UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended December 31, 2020

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 1-5667

Cabot Corporation

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**04-2271897** **(I.R.S. Employer Identification No.)**
Two Seaport Lane **Boston, Massachusetts** **(Address of principal executive offices)**	**02210-2019** **(Zip Code)**

Registrant's telephone number, including area code: (617) 345-0100

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $1 par value per share	CBT	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Company had 56,616,500 shares of common stock, $1.00 par value per share, outstanding as of February 2, 2021.

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CABOT CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
UNAUDITED

	Three Months Ended December 31	
	2020	2019
	(In millions, except per share amounts)	
Net sales and other operating revenues	$ 746	$ 727
Cost of sales	553	586
Gross profit	193	141
Selling and administrative expenses	61	64
Research and technical expenses	14	14
Income (loss) from operations	118	63
Interest and dividend income	2	3
Interest expense	(12)	(14)
Other income (expense)	(9)	(2)
Income (loss) before income taxes and equity in earnings of affiliated companies	99	50
(Provision) benefit for income taxes	(29)	(4)
Equity in earnings of affiliated companies, net of tax	—	—
Net income (loss)	70	46
Net income (loss) attributable to noncontrolling interests, net of tax	10	5
Net income (loss) attributable to Cabot Corporation	$ 60	$ 41
Weighted-average common shares outstanding:		
Basic	56.5	56.9
Diluted	56.6	57.0
Earnings (loss) per common share:		
Basic	$ 1.06	$ 0.71
Diluted	$ 1.06	$ 0.70

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
UNAUDITED

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Net income (loss)	$ 70	$ 46
Other comprehensive income (loss), net of tax		
Foreign currency translation adjustment, net of tax	94	43
Derivatives: net investment hedges		
(Gains) losses reclassified to interest expense, net of tax	(1)	(1)
Pension and other postretirement benefit liability adjustments, net of tax	3	1
Other comprehensive income (loss)	96	43
Comprehensive income (loss)	166	89
Net income (loss) attributable to noncontrolling interests, net of tax	10	5
Foreign currency translation adjustment attributable to noncontrolling interests, net of tax	7	3
Comprehensive income (loss) attributable to noncontrolling interests, net of tax	17	8
Comprehensive income (loss) attributable to Cabot Corporation	$ 149	$ 81

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
ASSETS
UNAUDITED

	December 31, 2020	September 30, 2020
	(In millions)	
Current assets:		
Cash and cash equivalents	$ 147	$ 151
Accounts and notes receivable, net of reserve for doubtful accounts of $3 and $2	513	418
Inventories:		
Raw materials	107	82
Finished goods	247	225
Other	49	52
Total inventories	403	359
Prepaid expenses and other current assets	62	50
Total current assets	1,125	978
Property, plant and equipment, net	1,353	1,314
Goodwill	142	134
Equity affiliates	41	39
Intangible assets, net	107	103
Deferred income taxes	51	53
Other assets	161	160
Total assets	$ 2,980	$ 2,781

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY
UNAUDITED

	December 31, 2020	September 30, 2020
	(In millions, except share and per share amounts)	
Current liabilities:		
Short-term borrowings	$ 13	$ 14
Accounts payable and accrued liabilities	521	488
Income taxes payable	28	20
Current portion of long-term debt	8	7
Total current liabilities	570	529
Long-term debt	1,085	1,094
Deferred income taxes	58	58
Other liabilities	305	286
Commitments and contingencies (Note G)		
Stockholders' equity:		
Preferred stock:		
Authorized: 2,000,000 shares of $1 par value	—	—
Issued and Outstanding: None and none		
Common stock:		
Authorized: 200,000,000 shares of $1 par value, Issued: 56,752,165 and 56,616,030 shares, Outstanding: 56,606,215 and 56,466,638 shares	57	57
Less cost of 145,950 and 149,392 shares of common treasury stock	(4)	(4)
Retained earnings	1,032	989
Accumulated other comprehensive income (loss)	(262)	(351)
Total Cabot Corporation stockholders' equity	823	691
Noncontrolling interests	139	123
Total stockholders' equity	962	814
Total liabilities and stockholders' equity	$ 2,980	$ 2,781

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

	Three Months Ended December 31	
	2020	**2019**
	(In millions)	
Cash Flows from Operating Activities:		
Net income (loss)	$ 70	$ 46
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	39	39
Deferred tax provision (benefit)	(2)	(6)
Employee benefit plan settlement	6	—
Non-cash compensation	4	1
Other non-cash (income) expense	5	—
Cash dividends received from equity affiliates	—	1
Changes in assets and liabilities:		
Accounts and notes receivable	(76)	54
Inventories	(37)	(7)
Prepaid expenses and other assets	(10)	(21)
Accounts payable and accrued liabilities	14	3
Income taxes payable	7	(3)
Other liabilities	1	(2)
Cash provided (used) by operating activities	21	105
Cash Flows from Investing Activities:		
Additions to property, plant and equipment	(29)	(68)
Cash paid for acquisition of businesses	—	(8)
Other	—	(1)
Cash provided (used) by investing activities	(29)	(77)
Cash Flows from Financing Activities:		
Proceeds from issuance (repayments) of commercial paper, net	—	(29)
Proceeds from long-term debt	50	97
Repayments of long-term debt	(66)	(48)
Purchases of common stock	(2)	(34)
Proceeds from sales of common stock	1	1
Cash dividends paid to noncontrolling interests	(1)	(11)
Cash dividends paid to common stockholders	(20)	(20)
Cash provided (used) by financing activities	(38)	(44)
Effects of exchange rate changes on cash	42	20
Increase (decrease) in cash and cash equivalents	(4)	4
Cash and cash equivalents at beginning of period	151	169
Cash and cash equivalents at end of period	$ 147	$ 173

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Common Stock, Net of Treasury Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
	Shares	Cost						
				(In millions, except share amounts)				
Balance at September 30, 2020	56,467	$ 53	$ —	$ 989	$ (351)	$ 691	$ 123	$ 814
Net income (loss)				60		60	10	70
Total other comprehensive income (loss)					89	89	7	96
Cash dividends paid:								
Common stock, $0.35 per share				(20)		(20)		(20)
Cash dividends declared to noncontrolling interests							(1)	(1)
Issuance of stock under equity compensation plans	192	—	1			1		1
Amortization of share-based compensation			4			4		4
Purchase and retirement of common stock	(53)	—	(2)			(2)		(2)
Amount reclassified to retained earnings in excess of additional paid in capital			(3)	3		—		—
Balance at December 31, 2020	56,606	$ 53	$ -	$ 1,032	$ (262)	$ 823	$ 139	$ 962

The accompanying notes are an integral part of these consolidated financial statements.

CABOT CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
UNAUDITED

	Common Stock, Net of Treasury Stock Shares	Cost	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Cabot Corporation Stockholders' Equity	Noncontrolling Interests	Total Stockholders' Equity
				(In millions, except share amounts)				
Balance at September 30, 2019	57,081	$ 52	$ —	$ 1,337	$ (391)	$ 998	$ 136	$ 1,134
Adoption of accounting standards				$ 3	$ (3)	—		—
Net income (loss)				41		41	5	46
Total other comprehensive income (loss)					40	40	3	43
Cash dividends paid:								
Common stock, $0.35 per share				(20)		(20)		(20)
Cash dividend declared to noncontrolling interests							(19)	(19)
Issuance of stock under equity compensation plans	273	—	1			1		1
Amortization of share-based compensation			1			1		1
Purchase and retirement of common stock	(699)	—	(2)	(32)		(34)		(34)
Balance at December 31, 2019	56,655	$ 52	$ -	$ 1,329	$ (354)	$ 1,027	$ 125	$ 1,152

The accompanying notes are an integral part of these consolidated financial statements.

A. Basis of Presentation

The consolidated financial statements have been prepared in conformity with accounting policies generally accepted in the United States ("U.S.") and include the accounts of Cabot Corporation ("Cabot" or the "Company") and its wholly owned subsidiaries and majority-owned and controlled U.S. and non-U.S. subsidiaries. Additionally, Cabot considers consolidation of entities over which control is achieved through means other than voting rights. Intercompany transactions have been eliminated in consolidation.

The unaudited consolidated financial statements have been prepared in accordance with the requirements of Form 10-Q and consequently do not include all disclosures required by Form 10-K. Additional information may be obtained by referring to Cabot's Annual Report on Form 10-K for its fiscal year ended September 30, 2020 ("2020 10-K").

The financial information submitted herewith is unaudited and reflects all adjustments which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods ended December 31, 2020 and 2019. All such adjustments are of a normal recurring nature. The results for interim periods are not necessarily indicative of the results to be expected for the fiscal year.

B. Significant Accounting Policies

Cabot's significant accounting policies have not materially changed from those described in the 2020 Form 10-K filed with the U.S. Securities and Exchange Commission ("SEC") on November 25, 2020.

Recently Adopted Accounting Standards

In June 2016, the FASB issued a new standard on measurement of credit losses. The standard introduces a new "expected loss" impairment model that applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables and other financial assets. Entities are required to estimate expected credit losses over the life of financial assets and record an allowance against the assets' amortized cost basis to present them at the amount expected to be collected. The Company adopted this standard on October 1, 2020. The adoption of this standard did not materially impact the Company's consolidated financial statements.

Recent Accounting Pronouncements

In March 2020, the FASB issued a new standard on Reference Rate Reform, which provides temporary optional expedients and exceptions to the existing guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate ("LIBOR") and other interbank offered rates to alternative reference rates. The standard was effective upon issuance and may generally be applied through December 31, 2022 to any new or amended contracts, hedging relationships, and other transactions that reference LIBOR. The Company is currently evaluating the timing of adoption and the impact of the adoption of this standard on its consolidated financial statements.

In December 2019, the FASB issued a new standard Simplifying the Accounting for Income Taxes. The new guidance simplifies the accounting for income taxes by removing several exceptions in the current standard and adding guidance to reduce complexity in certain areas. The new standard is effective for fiscal years beginning after December 15, 2020 and early adoption is permitted. The Company is currently evaluating the timing of adoption and the impact of the adoption of this standard on its consolidated financial statements.

C. Acquisitions

Shenzhen Sanshun Nano New Materials Co., Ltd

On April 1, 2020, the Company purchased Shenzhen Sanshun Nano New Materials Co., Ltd (SUSN), a leading carbon nanotube producer, for an estimated purchase price of $100 million, consisting of: (i) cash consideration of $84 million, net of $1 million acquired (ii) contingent consideration of $3 million to be paid over the two-year period ending March 31, 2022 upon the satisfaction of certain milestones, and (iii) the assumed debt of $13 million. The debt the Company assumed in the transaction was repaid in June 2020. The operating results of SUSN were included in the results of the Company's Performance Chemicals segment beginning in the third quarter of fiscal 2020.

D. Employee Benefit Plans

Net periodic defined benefit pension costs include the following:

	Three Months Ended December 31			
	2020		2019	
	Pension Benefits			
	U.S.	Foreign	U.S.	Foreign
	(In millions)			
Service cost	$ —	$ 1	$ —	$ 1
Interest cost	—	1	1	1
Expected return on plan assets	—	(2)	(1)	(2)
Amortization of actuarial loss	—	1	—	1
Settlement charge	6	—	—	—
Net periodic benefit (credit) cost	$ 6	$ 1	$ —	$ 1

Other postretirement benefit costs were less than $1 million for each of the three months ended December 31, 2020 and 2019.

U.S. Cash Balance Plan Termination

In fiscal 2019, the Company's Board of Directors approved a resolution to terminate the Company's U.S. pension plan. In fiscal 2020 and 2021, the pension liability was settled through a combination of lump-sum payments and purchased annuities, neither of which required an additional cash contribution to the plan. In the fourth quarter of fiscal 2020, the Company recognized a settlement charge of $3 million related to lump-sum payments made to participants who elected this option, which was recorded in Other income (expense) in the Consolidated Statements of Operations. In the first quarter of fiscal 2021, the Company recognized an additional $6 million settlement charge in Other income (expense) related to the final asset transfers through purchased annuities.

E. Goodwill and Intangible Assets

The carrying amount of goodwill attributable to each reportable segment with goodwill balances and the changes in those balances during the three months ended December 31, 2020 are as follows:

	Reinforcement Materials	Performance Chemicals	Total
		(In millions)	
Balance at September 30, 2020	$ 46	$ 88	$ 134
Foreign currency impact	4	4	8
Balance at December 31, 2020	$ 50	$ 92	$ 142

The following table provides information regarding the Company's intangible assets:

	December 31, 2020			September 30, 2020		
	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets	Gross Carrying Value	Accumulated Amortization	Net Intangible Assets
	(In millions)					
Intangible assets with finite lives						
Developed technologies	$ 63	$ (9)	$ 54	$ 60	$ (8)	$ 52
Trademarks	11	(1)	10	11	(1)	10
Customer relationships	61	(18)	43	56	(15)	41
Total intangible assets(1)	$ 135	$ (28)	$ 107	$ 127	$ (24)	$ 103

(1) The increase in value of Total intangible assets as of December 31, 2020 compared to September 30, 2020 was driven by the impact of foreign currency translation.

Intangible assets are amortized over their estimated useful lives, which range between ten and twenty-five years, with a weighted average amortization period of approximately eighteen years. Amortization expense for the three months ended December 31, 2020 and 2019 was $2 million and $1 million, respectively, and is included in Cost of sales, Selling and administrative expenses, and Research and technical expense in the Consolidated Statements of Operations. Total amortization expense is estimated to be approximately $8 million each year for the next five fiscal years.

F. Accumulated Other Comprehensive Income (Loss)

Comprehensive income combines net income (loss) and other comprehensive income items, which are reported as components of stockholders' equity in the accompanying Consolidated Balance Sheets.

Changes in each component of AOCI, net of tax, were as follows:

	Currency Translation Adjustment	Pension and Other Postretirement Benefit Liability Adjustments	Total
		(In millions)	
Balance at September 30, 2020, attributable to Cabot Corporation	$ (307)	$ (44)	$ (351)
Other comprehensive income (loss) before reclassifications	94	(1)	93
Amounts reclassified from AOCI	(1)	4	3
Less: Other comprehensive income (loss) attributable to noncontrolling interests	7	—	7
Balance at December 31, 2020, attributable to Cabot Corporation	$ (221)	$ (41)	$ (262)

The amounts reclassified out of AOCI and into the Consolidated Statements of Operations in each of the three months ended December 31, 2020 and 2019 were as follows:

	Affected Line Item in the Consolidated Statements of Operations	Three Months Ended December 31	
		2020	2019
		(In millions)	
Derivatives: net investment hedges			
(Gains) losses reclassified to interest expense	Interest expense (Note L)	$ (1)	$ (1)
Pension and other postretirement			
Amortization of actuarial losses and prior service cost (credit)	Net Periodic Benefit Cost (Note D)	1	1
Settlement charge	Net Periodic Benefit Cost (Note D)	6	—
Total before tax		6	—
Tax impact	Provision (benefit) for income taxes	(3)	—
Total after tax		$ 3	$ —

G. Commitments and Contingencies

Contingencies

Respirator Liabilities

Cabot has exposure in connection with a safety respiratory products business that a subsidiary acquired from American Optical Corporation (“AO”) in an April 1990 asset purchase transaction. The subsidiary manufactured respirators under the AO brand and disposed of that business in July 1995. In connection with its acquisition of the business, the subsidiary agreed, in certain circumstances, to assume a portion of AO’s liabilities, including costs of legal fees together with amounts paid in settlements and judgments, allocable to AO respiratory products used prior to the 1990 purchase by the Cabot subsidiary. In exchange for the subsidiary’s assumption of certain of AO’s respirator liabilities, AO agreed to provide to the subsidiary the benefits of: (i) AO’s insurance coverage for the period prior to the 1990 acquisition and (ii) a former owner’s indemnity of AO holding it harmless from any liability allocable to AO respiratory products used prior to May 1982. As more fully described in the 2020 10-K, the respirator liabilities generally involve claims for personal injury, including asbestosis, silicosis and coal worker’s pneumoconiosis, allegedly resulting from the use of respirators that are alleged to have been negligently designed and/or labeled. At no time did this respiratory product line represent a significant portion of the respirator market. In addition to Cabot’s subsidiary, other parties are responsible for significant portions of the costs of these respirator liabilities (as defined in the 2020 10-K, the “Payor Group”).

On February 28, 2020, Cabot, with certain members of the Payor Group, entered into a settlement agreement resolving a large group of claims, including claims alleging serious injury, brought by coal workers in Kentucky and West Virginia represented by common legal counsel. The Company’s share of this liability was $65.2 million, and during the second quarter of fiscal 2020, Cabot recorded a charge of $50 million for this settlement, which was included in Selling and administrative expenses in the Consolidated Statements of Operations. The Company paid $32.6 million of the settlement during the third quarter of fiscal 2020 and the remaining $32.6 million in the first quarter of fiscal 2021.

Cabot has a reserve to cover its expected share of liabilities for pending and future respirator liability claims, which is included in Other liabilities and Accounts payable and accrued liabilities on the Consolidated Balance Sheets. The Company expects these liabilities to be incurred over a number of years. The reserve was $23 million and $24 million as of December 31, 2020 and September 30, 2020, respectively.

The Company’s current estimate of the cost of its share of pending and future respirator liability claims is based on facts and circumstances existing at this time, including the number and nature of the remaining claims. Developments that could affect the Company’s estimate include, but are not limited to, (i) changes in the number of pending and future claims, (ii) changes in the rate of dismissals without payment of pending claims, (iii) significant changes in the average cost of resolving claims, including potential settlements of groups of claims, (iv) significant changes in the legal costs of defending these claims, (v) changes in the nature of claims received or changes in our assessment of the viability of these claims, (vi) trial and appellate outcomes, (vii) changes in the law and procedure applicable to these claims, (viii) the financial viability of the parties that contribute to the payment of respirator claims, (ix) exhaustion or changes in the recoverability of the insurance coverage maintained by certain members of the Payor Group, or a change in the availability of the indemnity provided by a former owner of AO, (x) changes in the allocation of costs among the various parties paying legal and settlement costs, and (xi) a determination that the assumptions that were used to estimate Cabot’s share of liability are no longer reasonable. The Company cannot determine the impact of these potential developments on its current estimate of its share of liability for existing and future claims. Because reserves are limited to amounts that are probable and estimable as of a relevant measurement date, and there is inherent difficulty in projecting the impact of potential developments on Cabot’s share of liability for these existing and future claims, the actual amount of these liabilities for pending and future claims could be different than the reserved amount.

Other Matters

The Company has various other lawsuits, claims and contingent liabilities arising in the ordinary course of its business and with respect to its divested businesses. The Company does not believe that any of these matters will have a material adverse effect on its financial position; however, litigation is inherently unpredictable. Cabot could incur judgments, enter into settlements or revise its expectations regarding the outcome of certain matters, and such developments could have a material impact on its results of operations in the period in which the amounts are accrued or its cash flows in the period in which the amounts are paid.

H. Income Tax

Effective Tax Rate

	Three Months Ended December 31	
	2020	2019
	(Dollars in millions)	
(Provision) benefit for income taxes	$ (29)	$ (4)
Effective tax rate	29%	7%

For the three months ended December 31, 2020, the (Provision) benefit for income taxes included a net discrete tax expense of $2 million. For the three months ended December 31, 2019, the (Provision) benefit for income taxes included a net discrete tax benefit of $10 million, which was primarily related to changes in uncertain tax positions as described below and the impact of tax reform legislation in a foreign jurisdiction.

Income tax in Interim Periods

The Company records its tax provision or benefit on an interim basis using an estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. The income tax effects of unusual or infrequent items are excluded from the estimated annual effective tax rate and are recognized in the impacted interim period. Losses from jurisdictions for which no benefit can be recognized are excluded from the overall computations of the estimated annual effective tax rate and a separate estimated annual effective tax rate is computed and applied to ordinary income or loss in the loss jurisdiction.

Valuation allowances are provided against the future tax benefits that arise from the deferred tax assets in jurisdictions for which no benefit can be recognized. The estimated annual effective tax rate may be significantly impacted by nondeductible expenses and the Company's projected earnings mix by tax jurisdiction. Adjustments to the estimated annual effective income tax rate are recognized in the period when such estimates are revised.

Uncertainties

Cabot and certain subsidiaries are under audit in a number of jurisdictions. In addition, certain statutes of limitations are scheduled to expire in the near future. It is reasonably possible that a further change in the unrecognized tax benefits may also occur within the next twelve months related to the settlement of one or more of these audits or the lapse of applicable statutes of limitations. However, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time.

Cabot files U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. The 2017 through 2019 tax years generally remain subject to examination by the IRS and various tax years from 2005 through 2019 remain subject to examination by the respective state tax authorities. In significant non-U.S. jurisdictions, various tax years from 2003 through 2020 remain subject to examination by their respective tax authorities.

During the three months ended December 31, 2020, Cabot released uncertain tax positions of $1 million, due to the expiration of statutes of limitations in various jurisdictions. During the three months ended December 31, 2019, Cabot released uncertain tax positions of $6 million due to the expiration of statutes of limitations in various jurisdictions and accrued for an uncertain tax position of $2 million for a potential settlement.

I. Earnings Per Share

The following tables summarize the components of the basic and diluted earnings (loss) per common share (“EPS”) computations:

	Three Months Ended December 31	
	2020	2019
	(In millions, except per share amounts)	
Basic EPS:		
Net income (loss) attributable to Cabot Corporation	$ 60	$ 41
Less: Dividends and dividend equivalents to participating securities	—	—
Earnings (loss) allocated to common shareholders (numerator)	$ 60	$ 41
Weighted average common shares and participating securities outstanding	57.2	57.7
Less: Participating securities(1)	0.7	0.8
Adjusted weighted average common shares (denominator)	56.5	56.9
Earnings (loss) per common share - basic:	$ 1.06	$ 0.71
Diluted EPS:		
Earnings (loss) allocated to common shareholders	$ 60	$ 41
Plus: Earnings allocated to participating securities	—	—
Less: Adjusted earnings allocated to participating securities(2)	—	—
Earnings (loss) allocated to common shareholders (numerator)	$ 60	$ 41
Adjusted weighted average common shares outstanding	56.5	56.9
Effect of dilutive securities:		
Common shares issuable(3)	0.1	0.1
Adjusted weighted average common shares (denominator)	56.6	57.0
Earnings (loss) per common share - diluted:	$ 1.06	$ 0.70

(1) Participating securities consist of shares underlying all outstanding and achieved performance-based restricted stock units and all unvested time-based restricted stock units. The holders of these units are entitled to receive dividend equivalents payable in cash to the extent dividends are paid on the Company's outstanding common stock and equal in value to the dividends that would have been paid in respect of the shares underlying such units.

Undistributed earnings are the earnings which remain after dividends declared during the period are assumed to be distributed to the common and participating shareholders. Undistributed earnings are allocated to common and participating shareholders on the same basis as dividend distributions. The calculation of undistributed earnings is as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Calculation of undistributed earnings (loss):		
Net income (loss) attributable to Cabot Corporation	$ 60	$ 41
Less: Dividends declared on common stock	20	20
Less: Dividends declared on participating securities	—	—
Undistributed earnings (loss)	$ 40	$ 21
Allocation of undistributed earnings (loss):		
Undistributed earnings (loss) allocated to common shareholders	$ 40	$ 21
Undistributed earnings allocated to participating shareholders	—	—
Undistributed earnings (loss)	$ 40	$ 21

(2) Undistributed earnings are adjusted for the assumed distribution of dividends to the dilutive securities, which are described in (3) below, and then reallocated to participating securities.

(3) Represents incremental shares of common stock from the (i) assumed exercise of stock options issued under Cabot's equity incentive plans; and (ii) assumed issuance of shares to employees pursuant to the Company's Deferred Compensation and Supplemental Retirement Plan. For the three months ended December 31, 2020 and 2019, 1,305,993 and 995,294 incremental shares of common stock, respectively, were excluded from the calculation of diluted earnings per share because the inclusion of these shares would have been antidilutive.

J. Restructuring

Cabot's restructuring activities were recorded in the Consolidated Statements of Operations in the three months ended December 31, 2020 and 2019 as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Cost of sales	$ 3	$ 1
Selling and administrative expenses	—	7
Total	$ 3	$ 8

Details of all restructuring activities and the related reserves during the three months ended December 31, 2020 were as follows:

	Severance and Employee Benefits	Environmental Remediation	Non-cash Asset Impairment	Other	Total
			(In millions)		
Reserve at September 30, 2020	$ 5	$ 4	$ —	$ —	$ 9
Charges (gain)	—	—	2	1	3
Cost charged against assets	—	—	(2)	—	(2)
Cash paid	(2)	—	—	(1)	(3)
Reserve at December 31, 2020	3	4	—	—	7

Cabot's severance and employee benefit reserves and other closure related reserves are reflected in Accounts payable and accrued liabilities on the Company's Consolidated Balance Sheets. Cabot's environmental remediation reserves related to restructuring activities are reflected in Other liabilities on the Company's Consolidated Balance Sheets.

2020 Reorganization

During fiscal 2020, the Company initiated several actions that it believes will enable the Company to perform certain activities more cost-effectively. These actions primarily consist of the reorganization of Cabot's leadership structure, the creation of a Global Business Services function and other operational efficiency initiatives. As part of the creation of the Global Business Services function, certain business service activities performed at Cabot's North American business service center were consolidated into the Company's European business service center. During the three months ended December 31, 2020 and 2019, the Company recorded charges of less than $1 million and $7 million, respectively, for these actions, primarily related to severance costs. The Company expects to record additional restructuring charges, primarily related to site demolition and severance costs associated with the Company's other operational efficiency initiatives, of approximately $2 million throughout the rest of fiscal 2021 and $3 million thereafter. Cabot paid $2 million and $1 million related to these activities in the three months ended December 31, 2020 and 2019, respectively, and expects to pay approximately $3 million in the remainder of fiscal 2021 and $4 million thereafter. As of December 31, 2020, Cabot had $2 million of accrued severance charges in the Consolidated Balance Sheets related to these actions. As of December 31, 2020, the Company recorded total charges of $17 million and paid a total of $15 million in cash primarily related to these severance costs.

Purification Solutions Transformation Plan

In December 2018, the Company initiated a transformation plan to improve the long-term performance of the Purification Solutions segment. The purpose of the plan is to focus the business's product portfolio, optimize its manufacturing assets, and streamline its organizational structure to support the new focus. During the three months ended December 31, 2020 and 2019, the Company recorded charges of $3 million and $1 million, respectively, under this plan related to actions affecting the business manufacturing facility in Marshall, Texas, which included charges associated with idling the activation kilns in September 2020. The Company expects to record additional restructuring charges, primarily related to decommissioning and severance costs, of approximately $2 million throughout the rest of fiscal 2021 and $1 million thereafter. During the three months ended December 31, 2020 and 2019, the Company paid $1 million and less than $1 million, respectively, primarily related to severance costs. The Company expects to pay approximately $2 million in the remainder of fiscal 2021 and $2 million thereafter primarily related to severance and decommissioning costs. As of December 31, 2020, Cabot had $1 million of accrued severance and other charges in the Consolidated Balance Sheets related to this plan. As of December 31, 2020, the Company recorded total charges of $14 million and paid a total of $10 million in cash for this plan primarily related to these severance costs.

K. Financial Instruments and Fair Value Measurements

The FASB authoritative guidance on fair value measurements defines fair value, provides a framework for measuring fair value, and requires certain disclosures about fair value measurements. The required disclosures focus on the inputs used to measure fair value. The guidance establishes the following hierarchy for categorizing these inputs:

Level 1 — Quoted market prices in active markets for identical assets or liabilities

Level 2 — Significant other observable inputs (e.g., quoted prices for similar items in active markets, quoted prices for identical or similar items in markets that are not active, inputs other than quoted prices that are observable such as interest rate and yield curves, and market-corroborated inputs)

Level 3 — Significant unobservable inputs

There were no transfers of financial assets or liabilities measured at fair value between Level 1 and Level 2 and there were no Level 3 investments during the first three months of either fiscal 2020 or 2019.

At December 31, 2020 and September 30, 2020, Cabot had derivatives relating to foreign currency risks, including a net investment hedge and forward foreign currency contracts, carried at fair value. At December 31, 2020, the fair value of these derivatives was a net liability of $14 million and was included in Prepaid expenses and other current assets, Accounts payable and accrued liabilities, and Other liabilities on the Consolidated Balance Sheets. At September 30, 2020, the fair value of these derivatives was a net liability of $1 million and was included in Prepaid expenses and other current assets and Other liabilities on the Consolidated Balance Sheets. These derivatives are classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on observable inputs.

At December 31, 2020 and September 30, 2020, the fair value of guaranteed investment contracts, included in Other assets on the Consolidated Balance Sheets, was $12 million and $11 million, respectively. Guaranteed investment contracts were classified as Level 2 instruments within the fair value hierarchy as the fair value determination was based on other observable inputs.

At December 31, 2020 and September 30, 2020, the fair values of cash and cash equivalents, accounts and notes receivable, accounts payable and accrued liabilities, and short-term borrowings and variable rate debt approximated their carrying values due to the short-term nature of these instruments. The carrying value and fair value of the long-term fixed rate debt were $1.07 billion and $1.17 billion, respectively, as of December 31, 2020, and $1.08 billion and $1.18 billion, respectively, as of September 30, 2020. The fair values of Cabot's fixed rate long-term debt are estimated based on comparable quoted market prices at the respective period ends. The carrying amounts of Cabot's floating rate long-term debt and finance and operating lease obligations approximate their fair values. All such measurements are based on observable inputs and are classified as Level 2 within the fair value hierarchy. The valuation technique used is the discounted cash flow model.

L. Derivatives

Foreign Currency Risk Management

Cabot's international operations are subject to certain risks, including currency exchange rate fluctuations and government actions. Cabot endeavors to match the currency in which debt is issued to the currency of the Company's major, stable cash receipts. In some situations, Cabot has issued debt denominated in U.S. dollars and then entered into cross-currency swaps that exchange the dollar principal and interest payments into Euro-denominated principal and interest payments.

Additionally, the Company has foreign currency exposure arising from its net investments in foreign operations. Cabot may enter into cross-currency swaps to mitigate the impact of currency rate changes on the Company's net investments.

The Company also has foreign currency exposure arising from the denomination of monetary assets and liabilities in foreign currencies other than the functional currency of a given subsidiary as well as the risk that currency fluctuations could affect the dollar value of future cash flows generated in foreign currencies. Accordingly, Cabot uses short-term forward contracts to minimize the exposure to foreign currency risk. In certain situations where the Company has forecasted purchases under a long-term commitment or forecasted sales denominated in a foreign currency, Cabot may enter into appropriate financial instruments in accordance with the Company's risk management policy to hedge future cash flow exposures.

The following table provides details of the derivatives held as of December 31, 2020 and September 30, 2020 to manage foreign currency risk.

		Notional Amount		
Description	**Borrowing**	**December 31, 2020**	**September 30, 2020**	**Hedge Designation**
Cross-Currency Swaps	3.4% Notes	USD 250 million swapped to EUR 223 million	USD 250 million swapped to EUR 223 million	Net investment
Forward Foreign Currency Contracts (1)	N/A	USD 39 million	USD 54 million	No designation

(1)

As of December 31, 2020, Cabot's forward foreign exchange contracts were denominated in Indonesian rupiah and Czech koruna. As of September 30, 2020, Cabot's forward foreign exchange contracts were denominated in Canadian dollar, Indonesian rupiah and Czech koruna. At both December 31, 2020 and September 30, 2020 the fair value of these derivative instruments were a nominal amount.

Accounting for Derivative Instruments and Hedging Activities

The Company has cross-currency swaps with a notional amount of $250 million, which are designated as hedges of its net investments in certain Euro-denominated subsidiaries. Cash settlements occur semi-annually on March 15th and September 15th for fixed rate interest payments and a cash exchange of the notional currency amount will occur at the end of the term in 2026. As of December 31, 2020, the fair value of these swaps was a net liability of $14 million and was included in Prepaid expenses and other current assets and Other liabilities and the cumulative loss of $12 million was included in AOCI on the Consolidated Balance Sheets. As of September 30, 2020, the fair value of these swaps was a net liability of $1 million and was included in Prepaid expenses and other current assets and Other Liabilities, and the cumulative gain of $2 million was included in AOCI on the Consolidated Balance Sheets.

The following table summarizes the impact of the cross-currency swaps to AOCI and the Consolidated Statements of Operations:

	Three Months Ended December 31					
	2020	2019	2020	2019	2020	2019
Description	Gain/(Loss) Recognized in AOCI		(Gain)/Loss Reclassified from AOCI into Interest Expense in the Consolidated Statements of Operations		(Gain)/Loss Recognized in Interest Expense in the Consolidated Statements of Operations (Amount Excluded from Effectiveness Testing)	
	(In millions)					
Cross-currency swaps	$ (13)	$ (4)	$ (1)	$ (1)	$ —	$ —

M. Financial Information by Segment

The Company identifies a business as an operating segment if: (i) it engages in business activities from which it may earn revenues and incur expenses; (ii) its operating results are regularly reviewed by the Chief Operating Decision Maker ("CODM"), who is Cabot's President and Chief Executive Officer, to make decisions about resources to be allocated to the segment and assess its performance; and (iii) it has available discrete financial information. The Company has determined that all of its businesses are operating segments. The CODM reviews financial information at the operating segment level to allocate resources and to assess the operating results and financial performance for each operating segment. Operating segments are aggregated into a reportable segment if the operating segments are determined to have similar economic characteristics and if the operating segments are similar in the following areas: (i) nature of products and services; (ii) nature of production processes; (iii) type or class of customer for their products and services; (iv) methods used to distribute the products or provide services; and (v) if applicable, the nature of the regulatory environment.

The Company has three reportable segments: Reinforcement Materials, Performance Chemicals, and Purification Solutions.

The Reinforcement Materials segment consists of the rubber blacks and elastomer composites product lines.

The Performance Chemicals segment combines the specialty carbons, fumed metal oxides and aerogel product lines into the Performance Additives business, and combines the specialty compounds and inkjet colorants product lines into the Formulated Solutions business. These businesses are similar in terms of economic characteristics, nature of products, processes, customer class and product distribution methods, and, therefore, have been aggregated into one reportable segment. The net sales from each of these businesses for the three months ended December 31, 2020 and 2019 were as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Performance Additives	$ 184	$ 170
Formulated Solutions	83	72
Total Performance Chemicals	$ 267	$ 242

The Purification Solutions segment consists of the Company's activated carbon business.

Income (loss) before income taxes ("Segment EBIT") is presented for each reportable segment in the table below. Segment EBIT excludes Interest expense, general unallocated income (expense), unallocated corporate costs, and certain items, meaning items management does not consider representative of on-going operating segment results. In addition, Segment EBIT includes Equity in earnings of affiliated companies, net of tax, the full operating results of a contractual joint venture in Purification Solutions, royalties, Net income attributable to noncontrolling interests, net of tax, and discounting charges for certain Notes receivable.

Financial information by reportable segment is as follows:

	Reinforcement Materials	Performance Chemicals	Purification Solutions	Segment Total	Unallocated and Other[1]	Consolidated Total
	(In millions)					
Three Months Ended December 31, 2020						
Revenues from external customers[2]	$ 375	$ 267	$ 59	$ 701	$ 45	$ 746
Income (loss) before income taxes[3]	$ 88	$ 54	$ (2)	$ 140	$ (41)	$ 99
Three Months Ended December 31, 2019						
Revenues from external customers[2]	$ 379	$ 242	$ 59	$ 680	$ 47	$ 727
Income (loss) before income taxes[3]	$ 47	$ 41	$ (2)	$ 86	$ (36)	$ 50

(1) Unallocated and Other includes certain items and eliminations necessary to reflect management's reporting of operating segment results. These items are reflective of the segment reporting presented to the CODM.

(2) Consolidated Total Revenues from external customers reconciles to Net sales and other operating revenues on the Consolidated Statements of Operations. Revenues from external customers that are categorized as Unallocated and Other reflects royalties, external shipping and handling fees, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate, discounting charges for certain Notes receivable, and by-product revenue. Details are provided in the table below:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Royalties, the impact of unearned revenue, the removal of 100% of the sales of an equity method affiliate and discounting charges for certain notes receivable	$ (5)	$ (1)
Shipping and handling fees	33	31
By-product sales	17	17
Total	$ 45	$ 47

(3) Consolidated Total Income (loss) before income taxes reconciles to Income (loss) before income taxes and equity in earnings of affiliated companies on the Consolidated Statements of Operations. Income (loss) before income taxes that are categorized as Unallocated and Other includes:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Interest expense	$ (12)	$ (14)
Certain items[a]		
Employee benefit plan settlement and other charges (Note D)	(6)	(2)
Global restructuring activities (Note J)	(3)	(8)
Acquisition and integration-related charges	(1)	(1)
Legal and environmental matters and reserves	—	1
Other	(1)	(1)
Total certain items, pre-tax	(11)	(11)
Unallocated corporate costs[b]	(13)	(10)
General unallocated income (expense)[c]	(5)	(1)
Less: Equity in earnings of affiliated companies, net of tax[d]	—	—
Total	$ (41)	$ (36)

(a) Certain items are items of expense and income that management does not consider representative of the Company's fundamental on-going segment results and they are, therefore, excluded from Segment EBIT.

(b) Unallocated corporate costs are costs that are not controlled by the segments and primarily benefit corporate interests.

(c) General unallocated income (expense) consists of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, Interest and dividend income, the profit or loss related to the corporate adjustment for unearned revenue, the impact of including the full operating results of a contractual joint venture in Purification Solutions Segment EBIT and unrealized holding gains (losses) for equity securities.

(d) Equity in earnings of affiliated companies, net of tax, is included in Segment EBIT and is removed in Unallocated and other to reconcile to Income (loss) from operations before income taxes and equity in earnings from affiliated companies.

The Company's segments operate globally. In addition to presenting Revenue from external customers by reportable segment, the following tables further disaggregate Revenues from external customers by geographic region.

	Three Months Ended December 31, 2020			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 149	$ 69	$ 25	$ 243
Asia Pacific	155	118	9	282
Europe, Middle East and Africa	71	80	25	176
Segment revenues from external customers	375	267	59	701
Unallocated and other				45
Net sales and other operating revenues				$ 746

	Three Months Ended December 31, 2019			
	Reinforcement Materials	Performance Chemicals	Purification Solutions	Consolidated Total
	(In millions)			
Americas	$ 141	$ 76	$ 26	$ 243
Asia Pacific	170	94	9	273
Europe, Middle East and Africa	68	72	24	164
Segment revenues from external customers	379	242	59	680
Unallocated and other				47
Net sales and other operating revenues				$ 727

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Critical Accounting Policies

Our critical accounting policies have not substantially changed from those described in the 2020 10-K.

Recently Issued Accounting Pronouncements

Refer to the discussion under the headings “Recently Adopted Accounting Standards” and “Recent Accounting Pronouncements” in Note B of our Notes to the Consolidated Financial Statements.

Results of Operations

Cabot is organized into three reportable business segments: Reinforcement Materials, Performance Chemicals, and Purification Solutions. Cabot is also organized for operational purposes into three geographic regions: the Americas; Europe, Middle East and Africa; and Asia Pacific. The discussion of our results of operations for the periods presented reflects these structures.

Our analysis of our financial condition and operating results should be read with our consolidated financial statements and accompanying notes.

Definition of Terms and Non-GAAP Financial Measures

When discussing our results of operations, we use several terms as described below.

The term “product mix” refers to the mix of types and grades of products sold or the mix of geographic regions where products are sold, and the positive or negative impact this has on the revenue or profitability of the business and/or segment.

Our discussion under the heading “(Provision) Benefit for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate” includes a discussion and reconciliation of our “effective tax rate” and our “operating tax rate” for the periods presented, as well as management’s projection of our operating tax rate range for the full fiscal year. Our operating tax rate is a non-GAAP financial measure and should not be considered as an alternative to our effective tax rate, the most comparable GAAP financial measure. In calculating our operating tax rate, we exclude discrete tax items, which include: (i) unusual or infrequent items, such as a significant release or establishment of a valuation allowance, (ii) items related to uncertain tax positions, such as the tax impact of audit settlements, interest on tax reserves, and the release of tax reserves from the expiration of statutes of limitations, and (iii) other discrete tax items, such as the tax impact of legislative changes and, on a quarterly basis, the timing of losses in certain jurisdictions and the cumulative rate adjustment, if applicable. We also exclude the tax impact of certain items, as defined below in the discussion of Total segment EBIT, on both operating income and the tax provision. When the tax impact of a certain item is also a discrete tax item, it is classified as a certain item for our definition of operating tax rate. Our definition of the operating tax rate may not be comparable to the definition used by other companies. Management believes that this non-GAAP financial measure is useful supplemental information because it helps our investors compare our tax rate year to year on a consistent basis and to understand what our tax rate on current operations would be without the impact of these items.

Our discussion under the heading “First Quarter of Fiscal 2021 versus First Quarter Fiscal 2020—By Business Segment” includes a discussion of Total segment EBIT, which is a non-GAAP financial measure defined as Income (loss) before income taxes and equity in earnings from affiliated companies less certain items and other unallocated items. Our Chief Operating Decision Maker, who is our President and Chief Executive Officer, uses segment EBIT to evaluate the operating results of each segment and to allocate resources to the segments. We believe Total segment EBIT, which reflects the sum of EBIT from our reportable segments, provides useful supplemental information for our investors as it is an important indicator of our operational strength and performance, allows investors to see our results through the eyes of management, and provides context for our discussion of individual business segment performance. Total segment EBIT should not be considered an alternative for Income (loss) before income taxes and equity in earnings of affiliated companies, which is the most directly comparable GAAP financial measure. A reconciliation of Total segment EBIT to Income (loss) before income taxes and equity in earnings of affiliated companies is provided under the heading “First quarter of Fiscal 2021 versus First quarter of Fiscal 2020—By Business Segment”. Investors should consider the limitations associated with this non-GAAP measure, including the potential lack of comparability of this measure from one company to another.

In calculating Total segment EBIT, we exclude from our Income (loss) before income taxes and equity in earnings of affiliated companies (i) items of expense and income that management does not consider representative of our fundamental on-going segment results, which we refer to as "certain items", and (ii) items that, because they are not controlled by the business segments and primarily benefit corporate objectives, are not allocated to our business segments, such as interest expense and other corporate costs, which include unallocated corporate overhead expenses such as certain corporate salaries and headquarter expenses, plus costs related to special projects and initiatives, which we refer to as "other unallocated items". Management believes excluding the items identified as certain items facilitates operating performance comparisons from period to period by eliminating differences caused by the existence and timing of certain expense and income items that would not otherwise be apparent on a GAAP basis and also facilitates an evaluation of our operating performance without the impact of these costs or benefits. The items of income and expense that we exclude from Total segment EBIT but that are included in our GAAP Income (loss) before income taxes and equity in earnings of affiliated companies, as applicable in a particular reporting period, include, but are not limited to, the following:

- Asset impairment charges, which primarily include charges associated with an impairment of goodwill or other long-lived assets.
- Inventory reserve adjustment, which generally result from an evaluation performed as part of an impairment analysis.
- Global restructuring activities, which include costs or benefits associated with cost reduction initiatives or plant closures and are primarily related to (i) employee termination costs, (ii) asset impairment charges associated with restructuring actions, (iii) costs to close facilities, including environmental costs and contract termination penalties and (iv) gains realized on the sale of land or equipment associated with restructured plants or locations.
- Indirect tax settlement credits, which includes favorable settlements resulting in the recoveries of indirect taxes.
- Acquisition and integration-related charges, which include transaction costs, redundant costs incurred during the period of integration, and costs associated with transitioning certain management and business processes to our processes.
- Legal and environmental matters and reserves, which consist of costs or benefits for matters typically related to former businesses or that are otherwise incurred outside of the ordinary course of business.
- Gains (losses) on sale of investments, which primarily relate to the sale of investments accounted for using the cost method.
- Gains (losses) on sale of businesses.
- Non-recurring gains (losses) on foreign exchange, which primarily relate to the impact of controlled currency devaluations on our net monetary assets denominated in that currency.
- Executive transition costs, which include incremental charges, including stock compensation charges, associated with the retirement or termination of employment of senior executives of the Company.
- Employee benefit plan settlements, which consist of either charges or benefits associated with the termination of a pension plan or the transfer of a pension plan to a multi-employer plan.

Overview

Our business, results of operations and cash flows in fiscal 2020 were adversely affected by the COVID-19 pandemic and its impact on our customers and our operations, predominately in the second and third fiscal quarters. As our customers in China began to restart operations at the end of March 2020, and in the Americas and Europe in May and June 2020, demand for our products began to improve. This recovery continued into the fourth quarter of fiscal 2020 and the first quarter of fiscal 2021, and by October 2020, our volumes had largely recovered from the COVID-related lows we experienced in fiscal 2020.

Despite this improvement in demand for our products, the duration and scope of the COVID-19 pandemic continues to be uncertain. Infection rates remain high in many parts of the world, and the level and timing of COVID-19 vaccine distribution across the world will impact the stability of the economic recovery and growth. In addition, the COVID-19 pandemic has had a negative impact on global logistics and our Performance Chemicals segment may begin to experience this in our supply chain in terms of the availability and cost of transportation. These factors could result in an adverse impact on our revenue as well as our overall profitability. Additionally, if a resurgence impacts our business to the magnitude of the impact we experienced in the third quarter of fiscal 2020 for an extended period, it could cause us to recognize write-downs or impairments for certain assets, or a reduction in our borrowing availability under our credit agreements.

During the first quarter of fiscal 2021, Income (loss) before income taxes and equity in earnings of affiliated companies increased compared to the first quarter of fiscal 2020. The increase primarily reflects the increase in Total Segment EBIT of $54 million driven by higher margins primarily in Reinforcement Materials and higher volumes in Performance Chemicals.

First quarter of Fiscal 2021 versus First quarter of Fiscal 2020—Consolidated

Net Sales and Other Operating Revenues and Gross Profit

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Net sales and other operating revenues	$ 746	$ 727
Gross profit	$ 193	$ 141

The $19 million increase in net sales in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020 was driven by higher volumes ($22 million) predominantly in the Performance Chemicals segment, and the favorable impact from foreign currency translation ($9 million), partially offset by a less favorable price and product mix (combined $10 million). The higher volumes in the Performance Chemicals segment were driven by stronger demand in our key product lines. The less favorable price and product mix was driven by lower prices from lower feedstock costs that are passed through to our customers in the Reinforcement Materials segment.

Gross profit increased by $52 million in the first quarter of fiscal 2021 compared to the first quarter of fiscal 2020. The gross profit increase was primarily due to higher unit margins in the Reinforcement Materials segment and higher volumes in the Performance Chemicals segment.

Selling and Administrative Expenses

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Selling and administrative expenses	$ 61	$ 64

Selling and administrative expenses decreased by $3 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to the benefit from cost reduction activities realized in the current period.

Research and Technical Expenses

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Research and technical expenses	$ 14	$ 14

Research and technical expenses were flat when comparing the first quarter of fiscal 2021 to the same period of fiscal 2020.

Interest and Dividend Income, Interest Expense and Other Income (Expense)

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Interest and dividend income	$ 2	$ 3
Interest expense	$ (12)	$ (14)
Other income (expense)	$ (9)	$ (2)

Interest and dividend income decreased by $1 million and Interest expense decreased by $2 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020, in each case primarily due to lower interest rates.

Other expense increased by $7 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to a charge from the settlement of the U.S. cash balance plan and an unfavorable impact from foreign currency translation.

(Provision) Benefit for Income Taxes and Reconciliation of Effective Tax Rate to Operating Tax Rate

	Three Months Ended December 31	
	2020	2019
	(Dollars in millions)	
(Provision) benefit for income taxes	$ (29)	$ (4)
Effective tax rate	29%	7%
Impact of discrete tax items(1):	3%	21%
Impact of certain items	(2)%	(2)%
Operating tax rate	30%	26%

(1) For purposes of determining our Operating Tax Rate for the three months ended December 31, 2020 and 2019, the impact of discrete tax items included a net discrete tax benefit of $2 million and $10 million, respectively. Discrete tax items are comprised of unusual or infrequent items, items related to uncertain tax positions, and other discrete tax items, as further defined above under the heading "Definition of Terms and Non-GAAP Financial Measures". For the three months ended December 31, 2019, discrete tax items are primarily comprised of changes in uncertain tax positions and the impact of tax reform legislation in a foreign jurisdiction.

For fiscal year 2021, the Operating tax rate is expected to be in the range of 28% to 30%. We are not providing a forward-looking reconciliation of the operating tax rate range with an effective tax rate range because, without unreasonable effort, we are unable to predict with reasonable certainty the matters we would allocate to "certain items," including unusual gains and losses, costs associated with future restructurings, acquisition-related expenses and litigation outcomes. These items are uncertain, depend on various factors, and could have a material impact on the effective tax rate in future periods.

We file U.S. federal and state and non-U.S. income tax returns in jurisdictions with varying statutes of limitations. We are under audit in a number of jurisdictions. It is possible that some of these audits will be resolved in fiscal 2021 and could impact our effective tax rate. We have filed our tax returns in accordance with the tax laws, in all material respects, in each jurisdiction and maintain tax reserves for uncertain tax positions.

Net Income (Loss) Attributable to Noncontrolling Interests

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Net income (loss) attributable to noncontrolling interests, net of tax	$ 10	$ 5

Net income (loss) attributable to noncontrolling interests, net of tax, increased by $5 million in the first quarter of fiscal 2021 compared to the same periods of fiscal 2020, primarily due to the higher profitability from our joint ventures in China and the Czech Republic.

Net Income Attributable to Cabot Corporation

In the first quarter of fiscal 2021, we reported net income (loss) attributable to Cabot Corporation of $60 million or $1.06 per diluted common share. This compares to net income (loss) attributable to Cabot Corporation of $41 million or $0.70 per diluted common share in the first quarter of fiscal 2020. Higher net income in the first quarter of fiscal 2021 is primarily due to improved EBIT in the Reinforcement Materials and Performance Chemicals segments.

First quarter of Fiscal 2021 versus First quarter of Fiscal 2020—By Business Segment

Income (loss) before income taxes and equity in earnings of affiliated companies, certain items, other unallocated items, and Total segment EBIT for the three months ended December 31, 2020 and 2019 are set forth in the table below. The details of certain items and other unallocated items are shown below and in Note M of our Notes to the Consolidated Financial Statements.

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Income (loss) before income taxes and equity in earnings of affiliated companies	$ 99	$ 50
Less: Certain items	(11)	(11)
Less: Other unallocated items	(30)	(25)
Total segment EBIT	$ 140	$ 86

In the first quarter of fiscal 2021, Income (loss) before income taxes and equity in earnings of affiliated companies increased by $49 million and Total segment EBIT increased by $54 million. The increase in Total segment EBIT is driven by higher unit margins in each of our three segments and higher volumes in the Performance Chemicals segment. Higher volumes in the Performance Chemicals segment ($13 million) were primarily due to strong demand across our key product lines and some level of inventory replenishment by our customers. Higher unit margins in the Reinforcement Materials segment ($31 million) were primarily due to price increases in Asia ahead of rising feedstock costs and the impact of higher pricing across all regions. Higher unit margins in the Performance Chemicals segment ($3 million) were largely due to favorable product mix in our specialty carbons and specialty compounds product lines due to higher demand in automotive applications.

Certain Items

Details of the certain items for the first quarter of fiscal 2021 and fiscal 2020 are as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Employee benefit plan settlement and other charges (Note D)	$ (6)	$ (2)
Global restructuring activities (Note J)	(3)	(8)
Acquisition and integration-related charges	(1)	(1)
Legal and environmental matters and reserves	—	1
Other	(1)	(1)
Total certain items, pre-tax	(11)	(11)
Tax-related certain items:		
Tax impact of certain items	2	2
Discrete tax items	2	10
Total tax-related certain items	4	12
Total certain items, after tax	$ (7)	$ 1

The tax impact of certain items is determined by (1) starting with the current and deferred income tax expense or benefit included in Net income (loss) attributable to Cabot Corporation, and (2) subtracting the tax expense or benefit on "adjusted earnings". Adjusted earnings is defined as the pre-tax income attributable to Cabot Corporation excluding certain items. The tax expense or benefit on adjusted earnings is calculated by applying the operating tax rate, as defined under the heading "Definition of Terms and Non-GAAP Financial Measures", to adjusted earnings.

Other Unallocated Items

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Interest expense	$ (12)	$ (14)
Unallocated corporate costs	(13)	(10)
General unallocated income (expense)	(5)	(1)
Less: Equity in earnings of affiliated companies, net of tax	—	—
Total other unallocated items	$ (30)	$ (25)

A discussion of items that we refer to as "other unallocated items" can be found under the heading "Definition of Terms and Non-GAAP Financial Measures". The balances of unallocated corporate costs are primarily comprised of expenditures related to managing a public company that are not allocated to the segments and corporate business development costs related to ongoing corporate projects. The balances of General unallocated income (expense) consist of gains (losses) arising from foreign currency transactions, net of other foreign currency risk management activities, the profit or loss related to the corporate adjustment for unearned revenue, and the impact of including the full operating results of a contractual joint venture in Purification Solutions segment EBIT.

Reinforcement Materials

Sales and EBIT for Reinforcement Materials for the first three months of fiscal 2020 and 2019 were as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Reinforcement Materials Sales	$ 375	$ 379
Reinforcement Materials EBIT	$ 88	$ 47

Sales in Reinforcement Materials decreased by $4 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to a less favorable price and product mix (combined $9 million), partially offset by higher volumes ($5 million). The less favorable pricing was primarily due to lower prices from lower feedstock costs that are passed through to our customers. The higher volumes were primarily due to continued market recovery in the Americas and Europe from the COVID-19 pandemic related lows we experienced in fiscal 2020.

EBIT in Reinforcement Materials increased by $41 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020 due to higher unit margins ($31 million) from price increases in Asia ahead of rising feedstock costs and the impact from higher base pricing in our calendar year 2020 customer agreements.

We currently expect EBIT in Reinforcement Materials in the second fiscal quarter to be negatively impacted by lower unit margins driven by higher feedstock costs in Asia as we implemented price increases ahead of rising feedstock costs in the first quarter and this margin benefit in the first fiscal quarter is not expected to repeat. We also anticipate higher fixed costs in the second fiscal quarter as compared to the first fiscal quarter due to higher expected volumes and a higher level of maintenance activities.

Performance Chemicals

Sales and EBIT for Performance Chemicals for the first quarter of fiscal 2021 and 2020 were as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Performance Additives Sales	$ 184	$ 170
Formulated Solutions Sales	83	72
Performance Chemicals Sales	$ 267	$ 242
Performance Chemicals EBIT	$ 54	$ 41

Sales in Performance Chemicals increased by $25 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020, primarily due to higher volumes ($21 million), and the favorable impact from foreign currency translation ($8 million), partially offset by a less favorable price and product mix (combined $4 million). The higher volumes were primarily due to stronger demand across our key product lines and some level of inventory replenishment by our customers as demand recovered from the declines we saw in fiscal 2020 as a result of the COVID-19 pandemic. The less favorable price and product mix was driven by lower pricing in our fumed metal oxides product line.

EBIT in Performance Chemicals increased by $13 million in the first quarter of fiscal 2021 compared to the same period of fiscal 2020 primarily due to higher volumes ($13 million) driven by stronger demand across our key product lines and inventory replenishment at our customers, higher unit margins ($3 million) driven by favorable product mix in our specialty carbons and specialty compounds product lines due to higher demand in automotive applications, and the favorable impact from foreign currency translation ($3 million), partially offset by higher fixed costs ($5 million) primarily due to higher depreciation from the startup our new fumed silica plant in Kentucky.

Looking ahead to the second fiscal quarter as compared to the first fiscal quarter, we anticipate that EBIT in Performance Chemicals will be negatively impacted by higher raw material costs in the specialty carbons and compounds product lines and higher fixed costs.

Purification Solutions

Sales and EBIT for Purification Solutions for the first quarter of fiscal 2021 and 2020 were as follows:

	Three Months Ended December 31	
	2020	2019
	(In millions)	
Purification Solutions Sales	$ 59	$ 59
Purification Solutions EBIT	$ (2)	$ (2)

Sales in Purification Solutions were flat when comparing the first quarter of fiscal 2021 to the same period of fiscal 2020 due to a more favorable price and product mix (combined $3 million), and a favorable impact from foreign currency translation ($2 million), offset by lower volumes ($5 million). The lower volumes were driven by a decrease in demand for mercury removal and environmental products.

EBIT in Purification Solutions was flat when comparing the first quarter of fiscal 2021 to the first quarter of fiscal 2020 due to lower fixed costs ($5 million) as a result of prior year restructuring activities and higher unit margins ($2 million), offset by the unfavorable effect of inventory change ($4 million), and lower volumes ($3 million). The lower volumes were driven by a decrease in demand for mercury removal and environmental products.

As we look to the second fiscal quarter, we expect EBIT in Purification Solutions to continue to benefit from lower fixed costs resulting from our previously executed transformation plan actions and an improved price and product mix in specialty applications.

Cash Flows and Liquidity

Overview

Our liquidity position, as measured by cash and cash equivalents plus borrowing availability, increased by $22 million during the first three months of fiscal 2021, which was largely attributable to business earnings, partially offset by higher working capital. As of December 31, 2020, we had cash and cash equivalents of $147 million and borrowing availability under our revolving credit agreements of $1.3 billion.

We have access to borrowings under the following three credit agreements:

- $1 billion unsecured revolving credit agreement (the “JPM Credit Agreement”) with JPMorgan Chase Bank, N.A., as Administrative Agent, Citibank, N.A., as Syndication Agent, and the other lenders party thereto, which matures in October 2022. The JPM Credit Agreement provides liquidity for working capital and general corporate purposes and supports our commercial paper program.
- $100 million unsecured revolving credit agreement (the “Canadian Credit Agreement”) with TD Bank, NA, as Lender, which matures in September 2021. The Canadian Credit Agreement provides liquidity for working capital and general corporate purposes for certain of our Canadian subsidiaries.

- €300 million unsecured revolving credit agreement (the "Euro Credit Agreement", and together with the JPM Credit Agreement and the Canadian Credit Agreement, the "Credit Agreements"), with Wells Fargo Bank, National Association, as Administrative Agent, and the other lenders party thereto, which matures in May 2024 or earlier upon maturity of the JPM Credit Agreement. Borrowings under the Euro Credit Agreement may be used for the repatriation of earnings of our foreign subsidiaries to the United States, the repayment of indebtedness of our foreign subsidiaries owing to us or any of our subsidiaries and for working capital and general corporate purposes.

As of December 31, 2020, we were in compliance with our debt covenants under the Credit Agreements, which, with limited exceptions, generally require us to comply on a quarterly basis with a leverage test requiring consolidated total debt not to exceed consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) for the four quarters then ending by more than 3.50 to 1.00. Because of the uncertainty of the overall financial impact of the COVID-19 pandemic and to increase our financial flexibility, we amended the Credit Agreements as of June 8, 2020 to, among other changes, set the consolidated total debt to consolidated EBITDA ratio at 4.50 to 1.00 for the fiscal quarters ending September 30, 2020 through June 30, 2021.

A significant portion of our business occurs outside the U.S. and our cash generation does not always align geographically with our cash needs. The vast majority of our cash and cash equivalent holdings tend to be held outside the U.S. Cash held by foreign subsidiaries is generally used to finance the subsidiaries' operational activities and future investments. We are currently using a combination of commercial paper and revolving credit facility borrowings to meet our U.S. cash needs. We generally reduce our commercial paper balance and, if applicable, borrowings under the Credit Agreements, at quarter-end using cash derived from customer collections, settlement of intercompany balances and short-term intercompany loans. If additional funds are needed in the U.S., we expect to be able to repatriate funds or to access additional debt under our revolving credit facilities. As of December 31, 2020, there were no borrowings on either the JPM Credit Agreement or the Canadian Credit Agreement. As of December 31, 2020, our borrowings under the Euro Credit Agreement totaled $139 million, and we had $13 million of commercial paper outstanding.

We generally manage our cash and debt on a global basis to provide for working capital requirements as needed by region or site. Cash and debt are generally denominated in the local currency of the subsidiary holding the assets or liabilities, except where there are operational cash flow reasons to hold non-functional currency or debt.

Although we cannot predict the duration or scope of the COVID-19 pandemic and its impact on our customers and suppliers, we are actively managing the business to maintain cash flow and we anticipate sufficient liquidity from (i) cash on hand; (ii) cash flows from operating activities; and (iii) cash available from our Credit Agreements and our commercial paper program to meet our operational and capital investment needs and financial obligations for the foreseeable future. The liquidity we derive from cash flows from operations is, to a large degree, predicated on our ability to collect our receivables in a timely manner, the cost of our raw materials, and our ability to manage inventory levels.

The following discussion of the changes in our cash balance refers to the various sections of our Consolidated Statements of Cash Flows.

Cash Flows from Operating Activities

Cash provided by operating activities, which consists of net income adjusted for the various non-cash items included in income, changes in working capital and changes in certain other balance sheet accounts, totaled $21 million in the first three months of fiscal 2021 compared to $105 million of cash provided by operating activities during the same period of fiscal 2020.

Cash provided by operating activities in the first three months of fiscal 2021 was driven by business earnings excluding the non-cash impact of depreciation and amortization of $39 million, which was partially offset by an increase in net working capital of $99 million. The increase in net working capital was driven by an increase in accounts receivable due to higher sales, an increase in inventory driven by a higher cost of purchases for raw materials, and a $32.6 million cash payment related to a respirator litigation settlement in fiscal 2020 as discussed in Note G.

Cash provided by operating activities in the first three months of fiscal 2020 was driven by business earnings excluding the non-cash impacts of depreciation and amortization of $39 million and a decrease in Accounts and notes receivable of $54 million, partially offset by an increase in Prepaid expenses and other current assets of $21 million.

In addition to the factors noted above, the following other elements of operations have a bearing on operating cash flows:

Restructurings — As of December 31, 2020, we had $7 million of total restructuring costs in accrued expenses in the Consolidated Balance Sheets related to certain of our global restructuring activities. In the first three months of fiscal 2021, we paid $3 million related to these restructuring activities, and we expect to make additional cash payments of approximately $7 million in fiscal 2021 and $8 million thereafter.

Litigation Matters — As of December 31, 2020, we had a $23 million reserve for pending and future respirator claims that we expect to pay over multiple years. During fiscal 2020, we settled a large group of respirator claims for $65.2 million. We paid $32.6 million related to these settled claims during fiscal 2020, and the remaining $32.6 million in the first quarter of fiscal 2021. We also have other lawsuits, claims and contingent liabilities arising in the ordinary course of business.

Cash Flows from Investing Activities

Investing activities consumed $29 million of cash in the first three months of fiscal 2021 compared to $77 million of cash consumed in the first three months of fiscal 2020. In both periods, investing activities primarily consisted of capital expenditures for sustaining and compliance capital projects at our operating facilities as well as capacity expansion capital expenditures. In the first three months of fiscal 2021, capacity expansion capital expenditures were primarily in Performance Chemicals, and in the same period of fiscal 2020 they were primarily in Performance Chemicals and Reinforcement Materials. In addition, in the first three months of fiscal 2020, we paid $8 million for the plant that we acquired from NSCC in September 2018.

Capital expenditures for fiscal 2021 are expected to be between $175 million and $200 million. Our planned capital spending program for fiscal 2021 is primarily for sustaining, compliance and improvement capital projects at our operating facilities as well as capacity expansion capital expenditures in Performance Chemicals.

Cash Flows from Financing Activities

Financing activities consumed $38 million of cash in the first three months of fiscal 2021 compared to $44 million of cash consumed during the same period of fiscal 2020. In the first three months of fiscal 2021, financing activities primarily consisted of dividend payments to stockholders of $20 million and net repayments from borrowings under our revolvers of $16 million, which consisted of proceeds of $50 million less repayments of $65 million.

In the first three months of fiscal 2020, financing activities primarily consisted of share repurchases of $34 million, dividend payments to stockholders of $20 million, and the repayment of $29 million of commercial paper, partially offset by the net proceeds from borrowing under our revolvers of $49 million, which consisted of proceeds of $97 million less repayments of $48 million.

Off-Balance Sheet Arrangements

As of December 31, 2020, we had no material transactions that meet the definition of an off-balance sheet arrangement.

Forward-Looking Information

This report on Form 10-Q contains “forward-looking statements” under the Federal securities laws. These forward-looking statements address expectations or projections about the future, including our expectations for future financial performance and the factors we expect to impact our results of operations, including how we expect the COVID-19 pandemic to impact our results of operations and the factors we expect to impact results in our Reinforcement Materials, Performance Chemicals, and Purification Solutions segment in the second quarter of fiscal 2021; the amount and the timing of the contingent consideration we expect to pay related to the SUSN acquisition; the amount and timing of the charge to earnings we will record and the cash outlays we will make in connection with our reorganization and the closing of certain manufacturing facilities, restructuring initiatives and under our transformation plan for our Purification Solutions business; our estimated future amortization expenses for our intangible assets; the timing of expected payments from our reserve for pending and future respirator claims; our entry into cross-currency swaps and other financial instruments to manage foreign currency risks; the sufficiency of our cash on hand, cash provided from operations and cash available under our credit facilities and commercial paper program to fund our cash requirements; our expectations regarding our ability to repatriate funds or access additional debt under our revolving credit facilities; uses of available cash including anticipated capital spending; our expected tax rate for fiscal 2021; and the possible outcome of legal proceedings. From time to time, we also provide forward-looking statements in other materials we release to the public and in oral statements made by authorized officers.

Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties, potentially inaccurate assumptions, and other factors, some of which are beyond our control or difficult to predict. If known or unknown risks materialize, our actual results could differ materially from those expressed in the forward-looking statements. Importantly, as we cannot predict the duration or scope of the COVID-19 pandemic, the negative impact to our results cannot be estimated. Factors that will influence the impact on our business and operations include the duration and extent of the pandemic, the level and timing of vaccine distribution around the world and its impact on the stability of economic recovery and growth, the degree of disruption in our supply chain from global logistics matters resulting from the COVID-19 pandemic, and the general economic consequences of the pandemic.

In addition to factors described elsewhere in this report, the following are some of the factors that could cause our actual results to differ materially from those expressed in our forward-looking statements: industry capacity utilization and competition from other specialty chemical companies; safety, health and environmental requirements and related constraints imposed on our business; volatility in the price and availability of energy and raw materials; a significant adverse change in a customer relationship or the failure of a customer to perform its obligations under agreements with us; failure to achieve growth expectations from new products, applications and technology developments; failure to realize benefits from acquisitions, alliances, or joint ventures or achieve our portfolio management objectives; negative or uncertain worldwide or regional economic conditions and market opportunities, including from trade relations or global health matters; litigation or legal proceedings; tax rates and fluctuations in foreign currency exchange and interest rates; our inability to complete capacity expansions or other development projects; and the accuracy of the assumptions we used in establishing reserves for our share of liability for respirator claims. These other factors and risks are discussed more fully in our 2020 10-K and in our subsequent SEC filings.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Information about market risks for the period ended December 31, 2020 does not differ materially from that discussed under Item 7A of our 2020 10-K.

Item 4. Controls and Procedures

As of December 31, 2020, we carried out an evaluation, under the supervision and with the participation of our management, including our principal executive officer and our principal financial officer, of the effectiveness of our disclosure controls and procedures pursuant to Rule 13a-15 under the Securities Exchange Act of 1934, as amended. Based upon that evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of that date.

There were no changes in our internal controls over financial reporting that occurred during our fiscal quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. As permitted by the rules and regulations of the Securities and Exchange Commission we excluded from our assessment the internal controls over financial reporting at Shenzhen Sanshun Nano New Materials Co., Ltd (“SUSN”), which was acquired on April 1, 2020, for the period ended December 31, 2020. As a result of the COVID-19 pandemic, certain of our employees have been working remotely and certain manufacturing sites have been operating with limited personnel on-site. We have not identified any material changes in our internal control over financial reporting as a result of these changes to the working environment. We are continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal controls over financial reporting.

Part II. Other Information

Item 6. Exhibits

Exhibit No.	Description
Exhibit 3.1	Restated Certificate of Incorporation of Cabot Corporation effective January 9, 2009 (incorporated herein by reference to Exhibit 3.1 of Cabot's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2008, file reference 1-5667, filed with the SEC on February 9, 2009).
Exhibit 3.2	The By-laws of Cabot Corporation as amended January 7, 2021 (incorporated herein by reference to Exhibit 3.1 of Cabot Corporation's Current Report on Form 8-K, file reference 1-5667, filed with the SEC on January 12, 2021).
Exhibit 10.1†	Offer Letter dated February 12, 2012 between Cabot Corporation and Jeff Zhu, as amended by letter agreement dated February 4, 2021.
Exhibit 31.1*	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 31.2*	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.
Exhibit 32**	Certifications of the Principal Executive Officer and the Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
Exhibit 101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
Exhibit 101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
Exhibit 101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
Exhibit 101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
Exhibit 101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
Exhibit 101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
Exhibit 104*	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2020, formatted in Inline XBRL (included in Exhibit 101).

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CABOT CORPORATION

Date: February 5, 2021	By:	/s/ Erica McLaughlin **Erica McLaughlin** **Senior Vice President and Chief Financial Officer** **(Duly Authorized Officer)**
Date: February 5, 2021	By:	/s/ Lisa M. Dumont **Lisa M. Dumont** **Vice President and Controller** **(Chief Accounting Officer)**

CABOT

February 10, 2012

Mr. Jeff Zhu

Dear Jeff:

Itis my pleasure to offer you the position of President, Asia Pacific Region for Cabot Corporation reporting to me. This position is based at Cabot's Asia Pacific regional headquarters in Shanghai, China and your actual employer will be Cabot China Limited, our Asia Pacific regional headquarter company. Your start date will be the day you report to work and will occur on or before June 1,
2012 ("Start Date").

We will be recommending to the Board of Directors that you be elected a Vice President of Cabot Corporation at the May, 2012 meeting of the Board of Directors. As an officer of the company, there are certain requirements and obligations that you must meet. These will be reviewed with you by Brian Berube, VP & General Counsel, upon acceptance of this offer.
This offer is contingent upon your agreement to the terms and conditions set forth in this letter. SALARY
Your base salary will be the RMB equivalent of is $330,000 per annum using the exchange rate on in effect on your Start Date. You will be paid monthly on or around the 1oth of each month. You will be eligible for a salary review in January 2013.

SIGNING INCENTIVE

Effective your date of hire and subject to the approval of the Compensation Committee of Cabot's Board of Directors, you will receive a grant of time-based stock units ("TSUs") with a value at grant of$200,000. The number of TSUs will be determined using the closing price of Cabot common stock on your Start Date. The TSUs will vest according to the following schedule: 1/3 on November 13, 2012; 113 on November 12, 2013; final1/3 on November 11,2014, subject to your continued employment by Cabot.

VACATION LEAVE AND PUBLIC HOLIDAYS

You will be eligible for 20 working days paid leave every year.

SHORT TERM INCENTIVE PLAN C"STI")

You will be eligible to participate in Cabot's Short Term Incentive Plan (STI) beginning with the plan year 2012. The amount of your individual award, if any, will be based on your target incentive opportunity, achievement of corporate metrics and your overall performance assessment and will be paid to you in RMB. Should you accept this offer, your full-year STI target will be $160,000. For FY12, this target amount will be pro-rated. In addition, this amount may be adjusted in future years based on your position and other factors. For more information regarding the Cabot STI Plan please refer to the enclosed STI Plan Overview.

LONG TERM INCENTIVE PLAN ("LTI")

You will also be eligible to participate in the Cabot LTI Program commencing in FY13. Should you accept this offer, your FY13 LTI target award will be valued in the range of $450,000 to $650,000. This program provides equity based incentives to employees in a position to significantly contribute to the long-term strategic direction of the company. Participants receive a grant of 35% stock options, 30% time-based stock units (TSUs) and 35% performance-based stock units (PSUs) which vest three years from the date of grant, subject to your continued employment by Cabot. Upon vesting, the stock units, adjusted for performance, are converted to actual shares of Cabot common stock on a 1 to 1 basis and distributed to you. The initial grant value of any LTI award is discretionary and the actual value at the time of vest is subject to various factors including performance against goals and stock price. For more information regarding the Cabot LTI Plan please refer to the enclosed LTI Plan Overview.

RELOCATION

You are hired from Singapore and will be relocated to Shanghai under the Relocation Policy for New Hire with Work Experience, a copy of which is enclosed. Any questions regarding your relocation should be directed to Robby D. Sisco, Vice President of Human Resources at (617) 342-6004.

During the period that your family remains in Singapore and you are in Shanghai (i.e. June, 2012 through December 2012), the Company will cover the cost of a one flight per month to Singapore to visit your family.

TAX EQUALIZATION

While located in Shanghai, you will be covered under the company's tax equalization policy. Under this policy, you will incur personal income taxes equal to the amount of income tax you would have paid on your Cabot compensation had you remained in Singapore. In addition, Cabot's external tax provider will prepare all applicable tax returns while you are based in Shanghai.

HOUSING

You will be provided with furnished rental accommodations in Shanghai. You will be allotted a maximum housing budget (rental and utilities) of the RMB equivalent of $11,667 per month for rent (using the exchange rate in effect on your Start Date). Rent will be paid on your behalf directly by Cabot.

If you make the personal decision to buy a house rather than occupy rented housing, you will bear all costs of buying and selling the home and the Company does not provide a housing allowance or other reimbursement to assist with the costs of an owned home (e.g. property tax or utilities costs).

SCHOOLING

While based in Shanghai, the company will reimburse the customary schooling charges of the nearest international or private school that provides a home country compatible school curriculum, for children Grades K through 12. The company will reimburse the cost of tuition, registration fees, books, uniforms and transportation, when necessary. Costs not covered include meals and extra-curricular activities such as musical instruments and lessons, school trips, sporting events, etc.

AUTOMOBILE

Cabot will provide you with two (2) cars and two (2) drivers while based in Shanghai.

HOME LEAVE

Once each year, Cabot will provide you with home leave for you and your family. Home leave will be taken as vacation time for you, excluding one day's travel time in each direction. Home leave is subject to the corporate travel policy guidelines, using direct route airfare. If home leave is not taken in a particular year, the benefit may not be forfeited for the cash value of ticket(s) or for additional trips in a different year.

MEDICAL COVERAGE

You will be covered under the Aetna International Medical Plan while based in Shanghai. Enrollment information, plan documents and claims filing instructions will be sent to you under separate cover.

In the event of serious illness or injury in a host country without adequate hospital or medical facilities, Cabot will reimburse air travel costs for the sick person and, where necessary, an accompanying family member to visit the nearest location equipped to treat the illness or injury. Wherever possible, the approval of management should be obtained before such travel is arranged.

SENIOR MANAGEMENT SEVERANCE PROTECTION PLAN

You will be eligible to participate in the Senior Management Severance Protection Plan (which provides severance in the event of certain terminations of employment following a change of control of Cabot Corporation) as may be in effect from time to time and subject to the terms thereof (including without limitation, the reduction of benefits payable under the plan on account of any other severance benefits that may be payable to you under this letter). The attached document defines the conditions under which benefits would be payable under this plan.

TERMINATION OF EMPLOYMENT

Your employment shall be at-will and shall not be for any specific term. This means that, if you accept this offer, both you and the Company will retain the right to terminate your employment at any time with or without notice or cause. Except as expressly provided under the terms of this offer or under the terms of an applicable benefits plan, the company shall have no further obligation to you upon termination of employment, for any reason, other than the payment to you of any base salary earned through the date of termination of employment, pay for accrued, unused vacation time and the satisfaction of any vested rights you may have in any employee benefit plans as of the date of termination. Upon termination of employment, except as provided under the express terms of this letter, your participation in all benefit plans shall cease in accordance with the terms of the applicable plan document.

Voluntary Separation

If termination of employment is initiated by you, the Company will cease immediately to subsidize housing, living, and automobile costs, and all other allowances and reimbursements. Other funds provided to you in advance, may be immediately repayable on a pro-rated basis. The Company will not be responsible for moving you and your family or personal possessions back to Singapore.

Involuntary Termination

If your employment is terminated at Cabot's initiation before June 30, 2013, for any reason other than dismissal due to your violation of law or applicable company policy, you will be paid six months of your base pay as severance payment.

In addition, if at any time, your employment is terminated at Cabot's initiation, while based in Shanghai, for any reason other than dismissal due to your violation of law or applicable company policy, the Company will pay the costs to move you and your family, and your personal possessions, back to Singapore. No relocation allowance will be paid. The Company will take into consideration schooling issues when timing the move. However, if you elect not to return to your home country within 30 days of separation, the company reimbursement of air travel and shipping costs will no longer be available.

CONFIDENTIALITY AND NON-COMPETE AGREEMENT

You will be required to sign an Employee Proprietary Rights & Confidentiality Agreement (copy enclosed), due to the nature of our business. A copy of the Cabot Corporation Global Ethics and Compliance Standards is also enclosed. Please provide Cabot with a copy of any employment *I* confidentiality agreements you have signed with your former employer(s). You are not being hired to exploit or access any confidential, proprietary or trade secret information belonging to former employers or any third party, and Cabot expects and insists that you will honor all of your legal and contractual obligations to such former employers or third parties.

OTHER EMPLOYMENT INFORMATION AND POLICIES

When you report to work, your HR Department will give you a copy of our employment policy and benefits manual. It is important that you read these materials carefully so that you can understand your rights and obligations when you become an employee of the company.

I have enclosed two copies of this letter. Please acknowledge your acceptance of this offer by signing below and returning one copy of this letter to me by February 20, 2012. You may retain the second copy for your records.

Jeff, we believe that you will find Cabot to be an exciting, challenging and rewarding place to work. We look forward to you joining Cabot Corporation.

Sincerely,

/s/Patrick M. Prevost

Patrick M. Prevost
President and CEO

Enclosures:
Aetna Summary Grid
Employee Proprietary Rights & Confidentiality Agreement
Global Ethics and Compliance Standards
LTI Plan Overview
Relocation Policy
Severance Protection Plan (to follow in March 2012) STI Plan Overview

This agreement constitutes the entire agreement between *Jeff Zhu* and Cabot Corporation and supersedes all communications, oral and written, between the parties on this subject. It is understood and agreed that employment is at the will of the Company.

I understand and accept this offer of employment and agree to the terms outlined in it. I am not relying on any other representations in accepting this offer of employment.

/s/Jeff Zhu 2/14/2012

Signature - Jeff Zhu Date

CABOT

EMPLOYEE AGREEMENT

In accepting your employment or continued employment at Cabot Corporation, a Delaware Corporation having its principal offices in Boston, Massachusetts, or any one of its subsidiaries and affiliates (collectively, referred to as "Cabot") and the compensation and benefits received and to be received by you, training provided by Cabot, access to and use of Cabot's confidential information and trade secrets, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, you hereby agree as follows:

1. Diligent Efforts. During your employment, you will serve Cabot faithfully and, to the best of your ability, will devote your time, energy and diligence to the business and activities of Cabot.

2. Cabot Confidential Information. Cabot and you agree that, in order to perform your duties, you will be entrusted with, exposed to, or assist in developing certain Cabot business or technical information of a confidential and/or proprietary nature (collectively "Cabot Confidential Information"). Cabot Confidential Information may include, but is not limited to: technology; inventions (whether or not patentable); trade secrets; ample ; compositions• techniques and equipment; methods; manufacturing processes and processing conditions; engineering data; drawing •specifications; formulae• plant design and layout; products and product applications• development plans and new business opportunities; experimental work; commercial and developmental operations; the identities and requirements of customers and prospective customers; customer lists; suppliets and supplier lists; the identities of other individuals or third parties with whom Cabot has or with which is seeking to develop a business relationship and the nature and details of any such relationship or potential relationship; software and network ; business and marketing plans and strategies; pricing, raw materials and cost information; financial information; compensation, benefits and related incentives; and any other information relating to Cabot and its businesses.

3. Third Party Confidential Information. Cabot and you agree that in order to perform your duties at Cabot, you will be entrusted with or exposed. to certain third party (e.g. customers, suppliers business partner business or technical information of a confidential and/or proprietary nature (collectively, "Third Party Confidential Information"). Third Party Confidential information may include, but is not limited to, technology• inventions (whether or not patentable); trade secrets; samples; compositions• performance targets and criteria; techniques and equipment; methods; manufacturing processes and processing conditions; engineering data; drawings; specification ; plant design and layout; products and product applications; development plans and new business opportunities; experimental work; commercial and developmental operations; customers and customer lists; supplier and supplier lists• software and networks; business marketing and any other plans and strategies; sales, pricing and costs information; financial information; and any other information relating to such third party and its businesses.

4. Non-Disclosure of Confidential Information. You agree at all times that you will hold Cabot Confidential Information and Third Party Confidential Information in trust and confidence. You further agree that at all times you will not disclose or disseminate Cabot Confidential Information or Third Party Confidential Information to any unauthorized other party. You also agree that you will not use Cabot Confidential Information or Third Party Confidential Information, except (i) as may be required in performance of your duties as an employee of Cabot; (ii) as otherwise authorized in writing by a duly authorized officer of Cabot• or (iii) as may be required by applicable law. You further agree that these obligations apply both during your employment with Cabot and after your employment with Cabot has ended. You also agree that if you discover an inadvertent disclosure of Cabot Confidential Information or Third Party Confidential Information, you will

immediately inform Cabot so that reasonable measures may be taken to recapture the Cabot Confidential Information or Third Party Confidential Information and prevent further inadvertent disclosures.

5. Intellectual Property. As used in this Agreement, "Intellectual Property" means all intellectual property that (i) relates to any aspect of the actual or prospective business or activities of Cabot; or (ii) results from any work performed on Cabot premises or by the use of any of Cabot's facilities, equipment, personnel or Cabot Confidential Information. "Intellectual Property" includes, but is not limited to, patents, trademarks, copyrights, inventions, discoveries, ideas, designs, improvements, technology, copyrightable works including works of authorship and derivative works (such as presentations, brochures, manuals, articles and publications, and the like), software and computer code and models, trade secrets, process techniques, analytical methodologies and procedures, apparatuses, equipment and manufacturing processes, operating conditions, know-how and show how, test results, data, and all other intellectual property rights.

(a) *Prompt Disclosure.* You agree to promptly disclose to Cabot all Intellectual Property made, conceived, reduced to practice or developed by you, either alone or jointly with others, during your employment witl1 Cabot or within one (1) year after your employment with Cabot ends.

(b) *Ownership I!)! Cabot.* You agree that all Intellectual Property that is made, conceived, reduced to practice, or developed by you during your employment with Cabot or within one (1) year after your employment with Cabot ends shall be the sole and exclusive property of Cabot without the payment of any further compensation from Cabot to you. You further agree to assign and transfer (and hereby do assign and transfer) your entire right, title and interest in and to all such Intellectual Property to Cabot or its nominee. You also agree to execute all documents that may be necessary to assign your entire right, title and interest in and to all such Intellectual Property, and you agree to cooperate with Cabot or its nominee in securing, maintaining and enforcing rights in such Intellectual Property. Your cooperation may include, but is not limited to, assisting in the preparation and prosecution of any patent or copyright applications filed by Cabot or its nominee at its discretion, all without furtl1er compensation from Cabot to you. All copyrightable works and other works of authorship will be "works made for hire" to the extent allowed by law. You understand that your obligations to assist and cooperate with Cabot regarding protection and enforcement of its Intellectual Property shall continue even after the termination of your employment with Cabot.

6. Agreements with Former Employers. You agree and affirm that the performance of your duties for Cabot, or your employment with Cabot will not conflict with or result in a breach of any agreement you have made with another party. You further understand that, in performing your duties for Cabot, you will not disclose to Cabot or use in any way any confidential information (such as confidential technical information, know-how, techniques, and trade secrets) or intellectual property of any former employer or any other party.

7. List of Prior Inventions or Discoveries. You agree that Schedule A attached to this Agreement is a true and complete list of all inventions, discoveries or other intellectual property rights relating to, or potentially relating to, the business or activities of Cabot which were developed by you prior to your employment with Cabot and for which you wish to be exempt from the obligations set forth in this Agreement. If no Schedule A is attached hereto, you agree that there are no inventions, discoveries or other intellectual property rights that you wish to exempt from the obligations set forth in this Agreement.

8. Employment at Will. You understand and agree that your employment with Cabot may be terminated at will by either Cabot or yourself at any time and for any reason, with or without notice. This Agreement does not create any obligation on your part to continue your employment with Cabot, nor does it create any obligation on Cabot's part to continue your employment.

9. Return of Cabot Property. You agree that on or before the last day of your employment with Cabot, you will return to Cabot all badges, keys, credit and telephone cards, cell phones, notebooks (including laboratory

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COPY TO FACILITY HR FOR INCLUSION IN EMPLOYEE PERSONNEL FILE

notebooks), notes, manuals, drawings, blueprints, letters, files, records, books (including library books), reports, publications, documents, equipment (including computer equipment), computer disks, files or tapes, and any other property prepared by or on behalf of Cabot, or purchased with Cabot funds, along with any and all copies thereof.

10. Non-Competition. The Cabot Confidential Information, Third Party Confidential Information and Intellectual Property described in this agreement has substantial value and your commitment to comply with the restrictions regarding this information is essential. In order to ensure compliance with your obligations under paragraphs 4 and 5 of this agreement, you agree that, during the period of your employment at Cabot and for a period of one (1) year thereafter, you will not, directly or indirectly (either alone or in association with any person, firm, corporation, or other entity) work for or on behalf of, become an owner, partner or investor in, consult with, or otherwise provide any services to any third party in any area or activity that is competitive witl1 any business or research and development activity of Cabot in which you have been involved or to which you have been exposed during your employment at Cabot.

11. Non-Solicitation of Cabot Customers. You agree that, during the period of your employment with Cabot and for one (1) year after your employment with Cabot ends, you will not directly or indirectly (either alone or in association with any person, firm, corporation, or other entity) solicit, contact or call upon, or attempt to do the same, any customer of Cabot witl1 whom you had material contact during your employment with Cabot in an effort to induce such customer to purchase goods or services offered by Cabot from a party other than Cabot.

12. Non-Solicitation of Cabot Employees. You agree that, during the period of your employment with Cabot and for one (1) year after your employment with Cabot ends, you will not (other than in the performance of your duties for Cabot) directly or indirectly (either alone or in association with any person, firm, corporation, or other entity) recruit, solicit, induce, or attempt to do the same, any employee of Cabot to leave the employ of Cabot or otherwise cease to make his/her services available to Cabot.

13. Notice of Election to Terminate and Permission to Communicate. Should you elect to terminate your employment with Cabot, you will use reasonable efforts to give Cabot at least 30 days' advanced written notice of such termination and will identify your subsequent employer, if any, and the nature of the work in which you expect to be engaged therewith, in such notice. In the event that your employment with Cabot is terminated, whether voluntarily or involuntarily, you agree that Cabot may communicate with any new or prospective employer for the purpose of advising such new or prospective employer of your obligations to Cabot under this Agreement.

14. Nature of the Information and Restrictive Covenants. You understand and agree that a violation of this Agreement by you would cause irreparable harm and damage to Cabot. You further acknowledge that damages would not be an adequate remedy for a breach or threatened breach by you of the provisions of this Agreement. You therefore agree that Cabot shall be entitled to the enforcement of this Agreement by injunction, specific performance or other equitable relief, without need of posting a bond and without prejudice to any other rights and remedies that Cabot may have under this Agreement or under applicable law. It is agreed and understood that the one-year period of restriction set forth in paragraphs 10 through 12 of this Agreement shall be tolled, and shall not run, during any period of time in which you are in violation of the terms thereof, in order that Cabot shall have the full temporal protection recited herein. It is further agreed and understood that, in the event of a violation of the terms of this Agreement, Cabot shall be entitled to an award of reasonable attorney's fees incurred in enforcing its rights under this Agreement.

15. Severability. In the event that any provision in this Agreement is held illegal or unenforceable, that provision shall be limited or eliminated to the minimum extent necessary so that this Agreement shall otherwise remain in full force and effect. The elimination of a provision of this Agreement or the imposition of limits on a provision shall not effect any other provision of the Agreement.

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16. Survival; Binding Effect. This Agreement shall survive the termination of your employment with Cabot regardless of the manner of your termination. This Agreement shall also be binding upon your heirs, executors and administrators.

17. Entire Agreement. Except as set forth below, this Agreement covers the entire agreement between *you* and Cabot regarding your obligations with respect to confidentiality, non-competition, non-solicitation, assignment of rights to intellectual property or the like. It supersedes all prior and contemporaneous communications, agreements and understandings, written or oral, with respect to those matters. However, this Agreement shall not terminate or supersede any additional obligations you may have to Cabot pursuant to any applicable law with respect to such matters. In the event of conflict between this Agreement and any prior agreement between you and Cabot, this Agreement shall govern. This Agreement may not be modified or amended, and no breach shall be deemed to be waived, unless agreed to in writing by you and a duly authorized officer of Cabot

18. Assignability. This Agreement is assignable by Cabot and is for the benefit of Cabot, its subsidiaries, affiliates, successors and assigns. You understand that this Agreement is personal in nature and may not be assigned or transferred by you to any other person or party.

19. Understanding of the Agreement. YOU HEREBY CONFIRM: (I) THAT YOU HAVE HAD A REASONABLE AND SUFFICIENT PERIOD TO READ, UNDERSTAND AND CONSIDER THIS AGREEMENT; (II) THAT YOU HAVE HAD AN OPPORTUNITY TO CONSULT WITH A LAWYER OF YOUR OWN CHOICE IF YOU SO WISHED; (III) THAT YOU UNDERSTAND THE TERMS AND REPRESENTATIONS MADE BY YOURSELF IN THIS AGREEMENT; AND (IV) THAT YOU ARE ENTERING INTO AND EXECUTING THIS AGREEMENT KNOWINGLY AND VOLUNTARILY, AND THAT IN SO DOING YOU ARE NOT RELYING UPON ANY STATEMENTS OR REPRESENTATIONS BY CABOT OR ITS REPRESENTATIVES OTHER THAN THE EXPRESS TERMS OF THIS AGREEMENT.

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If this agreement is acceptable to you, please execute both copies of this Agreement in the space provided below and return one fully executed agreement to us. This Agreement will be effective on the first day of your employment with Cabot.

Very truly yours,

CABOT CORPORATION

/s/Patrick M. Prevost

Patrick M. Prevost
President and Chief Executive Officer

The foregoing agreement is understood and accepted.

By: /s/Jeff Zhu
Employee Signature

Name: Jeff Zhu
Print or Type Full Legal Name

Date: 2/14/2012
Date Signed by Employee

RETURN ONE ORIGINAL TO CABOT LAW DEPARTMENT t ONE ORIGINAL TO THE EMPLOYEE

February 4, 2021

Jeff Zhu
Shanghai Office

Dear Jeff,

Reference is made to the letter agreement dated February 10, 2012 between Cabot Corporation and you (the "2012 Letter"), setting out certain of the terms and conditions of your employment with Cabot China Limited. This letter amends and modifies the 2012 Letter to reflect your current compensation and benefits, to the extent such compensation and benefits have changed from those described in the 2012 Letter. All other terms and conditions of the 2012 Letter remain unchanged and in effect; it being understood that the Board of Directors of Cabot Corporation has sole responsibility for the election of officers of Cabot.

Salary; Short Term Incentive Plan; Long Term Incentive Plan. In your current position as Senior Vice President of Cabot Corporation, President Performance Additives Business and President APAC Region, you remain an employee of Cabot China Limited based in Shanghai, China, and are a member of Cabot's Management Executive Committee ("ExCo"). You remain eligible to participate in Cabot's Short-Term Incentive Plan ("STI") and Long-Term Incentive Plan ("LTI"). Your current base salary, target STI award for fiscal 2021 and LTI award for fiscal 2021 are as approved by the Compensation Committee of the Board of Directors (the "Compensation Committee") at its meeting in November 2020. As a member of ExCo, you will continue to participate in the annual performance and compensation review cycle, with any changes in your base salary, and any future awards to you under the STI and LTI programs to be made in the sole discretion of the Compensation Committee.

Housing: - Your maximum housing budget (rent and utilities) will be 89,500 RMB per month for furnished rental accommodations in Shanghai, China. Rent will continue to be paid on your behalf directly by Cabot. This amount will be periodically reviewed against market conditions and modified as Cabot and you agree.

Travel Allowance: You will receive a monthly travel allowance of $2,083.33, up to a maximum of $25,000 annually, paid in RMB.

Health and Welfare, Life and Disability Coverage: While you are based in Shanghai, you continue to be covered under the Cigna international benefits program for health and welfare, life and disability that Cabot offers to employees generally who are on an international assignment, as such benefits may be changed or modified from time to time by Cabot in its sole discretion, in addition to the health and welfare benefits offered to our other employees working in China, as such benefits may be changed or modified from time to time by Cabot in its sole discretion.

China Supplemental Retirement Plan: You remain eligible to participate in the China Supplemental Retirement Plan on the same terms and conditions as other employees of Cabot China Limited. Under the current terms and provisions of the plan, Cabot China makes taxable contribution equal to 5% - 11% of a participant's monthly base salary (excluding overtime pay, where applicable, and allowances and subsidies) based on years of service and job level. These contributions are allocated to the participant's account into investment options selected by Cabot China and managed by external managers appointed by Cabot China. Your participation in the plan is subject to the terms and conditions of that plan, including Cabot's right to amend, including to terminate, the plan at any time in its sole discretion.

Additional Information

- As a member of ExCo, you are required to obtain pre-clearance from Cabot's General Counsel, Karen Kalita before any transactions in Cabot stock.
- As a member of ExCo, you are subject to Cabot's Stock Ownership Guidelines. You are expected to own equity in Cabot with a value of three times your annual salary. Equity that meets the requirements of the Stock Ownership Guidelines are vested and exercisable options, unvested TSUs, Retirement Plan Cabot Stock, and Personal Cabot holdings.
- You will be provided with financial planning and tax preparation services.

Please acknowledge your acceptance of this amendment by signing below and returning one copy of this letter to me by February 4, 2021. You may retain the second copy for your records.

If you have any questions, please feel free to contact me directly at 617-342-6110.

Sincerely,

/s/Art Wood

Art Wood
SVP & Chief Human Resources Officer

The 2012 Letter, as amended by this letter agreement dated February 4, 2021, and the Employee Agreement dated February 14, 2012 between Cabot Corporation and you constitute the entire agreement between *Jeff Zhu* and Cabot Corporation and supersedes all communications, oral and written, between the parties on this subject. It is understood and agreed that employment is at the will of the Company.

I understand and accept this addendum and agree to the terms outlined in it. I am not relying on any other representations in accepting this offer of employment.

/s/Jeff Zhu 2/4/2021
Signature – Jeff Zhu Date

Exhibit 31.1

Principal Executive Officer Certification

I, Sean D. Keohane, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2021

/s/ SEAN D. KEOHANE
Sean D. Keohane
President and
Chief Executive Officer

Exhibit 31.2

Principal Financial Officer Certification

I, Erica McLaughlin, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cabot Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2021

/s/ Erica McLaughlin

Erica McLaughlin
Senior Vice President and
Chief Financial Officer

Exhibit 32

Certifications Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

In connection with the filing of the Quarterly Report on Form 10-Q for the quarter ended December 31, 2020 (the "Report") by Cabot Corporation (the "Company"), each of the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

1. The Report fully complies with the requirements of section 13 (a) or 15 (d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2021

/s/ SEAN D. KEOHANE
Sean D. Keohane
President and Chief Executive Officer

Date: February 5, 2021

/s/ ERICA MCLAUGHLIN
Erica McLaughlin
Senior Vice President and
Chief Financial Officer