

CABOT CORP  
Form DEF 14A  
January 28, 2013  
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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)*

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January 28, 2013

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of Cabot Corporation, which will be held on Thursday, March 7, 2013 at 4:00 p.m., local time, at the Corporate Headquarters of Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts.

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

You will find information regarding the matters to be voted on at the meeting in the attached proxy statement. Following the formal portion of the meeting, there will be a report on Cabot's operations during fiscal 2012 followed by a question and answer period.

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

We look forward to seeing you at the meeting.

Sincerely,

PATRICK M. PREVOST  
President and Chief Executive Officer

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**Notice of Annual Meeting of Stockholders**

**to be held on March 7, 2013**

The 2013 Annual Meeting of Stockholders of Cabot Corporation will be held on Thursday, March 7, 2013 at 4:00 p.m., local time, at the Corporate Headquarters of Cabot Corporation, Two Seaport Lane, Suite 1300, Boston, Massachusetts, for the following purposes:

1. To elect four directors, John S. Clarkeson, Roderick C.G. MacLeod, Sue H. Rataj and Ronaldo H. Schmitz, to the class of directors whose term expires in 2016;
2. Advisory approval of our executive compensation;
3. To ratify the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2013; and
4. To transact such other business as may properly come before the annual meeting or any adjournment or postponement thereof.

You may vote if you were a stockholder of record at the close of business on January 18, 2013. To ensure that your vote is properly recorded, please vote as soon as possible, even if you plan to attend the annual meeting. Most stockholders have three options for submitting their vote: (1) by Internet, (2) by phone or (3) by mail. You may still vote in person if you attend the annual meeting. For further details about voting, please refer to the section entitled "About the Annual Meeting" beginning on page 1 of this proxy statement.

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

This notice and proxy statement are first being sent to stockholders on or about February 1, 2013. Our Annual Report on Form 10-K is being sent with this notice and proxy statement.

By order of the Board of Directors,

Jane A. Bell

Secretary

Cabot Corporation

Two Seaport Lane, Suite 1300

Boston, Massachusetts 02210-2019

January 28, 2013

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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 2013 Annual Meeting of Stockholders ( 2013 Annual Meeting or the meeting ).

***What am I voting on?***

You are voting on:

Proposal 1: Election of John S. Clarkeson, Roderick C.G. MacLeod, Sue H. Rataj and Ronaldo H. Schmitz to the class of directors whose term expires in 2016 (*see page 12*);

Proposal 2: Advisory approval of our executive compensation (*see page 54*);

Proposal 3: Ratification of the appointment of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2013 (*see page 59*); 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;

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**FOR** the advisory approval of our executive compensation (commonly referred to as "say-on-pay"); and

**FOR** the ratification of Deloitte & Touche LLP as our independent registered public accounting firm for the fiscal year ending September 30, 2013.

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

### ***Who is entitled to vote?***

Only stockholders of record at the close of business on January 18, 2013 will be entitled to vote at the 2013 Annual Meeting. As of that date, there were 63,772,731 shares of our common stock outstanding. Each share of common stock is entitled to one vote. There is no cumulative voting.

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



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### ***How many votes must be present to hold the meeting?***

Your shares are counted as present at the 2013 Annual Meeting if you attend the meeting and vote in person or if you properly return a proxy by Internet, telephone or mail. In order for us to hold our meeting, holders of a majority of our outstanding shares of common stock as of January 18, 2013 must be present in person or by proxy at the meeting. This majority is referred to as a quorum. Proxy cards or voting instruction forms that reflect abstentions and broker non-votes will be counted as shares present to determine whether a quorum exists to hold the 2013 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 and 2 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 and 2, 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 and 3, you may vote **FOR** , **AGAINST** , or **ABSTAIN** .

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

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

*Proposal 3 Ratification of Independent Registered Public Accounting Firm.* The affirmative vote of a majority of the votes properly cast on proposal 3 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 or her re-election at the 2013 Annual Meeting and (ii) the Board's acceptance of this resignation. The Governance and Nominating Committee of the Board of Directors is responsible for initially considering the resignation and making a recommendation to the Board of Directors. The director whose resignation is under consideration is expected to abstain from participating in any decision regarding his or her resignation. The Governance and Nominating Committee may consider any factors it deems relevant in deciding whether to accept a director's resignation. If the resignation is not accepted, the director will continue to serve until his or her successor is elected and qualified.

### ***How do I vote?***

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



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Even if you plan to attend the 2013 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 2013 Annual Meeting materials by mail, please follow the voting instructions on your proxy card. If you have received your 2013 Annual Meeting materials electronically, please follow the voting instructions that were e-mailed to you. Proxies submitted by the Internet or telephone must be received by 1:00 a.m., Eastern Time, on March 7, 2013.

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

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

If you hold your stock through a Cabot employee benefit plan, you have the right to instruct the trustees of the plan or plans in which you participate how to vote your shares. You can vote your shares by following the instructions on the enclosed proxy card. The trustees of each plan will have the voting instructions of each participant in the plans tabulated and will vote the shares of the participants by submitting a final proxy card representing each plan's shares for inclusion in the tally at the 2013 Annual Meeting.

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

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 5, 2013 or by voting over the telephone or the Internet by 1:00 a.m., Eastern Time, on March 6, 2013.

### ***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), (3) if your shares are registered in your name, delivering timely notice of revocation to the Secretary, Cabot Corporation, 2 Seaport Lane, Suite 1300, Boston, Massachusetts 02210, or (4) attending the meeting and voting in person. Attending the meeting in person will not in and of itself revoke a previously submitted proxy unless you specifically request it. If you hold shares through a bank or broker, you must follow the instructions on your voting instruction form to revoke any prior voting instructions.

### ***Who counts the votes?***

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

### ***What if I return my proxy card but don't vote for some of the matters listed?***

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

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***Can other matters be decided at the 2013 Annual Meeting?***

We are not aware of any other matters that will be considered at the 2013 Annual Meeting. If any other matters arise, the named proxies will vote in accordance with their best judgment.

***Who can attend the meeting?***

The 2013 Annual Meeting is open to all Cabot stockholders. If you need directions to the meeting, please call Cabot's Investor Relations Group at (617) 342-6090. When you arrive at Cabot's Corporate Headquarters, please go to the 1<sup>st</sup> Floor and signs will direct you to the meeting room. You need not attend the 2013 Annual Meeting to vote.

**Important Notice Regarding the Availability of Proxy Materials for the Shareholder Meeting to Be Held on March 7, 2013**

**This proxy statement and our 2012 Annual Report on Form 10-K are available at the following Internet address: <http://www.cabot-corp.com/2013annualmeeting>.**

If you received your 2013 Annual Meeting materials by mail, we encourage you to sign up to receive your stockholder communications by e-mail. Electronic delivery benefits the environment and saves the Company money by reducing printing and mailing costs. With electronic delivery, you will be notified by e-mail as soon as the Annual Report on Form 10-K and proxy statement are available on the Internet, and you can easily submit your stockholder votes online. If you are a registered holder (you hold your Cabot shares in your own name through our transfer agent, Computershare Trust Company, N.A., or you have stock certificates), visit [www.computershare.com/us/investor](http://www.computershare.com/us/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/us/investor](http://www.computershare.com/us/investor) to change your delivery preference or call them at (800) 730-4001 in the U.S. or at (781) 575-3170 outside the U.S.

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

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Our Board of Directors held six meetings in fiscal 2012. Each director attended at least 85% of the Board meetings and the total meetings held by all of the Committees on which he or she served during the periods that he or she served.

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

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

\* Committee Chair  
**Audit Committee**

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

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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.

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The specific responsibilities and functions of the Audit Committee are identified in the Committee's charter, a copy of which is posted on our website ([www.cabot-corp.com](http://www.cabot-corp.com)) under the heading "About Cabot Governance." The Audit Committee met fourteen times in fiscal 2012 and acted by written consent three times.

### **Compensation Committee**

The primary responsibilities of the Compensation Committee are to:

Approve the corporate goals and objectives relevant to the compensation of our Chief Executive Officer ( CEO ), evaluate the CEO's performance and approve the CEO's salary and incentive compensation.

Establish policies applicable to the compensation, severance or other remuneration of Cabot's management Executive Committee, review and approve performance measures and goals under incentive compensation plans applicable to such employees, and approve their salaries, annual short-term and long-term incentive awards, any severance payments and any other remuneration.

Review the aggregate amount of bonuses to be paid to participants in Cabot's annual short-term incentive plan.

Administer Cabot's incentive compensation plans, equity-based plans and supplemental benefits arrangements, which includes approving the aggregate number of stock awards granted under Cabot's long-term incentive program.

Appoint the members of the Company's Benefits and Investment Committees and monitor their activities.

The specific responsibilities and functions of the Compensation Committee are identified in the Committee's charter, a copy of which is posted on our website ([www.cabot-corp.com](http://www.cabot-corp.com)) under the heading "About Cabot Governance." The Compensation Committee met five times during fiscal 2012 and acted by written consent twice.

### **Executive Committee**

The Executive Committee reviews and, where appropriate, approves corporate action with respect to the conduct of our business between Board of Directors' meetings. Actions taken by the Executive Committee are reported to the Board at its next meeting. The Executive Committee met once during fiscal 2012.

### **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.

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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.



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The specific responsibilities and functions of the Governance Committee are identified in its charter, a copy of which is posted on our website ([www.cabot-corp.com](http://www.cabot-corp.com)) under the heading About Cabot Governance. The Governance Committee met four times during fiscal 2012.

### **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 specific responsibilities and functions of the SH&E Committee are identified in the Committee's charter, a copy of which is posted on our website ([www.cabot-corp.com](http://www.cabot-corp.com)) under the heading About Cabot Governance. The SH&E Committee met three times during fiscal 2012.

### **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. Finally, the Governance Committee considers governance and Board and CEO succession planning 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 executive officers. Our goal-setting, performance assessment and compensation decision-making processes described in our CD&A apply to all participants in our corporate short and long-term incentive programs. Participants in our long-term incentive program who are not members of the management Executive Committee receive awards consisting of time-based restricted stock units and performance-based restricted stock units, and otherwise the program is consistent throughout the Company. Beyond our corporate short-and long-term incentive programs, substantially all of our facilities outside North America offer annual cash incentive plans.



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

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**DIRECTOR COMPENSATION**

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

**Cash Compensation**

Cash compensation for our non-employee directors consists of an annual retainer of \$75,000 (which was increased from \$65,000 effective January 1, 2012), plus the following annual amounts for specific roles:

\$21,000 for serving on the Audit Committee (plus another \$40,000 for serving as Chair of the Audit Committee).

\$7,000 for serving on each of the Compensation, SH&E or Governance Committees (plus another \$10,000 for serving as Chair of the Compensation, SH&E or Governance Committees).

\$110,000 for serving as Non-Executive Chairman of the Board of Directors.

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

During calendar year 2012, the Governance Committee engaged Mercer LLC, a national executive compensation consulting firm, to assist with a review of Cabot's director compensation practices. Following this review and upon the recommendation of the Governance Committee, our Board of Directors approved, effective January 1, 2013, a decrease in the annual retainer paid for serving on the Audit Committee and a decrease in the additional annual retainer paid for serving as Chair of the Audit Committee. Effective January 1, 2013, the annual retainer for serving on the Audit Committee is \$16,000 and the additional annual retainer for serving as Chair of this Committee is \$25,000. The Governance Committee has assessed the independence of Mercer pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Mercer from independently representing the Governance Committee.

**Stock Compensation**

Under our Non-Employee Directors' Stock Compensation Plan (the "Directors' Stock Plan"), each non-employee director is eligible to receive each calendar year shares of Cabot common stock as a portion of his or her compensation for services to be performed in that year. The number of shares awarded is set each year by the Governance Committee. For calendar 2012, the Governance Committee approved an award of shares with a value of \$75,000 (2,212 shares) to each non-employee director. The closing price of our common stock on January 13, 2012, the date such shares were granted, was \$33.91. Mr. Kirby, who was elected to the Board effective July 10, 2012, received a grant of shares with a pro-rated value of \$37,500 (922 shares) on July 10, 2012. The closing price of our common stock on July 10, 2012 was \$40.71.

As of January 18, 2013, there were 141,272 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

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Guidelines require non-employee directors to have an equity ownership in Cabot of at least 10,000 shares. It is expected that this ownership interest will

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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.

### **Reimbursement of Certain Expenses**

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 are covered by Cabot's travel accident insurance policy for such travel.

### **Deferred Compensation**

Under the Cabot Corporation Deferred Compensation Plan, directors can elect to defer receipt of any cash compensation payable in a calendar year for a period of at least three years or until they cease to be members of the Board of Directors. In any year, these deferred amounts are, at the director's choice, either (i) credited with interest at a rate equal to the Moody's Corporate Bond Rate for the month of November prior to the beginning of the applicable year or (ii) treated as invested in Cabot phantom stock units, based on the market price of shares of Cabot common stock at the time of deferral (with phantom dividends being accrued and treated as if reinvested in phantom stock units). Mr. Enriquez and Mr. McCance elected to defer receipt of their 2012 cash compensation and treat the deferred amounts as invested in phantom stock.