Hillenbrand, Inc.
Form DEF 14A
January 08, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

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Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

HILLENBRAND, INC.
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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(1)	Amount Previously Paid:
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HILLENBRAND, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held February 27, 2013

The Annual Meeting of the shareholders of Hillenbrand, Inc. (the Company) will be held at the Company s headquarters at One Batesville Boulevard, Batesville, Indiana 47006, on Wednesday, February 27, 2013, at 10:00 a.m. Eastern Standard Time, for the following purposes:

(1) to elect two members to the Board of Directors;

(2) to approve, by a non-binding advisory vote, the compensation paid by the Company to its Named Executive Officers;

(3) to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm; and

(4) to transact such other business as may properly come before the meeting and any postponement or adjournment of the meeting.

By Order of the Board of Directors,

John R. Zerkle
Secretary

January 8, 2013

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HILLENBRAND, INC.

PROXY STATEMENT

This proxy statement relates to the solicitation by the Board of Directors of Hillenbrand, Inc. (the Company or Hillenbrand) of proxies for use at the Annual Meeting of the Company s shareholders to be held at the Company s headquarters at One Batesville Boulevard, Batesville, Indiana 47006, telephone (812) 934-7500, on Wednesday, February 27, 2013, at 10:00 a.m. Eastern Standard Time, and at any postponements or adjournments of the meeting.

Important Notice Regarding the Availability of Proxy Materials for the Shareholders Meeting to Be Held on February 27, 2013

- **This proxy statement and our 2012 Annual Report to Shareholders are available on the Internet at *www.hillenbrandinc.com*.**

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

The following questions and answers will explain the purpose of this proxy statement and what you need to know in order to vote your shares. Throughout these questions and answers and the proxy statement, we sometimes refer to Hillenbrand and the Company in terms of we, us, or our.

Q: What is the purpose of this proxy statement?

A: The Board of Directors of Hillenbrand (the Board) is soliciting your proxy to vote at the 2013 Annual Meeting of the shareholders of Hillenbrand because you were a shareholder at the close of business on December 21, 2012, the record date for the 2013 Annual Meeting, and are entitled to vote at the Annual Meeting. The record date for the 2013 Annual Meeting was established by the Board in accordance with our Amended and Restated Code of By-laws (the By-laws) and Indiana law.

This proxy statement contains the matters that must be set out in a proxy statement according to the rules of the U.S. Securities and Exchange Commission (the SEC) and provides the information you need to know to vote at the Annual Meeting. You do not need to attend the Annual Meeting to vote your shares.

Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner ?

A: If your shares are registered directly in your name with Hillenbrand s transfer agent, Computershare Investor Services, you are the shareholder of record with respect to those shares, and you tell us directly how your shares are to be voted.

If your shares are held in a stock brokerage account or by a bank or other nominee, then your nominee is the shareholder of record for your shares and you are considered the beneficial owner of shares held in street name. As the beneficial owner, you have the right to direct your broker, bank, or nominee how to vote your shares.

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Q: What am I being asked to vote on?

A:
- Election of two directors: Mark C. DeLuzio and F. Joseph Loughrey;
- Approval, by a non-binding advisory vote, of the compensation paid to the Company s Named Executive Officers(1), as disclosed pursuant to SEC compensation disclosure rules in the Compensation Discussion and Analysis and Executive Compensation Tables sections of this proxy statement and in any related material herein (the Say on Pay Vote); and
- Ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2013.

The Board recommends a vote **FOR** each of the director nominees, **FOR** approval of the compensation paid to the Named Executive Officers of the Company pursuant to the Say on Pay Vote, and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for 2013.

Q: What are the voting requirements to elect the directors and to approve the other proposals being voted on?

A: Under Indiana law, corporate directors are elected by a plurality of the votes cast for the election of directors. A plurality means, in this case, that the two nominees receiving the most votes in their favor at the Annual Meeting will be elected to the Board.

While directors are elected by a plurality under Indiana law, the Company s Board of Directors has adopted Corporate Governance Standards that require any individual elected as a director with *less than a majority* of the votes cast in an uncontested election to offer his or her resignation to the Board for its consideration. Prior to the Board s determination of whether to accept or reject such a resignation, the Nominating/Corporate Governance Committee of the Board must consider the resignation offer and recommend to the Board the action to be taken, as it shall deem appropriate and in the best interests of the Company and its shareholders.

The adoption of each of the proposals to approve the compensation paid to the Named Executive Officers and to ratify the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm requires the affirmative vote of a majority of the votes cast for or against approval.

If you are present or represented by proxy at the Annual Meeting and you affirmatively elect to abstain, your abstention, as well as any broker non-votes, will not be counted as votes cast on any matter to which they relate. See How will my shares be voted? below for more information about broker non-votes.

(1) Our Named Executive Officers are those officers specified by Item 402(a)(3) of the SEC s Regulation S-K. See Our Named Executive Officers under the Compensation Discussion and Analysis section of this proxy statement for more information regarding Named Executive Officers.

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Q: How many votes do I have?

A: You are entitled to one vote for each share of Hillenbrand common stock that you held as of the record date.

Q: How do I vote?

A: The different ways that you (if you are a shareholder of record) or your nominee (if you are a beneficial owner) can tell us how to vote your shares depend on how you received your proxy statement this year.

For shareholders of record, many of you were not mailed a hard copy of proxy materials, including this proxy statement, a proxy card, and our 2012 Annual Report to Shareholders. Instead, commencing on or about January 8, 2013, we sent you a Notice of Internet Availability of Proxy Materials (Notice) telling you that proxy materials are available at the web site indicated in that Notice, *www.proxyvote.com*, and giving you instructions for voting your shares at that web site. We also told you in that Notice (and on the web site) how you could request us to mail proxy materials to you. If you subsequently do receive proxy materials by mail, you can vote in any of the ways described below. If not, you must vote via the Internet (and we encourage you to do so) at *www.proxyvote.com* or in person at the Annual Meeting as explained below.

With respect to shareholders of record who received proxy materials by mail, we commenced mailing on or about January 8, 2013. You can vote using any of the following methods:

- **Proxy card or voting instruction card.** Be sure to complete, sign, and date the card and return it in the prepaid envelope. If you are a shareholder of record and you return your signed proxy card but do not indicate your voting preferences, the persons named in the proxy card will vote **FOR** the election of each of the two nominees named above as directors of the Company, **FOR** the approval of the compensation paid to the Named Executive Officers, and **FOR** the ratification of the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2013.

- **By telephone or the Internet.** The telephone and Internet voting procedures established by Hillenbrand for shareholders of record are explained in detail on your proxy card and in the Notice many shareholders receive. These procedures are designed to authenticate your identity, to allow you to give your voting instructions, and to confirm that these instructions have been properly recorded.

- **In person at the Annual Meeting.** You may vote in person at the Annual Meeting. You may also be represented by another person at the meeting by executing a proper proxy designating that person. If you are a beneficial owner of shares and want to attend the meeting and vote in person, you must obtain a legal proxy from your broker, bank, or nominee and present it to the inspectors of election with your ballot when you vote at the meeting.

With respect to the beneficial owners of shares held by nominees, the methods by which you can access proxy materials and give voting instructions to your nominee may vary,

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depending on the nominee. Accordingly, if you are a beneficial owner, you should follow the instructions provided by your nominee.

Q: How will my shares be voted?

A: For shareholders of record, all shares represented by the proxies mailed to shareholders will be voted at the Annual Meeting in accordance with instructions given by the shareholders. Where no instructions are given, the shares will be voted: (1) in favor of the election of the Board of Directors nominees for two directors; (2) for approval of the compensation paid to the Named Executive Officers pursuant to the Say on Pay Vote; (3) in favor of the ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm of the Company; and (4) in the discretion of the proxy holders upon such other business as may properly come before the Annual Meeting.

For beneficial owners, the brokers, banks, or nominees holding shares for beneficial owners must vote those shares as instructed. If the broker, bank, or nominee has not received instructions from the beneficial owner, the broker, bank, or nominee generally has discretionary voting power only with respect to the ratification of the appointment of the independent registered public accounting firm, and in any case may elect not to vote the shares on that proposal (referred to as a broker non-vote). **A broker, bank, or nominee does not have discretion to vote for or against the election of directors, or to approve the compensation of the Named Executive Officers pursuant to the Say on Pay Vote. In order to avoid a broker non-vote of your shares on the election of directors or the Say on Pay Vote proposal, you must send voting instructions to your bank, broker, or nominee.**

Q: What can I do if I change my mind after I vote my shares prior to the Annual Meeting?

A: If you are a shareholder of record, you may revoke your proxy at any time before it is voted at the Annual Meeting by:

- sending written notice of revocation to the Secretary of Hillenbrand at One Batesville Boulevard, Batesville, Indiana 47006;
- submitting a revised proxy by telephone, Internet, or paper ballot after the date of the revoked proxy; or
- attending the Annual Meeting and voting in person.

If you are a beneficial owner of shares, you may submit new voting instructions by contacting your broker, bank, or nominee. You may also vote in person at the Annual Meeting if you obtain a legal proxy as described under How do I vote? above.

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Q: Who will count the votes?

A: Representatives of Broadridge Investor Communication Solutions, Inc. (Broadridge) will tabulate the votes and act as inspectors of election.

Q: What constitutes a quorum at the Annual Meeting?

A: As of the record date, 62,643,110 shares of Hillenbrand common stock were outstanding. A majority of the outstanding shares present or represented by proxy at the Annual Meeting constitutes a quorum for the purpose of adopting proposals at the Annual Meeting. If you submit a properly executed proxy, then your shares will be considered part of the quorum.

Q: Who can attend the Annual Meeting in person?

A: All shareholders as of the record date may attend the Annual Meeting in person but must have an admission ticket. If you are a shareholder of record, the ticket attached to the proxy card or a copy of your Notice (whichever you receive) will admit you and one guest. If you are a beneficial owner, you may request a ticket by writing to the Secretary of Hillenbrand at One Batesville Boulevard, Batesville, Indiana 47006, or by faxing your request to (812) 931-5185 or emailing it to *investors@hillenbrandinc.com*. You must provide evidence of your ownership of shares with your ticket request, which you can obtain from your broker, bank, or nominee. We encourage you or your broker to fax or email your ticket request and proof of ownership in order to avoid any mail delays.

Q: When are shareholder proposals due for the 2014 Annual Meeting?

A: For shareholder proposals or director nominees to be presented at the Company s 2014 Annual Meeting of shareholders and to be considered for possible inclusion in the Company s proxy statement and form of proxy relating to that meeting, such proposals or nominations must be submitted to and received by the Secretary of Hillenbrand at its principal offices at One Batesville Boulevard, Batesville, Indiana 47006, not later than September 10, 2013.

In addition, without regard to whether a proposal or nomination is or is not submitted in time for possible inclusion in our proxy statement for the 2014 Annual Meeting, our By-laws provide that for business to be brought before a shareholders meeting by a shareholder, or for director nominations to be made by a shareholder for consideration at a shareholders meeting, written notice thereof must be received by the Secretary of Hillenbrand at its principal offices not later than 100 days prior to the anniversary of the immediately preceding Annual Meeting, or not later than November 19, 2013, for the 2014 Annual Meeting of shareholders. This notice must also provide certain information as set forth in our By-laws.

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Q: What happens if a nominee for director is unable to serve as a director?

A: If any of the nominees becomes unavailable for election, which we do not expect to happen, votes will be cast for such substitute nominee or nominees as may be designated by the Board, unless the Board reduces the number of directors.

Q: Can I view the shareholder list? If so, how?

A: A complete list of the shareholders entitled to vote at the Annual Meeting will be available to view during the Annual Meeting. The list will also be available to view at the Company s principal offices during regular business hours during the five business days preceding the Annual Meeting.

Q: Who pays for the proxy solicitation related to the Annual Meeting?

A: We do. In addition to sending you these materials, some of our directors and officers, as well as management and non-management employees, may contact you by telephone, mail, email, or in person. You may also be solicited by means of press releases issued by Hillenbrand and postings on our web site, *www.hillenbrandinc.com*. None of our officers or employees will receive any additional compensation for soliciting your proxy. We have retained Broadridge to assist us with proxy solicitation and related services for an estimated fee of $35,000, plus reasonable out of pocket expenses. Broadridge will ask brokers, banks, and other custodians and nominees whether they hold shares for which other persons are beneficial owners. If so, we will supply them with additional copies of the proxy materials for distribution to the beneficial owners. We will also reimburse banks, nominees, fiduciaries, brokers, and other custodians for their costs of sending proxy materials to the beneficial owners of Hillenbrand common stock.

Q: How can I obtain a copy of the Annual Report on Form 10-K?

A: **A copy of Hillenbrand s 2012 Annual Report on Form 10-K may be obtained free of charge by writing or calling the Investor Relations Department of Hillenbrand at its principal offices at One Batesville Boulevard, Batesville, Indiana, 47006, telephone (812) 931-6000 and facsimile (812) 931-5209.** The 2012 Annual Report on Form 10-K, as well as Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, are also available at Hillenbrand s web site, *www.hillenbrandinc.com*.

Q: How can I obtain the Company s corporate governance information?

A: The documents listed below are available on the Internet at the Company s web site, *www.hillenbrandinc.com*. You may also go directly to *www.hillenbrandinc.com/CorpGov_overview.htm* for those documents. The documents are also available in print to any shareholder who requests copies through our Investor Relations Department at One Batesville Boulevard, Batesville, Indiana 47006, telephone (812) 931-6000 and facsimile (812) 931-5209. The available documents are:

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- Hillenbrand, Inc. Corporate Governance Standards
- Hillenbrand, Inc. Committee Charters Audit Committee, Nominating/Corporate Governance Committee, Compensation and Management Development Committee, and Mergers and Acquisitions Committee
- Position Descriptions for Chairperson of the Board, Vice Chairperson of the Board, Members of the Board of Directors, Committee Chairpersons, and Committee Vice Chairpersons
- Hillenbrand, Inc. Code of Ethical Business Conduct
- Restated and Amended Articles of Incorporation of Hillenbrand, Inc.
- Amended and Restated Code of By-laws of Hillenbrand, Inc.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

This section of the proxy statement introduces the current members of our Board of Directors, including the two directors in Class II who have been nominated for re-election to additional three-year terms.

The Restated and Amended Articles of Incorporation and the Amended and Restated Code of By-laws of Hillenbrand provide that members of the Board of Directors are classified with respect to the terms that they serve by dividing them into three equal (or near-equal) classes. Directors in each class are elected to serve three-year terms or until their successors have been duly elected and qualified.

The Board of Directors currently consists of twelve members, with four directors in each class. The terms of the directors expire as follows:

Class	**Term Expires at**
Class I	2015 Annual Meeting
Class II	2013 Annual Meeting
Class III	2014 Annual Meeting

Two of the current Class II directors, Mark C. DeLuzio and F. Joseph Loughrey, are nominated for election to the Board for an additional three-year term expiring at the 2016 Annual Meeting of shareholders. Each of those directors has agreed to serve for that additional term if elected.

The other two current Class II directors, James A. Henderson and Ray J. Hillenbrand, have advised the Board that they intend to retire from the Board when their current terms expire at the 2013 Annual Meeting. Accordingly, they are not being nominated for re-election.

The Board intends to eventually replace one of the retiring Class II directors and has been actively seeking an additional qualified candidate. However, the Board has not yet selected a potential nominee for that vacant directorship and does not at this time know when a replacement director will be identified and selected. Depending on the timing of when a suitable candidate is identified, the Board may then appoint that replacement director to a short term expiring at the 2014 Annual Meeting, at which time that director will be nominated for election by the shareholders.

Under Indiana law, corporate directors are elected by a plurality of the votes cast for the election of directors. If you own shares through a bank, broker, or other holder of record, you must instruct your bank, broker, or other holder of record how to vote your shares in order for your vote to be counted on this Proposal.

Pursuant to Corporate Governance Standards adopted by the Board of Directors, any individual elected as a director with less than a majority of the votes cast in an uncontested election must offer his or her resignation to the Board for its consideration.

The Board of Directors recommends that shareholders vote FOR the election to the Board of Directors of each of the two nominees**.**

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Set forth below is information about all of our current directors (listed alphabetically in each class), including the two nominees for election at the 2013 Annual Meeting of shareholders. The biographical information provided for each person includes all directorships held by such person at any time during the past five years.

Class II (Nominated for election this year with terms expiring in 2016)

Name, Age, and Year First Elected as a Director	**Other Information**
Mark C. DeLuzio Age 56 Director since 2008	**Mark C. DeLuzio** has served as a director of the Company since March 31, 2008. He is President and Chief Executive Officer of Lean Horizons Consulting, LLC, a global management consulting business which he founded in 2001. Prior to founding Lean Horizons, he served as Vice President, Danaher Business Systems for Danaher Corporation. Mr. DeLuzio also serves as a member of the Advisory Board for Central Connecticut State University s School of Business. *The Company s Board of Directors concluded that Mr. DeLuzio should serve as a director based on his years of service as Vice President, Danaher Business Systems for Danaher Corporation and his leadership of Lean Horizons Consulting, LLC, where he continues to provide expertise in lean business concepts.*
F. Joseph Loughrey Age 63 Director since 2009	**F. Joseph Loughrey** has served as a director of the Company since February 11, 2009. On April 1, 2009, he retired from Cummins Inc. after serving in a variety of roles for 35 years, most recently as Vice Chairman of the Board of Directors and as the company s President and Chief Operating Officer. Mr. Loughrey served on the Board of Directors of Cummins from July 2005 until May 2009. He has also served as a director of Sauer-Danfoss, Inc. (2000-2010). Mr. Loughrey currently serves on a number of boards, including as a member of the Boards of AB SKF, Vanguard Group, Lumina Foundation for Education, the V Foundation for Cancer Research, and Oxfam America. He is past chairman and a current member of the Advisory Council to the College of Arts & Letters at The University of Notre Dame, where he also serves on the Advisory Board to the Kellogg Institute for International Studies. *The Company s Board of Directors concluded that Mr. Loughrey should serve as a director based on his service as President and Chief Operating Officer of a major public corporation and his continuing service on several public company and educational boards of directors.*

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Class I (Terms expire in 2015)

Name, Age, and Year First Elected as a Director	Other Information
Edward B. Cloues, II Age 65 Director since 2010	**Edward B. Cloues, II** has served as a director of the Company since April 2, 2010. He also is a director and non-executive Chairman of the Board of each of AMREP Corporation, Penn Virginia Corporation, and PVR GP, LLC, which is the general partner of PVR Partners, L.P. He previously served as Chairman of the Board of Directors and Chief Executive Officer of K-Tron International, Inc. (K-Tron) from January 5, 1998, until the Company acquired K-Tron on April 1, 2010. Prior to joining K-Tron, Mr. Cloues was a senior partner of Morgan, Lewis & Bockius LLP, which is one of the world s largest law firms. He has been a member of and chaired audit, compensation, and nominating committees and has substantial experience with corporate governance issues. He also serves on the Board of Trustees of Virtua Health, Inc., a non-profit hospital and healthcare system, and as a member of the Advisory Board of the Rohrer College of Business at Rowan University. *The Company s Board of Directors concluded that Mr. Cloues should serve as a director based on his past extensive legal experience as a law firm partner specializing in business law matters, particularly in the area of mergers and acquisitions, and his experience as CEO of K-Tron International, Inc. prior to its acquisition by the Company in 2010.*
Helen W. Cornell Age 54 Director since 2011	**Helen W. Cornell** has served as a director of the Company since August 10, 2011. In November 2010, Ms. Cornell retired as Executive Vice President and Chief Financial Officer of Gardner Denver, Inc., a leading global manufacturer of compressors, blowers, pumps, loading arms, and fuel systems for various industrial, medical, environmental, transportation, and process applications. During her 22-year tenure with Gardner Denver, Inc., Ms. Cornell served in various operating and financial roles, including Vice President and General Manager of the Fluid Transfer Division and Vice President of Strategic Planning. Ms. Cornell chairs the Audit Committee for The Alamo Group, where she is also a member of the Compensation Committee; is on the Board of the privately-owned Owensboro Grain Company, where she is Chairman of the Audit Committee and a member of the Executive Committee; and is on the Board of the privately-owned Dot Foods, Inc., where she is a member of the Nominating Committee. Ms. Cornell also serves on the boards of several not-for-profit organizations and is a Certified Public Accountant. *The Company s Board of Directors concluded that Ms. Cornell should serve as a director based on her long tenure in operations and finance, most recently as Chief Financial Officer of another major public company, and her experience as a member of the board of both a public and private company.*

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Eduardo R. Menascé

Age 67

Director since 2008

Eduardo R. Menascé has served as a director of the Company since February 8, 2008. Mr. Menascé also is a director of Hill-Rom Holdings, Inc. (formerly Hillenbrand Industries, Inc.), the former parent corporation of the Company, having served on that Board since 2004. He is a member of the New York Chapter of the NACD (National Association of Corporate Directors). He is the retired President of the Enterprise Solutions Group for Verizon Communications, Inc., New York City, New York. Prior to the merger of Bell Atlantic and GTE Corporation, which created Verizon Communications, he was the Chairman and President and Chief Executive Officer of CTI MOVIL S.A. (Argentina), a business unit of GTE Corporation, from 1996 to 2000. Mr. Menascé has also held senior positions at CANTV in Venezuela and Wagner Lockheed and Alcatel in Brazil, and from 1981 to 1992 served as Chairman of the Board and Chief Executive Officer of GTE Lighting in France. He earned a bachelor s degree in Industrial Engineering from Universidad Pontificia Catolica de Rio de Janeiro and a master s degree in Business Administration from Columbia University. Mr. Menascé currently serves on the Board of Directors of Pitney Bowes Inc., a global provider of integrated mail and document management solutions, and John Wiley & Sons, Inc., a developer, publisher, and seller of products in print and electronic media for educational, professional, scientific, technical, medical, and consumer markets.

The Company s Board of Directors concluded that Mr. Menascé should serve as a director based on his prior service as a director of Hillenbrand Industries, Inc. and his broad experience as a corporate executive of a major public corporation and experience as a member of several boards of directors, including service on the audit committees of several of those boards.

Stuart A. Taylor, II

Age 52

Director since 2008

Stuart A. Taylor, II has served as a director of the Company since September 26, 2008. Mr. Taylor is the Chief Executive Officer of The Taylor Group LLC in Chicago, a private equity firm focused on creating and acquiring businesses. He has previously held positions as Senior Managing Director at Bear, Stearns & Co. Inc. and Managing Director of CIBC World Markets and head of its Global Automotive Group and Capital Goods Group. He also served as Managing Director of the Automotive Industry Group at Bankers Trust following a ten-year position in corporate finance at Morgan Stanley & Co. Incorporated. Mr. Taylor has been a member of the Board of Directors of Ball Corporation since 1999, where he currently serves as Chairman of the Human Resources Committee. He has also been a member of the Board of Directors of United Stationers Inc. since 2011, where he currently serves as Chairman of the Finance Committee.

The Company s Board of Directors concluded that Mr. Taylor should serve as a director based on his experience with several leading investment firms, his ongoing experience as a member of another public company board, and his broad merger and acquisition experience.

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Class III (Terms expire in 2014)

Name, Age, and Year First Elected as a Director	Other Information
Kenneth A. Camp Age 67 Director since 2008	**Kenneth A. Camp** has served as a director and as President and Chief Executive Officer of the Company since February 8, 2008. Mr. Camp previously served as President of Batesville Casket Company, Inc. (Batesville) from May 1, 2001, until June 16, 2008. Mr. Camp previously held various positions with our former parent corporation, Hillenbrand Industries, Inc., commencing October 8, 2001. He served as Senior Vice President of that company from October 1, 2006, until his resignation from that position on March 31, 2008, in connection with the Company s spin-off from our former parent. Mr. Camp has also held various positions at Batesville since beginning his business career with that company in 1981, including Senior Vice President/General Manager of Operations from 1995 to 2000; Vice President, Sales and Service; Vice President, Marketing; and Vice President, Strategic Planning. Mr. Camp also serves on the Boards of the Manufacturers Alliance/MAPI and the National Association of Manufacturers. *The Company s Board of Directors concluded that Mr. Camp should serve as a director based on his years of experience as an executive of Batesville, Hillenbrand Industries, Inc., and Hillenbrand, Inc. and his in-depth knowledge of the death care and process equipment industries.*
W August Hillenbrand Age 72 Director since 2008	**W August Hillenbrand** has served as a director of the Company since February 8, 2008. Mr. Hillenbrand also is a director of Hill-Rom Holdings, Inc. (formerly Hillenbrand Industries, Inc.), the former parent corporation of the Company, having served on that Board since 1972. He served as that company s Chief Executive Officer from 1989 until 2000 and as President from 1981 until 1999. Prior to his retirement in December 2000, Hillenbrand Industries, Inc. had employed Mr. Hillenbrand throughout his business career. Mr. Hillenbrand is a member of the Board of the Ocean Reef Medical Center, the Ocean Reef Medical Center Foundation, and the Ocean Reef Cultural Center. He previously served on the Boards of DPL, Inc. (1992-2008) and Pella Corporation (2001-2008). Mr. Hillenbrand is the Chief Executive Officer of Hillenbrand Capital Partners, an unaffiliated family investment partnership. Mr. Hillenbrand is a cousin of Ray J. Hillenbrand. *The Company s Board of Directors concluded that Mr. Hillenbrand should serve as a director based on his years of experience as the CEO of Hillenbrand Industries, Inc. and service on the Board of Hillenbrand Industries and the boards of several other organizations.*
Thomas H. Johnson Age 62	**Thomas H. Johnson** has served as a director of the Company since March 31, 2008. Mr. Johnson founded and currently serves as Chairman of Johnson Consulting Group, a consulting firm focused on the death care industry. Prior to founding Johnson Consulting, he founded and served as President and Chief Executive Officer of Prime Succession. Before Prime Succession, he served in a variety of other capacities in the death care profession, including as an executive of Batesville. Mr. Johnson is the sole owner of Johnson Investment Group, LLC, which owns and operates two funeral homes in the Phoenix, Arizona vicinity. Mr. Johnson is also a 25% owner, and the managing member, of Fire and Stone Group, LLC, which owns and operates a funeral home in Batesville, Indiana. Mr. Johnson currently serves on the Board of Great Western Life Insurance. He previously served on the Board of the Funeral Service Foundation from 2004 until 2010. Mr. Johnson is a cousin of Ray J. Hillenbrand.

Director since 2008	*The Company s Board of Directors concluded that Mr. Johnson should serve as a director based on his long service in the death care industry and resultant expertise in funeral services, including his prior service on the Board of the Funeral Service Foundation.*

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Neil S. Novich Age 58 Director since 2010	**Neil S. Novich** has served as a director of the company since February 24, 2010. He is the former Chairman and President and Chief Executive Officer of Ryerson, Inc., a global metals distributor and fabricator. Mr. Novich joined Ryerson in 1994 as Chief Operating Officer and was named President and CEO in 1995. He served on the Board of Ryerson from 1994 until 2007, adding Chairman to his title in 1999. He remained Chairman and CEO until 2007, when the company was sold. Prior to his time at Ryerson, Mr. Novich spent 13 years with Bain & Company, an international management consulting firm, where he spent several years as a partner. He serves on the Boards of Analog Devices, Inc., Beacon Roofing Supply, and W.W. Grainger, Inc., and he chairs the Compensation Committee of Analog Devices, Inc., is a member of the Audit Committee at Beacon Roofing Supply, and is a member of the Compensation Committee of W.W. Grainger, Inc. Mr. Novich is also a trustee of both the Field Museum of National History and of Children s Home & Aid in Chicago and is a member of the Visiting Committee to the Physical Sciences Division of the University of Chicago. *The Company s Board of Directors concluded that Mr. Novich should serve as a director based on his service as President and CEO of a major public corporation and his several years of experience as a partner with a major consulting firm, together with his continuing service on the boards of several public companies and non-profit organizations.*

Retiring Class II Directors (Not standing for re-election this year)

Name, Age, and Year First Elected as a Director	**Other Information**
James A. Henderson Age 78 Director since 2008	**James A. Henderson** has served as Vice Chairperson of the Board of the Company since March 31, 2008. Mr. Henderson was Chairman of the Board and Chief Executive Officer of Cummins Inc. prior to his retirement in December 1999. Mr. Henderson is Chairman of the Board and a director of Nanophase Technologies Corporation. Mr. Henderson also currently serves as Chairman Emeritus of The Culver Educational Foundation Board of Trustees and was a member of the Princeton University Board of Trustees and served as Chairman of the Executive Committee for the university. He has previously served as a director of AT&T Inc. (1978-2007), International Paper Company (1999-2006), Rohm and Haas Company (1989-2005), and Ryerson, Inc. (1999-2007).
Ray J. Hillenbrand	**Ray J. Hillenbrand** has served as Chairperson of the Board of the Company since February 8, 2008. He previously served as a director of Hillenbrand Industries, Inc., the former parent corporation of the Company, from 1970 until March 31, 2008. He served as that company s Chairman of the Board from January 17, 2001, until March 31, 2006. Mr. Hillenbrand was employed by and active for 19 years in the management of Hillenbrand Industries prior to his resignation as Senior Vice President and member of the Office of the President in 1977. Mr. Hillenbrand is President of Dakota Charitable Foundation. He is the Manager of the Dakota Partnership and the RJH Partnership, family investment partnerships, and Prairie Edge Inc., a family retail company. He is the Chairman of the Board of the downtown Rapid City, South Dakota Economic Development Corporation. He is also the Chairman of the Investment Committee and on the Finance Committee of the Catholic Diocese of Rapid City, South Dakota. Mr. Hillenbrand is a cousin of both W August Hillenbrand and Thomas H. Johnson.

Age 78

Director since 2008

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THE BOARD OF DIRECTORS AND COMMITTEES

The Company s business is managed under the direction of its Board of Directors. In this section of the proxy statement we describe the general and certain specific responsibilities of the Board of Directors and its committees. These pages provide detailed information about the role of the Board and its committees, our corporate governance, and how you can communicate with the Board or with individual directors.

Board s Responsibilities

The Board of Directors is the ultimate decision-making body of the Company, except with respect to those matters reserved to the shareholders. The Board acts as an advisor and counselor to senior management and oversees and monitors management s performance. The Board also oversees the Company s management of risk involved or potentially involved in the Company s business.

Leadership Structure

The Corporate Governance Standards for our Board of Directors provide that the Company s Chief Executive Officer shall not also be the Chairperson of the Board. At all times since the Company s formation, the positions of Chief Executive Officer and Chairperson of the Board have been held by separate individuals. Our Board believes that the separation of these two positions is the most appropriate leadership structure for the Company at the current time because it enables us to benefit from the expertise, experience, and strengths of both of the individuals holding those key leadership positions in the Company. Our Chief Executive Officer, Kenneth A. Camp, has been employed in our Batesville business for more than 30 years and in our process equipment business since the Company s acquisition of K-Tron International, Inc. in 2010. He has held numerous management positions over that time span, including the position of Chief Executive Officer of Batesville Casket Company from 2001 2008 and Chief Executive Officer of Hillenbrand, Inc. since 2008. The retiring Chairperson of the Board, Ray J. Hillenbrand, has been a director of the Company and its predecessor, Hillenbrand Industries, Inc., for more than 40 years, including nine years as Chairperson. The successor Chairperson of the Board, F. Joseph Loughrey (who has been selected by the Board to fill that position upon the retirement of Mr. Hillenbrand), has extensive executive management and board of director experience that he will bring to the Board in that new role.

Risk Oversight

The Board of Directors as a whole has direct responsibility for overseeing the Company s exposures to risk and also performs its risk oversight responsibilities through the work of the Compensation and Management Development Committee (the Compensation Committee) and the Audit Committee of the Board. As a part of its responsibility, the Board ensures that the risk management processes implemented by management are adapted to the Company s strategy and are functioning as directed, and that a culture of risk-adjusted decision making exists throughout the organization in an appropriate manner. At each meeting of the Board of Directors, the Board discusses with management and evaluates any new material risks to the Company. No less than once each year, management makes a formal presentation to the entire Board of Directors that describes all significant risks of the Company to ensure that the Board is apprised of the overall risk profile of the Company and that the risks are being properly mitigated and managed.

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In addition, the Compensation Committee analyzes and manages risks related to our compensation policies and practices, and the Audit Committee has oversight responsibility for all financial-related risks facing the Company. The Compensation Committee s risk management efforts are discussed under Part V of the Executive Compensation section of this proxy statement. The Audit Committee, in accordance with its Charter, performs its risk management oversight by discussing with senior management the Company s guidelines and policies that govern the process by which the Company assesses and manages the Company s exposure to risks and the steps management has taken to monitor and control such exposure. These committee roles and the risk oversight process of the Company have not impacted the Board leadership structure.

Meetings of the Board and Committees

A proposed agenda for each regularly scheduled Board meeting is developed by the Chairperson of the Board and the Company s CEO, together with the other member or members of management that the Chairperson or CEO may select. The proposed agenda is circulated to each member of the Board for review and comment before it is finalized. Proposed agenda items that fall within the scope of responsibilities of a Board committee are initially developed by the chairperson of that committee with management assistance. Each committee s chairperson also develops, with the assistance of management, a proposed agenda for each regularly scheduled meeting of that committee. Board and committee materials related to agenda items are provided to Board and committee members sufficiently in advance of meetings (typically one week) to allow the directors to prepare for discussion of the items at the meetings.

At the invitation of the Board and its committees, members of senior management attend Board and committee meetings or portions thereof for the purpose of reporting to the Board and participating in discussions. Generally, discussions of matters to be considered by the Board and its committees are facilitated by the manager responsible for that function or area of the Company s operations. In addition, Board members have free access to all other members of management and employees of the Company. As necessary and appropriate in their discretion, the Board and its committees consult with independent legal, financial, human resource, compensation, and accounting advisors to assist in their duties to the Company and its shareholders.

The chairpersons of the committees of the Board preside over the portions of Board meetings in which the principal items to be considered are within the scope of the authority of their respective committees.

Executive sessions, which are meetings of non-employee directors without management present, are held after each Board meeting, and after each committee meeting as scheduled by the chairpersons of the committees. The Chairperson of the Board generally presides at executive sessions of the Board, while the chairpersons of the committees of the Board preside at executive sessions of their committees or at Board executive sessions in which the principal items to be considered are within the scope of the authority of their respective committees.

Other Corporate Governance Matters

Both the Board of Directors and management of the Company firmly embrace good and accountable corporate governance and believe that an attentive, performing Board is a tangible competitive advantage. The composition of our Board was formed with an emphasis on independence and the mix of characteristics, experiences, and diverse perspectives and skills most appropriate for the Company. The Board has established position specifications, including performance criteria, for its

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members, the Chairperson of the Board, the Vice Chairperson of the Board, and the chairpersons and vice chairpersons of the standing Board committees discussed below. These position specifications are available on the Company s web site at *www.hillenbrandinc.com*.

The Board of Directors has also taken other measures to ensure continued high standards for corporate governance. Specifically, the Board has adopted Corporate Governance Standards for the Board of Directors, the current version of which can be found on the Company s web site at *www.hillenbrandinc.com*. The Board has also adopted a Code of Ethical Business Conduct that is applicable to all employees of the Company and its subsidiaries, including the Company s Chief Executive Officer, Chief Financial Officer, and Principal Accounting Officer. No waivers of the requirements of our Code of Ethical Business Conduct were granted during fiscal 2012.

Consistent with the Company s commitment to sound corporate governance, the Board and management believe that the foregoing measures, and other steps that have been taken, place the Company in compliance with listing and corporate governance requirements of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, and related rules of the SEC. The Company s Corporate Governance Standards and Code of Ethical Business Conduct are available on the Company s web site at *www.hillenbrandinc.com* or in print to any shareholder who requests copies through the Company s Investor Relations Department at One Batesville Boulevard, Batesville, Indiana 47006, telephone (812) 931-6000 and facsimile (812) 931-5209.

Determinations with Respect to Independence of Directors

The Corporate Governance Standards adopted by the Board of Directors, in accordance with New York Stock Exchange listing standards, require the Board to make an annual determination regarding the independence of each of the Company s directors and provide standards for making those determinations. The Board made those determinations for each member of the Board on December 5, 2012, based on an annual evaluation performed by and recommendations made by the Nominating/Corporate Governance Committee.

To assist in the Board s determinations, each director completed materials designed to identify any relationships that could affect the director s independence. On the basis of these materials and the standards described above, the Board determined that each of Helen W. Cornell, Mark C. DeLuzio, James A. Henderson, Ray J. Hillenbrand, Thomas H. Johnson, F. Joseph Loughrey, Eduardo R. Menascé, Neil S. Novich, and Stuart A. Taylor, II is independent.

On the basis of the standards described above and the materials submitted by the directors, the Board determined that W August Hillenbrand does not meet the standards for director independence because of an agreement we have with him to provide him with certain benefits. We assumed that agreement from our former corporate parent in connection with our spin-off in 2008. Details concerning the agreement are described below under the heading Certain Relationships and Related Person Transactions and in the Compensation of Directors section of this proxy statement. In addition, the Board determined that Kenneth A. Camp does not meet the director independence standards because of his current service as President and Chief Executive Officer of the Company. The Board also determined that Edward B. Cloues, II does not meet the director independence standards because of his prior service as Chief Executive Officer of K-Tron International, Inc. before it was acquired by the Company. Accordingly, none of these non-independent directors currently serves on the Audit, Compensation, or Nominating/Corporate Governance Committees of the Board of Directors.

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Committees of the Board of Directors

It is the general policy of the Company that significant decisions be considered by the Board as a whole. As a consequence, the standing (or permanent) committee structure of the Board is limited to those committees considered to be basic to, or required for, the operation of a publicly held company. Currently those committees are the Audit Committee, Compensation Committee, Nominating/Corporate Governance Committee, and Mergers and Acquisitions Committee, each of which has a written charter adopted by the Board of Directors. The Nominating/Corporate Governance Committee recommends the members and chairpersons of those committees to the Board. The Audit Committee, Compensation Committee, and Nominating/Corporate Governance Committee are made up of only independent directors. The current charter for each of the Board s standing committees is available on the Company s web site at *www.hillenbrandinc.com* and is available in print to any shareholder who requests it through the Company s Investor Relations Department at One Batesville Boulevard, Batesville, Indiana 47006, telephone (812) 931-6000 and facsimile (812) 931-5209.

In furtherance of its policy of having significant decisions made by the Board as a whole, the Company has an orientation and continuing education process for Board members that includes the furnishing of extensive materials, meetings with key management, visits to Company facilities, and attendance at Company and industry events. Moreover, the directors education includes, among other things, regular dedicated sessions regarding the Company s businesses and operations and Audit Committee-sponsored financial literacy and legal and regulatory compliance training. Throughout their terms, directors are expected to continue to deepen their experience in the industries and markets served by the Company and to remain generally apprised of trends and developments in corporate governance.

Audit Committee. The Audit Committee has general oversight responsibilities with respect to the Company s financial reporting and financial controls. It annually reviews the Company s financial reporting process, its system of internal controls regarding accounting, legal, and regulatory compliance and ethics that management or the Board has established, and the internal and external audit processes of the Company. During fiscal 2012, the Audit Committee consisted of Eduardo R. Menascé (Chairperson), William J. Cernugel (Vice Chairperson until his resignation on February 22, 2012), Edward B. Cloues, II (until December 6, 2011), Thomas H. Johnson, Stuart A. Taylor, II, and Helen W. Cornell (Vice Chairperson effective February 22, 2012). Each current member of the Audit Committee is independent under SEC Rule 10A-3 and New York Stock Exchange listing standards and meets the financial literacy guidelines established by the Board in the Audit Committee Charter. The Board interprets financial literacy to mean the ability to read and understand audited and unaudited consolidated financial statements (including the related notes) and monthly operating statements of the sort released or prepared by the Company, as the case may be, in the normal course of its business. The Board of Directors has determined that each current member of the Audit Committee is an audit committee financial expert as that term is defined in Item 407(d) of SEC Regulation S-K.

Compensation and Management Development Committee. The Compensation and Management Development Committee (the Compensation Committee) assists the Board in ensuring that the officers and key management of the Company are effectively compensated in terms of salaries, incentive compensation, and other benefits that are internally equitable and externally competitive. As noted above, the Compensation Committee also analyzes and determines the risks, if any, created by our compensation policies and practices. In addition, the Compensation Committee is responsible for reviewing and assessing the talent development and succession management actions concerning the officers and key employees of the Company. During fiscal 2012, the Compensation Committee consisted of James A. Henderson (Chairperson), Neil S. Novich (Vice Chairperson), Mark C. DeLuzio,

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Ray J. Hillenbrand, and F. Joseph Loughrey. Each current member of the Compensation Committee is independent as defined by New York Stock Exchange listing standards.

Nominating/Corporate Governance Committee. The Charter for the Nominating/Corporate Governance Committee provides that the primary function of this Committee is to assist the Board of Directors in ensuring that the Company is operated in accordance with prudent and practical corporate governance standards, ensuring that the Board achieves its objective of having a majority of its members be independent in accordance with New York Stock Exchange standards and other regulations, and identifying candidates for the Board.

During fiscal 2012, the Nominating/Corporate Governance Committee consisted of F. Joseph Loughrey (Chairperson), James A. Henderson (Vice Chairperson), William J. Cernugel (until his resignation on February 22, 2012), Edward B. Cloues, II (until December 6, 2011), Helen W. Cornell, Mark C. DeLuzio, Ray J. Hillenbrand, Thomas H. Johnson, Eduardo R. Menascé, Neil S. Novich, and Stuart A. Taylor, II. Each current member of the Nominating/Corporate Governance Committee is independent as defined by New York Stock Exchange listing standards.

The Board has adopted position specifications applicable to members of the Board, and nominees for the Board recommended by the Nominating/Corporate Governance Committee must meet the qualifications set forth in those position specifications. The specifications provide that a candidate for director should not ever have (i) been the subject of an SEC enforcement action in which he or she consented to the entry of injunctive relief, a cease and desist order, or a suspension or other limitation on the ability to serve as a corporate officer or supervisor; (ii) had any license suspended or revoked due to misconduct of any type; or (iii) violated any fiduciary duty to the Company or any provision of its Code of Ethical Business Conduct. Additionally, each candidate for director should exhibit the following characteristics:

- Have a reputation for industry, integrity, honesty, candor, fairness, and discretion;
- Be an acknowledged expert in his or her chosen field of endeavor, which area of expertise should have some relevance to the Company s businesses or operations;
- Be knowledgeable, or willing and able to quickly become knowledgeable, in the critical aspects of the Company s businesses and operations; and
- Be experienced and skillful in serving as a competent overseer of, and trusted advisor to, senior management of a substantial publicly held corporation.

The Nominating/Corporate Governance Committee reviews incumbent directors against the position specifications applicable to members of the Board of Directors and independence standards set forth in New York Stock Exchange listing standards. The Board as a whole, the Board committees, and the individual directors nominated by the Board for election at each Annual Meeting of the Company s shareholders are formally evaluated annually by the Nominating/Corporate Governance Committee, whose findings are reviewed with the Board.

The Board typically engages and pays a fee to a third-party consultant to assist in identifying and evaluating potential director nominees.

While the Company does not have a formal policy regarding diversity among our directors, the Board believes that diversity in the broadest sense is good business, and it seeks talented people with

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diverse backgrounds, skills, and perspectives who can work together to lead the Company to long-term success.

The Nominating/Corporate Governance Committee s policy with respect to the consideration of director candidates recommended by shareholders is that it will consider such candidates. Any such recommendations should be communicated to the Chairperson of the Nominating/Corporate Governance Committee in the manner described below under the heading How You Can Communicate with Directors and should be accompanied by substantially the same types of information as are required under the Company s By-laws for shareholder nominees.

The Company s By-laws provide that nominations of persons for election to the Board of Directors may be made for any meeting of shareholders at which directors are to be elected by or at the direction of the Board or by any shareholder entitled to vote for the election of members of the Board at the meeting. For nominations to be made by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Company, and any nominee must satisfy the qualifications established by the Board from time to time as contained in the Company s proxy statement for the immediately preceding Annual Meeting of shareholders or posted on the Company s web site at *www.hillenbrandinc.com*.

To be timely, a shareholder s nomination must be delivered to or mailed and received by the Secretary at the Company s principal offices not later than (i) in the case of the Annual Meeting, 100 days prior to the anniversary of the date of the immediately preceding Annual Meeting that was specified in the initial formal notice of such meeting (but if the date of the forthcoming Annual Meeting is more than 30 days after such anniversary date, such written notice will also be timely if received by the Secretary by the later of (a) 100 days prior to the forthcoming meeting date, or (b) the close of business on the tenth day following the date on which the Company first makes public disclosure of the meeting date); and (ii) in the case of a special meeting, the close of business on the tenth day following the date on which the Company first makes public disclosure of the meeting date. The notice given by a shareholder must set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the shareholder is a holder of record, setting forth the shares so held, and intends to appear in person or by proxy as a holder of record at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between such shareholder and each nominee proposed by the shareholder and any other person or persons (identifying such person or persons) pursuant to which the nomination or nominations are to be made by the shareholders; (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the SEC; (v) the consent in writing of each nominee to serve as a director of the Company if so elected; and (vi) a description of the qualifications of such nominee to serve as a director of the Company.

Mergers and Acquisitions Committee. The Mergers and Acquisitions Committee (the M&A Committee) assists the Board in reviewing and assessing potential acquisitions, strategic investments, joint ventures, and divestitures and provides guidance to management with respect to the Company s transaction strategies and the identification and evaluation of strategic transactions. During fiscal 2012, the M&A Committee consisted of Stuart A. Taylor, II (Chairperson), Edward B. Cloues, II, Helen W. Cornell, Mark C. DeLuzio, Thomas H. Johnson, and Neil S. Novich.

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Certain Relationships and Related Person Transactions

The Corporate Governance Standards for the Board require that all new proposed related party transactions involving executive officers or directors must be reviewed and approved by the Nominating/Corporate Governance Committee in advance. The Corporate Governance Standards do not specify the standards to be applied by the Nominating/Corporate Governance Committee in reviewing transactions with related persons. However, we expect that in general the Nominating/Corporate Governance Committee will consider all of the relevant facts and circumstances, including, if applicable, but not limited to: the benefits to the Company; the impact on a director s independence in the event the related person is a director, an immediate family member of a director, or an entity in which a director is a partner, shareholder, or executive officer; the availability of other sources for comparable products or services; the terms of the transaction; and the terms available for similar transactions with unrelated third parties.

In 2003, our subsidiary Batesville Casket Company entered into a contract with Nambé Mills, Inc., pursuant to which Batesville purchases urn products from Nambé Mills. Purchases during the fiscal year ended September 30, 2012, were approximately $389,500, and purchases during fiscal 2013 are projected to remain consistent with prior years. John A. Hillenbrand, II, a director of Hillenbrand Industries, Inc. until February 8, 2008, serves as Chairman Emeritus of Nambé Mills. Mr. Hillenbrand s children own substantially all of the equity of Nambé Mills. John A. Hillenbrand, II is the brother of our retiring Board Chairperson, Ray J. Hillenbrand. We believe these purchases were made, and will continue to be made, on terms similar to those Batesville could obtain from an unrelated third party for these products.

Thomas H. Johnson, a director of the Company, through various companies owned by him or in which he owns an interest, owns (i) 100% of the Menke Funeral Home in Sun City, Arizona, and the Whitney & Murphy Funeral Home in Scottsdale, Arizona, and (ii) a 25% interest in the Weigel Funeral Home in Batesville, Indiana. Those funeral homes purchase products from the Company s Batesville subsidiary at market prices. In fiscal 2012, the total amount of purchases made from Batesville by those three funeral homes was $534,907, and purchases during fiscal 2013 are projected to remain consistent with prior years.

In connection with the spin-off of our Company in April of 2008, we were required to assume a binding contract between our former parent corporation, Hillenbrand Industries, Inc., and W August Hillenbrand, who had served as CEO of that corporation from 1989 until 2000. Pursuant to that contract, which is not subject to modification without the consent of both parties, Mr. Hillenbrand is contractually entitled to receive the following: lifetime annual supplemental pension fund payments directly related to his time as an executive of Hillenbrand Industries, which totaled $411,171 in fiscal 2012; reimbursement for premium payments over a ten-year period for a life insurance policy, including tax gross-ups, which totaled $294,129 in fiscal 2012 (which was year nine of the ten-year period); and certain other benefits and expenses, all related to his service as CEO of Hillenbrand Industries, consisting of provision of a personal assistant and reimbursement of medical expenses not covered by insurance and certain other miscellaneous expenses, totaling $101,156 in fiscal 2012. During the fiscal year ended September 30, 2012, the aggregate value of these items totaled $806,456. Additionally, during fiscal 2012 the Company paid $193 for term life insurance for Mr. Hillenbrand because of his service as a director of the Company the same as it does for all of its directors.

Scott P. George, who was hired on January 30, 2012, to be our Senior Vice President, Corporate Development, was formerly employed by P&M Corporate Finance LLC (PMCF), an investment banking firm that has provided various advisory services to the Company in the past. The Company was

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one of Mr. George s clients during a portion of the time he was employed by PMCF. During the majority of our fiscal year 2012, we paid retainer fees to PMCF at the rate of $20,000 per month, and also provided reimbursement of certain out of pocket expenses incurred in connection with the work PMCF performed on our behalf. Under our arrangement with PMCF, for fiscal year 2012 we paid PMCF a total of $248,983, with $85,772 of that amount relating to the four months of the year that preceded Mr. George s employment by the Company. Mr. George was not an owner of PMCF, but rather a salaried employee who also typically received a discretionary bonus based on the amount of revenues he generated for PMCF, among other factors. In connection with Mr. George s separation from PMCF, he received a negotiated discretionary bonus that took into account his separation from the firm as well as the revenues he generated for PMCF during the period prior to his resignation in January 2012. Although there was not a direct correlation between the bonus he received from PMCF prior to his departure from the firm and the revenues generated from the Company, we are required to provide an approximate value of Mr. George s interest in the payments made by the Company to PMCF for fiscal year 2012. We estimate that amount to be approximately $25,000.

How You Can Communicate with Directors

Shareholders of the Company and other interested persons may communicate with the Chairperson of the Board, the chairpersons of the Board s committees, or the non-management directors of the Company as a group, by sending an email to our Investor Relations Department at *investors@hillenbrandinc.com*. The email should specify which of the foregoing is the intended recipient so that it can be forwarded accordingly.

Attendance at Meetings

The upcoming Annual Meeting will be the fifth Annual Meeting of the Company s shareholders. The Company s directors are expected to attend the Annual Meetings of the shareholders. The Chairperson of the Board generally presides at the Annual Meetings of shareholders, and the Board holds one of its regular meetings in conjunction with each Annual Meeting of shareholders. All of the directors attended the Company s 2012 Annual Meeting of shareholders in person.

The Board held a total of seven meetings during the fiscal year ended September 30, 2012. During that fiscal year, the Compensation Committee held four meetings, the Nominating/Corporate Governance Committee held four meetings, and the Audit Committee met nine times. No member of the Board of Directors attended fewer than 75% of the aggregate of the number of meetings of the full Board of Directors and the number of meetings of the standing committees on which he or she served during the 2012 fiscal year.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee had no interlocks or insider participation during fiscal 2012. Specifically in that regard, during all or some portion of fiscal 2012, Messrs. DeLuzio, Henderson, Loughrey, Novich, and Ray J. Hillenbrand were the directors who served on the Compensation Committee of the Company. None of such directors:

- Is or has at any time been an officer or employee of the Company or any of its subsidiaries; or

- Has or has had at any time any direct or indirect interest in an existing or proposed transaction involving more than $120,000 in which the Company is, was, or was proposed to

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be a participant, or that is otherwise required to be disclosed by us under the proxy disclosure rules.

Also in that regard, during fiscal 2012 none of our executive officers served as a member of the board of directors or on the compensation committee of another company, which other company had an executive officer who served on our Board of Directors or our Compensation Committee.

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SECURITY OWNERSHIP OF DIRECTORS AND MANAGEMENT

We believe it is important for our directors and executive officers to own stock in the Company. In that regard, our non-employee directors are required, within four years after becoming a director, to own and maintain ownership of a minimum of 12,000 shares of our common stock (including shares of restricted stock and restricted stock units but not including shares that may be acquired upon the exercise of stock options). In addition, non-employee directors are required to hold any vested shares of stock that were awarded under the Company s Stock Incentive Plan until the occurrence of one of the following: a change in control of the Company, the director s death or permanent and total disability, or the six-month anniversary of the date the director ceases to be a director of the Company. Ownership requirements for our Named Executive Officers and other executive officers are detailed in the Compensation Discussion and Analysis section of this proxy statement.

The table below shows shares beneficially owned by all directors and executive officers as of December 21, 2012.

Security Ownership of Directors:

Name	Shares (1) Beneficially Owned As Of December 21, 2012	Percent Of Total Shares Outstanding
Kenneth A. Camp	1,069,985(2)	1.7%
Edward B. Cloues, II	10,880(3)	*
Helen W. Cornell	6,302(4)	*
Mark C. DeLuzio	34,624(5)	*
James A. Henderson	39,215(6)	*
W August Hillenbrand	1,115,472(7)	1.8%
Ray J. Hillenbrand	771,113(8)	1.2%
Thomas H. Johnson	25,215(9)	*
F. Joseph Loughrey	25,136(10)	*
Eduardo R. Menascé	28,001(11)	*
Neil S. Novich	14,336(12)	*
Stuart A. Taylor, II	28,914(13)	*

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Security Ownership of Named Executive Officers:

Name	Shares (1) Beneficially Owned As Of December 21, 2012	Percent Of Total Shares Outstanding
Joe A. Raver	239,255(14)	*
Kimberly K. Dennis	115,848(15)	*
Cynthia L. Lucchese	195,430(16)	*
Scott P. George	27,104(17)	*
All directors and executive officers of the Company as a group, consisting of 21 persons	4,297,771	6.7%

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* Ownership is less than one percent (1%) of the total shares outstanding.

(1) The Company s only class of equity securities outstanding is common stock without par value. Except as otherwise indicated in these footnotes, the persons named have sole voting and investment power with respect to all shares shown as beneficially owned by them. None of the shares beneficially owned by directors or executive officers is pledged as security.

(2) Includes 705,535 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 21, 2012, 20,907 restricted stock units, and 124,647 shares of unvested restricted stock, all held on the books and records of the Company.

(3) Includes 10,880 restricted stock units held on the books and records of the Company.

(4) Includes 1,500 shares held by trust of which Ms. Cornell is trustee, and 4,802 restricted stock units held on the books and records of the Company.

(5) Includes 20,215 restricted stock units held on the books and records of the Company and 14,409 shares acquired with deferred director fees and held on the books and records of the Company under the Directors Deferred Compensation Plan.

(6) Includes 20,215 restricted stock units held on the books and records of the Company.

(7) Includes (i) 4,000 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 21, 2012; (ii) 29,811 restricted stock units held on the books and records of the Company; (iii) 7,418 shares acquired with deferred director fees and held on the books and records of the Company under the Directors Deferred Compensation Plan; (iv) 105,978 shares owned beneficially by W August Hillenbrand s wife, Nancy K. Hillenbrand; (v) 100,000 shares owned by grantor retained annuity trusts (GRATs); and (vi) 643,187 shares owned of record, or which may be acquired within 60 days, by trusts of which W August Hillenbrand is trustee or co-trustee. Mr. Hillenbrand disclaims beneficial ownership of the 643,187 shares owned by trusts of which he is a trustee.

(8) Includes 53,347 restricted stock units held on the books and records of the Company. Also includes 318,692 shares held of record by a charitable foundation, of which Ray J. Hillenbrand is

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a trustee, and 250,000 shares held of record by family partnerships for the benefit of other members of his immediate family. Mr. Hillenbrand disclaims beneficial ownership of the shares held by the charitable foundation and the family partnerships.

(9) Includes 20,215 restricted stock units held on the books and records of the Company.

(10) Includes 17,136 restricted stock units held on the books and records of the Company.

(11) Includes 28,001 restricted stock units held on the books and records of the Company.

(12) Includes 11,646 restricted stock units held on the books and records of the Company and 2,690 shares acquired with deferred director fees and held on the books and records of the Company under the Directors Deferred Compensation Plan.

(13) Includes 19,149 restricted stock units held on the books and records of the Company and 9,765 shares acquired with deferred director fees and held on the books and records of the Company under the Directors Deferred Compensation Plan.

(14) Includes 140,800 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 21, 2012, 4,483 restricted stock units, and 38,172 shares of unvested restricted stock, all held on the books and records of the Company.

(15) Includes 33,889 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 21, 2012, 24,918 restricted stock units and 45,034 shares of unvested restricted stock, all held on the books and records of the Company.

(16) Includes 118,773 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 21, 2012, 3,224 restricted stock units, and 29,430 shares of unvested restricted stock, all held on the books and records of the Company.

(17) Includes 14,068 shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 21, 2012, and 13,036 restricted stock units, all held on the books and records of the Company.

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SECURITY OWNERSHIP OF BENEFICIAL OWNERS OF MORE THAN 5% OF THE COMPANY S COMMON STOCK

The following table provides information regarding all persons or entities known to us that, as of the date indicated, were beneficial owners of more than 5% of the Company s common stock.

Name	Shares Beneficially Owned As Of December 21, 2012	Percent Of Total Shares Outstanding
Franklin Advisory Services, LLC One Parker Plaza Fort Lee, NJ 07024-2938	4,805,014(1)	7.7%
Kayne Anderson Rudnick Investment Management 1800 Avenue of the Star, 2nd Floor Los Angeles, CA 90067	3,679,394(2)	5.9%
The Vanguard Group, Inc. P.O. Box 2600 Valley Forge, PA 19482-2600	3,523,698(3)	5.6%

(1) This information is based on a Form SC 13G filed by Franklin Advisory Services, LLC with the Securities and Exchange Committee on February 8, 2012.

(2) This information is based on a Form 13F filed by Kayne Anderson Rudnick Investment Management with the Securities and Exchange Commission on November 6, 2012.

(3) This information in based on a Form 13F-HR filed by The Vanguard Group, Inc. with the Securities and Exchange Commission on November 14, 2012.

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EXECUTIVE COMPENSATION

Letter from the Chairperson of the Compensation and Management Development Committee:

The five years since the spin-off of Hillenbrand, Inc. from Hill-Rom in 2008 have been transformative for the Company and its shareholders as the management team has pursued a strategy to become a global diversified industrial company. We began business as a separate company with only Batesville Casket Company (Batesville) and approximately $650 million in revenues and 3,000 associates, predominantly in North America. With the finalization of the acquisition of Coperion on December 1st, which followed the acquisitions of K-Tron, TerraSource Global and Rotex in the previous two years, our revenues are approximately $1.6 billion with 6,000 associates in over 40 countries. Approximately 62 percent of our revenues are now outside the funeral service industry, and over 40 percent are now outside North America.

The Compensation and Management Development Committee in 2012 continued its focus on rewarding the management team for actions and accomplishments, like those of prior years, which create a foundation for future growth in shareholder value. We believe that focus aligns the interests of the management with those of the shareholder. We have also focused on oversight of the Company s talent acquisition and development program, which has required maintaining and, in some cases, creating pay practices that are appropriate for a rapidly changing corporation operating throughout the world. You have an activist Committee that brings experience, creativity and energy to its duties. I would like to highlight some significant matters we addressed during the year 2012.

Coperion is comparable in size to Batesville, our funeral services platform, and comes to Hillenbrand with a very competent management team already in place. It brings significant expertise and experience to help Hillenbrand grow further in international markets. Our assessment so far is that the compensation practices at Coperion have been appropriate and administered well. Major change is not required to the extent integration into the Hillenbrand system is appropriate. We expect it to go smoothly.

Because of the acquisitions of the past three years, we have revised our compensation peer group for fiscal year 2013 with direct input of our independent executive compensation advisor. It is now more reflective of Hillenbrand s business relative to size (revenue and market cap), complexity, number of employees and business profile. While we review it each year, we intend to change it only when our business profile makes revision necessary (or individual peer group companies are acquired, etc.). While the peer group data is important to us, we do not rely solely upon it for compensation decisions.

When reviewing our proxy officers target compensation against that of our revised peer group, we are pleased that 55 to 65 percent of the Hillenbrand officers compensation is based solely on achieving performance goals established at the beginning of each performance period. That compares favorably to the 25 percent to 30 percent performance-based compensation found in our peer group median officer target compensation. The primary difference between our program and that of our peer group is that we have a much larger portion of our long-term incentive tied to achievement of performance goals versus the mere passage of time. Pay for performance continues to be a base tenet of our compensation system.

As more fully described in the CD&A, our annual, or short-term, incentive plan is 100 percent performance-based. Above-target accomplishments result in above-target payouts, while accomplishments that are below target result in below-target payouts. If the accomplishments do not

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exceed the threshold established, no incentives will be created. The targets we establish are aligned with Hillenbrand s annual operating plan and are realistic but not easy to achieve.

In 2012, the Process Equipment Group again performed above target. Batesville continued to navigate head winds in the funeral service industry, and its management did not achieve 100 percent payout. Corporate officers, who are compensated on results of the entire corporation, achieved only a 26 percent payout. The results indicate to us that the short-term plans are working.

We have devoted considerable attention to our approach to long-term compensation since inception of the Company and believe we have an appropriate system that aligns the interests and rewards of our management team, over time, with those of our shareholders.

The long-term incentive target for senior executives is based on the median of targets for peer group companies, adjusted as appropriate for responsibilities or circumstances unique to Hillenbrand, Inc. For fiscal year 2013, twenty-five percent of the target compensation was awarded in stock options based on the binomial value of the options at the date of grant. The options vest ratably over three years. Seventy-five percent of the target compensation was awarded in performance-based restricted stock units. The number of units ultimately earned is based on the level of achievement of the performance targets established at the beginning of each performance period. The determination is made at the end of each three-year performance period. If achievement is above target, more shares are awarded and, likewise, if achievement is below target, fewer shares are awarded. As with our annual incentive plan, if threshold performance is not attained, no awards will be earned.

We believe the market price for our stock should ultimately reflect the long-term cash generation capabilities of our businesses. Therefore, the performance metrics we use are net operating profit after tax (NOPAT) and free cash flow. The underlying premise of the performance-based stock plan is that executives create shareholder value when they invest successfully to generate cash flow over the life of the business that meets or exceeds shareholder expectations.

Our long-term incentive plan is unique and evolves as our business evolves. Last year we reported that we refined the performance-based equity awards made to our Named Executive Officers in December 2011 to measure the value created in acquisitions against the cash flow and earnings growth targets as approved by the Board at the time of acquisitions.

We continue to pursue sound pay practices. For example, effective with contracts entered into after January 2, 2011 we have eliminated excise tax gross-ups resulting from a change in control. We have stock ownership guidelines and provide only modest perquisites for our executives. As we reported last year, we examine our compensation program each year to ensure it discourages or prevents excessive risk taking. Finally, with the help of our independent executive compensation advisor we keep up to date on congressional, SEC and IRS actions and pronouncements, and perspectives of organizations such as ISS and Glass Lewis related to executive compensation.

I hope you will review our CD&A, and note especially our Compensation Philosophy. If you have any questions please do not hesitate to call us. We welcome, encourage and pay close attention to shareholder communication.

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In closing let me say that all of us at Hillenbrand appreciate our shareholders and we, as a team, will continue to make decisions we believe will sustain the creation of long-term shareholder value. Thank you for your investment in Hillenbrand.

Respectfully,

James A. Henderson
Vice Chairperson, Board of Directors
Chairperson, Compensation and Management
Development Committee

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PART I: COMPENSATION DISCUSSION AND ANALYSIS

Introduction

Part I of this Executive Compensation section presents a thorough discussion of our executive compensation philosophy, policies, actions, decisions (and the basis for such decisions), and procedures as they relate to our executive officers included in the compensation disclosures in this proxy statement. Item 402(a)(3) of the SEC s Regulation S-K specifies which officers should be included in that disclosure, and they are identified as our Named Executive Officers. Part II is a report from the Compensation and Management Development Committee (the Compensation Committee). Following that report, in Part III, we present numerous tables that report in detail the compensation of, and the potential amounts payable by the Company under certain contractual agreements with, the Named Executive Officers. Part IV provides information regarding the engagement of Ernst & Young LLP, the independent compensation consultant engaged by the Compensation Committee. Part V provides information relating to the compensation-related risk assessment and management strategies employed by the Company.

We have attempted to assist you in your understanding of the information presented by the use of tables and charts as much as possible. We encourage you to keep two basic thoughts in mind as you read this section:

- First, the compensation of our Named Executive Officers is set by our Compensation Committee, which is a committee of independent directors.

- Second, a significant portion of each Named Executive Officer s compensation is variable based on individual performance and the performance of the Company. This design aligns compensation with the interests of the shareholders of the Company.

Our Named Executive Officers

The five Named Executive Officers of the Company whose compensation information is required to be discussed and reported in this proxy statement, and their positions with the Company, are as follows:

Kenneth A. Camp	President and Chief Executive Officer
Joe A. Raver	Senior Vice President and President of Process Equipment Group
Kimberly K. Dennis	Senior Vice President and President of Batesville Services
Cynthia L. Lucchese	Senior Vice President and Chief Financial Officer
Scott P. George	Senior Vice President, Corporate Development

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Our Executive Compensation Philosophy

Our Compensation Committee has adopted the following Executive Compensation Philosophy, which describes the objectives and principles of our executive compensation program and which is used as the guide to our program design and compensation decisions:

Hillenbrand s executives should be fairly compensated for creating appropriate long-term returns for shareholders.

The executive compensation program is designed to ensure officers and key management personnel are effectively compensated in terms of base salary, incentive compensation, and other benefits that advance the long-term interests of Hillenbrand s shareholders.

The compensation program is based on the following principles:

- Reinforcing the absolute requirement for ethical behavior in all practices;
- Aligning management s interests with those of shareholders;
- Motivating management to achieve superior results by paying for sustainable performance;
- Ensuring competitive compensation in order to attract and retain superior talent;
- Maintaining a significant portion of at-risk compensation (superior performance is rewarded with commensurate incentives, while little to no incentive is paid for underperformance);
- Delineating clear accountabilities; and
- Providing clarity and transparency in compensation structure.

Components of Total Compensation

The components of our executive compensation program are shown in the following table. A more detailed discussion of these components and the plans under which they are provided appears later in this Compensation Discussion and Analysis section.

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Component	Description and Purpose
Base Salary	Fixed compensation intended to provide a base level of income and aid in the attraction and retention of talent in a competitive market.
Short-Term Incentive Compensation (STIC)	Variable annual cash bonus designed to motivate and reward individuals based on achieving both company (Hillenbrand or its operating companies, as applicable) and individual performance goals for a given fiscal year. Also aids in the attraction and retention of talent in a competitive market.
Long-Term Incentive Compensation (LTIC)	Variable annual equity grant designed to reward executives for creating shareholder value and for their individual contributions to the Company s performance, as well as to motivate future contributions and decisions aimed at increasing shareholder value. Also aids in the attraction and retention of talent in a competitive market. Our Named Executive Officers, as well as certain other officers, are required to retain a certain amount of Company common stock or equivalents as described in the section below entitled Stock Ownership Requirement.
Retirement and Other Benefits	Fixed component of compensation intended to protect against catastrophic expenses (healthcare, disability, and life insurance) and provide opportunity to save for retirement (pension and 401(k)).
Post-Termination Compensation (Severance and Change in Control)	Severance program designed to provide protection that allows executives to focus on acting in the best interests of shareholders regardless of the impact on their own employment.

Key Point: Focus on Performance-Based Compensation

Referring to the previous chart, the first three elements (base salary, STIC, and LTIC) make up what is generally referred to as an employee s core compensation. It is important to note that a key element of the compensation philosophy of Hillenbrand and our Compensation Committee is that a significant portion of each Named Executive Officer s core compensation will be performance-based and therefore at risk. Stated another way, each of the Named Executive Officers receives a base salary regardless of the performance of the Company in any individual year. Any particular officer s salary can be and is modified from year to year based on such officer s individual performance and changes in responsibilities, as determined by the Compensation Committee. Beyond base salary, each of our Named Executive Officers is eligible to receive STIC and LTIC, but those components of compensation are variable and at risk, dependent upon the performance of the Company and the individual performance of the officer.

Our commitment to performance-based compensation is illustrated by the following pie chart, which shows the fixed (base salary) and variable (STIC and LTIC) compensation at target levels for our President and CEO, Kenneth A. Camp, for fiscal 2012:

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As shown in the above chart, 80% of Mr. Camp s target core compensation for the year was performance-based, and at risk, and 20% was fixed. The Compensation Committee believes that this approach to compensating our Named Executive Officers aligns their compensation packages appropriately with the interests of the shareholders of the Company and creates incentives for them to act in the best interests of the shareholders.

Target Core Compensation Mix

Subject to discretionary deviations deemed by the Committee to be appropriate, the Compensation Committee generally follows guidelines for the STIC and LTIC target awards that are tied to the base salaries of the Named Executive Officers. Those guidelines are discussed in more detail below. The application of those guidelines produces a core compensation mix of approximately 20% base salary, 20% STIC, and 60% LTIC for Mr. Camp, and a mix of approximately 30% base salary, 20% STIC, and 50% LTIC for the other Named Executive Officers.

Process for Determining Compensation

Timing of Compensation Decisions. In December of each year, the Compensation Committee takes the following actions:

- It sets the base salaries of the Named Executive Officers for the coming calendar year.

- It adjusts, if deemed appropriate, the STIC target award formula for each Named Executive Officer and establishes the performance objectives that are to be used in the award formula for the new fiscal year.

- It certifies performance and establishes the actual STIC awards to be paid to the Named Executive Officers for the fiscal year ended on the preceding September 30.

- It makes LTIC grants to the Named Executive Officers and determines the performance period (usually three years) and performance objectives that are to be used in the award formula.

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- It certifies performance and confirms the computation of the award amount to be paid to the Named Executive Officers with respect to performance-based LTIC awards whose performance measurement period ended on the preceding September 30.

Factors Considered in Setting Compensation

In General. In establishing and adjusting the elements of our executive compensation program and the compensation packages for the Named Executive Officers, the Compensation Committee considers and analyzes a number of factors, each of which is informative but none of which is individually determinative of the outcome of the Committee s work. The Compensation Committee strives to establish compensation packages for the Named Executive Officers that are appropriate under all circumstances and that enable the Company to attract, motivate, and retain the executive talent needed to operate the Company in a manner that is in the best interests of the shareholders.

Certain more specific factors the Compensation Committee considers are discussed below. They are not discussed in any order of priority; no one factor standing alone is necessarily more important than the others.

Compensation Consultant Expertise. The Compensation Committee engages an independent compensation consultant to provide various items of relevant information and to perform various services for the Committee in connection with the establishment of the elements of our executive compensation program. Ernst & Young LLP (E&Y) has been the Committee s independent compensation consultant since 2008. The Compensation Committee seeks and considers the expert advice and recommendations of the independent compensation consultant in connection with the administration of our compensation program and the establishment of appropriate compensation components and levels with respect to our Named Executive Officers.

The independent compensation consultant advises the Compensation Committee on an ongoing basis with regard to the general competitive landscape and trends in compensation matters, including (i) incentive plan design, (ii) peer group selection and comparison, (iii) compensation risk management, and (iv) developments in emerging trends and practices. The consultant attends meetings of the Compensation Committee and at the request of the Chairperson participates in the Committee s executive sessions.

See Compensation Consultant Matters in Part IV below for additional information regarding the Compensation Committee s engagement of E&Y as its compensation consultant, as well as amounts paid to E&Y and its affiliates during fiscal 2012 for executive compensation consulting and other services.

Peer Group Data. The Compensation Committee compares the components and levels of our compensation program to those of a selected peer group of companies. Our Compensation Committee believes that we have to remain competitive in order to attract, retain, and motivate our executive talent and believes that when the Company exceeds expected performance targets, our Named Executive Officers should be rewarded accordingly. We do not, however, rigidly target or benchmark any of the core compensation components of our Named Executive Officers to any specific percentile of our peer group compensation levels. Generally, our Compensation Committee seeks to target the core compensation of our Named Executive Officers in a range between the 50th and 75th percentiles of the total core compensation amounts paid by our peer group, although our compensation could be paid above or below the target range in any given year, due to the performance-based nature of our executive

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compensation program and a variety of other factors that the Committee considers in setting compensation.

In developing our peer group, our Compensation Committee reviews various financial metrics and business attributes (such as free cash flow, operating income, return on invested capital, and others) to assess whether additions or deletions to the current peer group are appropriate. In addition, various members of management provide input relative to understanding the Company s key financial metrics, key competitors for talent, key competitors in the markets we serve, the Company s business plan, and other factors. Certain qualitative factors are also considered in developing the peer group, including whether a company is cyclical or non-cyclical, whether a company has an internal distribution method and a supply chain management focus, and whether a company applies a continuous improvement model across all aspects of its business.

The Compensation Committee regularly reviews the composition of the Company s peer group and, as appropriate, updates the group to reflect changes among peer companies, industry consolidation, and the Company s own evolution as a global diversified manufacturing enterprise.The current peer group, which has not changed since fiscal 2010, consists of the following 16 companies:

Acuity Brands, Inc.	Sealy Corporation
Ethan Allen Interiors Inc.	Service Corporation International
Herman Miller, Inc.	Simpson Manufacturing Co., Inc.
HNI Corporation	Spartech Corporation
IDEX Corporation	Stewart Enterprises, Inc.
Kimball International	Tempur-Pedic International Inc.
Matthews International Corporation	The Middleby Corporation
Roper Industries	Tredegar Corporation

Survey Data. In addition to peer group data, the Compensation Committee considers published compensation survey data provided by its independent compensation consultant, focusing on compensation data for companies in the manufacturing industry with revenues within a comparable range of the Company s revenue. The survey data provides additional compensation data targeted to the specific job responsibilities of our Named Executive Officers.

External Market Conditions. The Compensation Committee also takes into account external market conditions when establishing the total compensation of each Named Executive Officer. We are located in a relatively small rural community between Indianapolis, Indiana, and Columbus, Indiana, and Cincinnati, Ohio, all of which are home to other public companies, and we must compete with companies in those metropolitan areas for our executive talent.

Individual Factors. Individual factors are also considered by the Compensation Committee in establishing the compensation packages of our Named Executive Officers. These factors include the level and breadth of experience and responsibility of the officer, the complexity of the position, individual performance and growth potential, and the difficulty of replacement. Individual performance of our Named Executive Officers is evaluated in large part based upon the achievement of group and personal goals that are established by management and approved by the Compensation Committee each year. The Company s Chief Executive Officer discusses with the Compensation Committee his review and analysis of the performance of the other Named Executive Officers and makes recommendations to the Committee regarding their compensation packages. These recommendations are based on a number of factors, including input received from our independent compensation consultant.

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Internal Pay Equity. The Compensation Committee considers the differentials between the compensation levels of our Named Executive Officers in light of their respective positions and responsibilities and seeks to maintain those differentials at equitable levels, considering peer group and survey data with respect to corresponding differentials at other companies.

Aggregate Compensation. The Compensation Committee considers the aggregate value of the Named Executive Officers core compensation components of base salary, STIC at target level, and the estimated value of LTIC at target level. The Compensation Committee compares the aggregate amount of these elements for our Named Executive Officers to the aggregate amount of the same elements of executive officer compensation at other companies using peer group and survey data. Generally, the Committee seeks to target the aggregate core compensation of our Named Executive Officers in a range between the 50th and 75th percentiles of the aggregate core compensation levels at such other companies, although our compensation could be paid above or below the target range in any given year, due to the performance-based nature of our executive compensation program and a variety of other factors that the Committee considers in setting compensation. Additionally, the Compensation Committee reviews tally sheets reflecting all compensation paid to our Named Executive Officers, including retirement and other benefits, perquisites, and amounts potentially payable to them upon a change in control of the Company. The Compensation Committee also considers projections as to the potential future value of long-term equity awards made to the Named Executive Officers.

Shareholder Say on Pay Vote. The Compensation Committee carefully considered the results of the Company s Say on Pay Vote taken by shareholders at its 2011 and 2012 Annual Meetings, and the Committee plans to continue to carefully consider the results of this vote each year. At each of those Annual Meetings, approximately 97% of the shareholder votes cast on the proposal were cast in favor of the resolution stating that the shareholders approve the compensation of Hillenbrand s Named Executive Officers. The Compensation Committee believes that the level of support indicated by those votes reflects favorably on the Company s executive compensation system.

2012 Individual Performance Goals. Management identified and the Compensation Committee approved five common personal objectives for the Named Executive Officers for fiscal 2012. They were as follows:

- Strengthen our separate company capabilities by ensuring that resources, processes, procedures, and controls necessary to be a successful, compliant, efficient, and well-controlled public company are in place. This will be accomplished through the application of the principles of Lean Business / Continuous Improvement across the enterprise.

- Support the operating companies by providing necessary and sufficient resources to continue to generate profitable organic and acquisition growth that generates strong, predictable cash flows. This will be accomplished through a transparent resource allocation process and a commitment to a lean organization and leadership talent development, both at the corporate and operating company levels.

- Actively pursue acquisitions by pursuing prudent opportunities that provide revenue and earnings per share growth, meet our strategic criteria, and leverage our core competencies. This will be accomplished through an active and effective screening process that engages the senior-most leadership in the identification of targets and the broader organization in evaluation.

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- Ensure acquisition success by planning and preparing for due diligence and integration with a specific focus on our areas of competency, including Lean Business, Strategic Planning and Talent Development. This will be accomplished through creating an environment so compelling that individuals, who can compete for the best opportunities anywhere, choose us.

- Actively engage and shape the environment in which we compete by ensuring that the Company s voice on national, state, and local issues is heard. This will be accomplished through dialogue between senior management and members of local, state, and national legislative and executive branches of government, civic engagement in our communities, and active participation in business and industry associations.

The following unique personal objectives were identified for each of the Named Executive Officers for fiscal 2012:

- For Mr. Camp, executing the Company s strategy and business plan; leading the Company s growth initiatives; overseeing the Company s acquisition activities; overseeing efforts designed to strengthen the talent pool, capabilities, and competencies of the Company; ensuring that the Company engages in appropriate, meaningful, and transparent conversations with shareholders; achieving the Company s financial objectives; and leading the CEO and executive officer succession planning and implementation process;

- For Mr. Raver, developing and executing the strategic and the resulting operating plan of the Process Equipment Group; growing core revenue and income before taxes (IBT) through organic growth in under-penetrated segments and new product development; creating strategic acquisitions and alliances; with respect to the Process Equipment Group s acquisition activities, leading due diligence efforts and subsequent integration; and improving the Process Equipment Group s cost structure and strengthening its core capabilities;

- For Ms. Dennis, developing and executing the strategic and the resulting operating plan of Batesville; growing core revenue and IBT through organic growth in under-penetrated segments and new product development; creating strategic acquisitions and alliances; with respect to Batesville s acquisition activities, leading due diligence efforts and subsequent integration; and improving Batesville s cost structure and strengthening its core capabilities;

- For Ms. Lucchese, ensuring appropriate processes and procedures for the operation of the Company as a public company are in place and functioning effectively; providing financial leadership with excellence to the Company; managing financial due diligence efforts and subsequent integration with respect to the Company s acquisition activities; and providing financial support where necessary to the Company s subsidiaries and their finance staffs; and

- For Mr. George, providing the Company with high quality leadership and performance in all areas of Corporate Development; providing support, where appropriate, to the Company s operating subsidiaries and their staffs with respect to their individual Corporate Development activities; supervising and coordinating the work of multi-disciplinary teams involved in the Company s acquisition and divestiture efforts, particularly as it relates to opportunity identification and analysis, due diligence, and integration; and strengthening the Company s Corporate Development talent pool.

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Fiscal 2012 Compensation Decisions

The discussion that follows concerning compensation decisions regarding our Named Executive Officers for 2012 should be read with the understanding that Mr. George was not yet an employee in December 2011, when the Compensation Committee approved the compensation to be paid to our Named Executive Officers in 2012. The Compensation Committee approved his compensation package when he was hired in January 2012.

Base Salaries. In considering fiscal 2012 compensation, the Compensation Committee received from and reviewed in detail with the Committee s independent compensation consultant an Executive Compensation Analysis reporting, among other things, the median compensation paid by members of our peer group to their five highest-paid executive officers, as well as the 25th percentile, median, and 75th percentile compensation levels of similar executive officers as determined from various published compensation surveys.

Mr. Camp provided to and discussed with the Compensation Committee his review and analysis of the performance of the other Named Executive Officers. Mr. Camp also recommended to the Committee proposed compensation packages for the other Named Executive Officers, which, at the request of the Committee, he had developed after reviewing the Executive Compensation Analysis provided to the Committee. After discussing the recommendations, reviewing individual performance of the other Named Executive Officers, and considering Company performance data and competitive benchmark information, the Committee approved the compensation for this group.

The Compensation Committee, outside of Mr. Camp s presence, also discussed Mr. Camp s performance. This conversation included a review of Mr. Camp s objectives as approved by the Committee and the level of achievement of each of those objectives. After assessing Mr. Camp s performance for the year, the Committee, considering the impact of all relevant factors and considering the advice and recommendations of the Committee s independent compensation consultant, determined Mr. Camp s compensation for 2012.

The following adjustments were made to the Named Executive Officers calendar year base salaries during the fiscal year ended September 30, 2012:

		2011		**2012**	**% Increase**
Mr. Camp	$	720,000	$	742,000	3.06
Mr. Raver	$	441,000	$	454,000	2.95
Ms. Dennis	$	400,000	$	412,000	3.00
Ms. Lucchese	$	340,000	$	351,000	3.24
Mr. George(2)		N/A	$	400,000	N/A

(2) Mr. George was first employed January 30, 2012.

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Annual Cash Incentive Awards

Overview. The payment of annual cash short-term incentive compensation (STIC) to our Named Executive Officers for fiscal 2012 was formula-based, with adjustments for achievement of common and individual performance goals, and was governed by our Short-Term Incentive Compensation Plan for Key Executives (STIC Plan). The STIC Plan is designed to motivate our Named Executive Officers to perform and meet both company and individual objectives. It is consistent with our philosophy that employees should share in the Company s success when value is created for our shareholders. The potential to be paid short-term incentive awards plays an important role in the attraction and retention of our Named Executive Officers.

STIC Formula Design. Our Compensation Committee has approved a formula for calculating the maximum STIC awards potentially payable to our Named Executive Officers under the STIC Plan. While the formula (which is described in detail below) is designed to calculate the maximum possible STIC amounts payable to our Named Executive Officers, the Compensation Committee has discretion to reduce the maximum award amount to arrive at the actual STIC payment amounts.

Exercise of Negative Discretion. At the end of each fiscal year, after the maximum STIC award amounts have been calculated, the Compensation Committee exercises its discretion to reduce the maximum award amounts to the actual payout levels, if and to the extent deemed appropriate. The Committee exercises that discretion after considering the targeted and maximum award amounts and individual performance reviews relating to the achievement of goals established for each of the Named Executive Officers. The fact that negative discretion is exercised by the Committee to reduce the amount of STIC actually paid to a Named Executive Officer to an amount less than the maximum award amount is not an indication of substandard performance; instead, it reflects the Committee s assessment of individual performance against its standard of a maximum possible level of performance. Most often, the exercise of that negative discretion is the rule, not the exception. For example, for fiscal 2011, none of the Named Executive Officers received the maximum STIC award, and for fiscal 2012 only Mr. George received the maximum award.

STIC Maximum Award Formula. Our formula for calculating the maximum STIC awards potentially payable to our Named Executive Officers each year is as follows:

Base Salary	x	Individual Factor	x	Company Performance Factor	x	Maximum Award Factor	=	Maximum Potential STIC Award

The formula components are described and quantified as follows:

- *Base Salary*: the amount of salary paid to the Named Executive Officer during the fiscal year in question.

- *Individual Factor*: a pre-established percentage of base salary that varies among the Named Executive Officers. Mr. Camp s Individual Factor is 90%. Mr. Raver s and Ms. Dennis Individual Factor is 75%. Ms. Lucchese s and Mr. George s Individual Factor is 50%. The Compensation Committee may adjust those percentages from year to year if deemed appropriate.

• *Company Performance Factor*: a percentage reflecting the Company s or, as applicable, its operating subsidiary s actual achievement level with respect to the pre-established financial

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performance targets set by the Compensation Committee for each fiscal year. These financial performance targets are designated amounts of Net Revenue, Core IBT, and Core Cash Flow, which are further described below:

- Net Revenue: this is a calculation of revenue, ignoring the effects of the following items:

- acquisitions made during the fiscal year;

- divestitures made during the fiscal year (corresponding adjustments will be made to the plan targets);

- changes in accounting pronouncements in accounting principles generally accepted in the United States (GAAP) or applicable international standards that cause an inconsistency in computation as originally designed; and

- the foreign exchange translation of income statements at exchange rates that differ from those assumed in the STIC Plan.

- Core IBT: this is income before taxes, adjusted to eliminate the following selected extraordinary and non-recurring items (adjustment items are determined in advance by the Compensation Committee during the first quarter of each fiscal year):

- all professional fees, due diligence fees, expenses, and integration costs related to a specific acquisition;

- all professional fees, due diligence fees, expenses, and integration costs related to a specific divestiture;

- income, losses, or impairments from specific financial instruments transferred to the Company as part of our spin-off in 2008 (*i.e.*, auction rate securities, equity limited partnerships, common stock, and promissory notes);

- stock compensation expense;

- external extraordinary legal costs (*e.g.*, antitrust litigation);

- restructuring charges and other items related to a restructuring plan approved by the Company s CEO;

- changes in accounting pronouncements in GAAP or applicable international standards that cause an inconsistency in computation as originally designed; and

- realized and unrealized transaction gains and losses caused by foreign exchange, gains and losses caused by foreign exchange translation of balance sheet accounts, and any effects of the foreign exchange translation of income statements at exchange rates that differ from those assumed in the STIC Plan.

- Core Cash Flow: this is a calculation of cash flow that excludes the effects of transactions not related to ongoing operations; the calculation uses a standard 36% tax rate, and adjustments (which are determined in advance by the Compensation

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Committee during the first quarter of each fiscal year) are made to exclude the effects of the following items:

- purchase price and all professional fees, due diligence fees, expenses, and integration costs related to a specific acquisition (general costs associated with acquisition readiness and that are not a part of a specific acquisition will be included in the calculation);
- all professional fees, due diligence fees, expenses, and integration costs related to a specific divestiture;
- stock compensation expense;
- external extraordinary legal costs (*e.g.*, antitrust litigation);
- restructuring charges and other items related to a restructuring plan approved by the Company s CEO;
- Company directives or initiatives that influence Batesville s cash flow position (*e.g.*, requests to hold cash for terms, acquisitions, covenants, etc.);
- changes in accounting pronouncements in GAAP or applicable international standards that cause an inconsistency in computation as originally designed; and
- realized and unrealized transaction gains and losses caused by foreign exchange, and gains and losses caused by foreign exchange translation of balance sheet accounts.

For a Named Executive Officer who is the president of one of our operating subsidiaries, these performance targets track the performance of that operating subsidiary. For all other Named Executive Officers, these targets track the performance of Hillenbrand, Inc. In calculating the Company Performance Factor for each of our business units, the performance targets described above are weighted as follows:

- For Hillenbrand and Process Equipment Group, the achievement level with respect to target Core IBT is weighted at 70%, while the achievement level with respect to target Net Revenue is weighted at 30%; and

- For Batesville, the achievement level with respect to target Core IBT is weighted at 40%, the achievement level with respect to target Net Revenue is weighted at 20%, and the achievement level with respect to target Core Cash Flow is weighted at 40%, reflecting Batesville s enhanced opportunity for and commitment to the generation of strong cash flows.

The Company Performance Factor ranges from zero (producing a zero formula amount for maximum potential STIC) to 200%. The Company Performance Factor may not exceed 200%, even if the Company or its applicable subsidiary achieves greater than 200% of the targets. The Company Performance Factor will be zero if the Company or its applicable subsidiary does not achieve at least a threshold achievement level of either the targeted Net Revenue or targeted Core IBT, or, in Batesville s case, targeted Core Cash Flow. The

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Committee establishes this threshold achievement level, which for fiscal 2012 was 90% of target for Hillenbrand, 80% of target for Batesville, and 70% of target for Process Equipment Group.

- *Maximum Award Factor*: a multiplier established by the Compensation Committee in order to produce the maximum STIC award payout amount. It is currently 1.2. This factor serves two purposes. First, it provides a sufficient potential payout amount to reward exceptional individual or Company (or operating subsidiary) performance. Second, it provides a cap on the award formula amount.

Company Performance Factors. The financial performance objectives and threshold achievement percentages (as described above) that determine the applicable Company Performance Factor within our STIC formula are established annually by the Compensation Committee at levels that reflect strong financial performance under then-existing conditions. The target objectives are intended to represent stretch goals based on the business plan of the Company (or its operating subsidiary) so that management must be diligent, focused, and effective in order to reach these goals. The objectives are set with the intention that the relative level of difficulty in achieving the targets is consistent from year to year.

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The following table sets forth the targeted financial performance objectives, the percentage of actual achievement, and the Company Performance Factor for Hillenbrand and each of its operating components for fiscal 2012:

	2012 Financial Criteria		
	Hillenbrand	Batesville	Process Equipment Group(3)
Net Revenue Targeted Objective Amount (millions)	$ 1,014.2	$ 652.8	$ 381.4
Net Revenue Achievement Percentage	97.6%	93.2%	100.6%
Core IBT Targeted Objective Amount (millions)	$ 186.9	$ 173.4	$ 62.7
Core IBT Achievement Percentage	87.2%	80.1%	98.5%
Core Cash Flow Targeted Objective	N/A	$ 107.4	N/A
Core Cash Flow Achievement Percentage	N/A	94.1%	N/A
Company Performance Factor	26.4%	61.1%	85.1%

2012 STIC Awards. For fiscal 2012, the maximum STIC awards payable, and the actual STIC awards paid, to our Named Executive Officers were as follows:

Named Executive Officer	Fiscal Year Base Salary(4)	x	Individual Factor	x	Company Performance Factor	x	Maximum Award Factor	=	Maximum STIC Award	Actual STIC Award Paid
Kenneth A. Camp	$ 736,077		90%		26.4%		1.2		$ 209,870	$ 185,000
Joe A. Raver	$ 450,500		75%		85.1%		1.2		$ 345,038	$ 290,000
Kimberly K. Dennis	$ 408,769		75%		61.1%		1.2		$ 224,782	$ 189,000
Cynthia L. Lucchese	$ 348,038		50%		26.4%		1.2		$ 55,129	$ 48,000
Scott P. George	$ 261,539		50%		26.4%		1.2		$ 41,428	$ 41,428

(3) The Achievement Percentages and the Company Performance Factor of the Process Equipment Group are a weighted composite of the various operating divisions within the Process Equipment Group.

(4) The salary amounts shown in this column vary slightly from those shown in the Summary Compensation Table in Part III below because STIC awards are calculated based on salary actually *paid* during the fiscal year, while the Summary Compensation Table is presented based on salary *earned* during the fiscal year.

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Long-Term Incentive Compensation (LTIC)

Overview. We currently provide Long-Term Incentive Compensation to our Named Executive Officers and other employees by awarding them a combination of stock options and restricted stock units (also referred to as deferred stock in our Stock Incentive Plan). Our Stock Incentive Plan (the Stock Plan) enables us to grant these and other equity-based awards.

The Compensation Committee makes and administers all awards to our Named Executive Officers under the Stock Plan. As of the end of fiscal 2012, a total of 2,459,411 shares of our common stock were available for equity awards under the Stock Plan. There are annual limits as to the number of shares represented by options or restricted stock units (RSUs) that can be granted to any one employee or director each year.

Although the Company does not have a written policy regarding the timing or practices related to granting equity awards, neither the Company nor the Compensation Committee engages in spring-loading, back-dating, or other practices which time the grant of equity awards. Stock options and RSUs are generally granted at a regularly scheduled meeting of the Compensation Committee, acting as the administrative committee under the Stock Plan (referred to below as the Administrator), in the first quarter of each fiscal year (usually in December) after the Company issues a press release announcing the results of the prior fiscal year. Equity awards may also be made to new hires at the time of employment.

Available Awards. Our Stock Plan enables us to grant several types of equity awards: stock options, RSUs, restricted stock, stock appreciation rights, and bonus stock. However, only stock options, RSUs, and restricted stock awards have been granted and were outstanding under the Stock Plan as of the end of fiscal 2012:

- *Stock Options.* Incentive (tax-qualified) and non-qualified stock options may be granted to such employees and (with respect to non-qualified options) directors and for such number of shares of our common stock as the Administrator determines. A stock option will be exercisable and vest at such times, over such term, and subject to such terms and conditions as the Administrator determines, at an exercise price which may not be less than the fair market value of our common stock on the date the option is granted.

- *Restricted Stock Units (RSUs).* An award of restricted stock units represents our agreement to deliver shares of common stock (or their cash equivalent) to the award recipient at a specified future time or upon a specified future event. Vesting of the award shares and/or delivery of them may be conditioned upon the completion of a specified period of service, the attainment of specific performance goals, or such other criteria as the Administrator may determine, or, alternatively, the Administrator may provide for the unconditional delivery of shares (or their cash equivalent) on a specified date. RSUs carry no voting rights until such time as the underlying shares of common stock are actually issued. The Administrator has the right to determine whether and when dividend equivalents will be paid with respect to a restricted stock unit award. Generally, dividend equivalent amounts are accrued as dividends are declared on our common stock, deemed to be reinvested in additional shares of Company common stock, and then paid in the form of additional shares on the distribution date of the underlying award in proportion to the number of shares that vest and are distributed.

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• *Restricted Stock*. A grant of shares of restricted stock involves the actual issuance of shares of our common stock to the grant recipient. However, the right to retain the shares of restricted stock is conditioned upon the vesting conditions specified as part of the grant. Until those vesting conditions are satisfied, the restricted stock is held in escrow, cannot be sold, transferred, pledged, or assigned, and is subject to forfeiture if the vesting conditions are not satisfied. Restricted stock carries voting rights from the time the award is granted. Generally, dividend equivalent amounts on the restricted stock are accrued as dividends are declared on our common stock, deemed to be reinvested in additional shares of Company common stock, and then paid in the form of additional shares on the date the underlying award is released from escrow in proportion to the number of shares that vest. Because of certain tax issues, we granted shares of restricted stock prior to fiscal 2012, but since then we have granted RSUs instead.

Performance-Based Equity Awards. The Administrator may designate and structure any awards under the Stock Plan as performance-based awards. As a general rule, all annual LTIC awards are performance-based awards. The Company from time to time also issues time-based equity awards in certain circumstances, such as sign-on incentives. As is often the case with new hires, Mr. George received time-based restricted stock units in connection with his initial employment by the Company during fiscal 2012.

When an equity award is performance-based, either the granting or vesting (or both) of the award is made subject to the achievement of Company performance objectives specified by the Administrator. The performance objectives specified for a particular award may be based on one or more of the following criteria, which the Administrator may apply to the Company as a whole and/or to one or more subsidiaries, and which the Administrator may use as an absolute measure, as a measure of improvement relative to prior performance, or as a measure of comparable performance relative to a peer group of companies: sales, operating profits, operating profits before taxes, operating profits before interest expense and taxes, net earnings, earnings per share, return on equity, return on assets, return on invested capital, total shareholder return, cash flow, debt to equity ratio, market share, stock price, shareholder value added, and market value added.

LTIC Guidelines. The Compensation Committee, subject to deviations as appropriate in its discretion, generally follows guidelines it has established for annual LTIC awards to our Named Executive Officers. Those guidelines provide for an annual award at target value of three times base salary to Mr. Camp, and one and one-half times base salary to our other Named Executive Officers. Each annual award to our Named Executive Officers consists of approximately 25% of the award value in stock options and approximately 75% in performance-based restricted stock units. Compared to an average of our peer group s mix of long-term incentive compensation awards, the pie charts below reflect our heavy emphasis on performance-based awards to our Named Executive Officers.

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Peer Group Average	Hillenbrand, Inc.

Valuation of Awards. Considering commonly used valuation models and advice from the Committee s independent compensation consultant, the Committee assigns stock options a present value equal to 25% of the then-current share price for our common stock, for purposes of assembling a total equity award. The number of option shares to be granted is determined by dividing the option portion of the total award dollar value by 25% of the then-current share price.

Awards of RSUs are valued at the target share level, which is the number of shares that will ultimately be earned by a Named Executive Officer at the 100% achievement level of the targeted Shareholder Value Expected established by the Compensation Committee under the award formula described in detail below. The maximum number of shares potentially issuable as fully earned or vested shares is 175% of the targeted number. The number of shares to be awarded at the target level is determined by dividing the RSU portion of the total award dollar value by the share price for our stock on the date of the award.

2012 LTIC Awards. Consistent with our compensation philosophy and historical practices, the Compensation Committee again awarded stock options and performance-based restricted stock units as equity awards to our Named Executive Officers for fiscal 2012. Accordingly, the amount of compensation ultimately received by our Named Executive Officers as a result of these awards will be tied to and conditioned on performance objectives for our Company. As we have stated above in our Executive Compensation Philosophy, the Company management team is charged with increasing the long-term economic value of the Company in excess of the rate investors expect, which is primarily accomplished by growing the amount of cash generated by the Company over time through execution of the Company s strategy and the initiatives that flow from that strategy.

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The performance-based restricted stock units awards and stock options granted to our Named Executive Officers during fiscal 2012 were as follows:

Name	Option Shares	Target Performance-Based Restricted Stock Units Award	Maximum Performance-Based Restricted Stock Units Award
Kenneth A. Camp	100,000	75,000	131,250
Joe A. Raver	30,592	22,944	40,152
Kimberly K. Dennis	27,762	20,822	36,438
Cynthia L. Lucchese	23,652	17,739	31,043
Scott P. George(5)	42,202	18,991	33,234

The performance-based restricted stock units vest at the end of the three-year period beginning October 1, 2011. The stock options become exercisable ratably on the first, second, and third anniversaries of the grant date (1/3 on each grant date anniversary).

Performance-Based Award Details. For fiscal 2012, the measurement tool in the performance-based restricted stock units award formula is a shareholder value creation model, which is a discounted cash flow model that is designed to measure the true economic return to investors. The key inputs into the model are net operating profit after tax (NOPAT), free cash flow, and the established hurdle rate, which is a reflection of the Company s weighted average cost of capital and targeted capital structure (the Hurdle Rate). It is contemplated that the Hurdle Rate will typically exceed the Company s weighted average cost of capital. Whereas the formula we use to calculate STIC is, in the case of our Named Executive Officers who are presidents of our operating subsidiaries, tied to the performance of those operating subsidiaries, the formula we use to calculate LTIC is in all cases tied to the performance of Hillenbrand, Inc.

Each performance-based restricted stock units grant to our Named Executive Officers will span the performance of three consecutive fiscal years, and the performance award at the end of the three years will be based upon the actual shareholder value created above or below what was expected. In general, the Company must earn a return that meets the Hurdle Rate in order for a Named Executive Officer to earn the targeted award, and the Company s return must exceed the Hurdle Rate to exceed the targeted award.

The LTIC program for the Named Executive Officers is designed to pay on the basis of the growth in shareholder value over the three-year measurement period. By linking rewards with the growth in the economic value of the Company, the program aligns the interests of the executive management team with those of the Company s investors. Also, by using a three-year period, the plan shapes investment strategies that improve the value of the business over the long term.

The Company performance objectives and the award calculation formula for the performance-based LTIC awards made to the Named Executive Officers in fiscal 2012 (as set forth in the table above showing targeted and maximum awards) were as follows:

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(5) Reflects option shares and performance-based restricted stock units granted to Mr. George at the time of his initial employment on January 30, 2012. Mr. George also received a grant of 12,660 shares of time-based restricted stock units in connection with his initial employment.

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Objectives. The award formula incorporates the following elements:

Measurement Period	October 1, 2011 through September 30, 2014
Shareholder Value Expected (as of the end of Measurement Period)	$2,078.6 million (plus or minus any adjustments required on account of acquisitions)
Hurdle Rate	8.75%

Award Formula. The number of shares of restricted stock units (including dividends accrued thereon) that will vest and be earned at the end of the Measurement Period is a function of the amount of Shareholder Value Achieved by the end of the Measurement Period as compared to the Shareholder Value Expected at the end of the Measurement Period. Except as otherwise provided in the award agreements in connection with a termination of employment prior to September 30, 2014, at the end of the Measurement Period all restrictions will lapse on, and the shares will become fully vested and earned with respect to, the number of whole shares (rounded down) equal to the product of (i) the number of shares comprising the target restricted stock units award, and (ii) a multiplier, as provided in the following table, based on the ratio, expressed as a percentage, of Shareholder Value Achieved as of the end of the Measurement Period (as determined below) to the Shareholder Value Expected as of the end of the Measurement Period:

Shareholder Value Achieved as Percentage of Shareholder Value Expected	**Multiplier**
Less than 80%	zero (no units earned)
At least 80% but less than 90%	.2 plus an additional .03 for each full percentage point achieved above minimum for range
At least 90% but less than 100%	.5 plus an additional .05 for each full percentage point achieved above minimum for range
At least 100% but less than 110%	1.0 plus an additional .05 for each full percentage point achieved above minimum for range
At least 110% but less than 130%	1.50 plus an additional .0125 for each full point achieved above minimum for range
At least 130%	1.75 (maximum number of units earned)

Calculation of Shareholder Value Expected. The amount of Shareholder Value Expected as of the end of a Measurement Period is calculated as (a) the Company s Adjusted NOPAT (defined below) for the fiscal year last ended prior to the start of the Measurement Period, (b) divided by the Hurdle Rate, and (c) multiplied by (1 + Hurdle Rate)(3).

Acquired businesses are initially factored into the calculation of expected shareholder value at assumed financial performance levels expected from the acquired business at the time the acquisition is made. When the actual financial performance of an acquired business exceeds that expected level of

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performance, then the expected performance levels are no longer used for that business going forward in calculating expected shareholder value.

Calculation of Shareholder Value Achieved. The amount of Shareholder Value Achieved as of the end of a Measurement Period is calculated by adding two components: the NOPAT Component and the Cash Flow Component.

- The NOPAT Component of Shareholder Value Achieved is the Company s Adjusted NOPAT (as defined below) for the last fiscal year of the Measurement Period, divided by the applicable Hurdle Rate.

- The Cash Flow Component of Shareholder Value Achieved is the sum of the following:

- the Company s Adjusted Cash Flow (as defined below) for the third fiscal year in the Measurement Period;

- the Company s Adjusted Cash Flow for the second fiscal year in the Measurement Period, multiplied by the sum of 100% and the Hurdle Rate; and

- the Company s Adjusted Cash Flow for the first fiscal year in the Measurement Period, multiplied by the square of the sum of 100% and the Hurdle Rate.

Definitions.

- Adjusted NOPAT means the Company s net operating profit after tax, as adjusted (net of tax where applicable) to exclude the effects of the following items:

- Income, losses, or impairments from specific financial instruments held by the Company immediately following our spin-off in 2008 (*i.e.*, auction rate securities, equity limited partnerships, common stock, and promissory notes);

- Interest income on corporate investments and interest expense on corporate debt;

- All professional fees, due diligence fees, expenses, and integration costs related to a specific acquisition;
- Amortization expense of intangible long-lived assets where internally generated costs are not customarily capitalized in the normal course of the business (*e.g.*, customer lists, patents, etc.);
- All adjustments made to net income related to changes in the fair value of contingent earn-out awards;
- External extraordinary, non-recurring, and material legal costs (*e.g.*, antitrust litigation);
- Restructuring charges and other items related to a restructuring plan approved by the Company s CEO; and
- Changes in accounting pronouncements in GAAP or applicable international standards that cause an inconsistency in computation as originally designed.

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- Adjusted Cash Flow means the Company s net cash provided by operating activities (whether positive or negative) during a fiscal year, less its capital expenditures net of proceeds on the disposal of property, all as shown on its audited financial statements for that fiscal year, as adjusted (net of tax where applicable) to exclude the effects of the following items:

- Cash receipts or disbursements from financial instruments held by the Company immediately following our spin-off in 2008 (*i.e.*, auction rate securities, equity limited partnerships, and promissory notes);

- Interest income on corporate investments and interest expense on corporate debt;

- External extraordinary, non-recurring, and material legal disbursements (*e.g.*, antitrust litigation);

- The difference between the cash pension payment for the Batesville master plan actually made and the pension expense recorded;

- Changes in accounting pronouncements in GAAP or applicable international standards that cause an inconsistency in computation as originally designed; and

- The costs of acquisitions, including all professional fees, due diligence fees, expenses, and integration costs.

Vesting of Fiscal 2010 LTIC Awards. On September 30, 2012, the three-year Measurement Period for the Company s LTIC awards that were granted in fiscal 2010 closed, and those awards vested in accordance with our LTIC award formula then in effect. An achievement level of 111% of the expected increase in shareholder value was attained, resulting in an award equal to 125.6% of the targeted award amount.

Stock Ownership Requirement

All of our Named Executive Officers, as well as certain other officers, are required to own a significant number of shares of our common stock. Specifically, the officers identified below, from and after the later of (i) April 1, 2013, or (ii) the fifth anniversary of the date on which such individual first became such an officer, are required to hold shares of our common stock or equivalents (as further described below) with a minimum aggregate value at the following levels (Required Ownership Level):

Position	**Required Ownership Level**

Chief Executive Officer of the Company	4 x Base Annual Salary
Senior Vice Presidents of the Company	2 x Base Annual Salary
Vice Presidents of the Company	1 x Base Annual Salary
Presidents, Vice Presidents, and certain other senior officers of the Company s significant subsidiaries	1 x Base Annual Salary

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Shares owned outright and shares represented by RSUs or restricted stock awards, whether vested or unvested, including performance-based shares at the target award level, count as share equivalents toward the Required Ownership Level. Unexercised stock options do not count toward the Required Ownership Level. Failure to achieve or maintain the Required Ownership Level may result in (i) the applicable individual being required to hold all after-tax vested stock award shares and after-tax shares acquired upon exercise of stock options, or (ii) suspension of future RSU or restricted stock awards, until the Required Ownership Level is achieved. The Compensation Committee (or its designee) may make exceptions, in its sole discretion, in the event of disability or great financial hardship.

Clawback Provisions

For STIC and performance-based LTIC awards made in fiscal 2010 and beyond, the Company has adopted a clawback policy applicable to the Company s executive officers. Specifically, if the Company is required, because of fraud or negligence, to restate its financial results for any period (the Restatement Period) in a manner that would have adversely affected the amount of the payout of any STIC or performance-based LTIC awards, the Compensation Committee has the right during the three-year period following the Restatement Period to review the matter and determine what, if any, repayment will be required by the Company s executives.

Tax Deduction Management

Section 162(m) of the Internal Revenue Code limits the tax deductibility of certain executive compensation in excess of $1 million per year unless certain requirements are met. Performance-based compensation is generally not subject to the deductibility cap under Section 162(m). We generally seek to maximize the tax deductibility of both our STIC and performance-based LTIC awards under Section 162(m).

Retirement and Savings Plans

Pension Plan. We sponsor a defined benefit pension plan (the Pension Plan). The Pension Plan is closed to new salaried employees. Mr. Camp is the only Named Executive Officer who is an active participant in the Pension Plan.

The Pension Plan provides monthly retirement benefits based on a formula that takes into consideration the highest average annual compensation of a participant over a five-consecutive-year period and the participant s years of service to the Company (including years of service to our former parent). We are required to make annual contributions that are determined actuarially as the amount needed to adequately fund future benefits to be paid out to participants.

For information regarding the benefits potentially payable to our Named Executive Officers under the Pension Plan, see the Pension Benefits at September 30, 2012 table in Part III below.

Savings Plan. We maintain a tax-qualified defined contribution savings plan (the Savings Plan) in which substantially all our employees, including the Named Executive Officers, are eligible to participate. Employees may contribute up to 40% of their compensation on a pre-tax basis to the Savings Plan. For each salaried participant who does not actively participate in the Pension Plan, the Company matches contributions in an amount equal to 50¢ for every dollar contributed by the employee until the employee contributions reach 6% of his or her compensation. No matching contributions are made for employees who are active participants in the Pension Plan. Additionally, whether or not

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employees contribute to the Savings Plan, the Company provides an automatic Company contribution per pay period to the Savings Plan for all eligible employees in an amount equal to 4% of compensation for non-active participants in the Pension Plan or 3% for active participants. All contributions by employees and the automatic Company contribution are fully vested immediately. The Company matching contributions do not vest until after three years of credited service; after that point Company matching contributions vest immediately when made.

For information regarding compensation paid to our Named Executive Officers under the Savings Plan, see footnote 6 to the Summary Compensation Table in Part III below.

Supplemental Executive Retirement Plan. Through June 30, 2010, we maintained a Supplemental Executive Retirement Plan (the SERP) that had both a defined contribution component and a defined benefit component. Effective July 1, 2010, the Company amended the SERP to remove the defined contribution component and adopted a new Supplemental Retirement Plan administered by Fidelity Employer Services Company (the SRP) to replace this component. See the section below entitled Supplemental Retirement Plan for additional information on the SRP. The SERP, as amended, continues in effect with respect to the defined benefit component.

The Compensation Committee selects the participants in the SERP and at any time may choose to freeze the accrued benefits of a participant under the SERP and stop accruing additional benefits under the plan for that participant. All Named Executive Officers participated in the defined contribution component of the SERP and now participate in the SRP. Only Mr. Camp participates in the defined benefit component of the SERP.

The SERP is an unfunded retirement benefit plan and is not a tax-qualified retirement plan under the Internal Revenue Code. No monies are actually contributed to the SERP by the Company to fund future benefit payouts. Under the SERP, future payout amounts are simply recorded in accounts set up for the participants to record the amounts the Company is obligated to pay them if and when they become entitled to payment of their accrued benefits. If a participant is terminated for cause (as such term is defined in the SERP), all benefits under the SERP are subject to forfeiture.

The defined benefit component of the SERP is designed to supplement the amount of retirement benefits that participants are entitled to receive from our Pension Plan. The defined contribution component of the SERP was designed (and now the SRP is designed) to supplement the amount of retirement benefits that participants are entitled to receive from our Savings Plan. For tax-qualified retirement plans, such as our Pension Plan and our Savings Plan, the Internal Revenue Code establishes various limitations that must be applied no matter what the terms of the plan might be. For example, the tax laws limit the maximum amount that can be contributed for any particular year by or for a participant under a defined contribution plan and limit the maximum amount of compensation that can be counted as earnings of the participant for purposes of calculating benefits or contributions under either type of plan. The application of these tax law limitations can result in a reduction in the amount of retirement benefits that would otherwise be payable to a participant under the terms of a tax-qualified retirement plan. Additionally, our Pension Plan and Savings Plan both exclude any cash bonus amounts from the definition of compensation for plan purposes and focus only on benefits or contributions relating to base salary in their benefit or contribution formulas.

In general, the SERP and SRP are designed to pay benefits to a retiring participant to offset any reduction in the benefits that would otherwise have been payable to the retiree under our Pension Plan, or a reduction in the contributions that the Company would have made for such retiree under the Savings Plan, on account of the application of tax law limitations and the exclusion of the annual cash bonus

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from the benefit and contribution formulas under those plans. This offset is accomplished by annually accruing future benefits for the participants equal to the difference between (i) what benefit amount is actually accrued or contributed for a participant under the Pension Plan and the Savings Plan, and (ii) what amount would have been accrued or contributed if (a) the tax law limitations were not applied, and (b) the targeted amount of annual cash incentive bonus were included as compensation (in addition to base salary) in the benefit or contribution formula under the plans.

The SERP also permits the Company, in its discretion, to accrue an additional benefit amount for selected participants equal to 3% of compensation (base salary plus cash bonus). Mr. Camp was awarded this discretionary accrual amount for fiscal 2012.

Supplemental Retirement Plan. Effective July 1, 2010, the Company adopted the SRP to replace the defined contribution component of the SERP, and all accrued balances under the defined contribution component of the SERP were transferred to the SRP. The SRP provides essentially the same benefits to our Named Executive Officers that they potentially were entitled to receive under the defined contribution component of the SERP. However, the SRP provides different investment options for participants. Under the SERP, defined contribution accruals could be invested only in an interest-bearing cash account. Under the SRP, participants are permitted to direct the investment of their accrued accounts (on a hypothetical basis because the plan is unfunded) into various Fidelity mutual funds and/or Company common stock. The Company then actually makes those designated investments for the Company s own account with funds contributed by the Company under a Rabbi Trust arrangement so that the Company can actually fund the earnings or losses experienced by each participant in his or her hypothetical investments when distributions are made.

The SRP also permits participants to elect to defer all or a portion of their Short-Term Incentive Compensation each year for payment at a later time and to invest the deferred amounts in Fidelity mutual funds and/or Company common stock on a hypothetical basis as described above. This feature was not available under the SERP.

For information concerning retirement benefits payable to certain of our Named Executive Officers under the SERP and the SRP, see the table entitled Pension Benefits at September 30, 2012 in Part III below.

Severance Benefits and Employment Agreements

Employment Agreements. We have entered into employment agreements with each of the Named Executive Officers. We believe that it is appropriate for our senior executives to have employment agreements because they provide the Company certain contractual protections that we might not otherwise have, including provisions relating to not competing with us, not soliciting our employees, and maintaining the confidentiality of our proprietary information. The employment agreements we have with our Named Executive Officers contain non-competition and non-solicitation agreements, which generally continue in effect for a period of two years after the termination of the Named Executive Officer s employment. Additionally, we believe that employment agreements are a useful tool in the recruiting and retention of senior-level executives.

Severance Benefits Under Employment Agreements. The employment agreements with our Named Executive Officers are terminable by either party without cause on 60 days written notice and are also terminable by the Company at any time (subject to certain cure rights) for cause, as such term is defined in each employment agreement. The Named Executive Officers may also terminate their employment agreements for good reason as such term is defined in their agreements. If we terminate

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the employment of a Named Executive Officer without cause, or if a Named Executive Officer terminates his or her employment with good reason, then we are obligated to provide severance compensation in connection with such termination. No severance compensation is payable under our employment agreements with our Named Executive Officers if we terminate with cause, if the executive terminates without good reason, or if the employment relationship is terminated on account of death or disability.

If the employment of a Named Executive Officer is terminated by us without cause or is terminated by the executive officer upon the occurrence, without the executive officer s consent, of a good reason event, we are required under the officer s employment agreement to provide severance compensation to the Named Executive Officer as follows:

- continuation of the officer s base salary for 12 months, subject to required withholdings, which payments may need to be delayed for six months under certain provisions of the Internal Revenue Code;

- bearing the cost of continued group life and health coverage until the continuation of base salary period described above is complete; and

- limited out-placement counseling.

Post-Termination Payments of STIC and LTIC. A Named Executive Officer whose employment terminates may or may not be entitled to the post-termination payment of a portion of the Short-Term Incentive Compensation (STIC) or Long-Term Incentive Compensation (LTIC) that would have been payable to the Named Executive Officer if his or her employment had continued through the end of the then-current measurement periods applicable to STIC and LTIC awards. The amount payable, if any, depends on the Company s performance throughout the measurement periods in question and the circumstances under which employment terminates.

Post-termination STIC or LTIC is payable to a Named Executive Officer after the performance or measurement period in question has ended and only if it is determined under the applicable performance formula that an amount would have been payable to the former officer had his or her employment continued through the end of the performance or measurement period. Once the amount that would have been paid had employment continued (the Full Period Award) is determined, the following rules determine the portion of the Full Period Award, if any, tha