function continued to reduce the Company s IT risk exposure and successfully implemented a global upgrade of our ERP system.

Mr. Cordeiro increased the Company s visibility in the business and investment community.

Mr. Cordeiro continued to make progress in developing a strong finance organization.

David A. Miller, EVP and General Manager, Core Segment, Americas Region:

Under Mr. Miller s leadership, fiscal 2011 EBITDA in the Rubber Black s Business increased 32% over fiscal 2010.

Under Mr. Miller s direction, the Rubber Blacks Business began significant capacity expansion plans in China, Indonesia, South America and Europe. In addition, the Company enhanced its position in China by establishing a new joint venture partner relationship in the Rubber Blacks Business.

Substantial progress was made in the year toward our goal of building a world class globally integrated supply chain function for the carbon black business to improve cost efficiency and customer satisfaction.

In addition to his responsibilities as general manager of the Core Segment and the Americas Region, during the year Mr. Miller assumed responsibility for the Company s global engineering function.

Mr. Miller s disciplined focus on manufacturing excellence continued to drive initiatives to continuously improve our manufacturing IT infrastructure, which enable important improvements in product yield, feedstock optimization, environmental compliance and asset reliability.

Brian A. Berube, VP and General Counsel:

Mr. Berube continued to provide strong legal guidance and support to our M&A and other strategic activities, including the divestiture of the Supermetals business.

Under Mr. Berube s leadership, the Law Department provided strong legal support to our businesses, particularly in the negotiation of important joint venture and commercial supply arrangements.

Under Mr. Berube s direction, the Law Department made substantial progress on significant litigation and environmental matters.

The Law Department played a leadership role, on a global basis, in shaping corporate policies and developing ethics and compliance training programs.

Under Mr. Berube s direction, the Law Department played a key role in the negotiation and finalization of an important cross-license of technology and a technology acquisition important to our new business development activities. The Department also continued to play an instrumental role in the successful defense of Cabot s intellectual property.

Mr. Berube continued to make progress in further strengthening the legal function.

Sean D. Keohane, VP and General Manager, Performance Segment:

With Mr. Keohane s continued focus on margin improvement, fiscal 2011 earnings for the Performance Segment increased 12% over fiscal 2010.

The Performance Segment renegotiated an important long-term commercial relationship in the fumed silica business.

Under Mr. Keohane s leadership, we continued to implement our value pricing strategy to optimize our sales product mix. The Performance Segment also made critical progress in the development of new products and services.

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The Performance Segment continued to implement its asset optimization strategy, and in the fiscal year added manufacturing capacity for the masterbatch business in China, developed plans for increasing fumed silica capacity in China and Wales, and closed its masterbatch manufacturing operations in Grigno, Italy with no customer disruption.

Mr. Keohane has been instrumental in the development and implementation of several initiatives in the area of marketing for the Company.

Based on the Company s performance against the financial goals established for the STI program and the assessment of each officer s performance and accomplishments, the following STI awards were made for fiscal 2011:

Name		2011 STI Award
Patrick M. Prevost	$	1,300,000
Eduardo E. Cordeiro	$	372,000
David A. Miller	$	322,000
Brian A. Berube	$	273,000
Sean D. Keohane	$	298,000

Long-Term Incentive Compensation Awards

As described above, the Compensation Committee has established an LTI award value range for each executive officer which it uses as a guide to establish annual LTI target awards. The value of the LTI target awards made for fiscal 2011, which are set forth in the table below, were in the middle of the target value range for each officer. In making these awards the Committee considered our strong performance in fiscal 2010, the need to retain these executives to achieve our long-term strategic objectives and external competitive market data.

Name		2011 LTI Target Award Value
Patrick M. Prevost	$	3,200,000
Eduardo E. Cordeiro	$	750,000
David A. Miller	$	750,000
Brian A. Berube	$	550,000
Sean D. Keohane	$	550,000

The number of time-based restricted stock units, stock options and performance-based restricted stock units issued to reflect the foregoing target award values are included in the compensation tables that follow this discussion.

As explained above, the performance-based restricted stock units vest at the end of three years, but the number of shares issuable, if any, when the award vests, will depend on the degree of achievement of annual corporate performance metrics within the three-year performance period. Based on the degree to which we achieve the performance metrics, an executive may earn between 0% and 150% of the number of stock units allocated to this portion of his award. The following table shows the Company goals and weighting that the Committee set for the first year of the 2011 performance-based restricted stock units and the second year of the 2010 performance-based stock units, our degree of attainment of these goals and the percent of the awards earned.

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Company Targets and Results for Year One

of Performance-Based Restricted Stock Units granted for Fiscal 2011

	Weight	Threshold Level	Target Level	Maximum Level	2011 Results	Percent Earned
Adjusted EPS	65%	$ 1.85	$ 2.75	$ 3.65	$ 3.47	140%
Adjusted ROIC	35%	9%	12%	15%	15%	150%
Total						143.5%

Company Targets and Results for Year Two

of Performance-Based Restricted Stock Units granted for Fiscal 2010

Weight	Threshold Level	Target Level