

## DISCLOSURES ON MANAGEMENT APPROACHES

### ECONOMIC DMA

Cabot is a publicly traded company (NYSE: CBT). The Board of Directors (Board) is the highest governing body and its primary objective is to protect the long-term interests of shareholders by consistently seeking opportunities for growth in Cabot's core business. It is therefore the responsibility of these 12 Board members to oversee corporate performance and strategy, capital structure and market exposure, as well as the company's overall risk profile.

Concerning *economic performance*, the goal formulated in Cabot's vision statement is to deliver earnings growth through leadership in performance materials. With regard to financial business performance, strategic overview is provided by the Board with operational aspects delegated to the Board's Management Executive Committee. Supporting the Board's oversight of risk management is the company's comprehensive Enterprise Risk Management (ERM) program, which is led by the CFO and reviewed by the Management Executive Committee. After assessing the potential risks identified through this program, which includes an assessment of climate risks, mitigation plans are implemented as needed.

With regard to *market presence*, Cabot has operations and customers throughout the world – in the Americas, Europe, the Middle East, and Asia Pacific. Given this significant international reach, Cabot expects high standards from its suppliers and employees. While a significant portion of business is with local partners, Cabot does not have a formal policy concerning local supplier relations, but bases its selection on cost, quality and service considerations. Cabot suppliers are required to adhere to a global Supplier Code of Conduct.

As part of a focus to ensure valuable people resources, Cabot prefers to hire locally, which is reflected in a workforce that represents the communities in which it operates. All of Cabot's manufacturing facilities are operated by local management teams.

As a result of the strategic management of Cabot's fiscal affairs, the company has had a positive *indirect economic impact* on the surrounding communities in which it operates. Not only does Cabot provide jobs to over 4,500 individuals in over 20 countries, which has helped stimulate local economies, but the company also makes concerted efforts to add value to these communities. The Cabot Foundation is completely funded by Cabot and is used to finance the Corporate Giving strategy, which is applied to Cabot's community outreach activities, along with facility-level contributions. Local community relations teams identify organizations and projects to receive Cabot's charitable contributions with priority given to science and technology education, community relations and civic improvement efforts impacting their neighbors.

### ENVIRONMENTAL DMA

As a leading global specialty chemicals and performance materials company, Cabot places a high value on the efficient and safe use of natural resources in its manufacturing operations and creates products designed to help minimize impacts to the environment. At the highest governance level, oversight for environmental issues rests with the Safety, Health and Environment (SH&E) Committee of Cabot's Board of Directors. The guidelines for environmentally responsible conduct at Cabot are outlined in the company's SH&E policy and through Cabot's "Drive to Zero" initiative. Executive leadership for implementing Cabot's environmental strategies and policies is provided by the company's senior vice president for SH&E and managed by the Director of Environmental Affairs and Sustainability. Local implementation in accordance with applicable rules and regulations is the responsibility of the regional SH&E directors as well as site environmental managers located at each facility.

Concerning *materials use*, Cabot's Global Engineering, Manufacturing and Research and Development departments oversee yield improvement projects at carbon black manufacturing facilities. These projects reduce the consumption of raw materials by improving process efficiency and eliminating bottlenecks in facility equipment. At its fumed metal oxides manufacturing facilities, Cabot utilizes byproducts from other industries as feedstock material, thereby eliminating the need for virgin chemical feedstocks. At several of Cabot's activated carbon manufacturing facilities, spent activated carbon from customers is reactivated to extend the life of the product and minimize the use of natural resources. Also

supporting responsible consumption of raw materials is Cabot's leasing terms for cesium formate chemical products. This business model optimizes the use of materials by preserving natural resources and conserving manufactured materials.

With respect to *energy* use, Cabot's SH&E policy outlines the company's commitment to reducing energy consumption, which is illustrated by Cabot's newly updated goal to reduce energy intensity in terms of MWh/metric ton of product by 10% by 2025 compared to a 2005 baseline. Key initiatives include investments in "energy centers" at carbon black manufacturing facilities that are fueled by waste tail gases to produce steam and/or electricity for Cabot's operations, its industrial neighbors, and the surrounding community. Cabot's commitment for responsible water use, including reducing and recycling water as much as possible, is being implemented at several of its sites where water is considered a scarce resource as developed and communicated in the strategic Water Management Plan that the company initiated in 2012 under the direction of the SH&E department. While some of Cabot's sites are near areas of highly valued biodiversity, the company's operations do not pose a material threat in this regard and therefore a specific policy to protect biodiversity is not required.

With regard to *emissions, effluents, and waste*, Cabot has revisited its goals which has resulted in refining existing targets and introducing new goals. Cabot now aims to reduce greenhouse gas (GHG) emission intensity in terms of metric tons of carbon dioxide equivalents per metric tons of product produced by 20% by 2025 using a 2005 baseline, compared to the previously defined goal of the same reduction by 2020. Cabot also introduced new goals for reducing the company's air pollutants with a target of cutting NO<sub>x</sub> and SO<sub>x</sub> emission intensity in terms of metric tons of pollutant per metric ton of product produced by 20% and 40% respectively by 2025 from a base year of 2012. Additionally, the company strives to recycle wastewater at all facilities, but when recycling wastewater is not possible, effluents are discharged in accordance with applicable permits and regulations. Additionally, Cabot's SH&E policy expresses Cabot's commitment to minimizing waste, which was most recently demonstrated by the newly introduced goal of reducing waste intensity in terms of metric tons of both waste per metric ton of product produced by 15% through 2025 using 2012 as a baseline. While this target is new, efforts have already been underway including the reprocessing of off-quality products in order to eliminate the need for disposal.

Stewardship of *products and services*, including environmental aspects, is a priority for Cabot. A stage gate process for new product development includes evaluation of environmental, health and safety issues, including potential hazards and toxicology of products, throughout the life cycle. To support these efforts, the company has a dedicated global team of product stewards who work closely with relevant staff members in research, marketing, sales and manufacturing providing support, education and training.

*Compliance* awareness is strengthened by Cabot's "Drive to Zero" initiative, implemented under the direction of the senior vice president of SH&E guided by Cabot's SH&E Policy, which includes reducing environmental non-conformance (ENC) events (i.e., a reportable spill or release, a Notice of Violation, a public complaint, or permit deviations). The number of environmental non-conformance events is measured and reported on to demonstrate progress toward the goal of zero ENCs. When ENCs occur, incident investigations to identify root-cause are undertaken, corrective actions are implemented, and the results are reported throughout the company to minimize the potential for repeat incidents. Environmental awareness training is provided to manufacturing facility employees as part of their new employee orientation training, and key aspects are reinforced with annual refresher training to maintain this level of performance.

Cabot also conducts comprehensive SH&E audits at every manufacturing facility. Led by an SH&E management professional, compliance audit teams assess facilities against regulatory requirements, Cabot SH&E standards and guidelines, as well as industry best management practices. In the event there is a matter of non-conformance, a corrective action plan is developed and agreed upon by both corporate and facility management, and all corrective actions are tracked to completion.

In November 2013, Cabot entered into a consent decree with the U.S. Environmental Protection Agency (USEPA) in connection with the USEPA's national enforcement initiative to control air emissions from industrial sources including carbon black manufacturing facilities and paid the associated fines in 2014. As required through this consent decree, Cabot implemented operating procedures, best management practices and monitoring to minimize particulate emissions at each of the relevant facilities and continue to make progress with the design and implementation of the capital projects

intended under the agreement.

With respect to *transport*, Cabot is typically not responsible for the distribution of its products. However, when partnering with logistics providers is required, the company selects only those that are considered qualified vendors that meet Cabot's high standards. The company's carrier performance evaluation process includes a review of carriers' safety data, accident records, regulatory inspections, adequacy of equipment and certification in programs such as Responsible Care® and ISO14001. In terms of staff commuting, Cabot provides subsidies to employees for use of public transportation.

Finally, Cabot prioritizes its significant environmental capital expenditures, \$14MM in FY 14 alone, by focusing on compliance with environmental regulations, sustaining business, and realizing growth opportunities under the strategic leadership and supervision of the business unit leaders.

## LABOR AND DECENT WORK DMA

Talented and motivated employees are critical to Cabot's continued growth and long-term success. Cabot's Talent Management Framework guides the management of employees toward improved performance. Cabot's values of integrity, respect, excellence and responsibility are fundamental to the company's success as a global enterprise. In order to deliver upon long-term financial commitments and strategy, the company must flawlessly execute the core elements of success including safety, innovation, performance, customers and people.

Concerning *employment*, there is a global process in place for the approval of recruitment activities. Recruitment processes are designed locally to reflect the market dynamics and business needs of Cabot's locations around the world.

With regard to *labor management relations*, the terms of collective bargaining agreements at Cabot are fully aligned with Cabot's Code of Business Ethics. Implementation of this standard is the responsibility of Cabot's Corporate Human Resources Department in collaboration with the regional, functional and business management teams.

*Occupational health and safety* is a key focus for Cabot. As part of our "Drive to Zero" initiative, Cabot has set a long-term goal of having no injuries at its facilities world-wide. Through our recent review of our sustainability goals, Cabot has established a short-term goal of maintaining its safety performance in the top 10% of its peer organizations globally. However, Cabot will not be satisfied until it attains its ultimate goal of zero injuries, which it has demonstrated is achievable based on the performance of 34 of its facilities in 2014. Safety training is provided for all employees based on all applicable government regulations and internal standards. Safety, health, environment and site security are critical components to Cabot's culture and guide how people work together.

Cabot's management processes include a Performance-Based Management (PBM) approach which is intended to support the company in achieving its long-term goals. The PBM strategy is owned by managers and supported by the management Executive Committee and the Human Resources department. Managers are required to identify specific contributions their business, regions or functions have delivered, conduct employee performance evaluations and support employees in achieving and exceeding expected results. To support this goal, the company provides administrative, professional, technical and operational *training and education* to employees. This is achieved through global training programs, as well as leadership and employee development programs. Employee development is the process that helps Cabot develop the capabilities of its people to their greatest potential. The "Guide to Employee Development" effectively serves as a manual for all Cabot employees.

In light of Cabot's global operations, embracing *diversity and equal opportunity* for all is important for the Company's growth and critical to future success. The company is committed to treating all employees with integrity and respect. As reflected in Cabot's Code of Business Ethics, equal opportunities are offered to all regardless of race, color, religion, age, gender, sexual orientation, disability, national origin, veteran status, or any other class or category of persons that is protected by relevant local law.

## HUMAN RIGHTS DMA

Cabot has a strong commitment to conducting business in an ethical manner. Careful management of human rights matters is directed by line management with support from the Human Resources Department and the Office of Compliance. In 2014, Cabot management agreed to develop and will publish a Human Rights Policy in 2015.

In terms of *investments and procurement practices*, Cabot seeks mutually beneficial relationships with suppliers who also act responsibly and demonstrate integrity in the marketplace, including the recognition of basic human rights. In support of this effort, Cabot developed a Supplier Code of Conduct in 2010, which clearly expresses the related expectations for its suppliers. As part of the Code, all suppliers are required to be in compliance with local and national labor laws regarding compensation and working hours. Cabot considers any unlawful employment actions such as *discrimination, child labor, or forced labor practices* absolutely intolerable.

Given Cabot's business activities, human rights issues related to *indigenous rights and security practices* pose no significant risks to the company or its partners. For this reason, specific management approaches for those aspects are not considered material.

As mentioned in the Labor Practices and Decent Work DMA, the terms of *collective bargaining agreements* at Cabot are fully aligned with Cabot's Code of Business Ethics.

## SOCIETY DMA

With manufacturing facilities in over 20 countries, Cabot's operations have the ability to significantly impact the *community* if not managed responsibly in accordance with all laws and regulations as well as internal company standards. For this reason, Cabot conducts rigorous due diligence prior to establishing a new facility. Once established, Cabot maintains compliance with all relevant regulations and provides detailed instructions that guide plant closure processes. Cabot also values upholding transparent communication with its stakeholders. One way this is accomplished is by the release of environmental data through communications such as sustainability reports. Manufacturing facilities have formal processes in place to engage and communicate with the local community, which usually involves the use of a Community Advisory Panel (CAP) or similar outreach processes.

Guidance for employees and the company on matters regarding *compliance* is outlined in the Code of Business Ethics. As described in these standards, the Office of Compliance, which is comprised of four key Cabot personnel appointed by the Company's Board of Directors, was established to oversee the company's compliance with laws and regulations, the Code of Business Ethics, and other internal policies. The Office of Compliance is responsible for investigating allegations of misconduct or noncompliance and recommending appropriate actions to management in which to address any misconduct or noncompliance. Employees are invited to contact the Office of Compliance, Human Resources and/or the Cabot Law Department with any related questions or concerns.

Avoiding *corruption* is critical to Cabot's mission of acting as an ethical global corporation and good neighbor. To support this effort, the Office of Compliance maintains an ongoing dialogue with all business units and regions regarding potential risks, including the risk of corruption. The Cabot Law Department also plays an integral role in counseling business units on potential risks and providing guidance on adhering to the Code of Business Ethics.

The company's Law Department oversees Cabot's compliance with *competition laws*. As expressed in the company's Code of Business Ethics, Cabot complies with the antitrust laws of the United States, the competition laws of the European Union and similar laws adopted by other countries around the world. Employees may not participate in any agreement, understanding or other activity that would violate any such law.

With respect to *public policy*, Cabot does not by itself make significant statements on policy issues, but works through trade industry groups to contribute to public debates. This includes the International Carbon Black Association (ICBA), the Synthetic Amorphous Silica and Silicates Association (SASSI), the American Chemistry Council (ACC), the European Chemical Industry Council (CEFIC) and the Association of International Chemical Manufacturers (AICM).

For Cabot, effective product stewardship is critical to the success of the company. The development of high quality products goes hand-in-hand with responsible production practices. This means designing products with thoughtful consideration for their effect on the *health and safety of customers*, employees, communities in which Cabot operates, as well as their impact on the environment. The key responsibility for this effort resides with Cabot's Product Support and Toxicology Group of the Safety, Health and Environment (SH&E) Department, as well as the business, and research and development teams. As a standard, risk assessment and management principles imbedded within the stage gate process are used to guide product design which is complemented by Cabot's efforts to align product development with the Responsible Care® program. The Stage Gate process for new product development includes an evaluation of SH&E issues throughout the entire life cycle of the product – from the product conception stage through commercial supply, use and disposal. The results of these analyses heavily influence the decisions to continue development or manufacture of the new product on a commercial scale. Early in the development stage, safety and hazard assessments are conducted that help identify potential risks; should risks be identified mitigation measures are evaluated to determine if development should proceed or cease. These preemptive measures are in alignment with Cabot's commitment to meet its product stewardship obligations as part of the Company's membership in the American Chemical Council's Responsible Care® program and its participation in the associated International Council of Chemical Association's (ICCA) voluntary Global Product Strategy (GPS), as well as Cabot' involvement with the European Union and North American Silica Industry Groups and the International Carbon Black Association, that evaluate the long-term health effects of these important products.

Training is a key element of Cabot's product stewardship program. Employees, customers and distributors are trained on the health and safety aspects of a product. In particular, sales representatives are educated on the specifications and intended uses of Cabot's products that offer a level of assurance that materials are utilized and handled as intended. In addition, product regulatory training is conducted for Cabot employees as a means of relaying the importance of compliance with diverse global requirements.

Cabot's product stewardship commitment is embodied in the Company's willingness to develop transparent *product labeling and literature*. The corporate hazard communication program ensures a comprehensive review of the product's intrinsic properties, safe use, transportation, disposal, regulatory status, and of compliance with global hazard communication requirements for all commercial products and all research and development samples. Comprehensive Material/Safety Data Sheets (M/SDSs) are made available to customers for all products and samples, in addition, the Cabot website offers M/SDSs for the majority of our commercial products in several regional and country formats and languages.

Further, Cabot is complying with the Globally Harmonized System of classification and labeling of its products. GHS (Globally Harmonized System) is a chemical hazard classification system developed by the United Nations. The intent behind the system is to create common hazard categories and labeling elements that will be recognized in countries around the world, allowing for a better-defined and more consistent mode of hazard communication. Countries are in various stages of adoption and implementation of GHS. Cabot is able to comply with GHS requirements in countries globally with the help of our Material /Safety Data Sheet (M/SDS) authoring software system. The system contains tools and templates that assist with the hazard determination and classification of our products and the authoring of comprehensive M/SDSs. Cabot currently provides GHS-compliant M/SDSs in countries where required, and will continue to do so going forward as more countries adopt GHS. To complement M/SDSs, Cabot also provides Product Stewardship Summaries for its core products on its website, which serve as product overviews for the general public.

Overseeing the *marketing and communications* tasks for products are Cabot's Law and Corporate Communications Departments and regulatory specialists who review these materials to ensure that they are *compliant* with local laws and regulations while upholding Cabot's Code of Business Ethics. Protecting *customer privacy* is also a priority for Cabot. To accommodate this need, internal controls and policies are in place to prevent releases of customer information.