CABOT CORP
Form DEF 14A
January 30, 2017
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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 **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))

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):

No fee required.

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1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

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1) Amount Previously Paid:

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Cabot Corporation

2017 Proxy Statement

The Annual Meeting of Stockholders

of Cabot Corporation will be held:

Thursday, **March 9, 2017** at 4:00 p.m. ET

Cabot Corporation

Two Seaport Lane, Suite 1300

Boston, MA 02210-2019 USA

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January 27, 2017

Dear Fellow Cabot Corporation Stockholders,

You are cordially invited to attend the Annual Meeting of Stockholders of Cabot Corporation, which will be held on Thursday, March 9, 2017, at 4:00 pm, Eastern Time, at the Corporate Headquarters of Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts.

At the Annual Meeting, we will ask you to elect four members of our Board of Directors, provide your advisory approval of our executive compensation, provide your advisory vote on the frequency of future executive compensation advisory approvals, approve our 2017 long-term incentive plan, and ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm. We will also discuss any other business matters properly brought before the meeting. The attached Proxy Statement explains our voting procedures, describes the business we will conduct, and provides information about the Company that you should consider when you vote your shares.

Your vote is very important to us. Whether or not you plan to attend the Annual Meeting in person, we encourage you to vote promptly. You may vote by mailing a completed proxy card or, if your proxy card or broker voting instruction form so indicates, by phone or the Internet.

Thank you for your continued support of Cabot Corporation.

Sincerely,

SEAN D. KEOHANE

President and

Chief Executive Officer

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Notice of Annual Meeting of Stockholders

Date:	March 9, 2017
Time:	4:00 p.m., Eastern Time
Place:	Corporate Headquarters of Cabot Corporation Two Seaport Lane, Suite 1300 Boston, Massachusetts 02210-2019
Record Date:	You may vote if you were a stockholder of record at the close of business on January 18, 2017.
Voting by Proxy:	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 also 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 the compensation of our named executive officers, on the frequency of future executive compensation advisory approvals, and the approval of our 2017 long-term incentive plan, your shares will not be voted on these matters. For an explanation of how you can vote your street name shares at the meeting, see How do I vote? on page 2.**
Items of Business	To elect four directors, Juan Enriquez, William C. Kirby, Patrick M. Prevost, and Sean D. Keohane, to the class of directors whose term expires in 2020; To approve, in an advisory vote, our executive compensation;

To approve, in an advisory vote, whether future executive compensation advisory votes should occur every one, two, or three years;

To approve the Cabot Corporation 2017 Long-Term Incentive Plan;

To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2017; and

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

This notice and proxy statement are first being sent to stockholders on or about February 3, 2017. 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

Boston, Massachusetts 02210-2019

January 27, 2017

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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 2017 Annual Meeting of Stockholders (2017 Annual Meeting or the meeting).

What am I voting on?

You are voting on:

- Proposal 1: Election of Juan Enriquez, William C. Kirby, Patrick M. Prevost, and Sean D. Keohane to the class of directors whose term expires in 2020 (*see page 12*);
- Proposal 2: Advisory approval of our executive compensation (*see page 61*);
- Proposal 3: Advisory approval of whether future executive compensation advisory votes should occur every one, two or three years (*see page 62*);
- Proposal 4: Approval of the Cabot Corporation 2017 Long-Term Incentive Plan (*see page 63*);
- Proposal 5: Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2017 (*see page 72*); 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 advisory approval of our executive compensation (commonly referred to as say-on-pay);
- To hold a say-on-pay vote **EVERY YEAR**;
- **FOR** the approval of the Cabot Corporation 2017 Long-Term Incentive Plan; and
- **FOR** the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2017.

Who is entitled to vote?

Only stockholders of record at the close of business on January 18, 2017 will be entitled to vote at the 2017 Annual Meeting. As of that date, there were 62,189,388 shares of our common stock outstanding. Each share of common stock is entitled to one vote. There is no cumulative voting.

The Vanguard Fiduciary Trust Company is the trustee of the Cabot Common Stock Fund and the Cabot Common ESOP Fund portions of the Cabot 401(k) Plan and is the record owner of all of those shares. The trustee is authorized to vote such shares in accordance with instructions from participants in, and the terms of, the Cabot 401(k) Plan.

How many votes must be present to hold the meeting?

Your shares are counted as present at the 2017 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

About the Annual Meeting (continued)

outstanding shares of common stock as of January 18, 2017 must be present in person or by proxy at the meeting. This majority is referred to as a quorum. Proxy cards or broker 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 2017 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, 3 and 4 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, 3 and 4, 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, 4 and 5, you may vote **FOR**, **AGAINST**, or **ABSTAIN**. For proposal 3, you may vote to hold a say-on-pay vote once every **ONE**, **TWO** or **THREE** years, or you may **ABSTAIN**.

Proposal 1 Election of Directors. A nominee will be elected to the Board of Directors if the votes properly cast for his 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 Frequency of Say-on-Pay Vote. Because proposal 3 is an advisory vote and provides shareholders with multiple voting options, there is no minimum vote requirement that constitutes approval of this proposal.

Proposal 4 Approval of the Cabot Corporation 2017 Long-Term Incentive Plan. The affirmative vote of a majority of the votes properly cast on proposal 4 is required to approve the Cabot Corporation 2017 Long-Term Incentive Plan. Abstentions will have the effect of votes against this proposal. Broker non-votes will have no effect on the results of this vote.

Proposal 5 Ratification of Independent Registered Public Accounting Firm. The affirmative vote of a majority of the votes properly cast on proposal 5 is required to ratify the appointment of Cabot s independent registered public accounting firm. Abstentions will have no effect on the results of this 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 re-election at the 2017 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 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 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 and you wish to vote in person at the meeting, you must request a legal proxy from your bank, broker or other nominee and bring that proxy to the meeting.

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About the Annual Meeting (continued)

Even if you plan to attend the 2017 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 2017 Annual Meeting materials by mail, please follow the voting instructions on your proxy card. If you have received your 2017 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 p.m., Eastern Time, on March 9, 2017.

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 voting 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 2017 Annual Meeting.

If you hold shares in the Cabot 401(k) Plan or the Cabot Canada Ltd. Employees Stock Purchase Plan, your vote will influence how the trustees of those plans vote 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.

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, 2017 or by voting over the telephone or the Internet by 9:00 a.m., Eastern Time, on March 7, 2017.

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 form will be counted), or (3) attending the meeting and voting in person. If your shares are registered in your name, you may also revoke your vote by delivering timely notice to the Secretary, Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts 02210. 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 or change 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 Secretary or Assistant Secretary 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 2017 Annual Meeting?

We are not aware of any other matters that will be considered at the 2017 Annual Meeting. If any other matters properly arise that require a vote, the named proxies will vote in accordance with their best judgment.

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About the Annual Meeting (continued)

Who can attend the meeting?

The 2017 Annual Meeting is open to all Cabot stockholders. If you need directions to the meeting, please call Cabot s Investor Relations Group at (617) 342-6255. 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 2017 Annual Meeting to vote.

Important Notice Regarding the Availability of Proxy Materials for the 2017 Annual Meeting

This proxy statement and our 2016 Annual Report on Form 10-K are available at the following Internet address: http://www.cabotcorp.com/2017annualmeeting.

If you received your 2017 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/investor* to create a login and to enroll.

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/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 five meetings in fiscal 2016 and acted by written consent once. During fiscal 2016, each director attended at least 85% of the aggregate of the total 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. All of our directors are independent under the Board s director independence standards, other than Mr. Keohane, our President and CEO, and Mr. Prevost, our former President and CEO.

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, and Governance Committees presently are composed entirely of independent directors.

Name	Audit	Compensation	Executive	Governance	SH&E
Juan Enriquez	X				X
Sean D. Keohane			X		
William C. Kirby	X				X
Roderick C.G. MacLeod	X				X
John K. McGillicuddy	X**		X	X	
John F. O Brien			X**	X**	
Patrick M. Prevost			X		X
Sue H. Rataj		X**	X	X	
Lydia W. Thomas*	X				X**
Matthias L. Wolfgruber		X			X
Mark S. Wrighton		X			X

* Dr. Thomas is retiring from the Board effective at the 2017 Annual Meeting in accordance with the Board s retirement policy for non-employee directors.

** 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 risk 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 risk management processes, control systems and compliance activities.

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.cabotcorp.com*) under the heading Company About Cabot Governance Resources. The Audit Committee met ten times in fiscal 2016.

The Board of Directors and its Committees (continued)

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 program.
- Administer Cabot s incentive compensation plans, equity-based plans and supplemental benefits arrangements, which includes approving the aggregate number of shares of stock 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.cabotcorp.com*) under the heading Company About Cabot Governance Resources. The Compensation Committee met four times and acted by written consent five times during fiscal 2016.

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 acted by written consent once during fiscal 2016.

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.cabotcorp.com*) under the heading Company About Cabot Governance Resources. The Governance Committee met four times during fiscal 2016.

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 risk 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 Board of Directors and its Committees (continued)

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.cabotcorp.com*) under the heading Company About Cabot Governance Resources. The SH&E Committee met four times during fiscal 2016.

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 operational or 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 reviewing 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. The Compensation Committee also oversees senior management succession planning and development. Finally, the Governance Committee considers governance and Board succession risks, and evaluates director skills and qualifications to ensure each Committee has directors with 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 named executive officers. Our corporate goal-setting, 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 receive awards consisting of time-based restricted stock units and performance-based restricted stock units, and, in the case of members of the Management Executive Committee and a limited number of other participants, stock options. Beyond our corporate short- and long-term incentive programs, a substantial number of our facilities offer an annual cash incentive plan.

Our management, with the assistance of Pearl Meyer, the independent compensation consultant retained by the Compensation Committee, evaluates the design of all of our incentive plans to assess whether any portion of our incentive compensation programs encourages excessive risk taking. That assessment is presented to and reviewed by the Compensation Committee. Among the program features evaluated are 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; a 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; a company compensation recoupment policy; and significant controls for important business decisions. In our CD&A we describe in more detail the features of our executive compensation programs that are designed to mitigate risk, includ-

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The Board of Directors and its Committees (continued)

ing 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.

Director Compensation

Annual compensation for our 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 and recommends changes to our Board of Directors as appropriate. The Governance Committee regularly reviews competitive market data with the assistance of Mercer LLC, a national executive compensation firm engaged by this Committee, to evaluate the reasonableness of our director compensation and the appropriate mix of cash and equity compensation. During calendar year 2016, following a review of competitive market data, including from the compensation peer group used to gauge the reasonableness and competitiveness of our executive compensation program and based on the advice of Mercer, stock compensation for non-employee directors was increased, effective for calendar year 2017, to an award of shares having a grant date value as close as possible to $110,000. With this change, total compensation paid to our directors will more closely approximate peer median levels, and the mix between cash and equity compensation will place slightly more emphasis on equity compensation. Prior to this increase, the compensation for our non-employee directors was last increased in January 2012. Directors who are Cabot employees do not receive compensation for their services as directors.

Cash Compensation

Cash compensation for our non-employee directors consists of an annual retainer of $75,000, plus the following annual amounts for specific roles:

- $16,000 for serving on the Audit Committee (plus another $25,000 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.

Mr. O Brien has elected to not receive the cash compensation described above for his role as Chair of the Governance Committee in light of his role as our Non-Executive Chairman of the Board. Cash compensation is paid quarterly and, when changes occur in Board or Committee membership during a quarter, the compensation is pro-rated.

Stock Compensation

Under the Cabot Corporation 2015 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 part of his or her compensation for services to be performed in that year. For calendar year 2016, each non-employee director whose term of office continued after the 2016 Annual Meeting of Stockholders received an award of shares having a grant date value as close as possible to $75,000 (1,987 shares). Henry F. McCance and Ronaldo H. Schmitz, who retired at the 2016 Annual Meeting, each received a pro-rated grant of 497 shares. The closing price of our common stock on January 8, 2016, the date such shares were granted, was $37.75. On September 9, 2016, Mr. Prevost received a pro-rated grant of 760 shares as compensation for his service as a non-employee director following the end of his employment with

Cabot on July 15, 2016. The closing price of our common stock on September 9, 2016 was $49.32.

As of January 18, 2017, there were 311,382 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 level 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 considered owned by the director. In addition, 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.

Director Compensation (continued)

Reimbursement of Certain Expenses; Charitable Giving

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 in connection with attending Board and Committee meetings and other Cabot business-related events, and are covered by Cabot s travel accident insurance policy for such travel. In connection with the retirements of Mr. McCance and Dr. Schmitz from the Board of Directors at the 2016 Annual Meeting of Stockholders and in recognition for their many years of service, we made contributions of $25,000 on each of their behalf to charities that they each selected.

Deferred Compensation

Under the Cabot Corporation Non-Employee Directors Deferral Plan (the 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 accrued and treated as if reinvested in Cabot phantom stock units). Messrs. Enriquez and McCance and Dr. Wolfgruber elected to defer receipt of their calendar year 2016 cash compensation and treat the deferred amounts as invested in Cabot phantom stock units. Mr. Kirby elected to defer receipt of his calendar year 2016 cash compensation and have it credited with interest at a rate equal to the Moody s Corporate Bond Rate. The Moody s Corporate Bond Rate used to calculate interest during calendar year 2016 was 4.62%.

Under the Deferred Compensation 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 calendar year 2016 was 4.62%. 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, as selected by the director. Messrs. Enriquez, Kirby, McCance and McGillicuddy, and Drs. Schmitz, Thomas, and Wolfgruber elected to defer their calendar year 2016 stock awards.

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Director Compensation (continued)

Director Compensation Table

The following table sets forth the compensation earned by our non-employee directors in fiscal 2016:

Name	Fees Earned or Paid in Cash ($)(1)	Stock Awards ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation ($)(4)	Total ($)
Juan Enriquez	98,000	75,009	1,677		174,686
William C. Kirby	94,500	75,009	7,872		177,381
Roderick C.G. MacLeod	98,000	75,009			173,009
Henry F. McCance	49,500	18,762	701	25,000	93,963
John K. McGillicuddy	123,000	75,009	800		198,809
John F. O Brien	192,000	75,009			267,009
Patrick M. Prevost	20,500	37,483			57,983
Sue H. Rataj	94,000	75,009			169,009
Ronaldo H. Schmitz	44,500	18,762	845	25,000	89,107
Lydia W. Thomas	108,000	75,009	42		183,051
Matthias L. Wolfgruber	89,000	75,009	53		164,062
Mark S. Wrighton	89,000	75,009	11,667		175,676

1. Cash compensation has been pro-rated to reflect changes in Board and Committee service that occurred during the fiscal year. Recognizing that he is compensated for his responsibilities as non-Executive Chairman of the Board, Mr. O Brien elected to not receive additional compensation as Chair of the Governance Committee. The amounts reported in this column for Messrs. Enriquez, Kirby and McCance, and Dr. Wolfgruber were deferred under the Deferred Compensation Plan described above.
2. Reflects the grant date fair value of 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, for all directors other than Mr. Prevost, was January 8, 2016 ($37.75). The grant date for Mr. Prevost was September 9, 2016 ($49.32). The stock awards reported in this column for Messrs. Enriquez, Kirby, McCance and McGillicuddy, and Drs. Thomas, Schmitz and Wolfgruber were deferred under the Deferred Compensation Plan described above.
3.

Represents above-market interest (the portion exceeding 120% of the applicable long-term rate) on compensation deferred under the Deferred Compensation Plan by Messrs. Enriquez, Kirby, McCance and McGillicuddy and Drs. Schmitz, Thomas, Wolfgruber and Wrighton.

4. Consists of charitable contributions made on behalf of Mr. McCance and Dr. Schmitz in connection with their retirement from the Board of Directors at the 2016 Annual Meeting of Stockholders.

Proposal 1 Election of Directors

Director Qualifications

The Governance Committee identifies candidates for election to the Board of Directors; reviews their skills, qualifications 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 eleven 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 2017 Annual Meeting. The terms of Juan Enriquez, William C. Kirby, Patrick M. Prevost and Sean D. Keohane 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 2020. All of them are current directors and, with the exception of Mr. Keohane, have been elected by stockholders at previous annual meetings. The Board elected Mr. Keohane President and Chief Executive Officer of the Company and a member of the Board of Directors effective March 11, 2016.

Dr. Thomas is retiring from the Board effective at the 2017 Annual Meeting in accordance with the Board s retirement policy for non-employee directors. Upon the election of the nominated directors, and with this retirement, Cabot s Board of Directors will have ten 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 2017 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 election exceed the votes properly cast against such nominee s election.

Recommendation

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

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Proposal 1 Election of Directors (continued)

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 2017 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.

Juan Enriquez **(Nominee for Election)**	**Age:** 57 **Committee Memberships:** Audit, SH&E **Director since:** 2005 **Term of Office Expires:** 2017 **Business Experience:** Mr. Enriquez has served as Chairman of the Board of Directors and Chief Executive Officer of Biotechonomy Ventures, 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 served as Director of the Life Science Project at Harvard Business School from 2001 to 2003. He is also a member of the Board of Directors of various start-up companies. Mr. Enriquez s background and experience in technology ventures has provided him the opportunity to develop significant expertise in technology, start-up companies, and international business matters, which makes him well qualified to serve on the Board. Mr. Enriquez brings to the Board the extensive leadership experience he gained through his involvement in Biotechonomy Ventures and Excel Venture Management.
Sean D. Keohane **(Nominee for Election)**	**Age:** 49 **Committee Memberships:** Executive **Director since:** 2016 **Term of Office Expires:** 2017 **Business Experience:** Mr. Keohane is Cabot s President and Chief Executive Officer, a position he has held since March 2016. Mr. Keohane joined Cabot in August 2002 and has held a number of general management positions. In March 2005, he was elected a Vice

President and in May 2008 he was named General Manager of Performance Chemicals. From March 2012 until November 2014, he was Senior Vice President and President of Performance Chemicals, and from November 2014 until March 2016 he was Executive Vice President and President of Reinforcement Materials. Prior to joining Cabot, Mr. Keohane worked for Pratt & Whitney, a division of United Technologies, in a variety of general management positions. Mr. Keohane 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. Mr. Keohane has a deep understanding of Cabot s business that makes him uniquely qualified to serve on the Board of Directors. During his tenure at the Company, he has developed a strong knowledge of Cabot and the chemicals industry and has gained significant experience in management, strategic planning and international business.

Proposal 1 Election of Directors (continued)

William C. Kirby **(Nominee for Election)**	**Age:** 66 **Committee Memberships:** Audit, SH&E **Director since:** 2012 **Term of Office Expires:** 2017 **Business Experience:** Mr. Kirby is the Spangler Family Professor of Business Administration at the Harvard Business School and T.M. Chang Professor of China Studies at Harvard University, positions he has held since July 2008. Since July 2006, he has also been a Harvard University Distinguished Service Professor and Chairman of the Harvard China Fund. A Harvard faculty member since 1992, Mr. Kirby has served as Chair of Harvard s History Department, Director of the Harvard University Asia Center, Dean of the Faculty of Arts and Sciences and Director of the Fairbank Center for Chinese Studies. Mr. Kirby also serves on the Board of Directors of The China Fund, Inc., a non-diversified closed-ended management investment company, and The Taiwan Fund, Inc., a diversified closed-ended management investment company. Mr. Kirby brings to the Board his extensive knowledge and experience regarding the business, economic and political environment in China gained during his more than twenty year tenure at Harvard University.
Roderick C.G. MacLeod	**Age:** 66 **Committee Memberships:** Audit, SH&E **Director since:** 1998 **Term of Office Expires:** 2019 **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 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.

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Proposal 1 Election of Directors (continued)

John K. McGillicuddy

Age: 73

Committee Memberships: Audit (Chair), Executive, Governance

Director since: 2008

Term of Office Expires: 2018

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 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 previously served as a member and Chairman of the Board of Directors of Watts Water Technologies, Inc., a manufacturer of water safety and flow control products. He is also 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.

John F. O Brien

Non-Executive

Chairman of the Board

Age: 73

Committee Memberships: Executive (Chair), Governance (Chair)

Director since: 1990

Term of Office Expires: 2018

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, Inc., 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 certain of BlackRock s mutual funds gives him extensive experience in leadership, management and corporate governance matters.

Proposal 1 Election of Directors (continued)

Patrick M. Prevost

(Nominee for Election)

Age: 61

Committee Memberships: Executive, SH&E

Director since: 2008

Term of Office Expires: 2017

Business Experience: Mr. Prevost served as Cabot s President and Chief Executive Officer from January 2008 until March 2016. 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, and previously served as 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. During his tenure as Cabot s President and Chief Executive Officer, Mr. Prevost developed a strong understanding of Cabot s business. His substantial experience in the chemicals industry has provided him with a deep knowledge of technology, international business, strategic planning and manufacturing.

Sue H. Rataj

Age: 60

Committee Memberships: Compensation (Chair), Executive, Governance

Director since: 2011

Term of Office Expires: 2019

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. Ms. Rataj is also a member of the Supervisory Board of Bayer AG, a life science enterprise developing and manufacturing products in the pharmaceuticals, consumer health, animal health and crop science segments; and a member of the Board of Directors of Agilent Technologies, Inc., a global leader providing instruments, software and consumables to laboratories in the life sciences, diagnostics and applied chemical markets. 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.

Proposal 1 Election of Directors (continued)

Matthias L. Wolfgruber	**Age**: 62 **Committee Memberships**: Compensation, SH&E **Director since**: 2014 **Term of Office Expires**: 2019 **Business Experience**: Dr. Wolfgruber was Chief Executive Officer of Altana AG, a global specialty chemicals company, from 2007 until his retirement on January 1, 2016. He joined Altana in 2002, as President and CEO of Altana Chemie AG and a member of the management board of Altana AG. Prior to joining Altana, he held a number of management positions at Wacker-Chemie in the U.S. and Europe from 1985 through 2002. Dr. Wolfgruber is a member of the Supervisory Board of Altana AG, a member of the Supervisory Board of Grillo-Werke AG, a manufacturer and supplier of zinc alloy products and chemicals, and a member of the Supervisory Board of Lanxess AG, a leading global manufacturer of synthetic rubber and chemical intermediates. During his tenure at Altana, Dr. Wolfgruber led the company through strategic investments and acquisitions. He brings his extensive leadership and significant experience managing specialty chemicals businesses with global operations to the Board of Directors.
Mark S. Wrighton	**Age**: 67 **Committee Memberships**: Compensation, SH&E **Director since**: 1997 **Term of Office Expires**: 2018 **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. 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 several public company boards provides him with a deep understanding of matters relating to public company management and oversight.

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.cabotcorp.com*) under the heading Company About Cabot Governance Resources.

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, other than Mr. Prevost who served as Cabot s President and Chief Executive Officer until March 2016, 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, other than Mr. Prevost, as discussed above.

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 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, other than solely as a result of being a director or a less than 10% beneficial owner of another entity (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 pursuant to the terms of 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.

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Corporate Governance (continued)

- *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 that does not have standing pre-approval under the policy 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

Since the beginning of fiscal 2016, 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.

Non-Executive Chairman of the Board; Executive Sessions; Interim Office of the CEO

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 of which he is not a member and, upon invitation, attending those 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;

Corporate Governance (continued)

- working with management on effective stockholder communication; and
- performing such other duties and services as our Board may require.

In December 2015, Cabot s then-President and Chief Executive Officer, Mr. Prevost, began a medical leave of absence and the Board established an Interim Office of the Chief Executive Officer (the CEO Office) and temporarily transferred Mr. Prevost s responsibilities to the CEO Office. The CEO Office remained in place until March 11, 2016, at which time Mr. Prevost stepped down from his position as President and CEO of the Company and the Board elected Mr. Keohane President and CEO. During this time, Mr. O Brien worked closely with and provided oversight to the CEO Office.

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 2016, all of our directors whose term of office continued after the annual meeting attended the annual meeting.

Code of Business Ethics

We have adopted 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 other senior financial officers. The Code of Business Ethics is posted on our website (*www.cabotcorp.com*) under the caption Company About Cabot Code of Business Ethics.

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 sending an email through our website using the link that is located under the caption Company About Cabot Governance Contact the 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 sending an email through our website using the link that is located under the caption Company About Cabot Governance Contact the 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 has a policy with respect to the submission of recommendations by shareholders of candidates for director nominees, which is available on our website. A stockholder wishing to recommend a candidate must submit the recommendation by a date not later than the 120^{th} calendar day before the first anniversary of the date that Cabot released its proxy statement to stockholders in connection with the previous year s annual meeting. Recommendations should be submitted to the Company s Secretary in writing at Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts 02210. The notice to the Secretary should include all information about the candidate that Cabot would be required to disclose in a proxy statement in accordance with Securities and Exchange Act rules or as required by the Company s by-laws, consent of the candidate to serve on the Board of Directors, if nominated and elected, and agreement of the candidate to complete, upon request, questionnaires customary for Cabot directors and to comply with applicable Company policies.

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. Dr. Thomas is retiring under this policy. 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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Beneficial Stock Ownership of Directors, Executive Officers and Persons Owning More Than Five Percent of Common Stock

The following table shows the amount of Cabot common stock beneficially owned as of January 18, 2017 (unless otherwise indicated) by each person known by Cabot to beneficially own more than 5% of our outstanding common stock, by each director of Cabot, by each of our named executive officers and by all directors, nominees for director and executive officers of Cabot as a group. Unless otherwise indicated, each person has sole investment and voting power over the securities listed in the table.

Name	Total Number of Shares(1)	Percent of Class(2)
Holders of More than Five Percent of Common Stock		
BlackRock, Inc. 55 East 52nd Street New York, NY	5,401,140(3)	8.7%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA	4,232,660(4)	6.8%
Directors and Executive Officers		
Brian A. Berube	94,894(5)	*
Eduardo E. Cordeiro	109,861(6)	*
Nicholas S. Cross	63,599(7)	*
Juan Enriquez	27,584(8)	*
Hobart C. Kalkstein	34,153(9)	*
Sean D. Keohane	140,490(10)	*
William C. Kirby	9,898(11)	*
Roderick C.G. MacLeod	32,634(12)	*
John K. McGillicuddy	17,984(13)	*
John F. O Brien	49,084	*
Patrick M. Prevost	842,818(14)	1.3%
Sue H. Rataj	11,944	*
Lydia W. Thomas	32,849(15)	*
Friedrich von Gottberg	91,634(16)	
Matthias L. Wolfgruber	6,239(17)	*
Mark S. Wrighton	40,184(18)	*
Directors and executive officers as a group (16 persons)	1,605,849(19)	2.5%

* Less than one percent.

1. For Cabot s executive officers the number includes shares of Cabot common stock held for their benefit by the trustee of Cabot s 401(k) Plan. The shares of common stock allocated to the accounts of Cabot s executive officers in the 401(k) Plan constitute less than 1% of our common stock.
2. The calculation of percentage of ownership of each listed beneficial owner is based on 62,189,388 shares of Cabot common stock, which represents the number of shares outstanding on January 18, 2017, plus any shares that such individual or entity has the right to acquire within 60 days of January 18, 2017.

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Beneficial Stock Ownership of Directors, Executive Officers and Persons Owning More Than Five Percent of Common Stock (continued)

3. Based on a Schedule 13G filed with the SEC on January 23, 2017 by BlackRock, Inc. (BlackRock). The Schedule 13G reports that BlackRock has sole voting power with respect to 4,996,037 shares and sole dispositive power with respect to 5,401,140 shares.
4. Based on a Schedule 13G filed with the SEC on February 10, 2016 by The Vanguard Group (Vanguard). The Schedule 13G reports that Vanguard has sole voting power with respect to 45,513 shares, sole dispositive power with respect to 4,187,047 shares and shared dispositive power with respect to 45,613 shares.
5. Includes 68,657 shares of common stock that Mr. Berube has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options and 8,372 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for his benefit.
6. Includes 70,150 shares of common stock that Mr. Cordeiro has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options and 9,836 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for his benefit.
7. Includes 31,735 shares of common stock that Mr. Cross has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options.
8. Includes 25,484 shares the receipt of which Mr. Enriquez has deferred under applicable Cabot deferred compensation plans. Mr. Enriquez has shared investment power for 2,100 shares.
9. Includes 16,823 shares of common stock that Mr. Kalkstein has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options and 5,927 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for his benefit.
10. Includes 100,169 shares of common stock that Mr. Keohane has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options and 11,285 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for his benefit.
11. Mr. Kirby has deferred receipt of these shares under applicable Cabot deferred compensation plans.
12. Includes 16,850 shares held by Mr. MacLeod s wife, who retains sole voting control over the shares. Mr. MacLeod disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.
13. Mr. McGillicuddy has deferred receipt of these shares under applicable Cabot deferred compensation plans.
14. Includes 589,549 shares of common stock that Mr. Prevost has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options and 49 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for his benefit.
15. Includes 4,238 shares the receipt of which Dr. Thomas has deferred under applicable Cabot deferred compensation plans.
16. Includes 65,013 shares of common stock that Mr. von Gottberg has the right to acquire within 60 days of January 18, 2017 upon the exercise of stock options and 15,257 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for his benefit. Also includes 1,000 shares held by Mr. von Gottberg s wife, who retains sole voting control over the shares. Mr. von Gottberg disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.
17. Dr. Wolfgruber has deferred receipt of these shares under applicable Cabot deferred compensation plans.
18. Includes 100 shares held by Dr. Wrighton s wife, who retains sole voting control over the shares. Dr. Wrighton disclaims beneficial ownership of such shares except to the extent of his pecuniary interest therein.
19.

Shares of our common stock shown as being beneficially owned by directors and executive officers as a group includes 50,726 shares of Cabot common stock held by the trustee for Cabot s 401(k) Plan for the benefit of Cabot s executive officers.

Executive Compensation

Compensation Committee Report

The Compensation Committee of the Board of Directors (referred to as the Compensation Committee or the Committee) 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 the members of management who are involved in the compensation process.

Based on these reviews and discussions, 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 fiscal year ended September 30, 2016.

Sue H. Rataj, Chair

Matthias L. Wolfgruber

Mark S. Wrighton

Compensation Discussion and Analysis

As context for our executives 2016 fiscal year compensation, below we summarize Cabot s performance for our 2016 fiscal year and provide a brief overview of decisions made with respect to executive compensation in fiscal 2016 and our executive compensation program for this year. We then describe our compensation philosophy and objectives, our compensation setting process and other compensation- and governance-related policies, and compensation awarded, earned and paid for fiscal 2016. For fiscal 2016, our named executive officers (NEO s) and their current positions are:

- Sean D. Keohane, President and Chief Executive Officer;
- Eduardo E. Cordeiro, Executive Vice President and Chief Financial Officer, and President, Americas region;
- Nicholas S. Cross, Executive Vice President, and President, Performance Chemicals and Specialty Fluids segments, and President, EMEA region [1];
- Brian A. Berube, Senior Vice President and General Counsel, and Interim Chief Human Resources Officer;
- Hobart C. Kalkstein, Senior Vice President, and President, Reinforcement Materials segment;
- Friedrich von Gottberg, Senior Vice President, and President, Purification Solutions segment; and
- Patrick M. Prevost, former President and Chief Executive Officer.

(1) A portion of Mr. Cross s compensation is paid in Swiss Francs, which, for purposes of this Proxy Statement, unless otherwise noted, has been translated to U.S. Dollars using the average daily exchange rate during the twelve-month

period ended September 30, 2016 of U.S. $1.017932 per Swiss Franc.

In fiscal 2016, each of Messrs. Keohane, Cordeiro, Cross and Berube also served as members of the Interim Office of the Chief Executive Officer (the CEO Office), which was established when Mr. Prevost began a medical leave of absence, as described below. During the term of the CEO Office, Mr. Berube served as our principal executive officer for reporting purposes.

Executive Summary

Our Performance in Fiscal 2016

Fiscal 2016 was a year of change, transition and growth for the Company. We returned to profitability growth and accomplished a number of key strategic initiatives. Specifically, we:

- demonstrated a significant improvement in financial performance as compared to 2015;
- generated cash flow from operating activities of $392 million;
- increased our quarterly dividend by 36% in May 2016 to $0.30 per share;
- returned $104 million to our shareholders through share repurchases and dividends;
- reduced our costs by $60 million, exceeding our cost reduction target of $50 million; and
- improved our safety performance from 2015, reducing total recordable injuries by 20% and our total recordable injury rate by 12%.

Executive Compensation (continued)

In 2016, we launched a new vision, strategy, financial goals and capital allocation framework, which we refer to as our Advancing the Core strategy. We believe this new strategic framework supports the changing needs of our customers, the global nature of our industry and our ability to adapt and grow our Company. The aim of our Advancing the Core strategy is to deliver sustained and attractive total shareholder return (TSR), built on earnings growth and our capital allocation framework.

During fiscal 2016, we accomplished a number of key milestones that are critical for the execution of our Advancing the Core strategy. Specifically, we:

- entered into a joint venture to build a new fumed silica plant in China with Hengyecheng Silicone Company, which will ensure that we continue to grow our global position in this high-value strategic product line;
- announced an investment to expand capacity in our Specialty Compounds business for conductive and specialty formulations;
- continued new product adoptions in strategic applications such as energy materials and structural adhesives; and
- celebrated the groundbreaking of a new Asia Technology Center which underpins our dedication to application innovation.

A number of management changes also took place at the Company during fiscal 2016. In December 2015, Mr. Prevost began a medical leave of absence and the Board established the CEO Office, comprised of Messrs. Keohane, Cordeiro, Cross and Berube. Effective March 11, 2016, Mr. Prevost stepped down from his position as President and CEO of the Company, and the Board elected Mr. Keohane President and CEO of the Company. The compensation decisions made in connection with these events are described below under the heading *Compensation Decisions Relating to Our CEO Transition*. Other decisions made by the Committee in respect of fiscal 2016 compensation are described later in this CD&A.

Compensation Decisions Relating to Our CEO Transition

Mr. Keohane. In connection with his election as President and CEO of the Company on March 11, 2016, and following a review of compensation benchmarking data from our compensation peer group as well as certain surveys, as described below under Use of Benchmarking Comparison Data, and taking into account advice provided by Pearl Meyer, the Committee s independent compensation consultant, Mr. Keohane s annual base salary was increased to $850,000, effective March 11, 2016. In addition, his target short-term incentive (STI) award was increased from 60% of his annual base salary to 100% of his annual base salary, with his target fiscal 2016 STI award based on a blend of his previous and current annual base salaries. He also was granted an equity award under our long-term incentive (LTI) program with a grant date value of $1 million, consisting of 7,105 performance-based restricted stock units (PSUs) (assuming target level achievement of applicable performance metrics), 6,090 time-based restricted stock units (TSUs) and 26,455 stock options. These awards have the same vesting dates as the LTI awards granted to our executive officers in November 2015, described below under How Did our LTI Plan Work.

Messrs. Cordeiro and Berube. In recognition of the increased job responsibilities that Messrs. Cordeiro and Berube assumed during the period of Mr. Prevost s medical leave of absence and in connection with the transition of CEO responsibilities to Mr. Keohane during the fiscal year, the Compensation Committee believed it was appropriate to provide each executive with additional compensation. As a result, Mr. Cordeiro received an award of 16,425 TSUs and Mr. Berube received an award of 10,000 TSUs, which the Committee believed fairly compensated them for the additional responsibilities they assumed, encouraged their retention, and further aligned their interests with those of our shareholders. The TSUs awarded to Mr. Cordeiro will vest in their entirety on March 11, 2018 and the TSUs awarded to Mr. Berube will vest in their entirety on March 11, 2019, in each case subject to their continued employment with Cabot through the applicable vesting date.

Mr. Prevost. Effective March 11, 2016, Mr. Prevost stepped down from his position as President and CEO of the Company. Mr. Prevost s employment with Cabot terminated effective July 15, 2016, but he remains a member of our Board. Under the terms of his transition and separation agreement with Cabot, upon his termination of employment Mr. Prevost received cash payments totaling $1,412,653, which included a payment of $1,166,000, representing Mr. Prevost s target STI award for fiscal 2016. Mr. Prevost also received a $116,600 contribution to the Company s

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Executive Compensation (continued)

Deferred Compensation Plan in respect of the portion of his separation payments that represented his target STI award for fiscal 2016. In addition to these payments, the Committee accelerated the vesting of Mr. Prevost s outstanding equity awards, consisting of an aggregate of 77,536 TSUs, 78,163 PSUs (assuming target level of achievement of applicable performance metrics for awards for which the performance period had not been completed) and 210,034 stock options, and extended the exercise period of his stock options to the earlier of (i) October 15, 2019 and (ii) the original expiration date of the stock options. The Company also agreed to pay a portion of Mr. Prevost s COBRA premiums for up to 18 months following the termination of his employment and reimbursed his legal expenses in the amount of $15,000. When considering the level of separation payments and benefits to be provided to Mr. Prevost, the Committee considered the length and level of his service with the Company, his significant contributions to the Company and the Company s achievements under his leadership, as well as advice provided by Pearl Meyer.

Highlights of our Fiscal Year 2016 NEO Compensation Decisions and the Impact of Company Performance on Compensation.

We believe fiscal 2016 compensation appropriately aligned pay with our corporate performance, with a significant portion of the total direct compensation paid to our named executive officers (other than Mr. Prevost) based on our performance against pre-established corporate financial goals. The principal financial performance metrics we historically have used under our STI and LTI programs are adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted earnings per share (EPS) because we believe they reflected our important near-term and longer-term business and financial goals of improving operating profitability and after-tax profitability. In addition, our STI metrics have included net working capital (NWC) measured in days, which reflects how efficiently we manage the day-to-day cash used to run our operations. Because our business is asset intensive, we have also included a return metric, adjusted return on net assets (adjusted RONA), for our PSUs. Adjusted RONA measures how effectively and efficiently we use our operating assets to generate earnings.

Base Salary. In calendar 2016, none of the members of our Management Executive Committee (consisting of our CEO and the officers who report directly to the CEO), including our named executive officers, received a base salary increase during our annual salary review process that took place in November 2015, with the exception of Mr. Kalkstein, who became a member of the Management Executive Committee in April 2016. This decision was made in recognition of our mixed financial performance in fiscal 2015 and our commitment to improving our performance in fiscal 2016. Messrs. Keohane and Kalkstein received base salary increases during the year in connection with their promotions and the associated increased job responsibilities each assumed in the year, as further described in this CD&A. (See pages 37 and 40 for further details).

STI Awards and Payouts. The Company achieved performance between the threshold and target levels of the adjusted EBITDA metrics and above the maximum level of the NWC days metric established by the Committee under our STI program, resulting in a payout of the portion of the award that is based on our financial performance of 99.5% of target awards. The balance of the amounts paid in respect of STI awards to our named executive officers reflected their strong individual performance and leadership, with the total STI awards ranging from 103% to 110% of the named executive officer s target award. (See pages 37-40 for further details).

LTI Awards and Payouts. Our LTI awards consist of a combination of PSUs (35%), TSUs (30%) and stock options (35%) (with percentages measured based on the awards grant date values). The grant date value of the awards granted in fiscal 2016 to each named executive officer was based on an assessment of the named executive officer s position, role and responsibilities within the Company, the overall competitiveness of his total direct compensation, and internal equity (the relationship of pay among the executive officers in the context of their responsibilities) considerations. In addition, as described herein, Mr. Keohane received a supplemental LTI award in connection with his promotion to the role of President and CEO, Mr. Kalkstein received a supplemental LTI award in connection with his promotion to Senior Vice President and President, Reinforcement Materials segment, and Messrs. Cordeiro and Berube each received supplemental awards of TSUs in recognition of their increased roles as part of the CEO Office and in connection with the transition of CEO responsibilities to Mr. Keohane during the year, and for retention purposes. (See pages 25 and 40 for further details).

Executive Compensation (continued)

With respect to outstanding PSUs, the percentage of the target award earned for fiscal 2016 is set forth below. For each performance metric, achieving the target level of performance results in a payout of 100% of the portion of the award that is payable with respect to that metric.

Outstanding LTI Award	Performance Metrics and % of Target Earned based on Fiscal 2016 Performance	Total % of Target PSU Award Earned based on Fiscal 2016 Performance
Fiscal 2014 Grant (2014-2016)	Adjusted EPS (0.0%); Adjusted RONA (88.0%)	17.6%
Fiscal 2015 Grant (2015-2017)	Adjusted EPS (57.0%); Adjusted RONA (110.0%)	67.6%
Fiscal 2016 Grant (2016-2018)	Adjusted EPS (117.5%); Adjusted RONA (152.7%)	124.5%

Characteristics of our Executive Compensation Program

Our executive compensation program includes a number of practices intended to align the interests of management and our shareholders.

What We Do

Link pay to performance; significant portion of executive pay is not guaranteed

Tie performance-based awards to achievement of pre-established financial metrics

Use our STI awards to recognize individual leadership and achievement of business and strategic goals

Balance the mix of pay components, including cash, stock options, and restricted stock units (both performance- and time-based)

What We Don t Do

× Enter into employment contracts with our CEO and other NEOs, with the exception of Mr. Cross, who is a Swiss employee who was on an international assignment

× Provide for excise tax gross-ups in the event of a change in control

× Reprice underwater stock options without shareholder approval

× Permit hedging or short sales of company stock

Cap incentive awards under our STI and LTI programs	× Provide single-trigger change in control vesting in our equity awards
Provide Committee discretion to reduce STI awards	
Maintain stock ownership guidelines	
Subject STI and LTI program compensation to our recoupment policy	
Provide modest perquisites consisting primarily of financial planning and an executive physical examination	

Consideration of Results of Shareholder Advisory Votes on Executive Compensation and What s New for 2017 Compensation

At our 2016 Annual Meeting, we conducted an advisory (non-binding) shareholder vote on executive compensation, as required by the Dodd-Frank Act. Over 96% of the shares voting approved the executive compensation discussed and disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table and other related tabular and narrative disclosures contained in the fiscal 2015 proxy statement. In considering the results of this most recent favorable advisory vote on executive compensation, the Compensation Committee noted that the Company s current executive compensation program has been effective in implementing the Company s stated compensation philosophy and objectives, and did not make any changes in the program in response to shareholder concerns.

In connection with the adoption of our new Advancing the Core strategy, our management team recommended to the Compensation Committee adjustments to our STI and LTI programs to better reflect this new strategy. As a result, the Compensation Committee changed the principal financial performance metric under the STI program from adjusted EBITDA to adjusted earnings before interest and taxes (EBIT) for fiscal 2017 awards. EBIT is closely correlated to, and a

Executive Compensation (continued)

key factor in, a company s TSR and also includes depreciation. Accordingly, this financial measure will better tie short-term incentive compensation to the achievement of our earnings growth and capital efficiency goals. In addition, the NWC days metric under our STI program will now include NWC days used in our Purification Solutions and Aerogel businesses, which we have not included in past years. The Committee also reviewed the financial goals under our LTI Program and determined that they were still appropriate in light of the Company s new strategy. To reinforce the capital allocation goal of returning a substantial portion of discretionary free cash flow to shareholders under our new Advancing the Core strategy, however, beginning with PSU awards made in November 2016, the Committee approved a change in the awards to provide that PSUs that are earned on the basis of our corporate performance will receive dividend equivalent payments prior to their time-based vesting on the same terms as our time-based restricted stock units.

The Compensation Committee recognizes that executive pay practices and notions of sound corporate governance principles continue to evolve. Accordingly, it will continue to monitor executive compensation practices and make adjustments as necessary to ensure that our executive compensation continues to support our corporate goals and objectives and reflects good corporate governance principles.

The Compensation Committee continues to pay close attention to the advice of its compensation advisors and continues to provide access for our shareholders who would like to communicate on executive pay directly with the Compensation Committee or the Board. You may contact the Board of Directors through our website at Company About Cabot Governance Contact the Board of Directors .

Compensation Philosophy, Objectives and Process

Continuing to position Cabot for future success requires the talent to support our business and Advancing the Core strategy. 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 opportunity and a benefits package that are competitive in our industry;
- Reward executives based on our business performance by closely aligning a meaningful portion of their compensation with the performance of the Company on both a short- and long-term basis;
- Set challenging but achievable performance goals that support the Company s short- and long-term financial goals;
- Motivate individual performance by rewarding the specific performance and achievements of individual executives and their demonstrated leadership; and
- Align the interests of our executives and our shareholders through equity grants and share retention guidelines.

Our Compensation Setting Process

The Compensation Committee

As discussed under The Board of Directors and its Committees Compensation Committee , on page 6, the Compensation Committee is responsible for all compensation decisions related to members of the Company s Management Executive Committee.

Each November, the Compensation Committee (i) determines any adjustments to base salaries, with any adjustment typically effective the following January, (ii) sets corporate performance metrics applicable to our STI and LTI programs for the new fiscal year, (iii) grants LTI awards, and (iv) establishes compensation goals and maximum payment levels under our STI program for the new fiscal year, in each case, 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 the performance metrics set for the just-concluded fiscal year and also evaluates each executive officer s performance and, on this basis, determines amounts payable or earned, as applicable, in respect of the fiscal year under our STI and LTI programs.

Executive Compensation (continued)

A description of the Compensation Committee s roles and responsibilities is set forth in its written charter adopted by the Board of Directors, which can be found at *www.cabotcorp.com* under Company About Cabot Governance Resources.

Role of the Compensation Consultant

The Compensation Committee has retained Pearl Meyer as its independent compensation consultant. Pearl Meyer provides the Committee with advice on a broad range of executive compensation matters. The scope of their services includes the following:

- Apprising the Committee of compensation-related trends and developments in the marketplace;
- Informing the Committee of regulatory developments relating to executive compensation practices;
- Assessing the composition of the peer companies used for comparative purposes;
- Providing the Committee with an assessment of the market competitiveness of the Company s executive compensation opportunities and programs;
- Assessing the relationship between executive compensation actually paid and corporate performance; and
- Identifying potential changes to the executive compensation program to maintain market competitiveness and ensure consistency with business strategies, good governance practices and alignment with shareholder interests.

During fiscal 2016, Pearl Meyer also advised the Committee on compensation matters related to our CEO transition, potential changes in our executive compensation program to reflect our new strategy, and the terms of our 2017 Long-Term Incentive Plan.

During fiscal 2016, Pearl Meyer attended all regularly scheduled meetings of the Compensation Committee.

The Compensation Committee has assessed the independence of Pearl Meyer pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Pearl Meyer from independently advising the Compensation Committee.

Role of the Chief Executive Officer and Other Officers

Our CEO and our Chief Human Resources Officer, working with internal resources as well as Pearl Meyer, propose to the Compensation Committee the design of our executive compensation programs and recommend modifications to existing, and/or the adoption of new, plans and programs. In addition, our CEO recommends to the Committee the performance metrics to be used to determine payouts under our STI and LTI programs, and each named executive officer s individual performance goals (other than the CEO s) are jointly developed by the executive and the CEO.

Before the Compensation Committee makes compensation decisions, the CEO provides his assessment of each named 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, our Chief Human Resources Officer and other members of management involved in the process review compensation and survey data compiled by Pearl Meyer for similarly-situated executives at our peer group of companies and specific external competitive market data provided by Pearl Meyer, as described below. Our CEO attends Compensation Committee meetings but is not present for, and does not participate in, any discussions concerning his own compensation. All decisions relating to the compensation of our named executive officers are made solely by the Committee and are reported to the full Board of Directors.

Use of Benchmarking Comparison Data

The companies we have included in our compensation peer group consist of companies in the diversified chemicals or specialty chemicals industries with similar products and services and with revenues and a market capitalization between one-third and three times the Company s revenue and market capitalization. The Compensation Committee reviews executive compensation data for executives with comparable positions at these peer group companies to gauge the reasonableness and competitiveness of its executive compensation decisions. The Compensation Committee believes this allows us to successfully attract and retain experienced executive talent who are critical to our long-term success.

Executive Compensation (continued)

The Compensation Committee annually reviews the companies included in our compensation peer group and may add or eliminate companies as it determines to be appropriate. For purposes of fiscal 2016 compensation matters our compensation peer group consisted of the following 15 companies:

A. Schulman, Inc.	H.B. Fuller Company
Albemarle Corporation	PolyOne Corporation
Ashland Inc.	RPM International Inc.
Celanese Corporation	Sigma-Aldrich Corp.
Chemtura Corporation	Valspar Corp.
Cytec Industries Inc.	Westlake Chemical
Eastman Chemical Company	W.R. Grace & Co.
FMC Corporation	

In preparation for the 2017 executive compensation review season and the decisions that the Compensation Committee has made and will make with respect to 2017 compensation, the Compensation Committee reviewed the peer group companies listed above and added Minerals Technologies and Stepan Company and removed Cytec Industries, Inc. which was acquired by Solvay in December 2015, and Sigma-Aldrich Corp., which was acquired by Merck in November 2015.

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

At least annually the Compensation Committee reviews tally sheets that detail all elements of each named executive officer s compensation and benefits for the current and prior fiscal years, as well as a projection of their compensation for the upcoming year. These are provided to the Committee as a means to review the total compensation and benefits package for each named executive officer and the impact of any compensation decisions. The Compensation Committee made no changes to our current executive compensation program or any individual named executive officer s proposed compensation for fiscal 2016 based on the information set forth in the tally sheets.

Factors Considered in Determining Amounts of Compensation

The Compensation Committee considers the following factors in determining each named executive officer s total annual and long-term compensation opportunity:

the officer s role, level of responsibility, performance, leadership, and experience;

- employee retention and internal equity considerations; and
- external competitiveness.

The Compensation Committee has targeted our named executive officers base salaries and target STI opportunities generally at the mid-market of the benchmarking data used by the Committee, as further described under Use of Benchmarking Comparison Data , and target LTI award values generally at the 65th percentile of this benchmarking data. The actual compensation for each named executive officer may be above or below the officer s target compensation opportunity and above or below the intended market level depending largely on their experience and time in the position, as well as the degree to which Company and individual performance objectives are achieved.

Developing Company Performance Metrics

The performance metrics we set support our short- and long-term business plans and strategies. In fiscal 2016, we used four financial metrics to promote well-rounded Company and management performance, as described below.

For our STI awards, in fiscal 2016, we used adjusted EBITDA as the principal financial performance metric, as it reflects an important near-term goal of improving our operating profitability. To increase the focus on efficiently managing the day-to-day cash we use to run our operations, we also used a NWC days metric in our STI awards. The NWC metric included NWC used in our Reinforcement Materials, Performance Chemicals and Specialty Fluids segments because managing cash

Executive Compensation (continued)

efficiently has been an important short-term objective of the businesses in these segments. It did not include NWC used in our Purification Solutions segment or our Aerogel business as this had not been a primary focus of these businesses in recent years.

For our PSU awards, in fiscal 2016, we used adjusted EPS as the principal financial performance metric because it reflects an important longer-term financial goal of improving our after-tax profitability. Because our business is capital intensive, we believed it was also appropriate to include a return metric under our LTI program and, as a result, used Adjusted RONA, which measures how effectively and efficiently we use our operating assets to generate earnings.

In setting our short- and long-term financial performance metrics, we began with our annual and long-term 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 realizable, goals, including those that are realizable only as a result of exceptional performance, for the Company and our executives in order to drive the achievement of our short- and long-term objectives. We recognize that we may need to change the metrics we use to reflect new priorities and business circumstances and we did so for fiscal 2017, as described above. We expect to continue to reassess the performance metrics and goal setting process annually.

Our Performance-based Compensation Philosophy

In fiscal 2016, 62% of total direct compensation (base salary, target STI award and LTI awards (with PSUs valued at target)) awarded to our CEO was performance-based and not guaranteed. The chart below shows the compensation opportunity provided to Mr. Keohane for fiscal 2016, as well as the mix between short- and long-term compensation and at-risk and not at-risk compensation. Our executive compensation program is designed to provide more than 50% of an officer s total direct compensation opportunity in the form of performance-based compensation. Because of the management changes that occurred in fiscal 2016 and the related compensation decisions, as described above, the performance-based portion of the total direct compensation paid to the other named executive officers (other than Mr. Keohane and Mr. Prevost), on average, was slightly less than 50%.

How Did our 2016 STI Program Work

We provide annual STI awards to drive the achievement of key business results and to recognize individuals based on their contributions to those results and Cabot s overall performance. Each named executive officer has an annual target incentive opportunity under our STI program, which is expressed as a percentage of his base salary. The actual amounts in respect of STI awards range from 0% to 200% of the target award opportunity, with 70% of each award based on the achievement of pre-established corporate financial goals and the remaining 30% of each award based on individual performance and achievements. We used two financial metrics to measure corporate performance for determining payouts under our STI program for fiscal 2016: adjusted EBITDA, which had an 80% weighting, and

NWC measured in days, which had a 20% weighting. The Committee established a threshold, target, stretch and maximum level for each financial metric, with payout for performance between two levels determined on a straight-line basis. If the threshold adjusted EBITDA goal was not achieved, no payouts in respect of corporate performance under our STI program would be made. Even if the threshold levels of performance

Executive Compensation (continued)

are achieved, the Committee nonetheless retained the discretion to decrease the amount of the awards based on our level of achievement of other corporate goals in the areas of safety, environmental performance, customers, innovation and people.

At the beginning of each fiscal year, the non-Executive Chairman, with input from the other independent directors, develops the personal objectives for our CEO, which are then approved by the Committee. Each of the other executive officers develops with the CEO his personal objectives for the year. In assessing each executive officer s individual performance, the Committee considers the officer s personal achievements, including his achievements against his established personal objectives, as well as his individual contributions to the management team, his leadership and his 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 our STI program. Ultimately, the determination of the payout of the portion of the STI awards based on individual performance is based on the judgment of the CEO (with respect to his direct reports) and the Committee after reviewing all relevant factors, with the final determination made by the Committee.

We believe that the fiscal 2016 STI payout aligned annual executive pay with the Company s fiscal 2016 financial performance, consistent with the plan s role in our overall compensation mix. The adjusted EBITDA and NWC days targets for the fiscal 2016 STI awards and our actual fiscal 2016 performance were as follows:

Fiscal 2016 STI Program Targets and Results

	Threshold Level (50% payout)	Target Level (100% payout)	Stretch Level (150% payout)	Maximum Level (200% payout)	Fiscal 2016 Results	Percent Payout
Adjusted EBITDA (80%)	$ 450 million	$ 530 million	$ 558 million	$ 615 million	$ 489 million	74.4%
NWC Days[1] (20%)	84	79	76	73	70	200.0%
Weighted average payout						99.5%

1 Consists of NWC days used in our Reinforcement Materials, Performance Chemicals and Specialty Fluids segments. We did not include NWC days used in our Purification Solutions segment or our Aerogel business.

The balance of the amounts paid in respect of STI awards to our named executive officers reflected their strong individual performance and leadership, with the total STI awards ranging from 103% to 110% of the named executive officer s target award.

Executive Compensation (continued)

How Did our LTI Program Work in Fiscal 2016?

We provide our named executive officers with LTI awards to promote retention, to incentivize sustainable growth and long-term value creation, and to further align the interests of our executives with those of our shareholders by tying the executives realized compensation with stock price changes during the performance and vesting periods. The grant date value of LTI awards granted to each named executive officer for a given year is based on 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. The Committee also considers compensation peer group data for a general understanding of competitive equity compensation practices as well as the impact of the grants on equity incentive plan usage, share dilution, the Company s compensation expense and employee retention concerns.

When making LTI awards, the Compensation Committee first determines the total grant date value of the award, and then delivers that value in three components: PSUs representing 35%, stock options representing 35%, and TSUs representing 30%, respectively, of the total grant date value of the award.

PSUs reward performance and the execution of our goal to deliver year-over-year and long-term growth in earnings and to increase the operating profit we generate relative to the capital we invest in our businesses. Stock options are performance-based because no value is created unless the value of our common stock appreciates after grant and they encourage employee retention through the use of a time-based vesting schedule. TSUs encourage employee retention by providing some level of value to executives who remain employed for three years. PSUs, stock options and TSUs also support an ownership culture and thereby encourage our executives to take actions that are best for Cabot s long-term success. 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/or the market value of our common stock after the end of the relevant vesting period. That value will be largely dependent upon our performance, our stock price appreciation and market dynamics.

PSUs

Each award of PSUs is allocated evenly into three tranches, with each tranche having a one-year performance period and the entire award having a three-year vesting period. When the award vests at the end of the applicable three-year period, the number of shares of stock issuable, if any, 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% to 200% (0% to 150% for awards granted before November 2015), of the number of stock units allocated to each tranche of his award.

Executive Compensation (continued)

Threshold, target, stretch and maximum goals are established for the corporate performance metrics at or before the time of grant for each year in the three-year performance cycle, and are used to calculate the number of shares that will be issuable for a particular year when the award vests. The payout on performance between two performance levels is interpolated on a straight-line basis. In valuing PSUs for purposes of determining the amount to be granted in any given year, the Committee assumes that the Company will achieve target performance.

The financial metrics used to measure corporate performance are adjusted EPS, with an 80% weighting, and adjusted RONA, with a 20% weighting. Dividend equivalents are not paid on PSUs granted in fiscal 2016.

Stock options

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. They generally 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.

TSUs

TSUs generally vest in their entirety at the end of three years. When the TSUs vest, they are converted to shares of Cabot common stock. During the vesting period, dividend equivalents are paid in cash on each restricted stock unit when and if dividends are declared and paid on the Company s common stock. The objective of providing such dividend equivalent payments is to help focus our executives on, and to reward them for, managing the business so as 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.

Executive Compensation (continued)

PSUs Realized under PSU Award that Vested in 2016

The charts below show the overall percentage of performance-based restricted stock units earned under PSU awards granted in November 2013 that vested in November 2016. The performance periods of these awards were our 2014, 2015 and 2016 fiscal years. Overall, the number of stock units earned under these awards was 41.5% of the target awards.

PSUs Earned on Outstanding Awards on the Basis of Fiscal 2016 Performance

The Committee believes that the number of stock units earned under our outstanding PSUs on the basis of our fiscal 2016 performance properly aligned executive pay with that performance, consistent with the role of these awards in our overall compensation mix, with the percentage of stock units earned under outstanding PSU awards ranging from 17.6% to 124.5% of the target award.

Executive Compensation (continued)

The following tables show the performance metrics and the relative weighting of each metric that the Committee set for the fiscal 2016 performance period of PSUs granted in fiscal 2014, 2015 and 2016, our degree of attainment of these metrics and the percentage of the awards earned, measured against the target award. As the performance metrics for the fiscal 2016 performance period of these awards were established at different times, they each reflect the long-term goals in place when the awards were granted.

Company Targets and Results for Performance Year 3 of the PSUs granted in Fiscal 2014 (Performance Period 2014-2016) that Vested in November 2016

	Threshold Level (50% payout)	Target Level (100% payout)	Maximum Level (150% payout)	Fiscal 2016 Results	Percent Earned
Adjusted EPS (80%)	$ 3.50	$ 4.50	$ 6.00	$ 3.14	0.0%
Adjusted RONA (20%)	9.5%	12.0%	15.5%	11.4%	88.0%
Composite					17.6%

Company Targets and Results for Performance Year 2 of the PSUs granted in Fiscal 2015 (Performance Period 2015-2017) that Vest in November 2017

	Threshold Level (50% payout)	Target Level (100% payout)	Maximum Level (150% payout)	Fiscal 2016 Results	Percent Earned
Adjusted EPS (80%)	$ 3.00	$4.00	$ 5.50	$ 3.14	57.0%
Adjusted RONA (20%)	8.5%	10.75%	14.0%	11.4%	110.0%
Composite					67.6%

Company Targets and Results for Performance Year 1 of the PSUs granted in Fiscal 2016 (Performance Period 2016-2018) that Vest in November 2018

	Threshold Level (50% payout)	Target Level (100% payout)	Stretch Level (150% payout)	Maximum Level (200% payout)	Fiscal 2016 Results	Percent Earned
Adjusted EPS (80%)	$ 2.70	$ 3.00	$ 3.40	$ 4.50	$ 3.14	117.5%

Adjusted RONA (20%)	8.0%	9.5%	11.25%	14.0%	11.4%	152.7%
Composite						124.5%

Executive Compensation (continued)

Fiscal 2016 Compensation Decisions

The compensation decisions the Committee made in the ordinary course for 2016 are described below. Earlier in the CD&A, we described compensation decisions the Committee made in connection with our executive transitions and management changes in fiscal 2016.

In considering each executive s individual performance in fiscal 2016 and determining his STI award payout for fiscal 2016 and making the other compensation decisions discussed herein, the Committee specifically considered the following:

Sean D. Keohane, President and CEO (since March 2016), previously EVP and President, Reinforcement Materials segment.

Fiscal 2016 Performance Summary

The Committee believes that Mr. Keohane performed extremely well in 2016 and that his transition to the role of President and CEO was effective and seamless. The Committee also specifically recognized:

- the successful promotions made to fill positions created by the CEO transition and to further develop and strengthen the senior management team;
- the development and launch of our new Advancing the Core strategy;
- the accomplishment of several key milestones critical to the delivery of the Advancing the Core strategy, including the forming of our new fumed silica joint venture arrangement in China and the development of our new Asia Technology Center in China;
- the continued implementation of our commercial excellence initiatives geared to improving our understanding of markets and customers for more effective product development results, including the deployment of salesforce.com; and
- the continued improvement in all areas of our safety, health and environmental performance from fiscal 2015, including notable reductions in our total recordable safety injuries by 20% and in our total recordable injury rate by 12%.

In addition, in connection with his previous role of President of the Reinforcement Materials segment, the Committee recognized Mr. Keohane s role in:

- the strengthening of tire customer relationships, which resulted in strong performance during calendar year 2016 under arrangements with those customers;
- the team s increased strategic focus on the Industrial Products segment of this business; and

capital discipline and other efforts that improved capital efficiency and reduced costs across our manufacturing plants.

Compensation Decisions for Fiscal 2016

Base Salary Mr. Keohane s annual base salary remained at $470,000 for calendar 2016 consistent with the decision to not increase base salaries for the Management Executive Committee. Mr. Keohane s base salary was later increased to $850,000 in connection with his election as President and CEO of the Company as described above under *Compensation Decisions Relating to Our CEO Transition* .

STI Award Prior to his election as President and CEO, Mr. Keohane s target STI award was $282,000 (60% of his annual base salary). At the time of his election as President and CEO, Mr. Keohane s target STI award as a percentage of his annual base salary was increased to 100% of base salary (which was also increased, as described above). His blended target STI award for fiscal 2016 was $692,000 and his actual STI award payout for fiscal 2016 was $710,000, or 103% of his blended target, based on achievement at 99.5% of target in respect of corporate performance and 110% of target in respect of individual performance.

LTI Award In November 2015, Mr. Keohane was granted LTI awards with a grant date value of $800,000, consisting of 7,081 PSUs (assuming target level achievement of applicable performance metrics), 6,069 TSUs and 25,617 stock options. He also received an additional 7,105 PSUs (assuming target level achievement of applicable performance metrics), 6,090 TSUs and 26,455 stock options in connection with his election as President and CEO as further are described above under the heading *Compensation Decisions relating to CEO Transition* .

Executive Compensation (continued)

Eduardo E. Cordeiro, EVP and Chief Financial Officer, and President, Americas and EMEA regions. Mr. Cordeiro s responsibilities as President of the EMEA region were assumed by Mr. Cross effective January 1, 2017, when Mr. Cross relocated back to Switzerland.

Fiscal 2016 Performance Summary

Among Mr. Cordeiro s key achievements that the Committee considered were the following:

- his role leading the Management Executive Committee in the development and launch of our Advancing the Core strategy, including the design and development of targets and goals under our STI and LTI programs consistent with the strategy;
- his role leading our investor communications program, which included hosting Investor Day in Boston;
- his role in achieving the NWC days performance metric under our 2016 STI program, which exceeded the maximum performance levels for that metric established by the Committee;
- his execution of the 2016 cost reduction initiatives, which reduced our costs by over $60 million in fiscal 2016 as compared with fiscal 2015;
- his execution of our capital allocation strategy, returning over $100 million to shareholders in fiscal 2016;
- his commitment to disciplined financial policies and maintenance of a strong balance sheet to support our overall strategy, which included refinancing $300 million in debt;
- the increased job responsibilities that he assumed during the period of Mr. Prevost s medical leave of absence and in connection with the transition of CEO responsibilities to Mr. Keohane;
- his role in the overall management of a well-functioning finance organization; and
- his role in the improved collaboration and optimization across businesses within the EMEA and Americas regions.

Compensation Decisions for Fiscal 2016

- **Base Salary** Mr. Cordeiro s annual base salary remained at $550,000 for calendar 2016, consistent with the decision to not increase base salaries for the Management Executive Committee.
- **STI Award** Mr. Cordeiro s target STI award for fiscal 2016 was $385,000 (70% of his annual base salary) and his actual STI award payout for fiscal 2016 was $424,000, 110% of target, based on achievement at 99.5% of target in respect of corporate performance and 135% of target in respect of individual performance.
- **LTI Award** Mr. Cordeiro was granted LTI awards with a grant date value of $1,000,000, consisting of 8,851 PSUs (assuming target level achievement of applicable performance metrics), 7,587 TSUs and 32,021 stock options. He also received an additional 16,425 TSUs as described above under the heading *Compensation Decisions Relating to CEO Transition* .

Nicholas S. Cross, EVP and President, Performance Chemicals and Specialty Fluids segments. Effective January 1, 2017, Mr. Cross assumed responsibility as President of the EMEA region.

Fiscal 2016 Performance Summary

Among Mr. Cross s key achievements that the Committee considered were the following:

- his leadership of the Performance Chemicals segment, which achieved its third straight year of record EBIT performance;
- his contribution to the revenue growth in the Specialty Fluids segment and the expanded use of our cesium formate drilling fluids in drilling operations outside the North Sea;
- his role in the progress in our application development activities for important new, differentiated products for specialty applications in batteries, inkjet and fibers that enhance the performance of our customers products;
- his role in the organic revenue growth in our specialty compounds business;
- his role pursuing and evaluating strategic business development opportunities, which culminated in the signing of an agreement with Hengyecheng Silicone Company to form a fumed silica joint venture in China; and
- his role in the development of next generation cesium formate recovery techniques that will increase the raw material supply for this business.

Executive Compensation (continued)

Compensation Decisions for Fiscal 2016