

## COMPENSATION COMMITTEE CHARTER

### **Purpose**

The Compensation Committee (the "Committee") is appointed by the Board of Directors of Cabot Corporation (the "Company"), with responsibilities relating to (a) compensation of the Company's executives, (b) the preparation of a Compensation Committee report on executive compensation as required by the Securities and Exchange Commission (the "SEC") to be included in the Company's annual proxy statement, and (c) the appointment and supervision of the Benefits and Investment Committees of the Company.

### **Composition and Operation**

The Committee shall consist of not less than two nor more than seven directors, each of whom shall satisfy the independence requirements of the New York Stock Exchange. In addition, each member of the Committee shall qualify as an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended, and shall be a "non-employee director" within the meaning of Rule 16b-3 promulgated under the Securities Exchange Act of 1934.

The members of the Committee shall be appointed by the Board on the recommendation of the Governance and Nominating Committee and may be removed by the Board.

The Committee shall meet as often (but at least two times each fiscal year), and establish such procedures for the calling and holding of meetings, as the members shall determine to be necessary and appropriate, all in accordance with the Company's by-laws. Except as otherwise required by the Company's by-laws or Certificate of Incorporation, a majority of the members of the Committee shall constitute a quorum for the transaction of business and the act of a majority of the members present at any meeting at which there is a quorum shall be the act of the Committee.

The Committee shall make regular reports to the Board and all actions of the Committee shall be reported to the Board at the next regular meeting of the Board. Minutes of Committee meetings shall be kept and distributed to all Board members.

The Committee shall have authority to delegate to subcommittees of the Committee any of the responsibilities of the Committee.

### **Authority and Responsibilities**

1. The Committee shall establish policies applicable to the compensation, severance or other remuneration of certain officers who are members of the Executive Committee of the Company (the "Senior Management").

2. The Committee shall review and approve performance measures and goals under incentive compensation plans applicable to Senior Management.

3. The Committee shall review and approve corporate goals and objectives relevant to the Company's chief executive officer (the "CEO") compensation, evaluate the CEO's performance in light of those goals and objectives and, either as a Committee or together with the other independent directors (as directed by the Board), determine and approve the CEO's compensation level based on this evaluation. In determining the long term incentive component

of CEO compensation, the Committee shall consider the Company's performance and relative shareholder return, the value of similar incentive awards to CEO's at comparable companies, and the awards given to the CEO in past years.

4. The Committee shall review and approve the base salaries, annual short term and long term incentive awards, any severance payments and any other remuneration paid to the Senior Management. Notwithstanding the foregoing, prior approval is not required for the hiring or promotion, including the determination of salary, of a member of Senior Management who is not, and taking into account such hiring or promotion, would not be, an Executive Officer of the Company (as determined in accordance with SEC rules and regulations).

5. The Committee shall review market total compensation studies as a frame of reference in conducting its review of proposed compensation actions each year and may request additional special studies to be conducted periodically.

6. The Committee shall review and approve the aggregate amount of bonuses to be paid to participants in the Company's annual short-term incentive plan.

7. The Committee shall administer the Company's incentive compensation plans, equity-based plans and supplemental benefits arrangements, including reviewing and approving the aggregate number of stock awards to be awarded to participants in the Company's long-term incentive program, and shall perform such duties as may, from time to time, be delegated to the Committee under the compensation and benefits plans of the Company.

8. The Committee shall produce a compensation committee report on executive compensation as required by the SEC to be included in the Company's annual proxy statement.

9. The Committee shall make recommendations to the Board regarding the adoption of incentive compensation plans and equity-based plans and shall perform such duties under such plans as may, from time to time, be delegated by the Board to the Committee under such plans.

10. The Committee shall review at least annually a report of outstanding loans made by the Company to the members of Senior Management. (Employees designated as Executive Officers are not eligible for loans of any type.)

11. The Committee shall review such other matters as may be appropriate to assure the Board that the compensation policies of the Company are reasonable and fair.

12. The Committee shall appoint annually the members of the Company's Benefits and Investment Committees in accordance with the charters of each of these committees, and no less frequently than annually, monitor their activities. The Committee shall provide information and make recommendations to the Board as needed (including with respect to proposed material amendments to either the Retirement Savings Plan or the Cash Balance Plan) based on the activities of the Benefits and Investment Committees. Interim reports by the Benefits or Investment Committees, or communications by the Compensation Committee to either the Benefits or Investment Committee shall be made as needed by the Chairperson of the respective Committee or his designee.

13. The Committee shall perform and present to the Board an annual evaluation of its own performance.

14. The Committee shall review and assess at least annually the adequacy of this charter and recommend any proposed changes to the Board for approval.

15. The Committee shall have the sole authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the compensation of the CEO and the Company's other senior executive officers, and shall have sole authority to approve the consultant's fees and other retention terms.

16. The Committee shall be assisted by the Company's human resources, legal, accounting and other appropriate corporate staffs, and in addition, the Committee may obtain assistance from such other persons, who need not be employees of the Company, or organizations as it may deem appropriate, with the expenses incurred in their use to be paid by the Company. The foregoing authority includes obtaining advice and assistance from internal or external legal, accounting or other advisors and consultants.

17. The Committee shall exercise such other duties and responsibilities as may be assigned by the Board from time to time.

*Adopted by the Board of Directors on January 9, 2004, and amended on May 13, 2005 and September 11, 2009.*