

CARDINAL HEALTH INC
Form DEF 14A
September 14, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(RULE 14a-101)
INFORMATION REQUIRED IN
PROXY STATEMENT
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)
Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

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

CARDINAL HEALTH, INC.

(Name of Registrant as Specified in its Charter)

N/A

(Names of Person(s) Filing Proxy Statement, if Other Than the Registrant)

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD NOVEMBER 2, 2012

Date and time: Friday, November 2, 2012, at 8:00 a.m., local time

Location: Cardinal Health, Inc., 7000 Cardinal Place, Dublin, OH 43017

Purpose: (1) To elect the 12 director nominees named in the proxy statement;
(2) To ratify the appointment of Ernst & Young LLP as our independent registered public accounting firm for the fiscal year ending June 30, 2013;
(3) To approve, on a non-binding advisory basis, the compensation of our named executive officers;
(4) To vote on a shareholder proposal described in the accompanying proxy statement, if properly presented at the meeting; and
(5) To transact such other business as may properly come before the meeting or any adjournment or postponement.

Who may vote: Shareholders of record at the close of business on September 6, 2012 are entitled to vote at the meeting or any adjournment or postponement.

By Order of the Board of Directors.

STEPHEN T. FALK

Executive Vice President, General Counsel and
Corporate Secretary

September 14, 2012

Important notice regarding the availability of proxy materials for the Annual Meeting of Shareholders to be held on November 2, 2012:

This Notice of Annual Meeting of Shareholders, the accompanying proxy statement, and our 2012 Annual Report to Shareholders all are available at www.edocumentview.com/cah.

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2012 PROXY SUMMARY

This summary highlights information contained elsewhere in our proxy statement. This summary does not contain all of the information that you should consider, and you should read the entire proxy statement carefully before voting.

Annual Meeting of Shareholders

Time and date: 8:00 a.m., November 2, 2012

Place: Cardinal Health, Inc., 7000 Cardinal Place, Dublin, OH 43017

Record date: September 6, 2012

How to vote: In general, you may vote either in person at the Annual Meeting or by telephone, the Internet, or mail. See "Voting Information — How to Vote" on page 1 for more detail.

Admission: An admission ticket or satisfactory proof of share ownership, and photo identification are required to enter the Annual Meeting. See "Attending the Annual Meeting" on page 2 for more detail.

Voting Matters

	Board Voting Recommendation	Page Reference (for more detail)
Election of directors	FOR EACH DIRECTOR NOMINEE	3
Ratification of Ernst & Young LLP as auditor for fiscal 2013	FOR	7
Advisory vote to approve the compensation of our named executive officers	FOR	7
Shareholder proposal Board Nominees*	AGAINST	7

Name	Age	Director Since	Occupation	Independent	Committee Memberships		
					Audit	Human Resources and Compensation	Nominating and Governance
Colleen F. Arnold	55	2007	SVP, Application Management Services, IBM Global Business Services	X			X
George S. Barrett	57	2009	Chairman and CEO, Cardinal Health				
Glenn A. Britt	63	2009	Chairman and CEO, Time Warner Cable	X	Chair		
Carrie S. Cox	55	2009	CEO, Humacyte, Inc. and former EVP and President, Global Pharmaceuticals, Schering-Plough	X	X		
Calvin Darden	62	2005	Retired SVP of U.S. Operations, United Parcel Service	X		X	
Bruce L. Downey	64	2009	Partner, NewSpring Health Capital II, L.P. and retired Chairman and CEO, Barr Pharmaceuticals	X	X		
John F. Finn	64	1994	President and CEO, Gardner	Independent Presiding Director	X		X

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Clayton M. Jones [†]	63	2012	Chairman, President, and CEO, Rockwell Collins	X			
Gregory B. Kenny	59	2007	President and CEO, General Cable	X		Chair	X
David P. King	56	2011	Chairman, President, and CEO, LabCorp	X	X		
Richard C. Notebaert	65	1999	Retired Chairman and CEO, Qwest Communications International	X		X	X
Jean G. Spaulding, M.D.	65	2002	Private medical practice	X		X	

David W. Raisbeck, a director since 2002 and currently Chairman of the Nominating and Governance Committee
* and a member of the Human Resources and Compensation Committee, has decided not to stand for re-election at the
Annual Meeting.

[†]The Board has not yet appointed Mr. Jones, who joined the Board in September 2012, to a committee.

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Fiscal 2012 Business Performance Highlights

We achieved revenue of \$108 billion and increased our non-GAAP earnings per share by 15% to \$3.21.[‡] We also increased our cash dividends by 10% in fiscal 2012 and increased them by another 10.5% so far in fiscal 2013. Our Pharmaceutical segment profit increased by 17% during fiscal 2012 primarily due to strong performance in our generic pharmaceutical programs. In fiscal 2011, we acquired Kinray and Cardinal Health China, which also increased segment profit during fiscal 2012. Our Medical segment profit decreased by 11% primarily as a result of increased commodity costs. But it grew revenue, implemented a project to transform its business systems, and returned to segment profit growth in the fourth quarter of fiscal 2012.

Fiscal 2012 Executive Pay Highlights

Our Board of Directors' Human Resources and Compensation Committee funded the fiscal 2012 annual cash incentive pool at 109% of target, driven by above-target earnings before interest and taxes and better than target tangible capital performance. The Committee then awarded payouts to the executive officers in the tables beginning on page 25 (the "named executives") that ranged from 82% to 111% of target based on individual and applicable segment performance.

As in past years, a substantial majority of the named executives' compensation was in the form of long-term incentive awards. The Committee introduced performance share units during fiscal 2012 that will vest over a multi-year performance period based on our achieving non-GAAP earnings per share growth rate and dividend yield goals. As a result, fiscal 2012 target long-term incentive awards for named executives were one-third performance share units, one-third stock options, and one-third restricted share units.

Overall, the fiscal 2012 compensation of our continuing named executives (as set forth below and in the Summary Compensation Table on page 25) reflects both our strong performance for the fiscal year and our compensation philosophy.

Named Executive	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Non-Equity		Total (\$)
					Incentive Plan Compensation (\$)	All Other Compensation	
George S. Barrett	1,277,101	—	5,138,682	2,861,043	1,809,652	123,246	11,209,724
Jeffrey W. Henderson	736,776	—	1,663,168	831,516	722,777	22,849	3,977,086
Michael C. Kaufmann	629,358	—	1,441,773	713,716	628,729	23,349	3,436,925
Donald M. Casey Jr.	131,858	500,000	999,972	500,071	118,671	506,091	2,756,663
Craig S. Morford	495,970	—	712,524	356,213	405,455	24,629	1,994,791

New CEO employment agreement. In September 2012, in light of Mr. Barrett's leadership and contributions to our success, we entered into a new three-year employment agreement with him that replaces his 2009 employment agreement, which was scheduled to expire on the date of our 2012 annual meeting of shareholders. The Board approved the new employment agreement because it believes that Mr. Barrett has served us and our shareholders well since the spin-off of CareFusion Corporation (the "Spin-Off"). From the Spin-Off through the fiscal year ended June 30, 2012, our non-GAAP earnings per share has grown 41%,[‡]our total shareholder return has been 80%, and our stock price has increased from \$25.32 per share to \$42.00 per share. The compensation terms in the new employment agreement reflect Mr. Barrett's current compensation structure and, in general, parallel his prior agreement.

[‡]"Non-GAAP earnings per share" is non-GAAP diluted earnings per share from continuing operations. On a GAAP basis, diluted earnings per share from continuing operations was \$3.06 in fiscal 2012, \$2.74 in fiscal 2011, and \$2.10 in fiscal 2009. We provide a reconciliation of the differences between non-GAAP diluted earnings per share from

continuing operations and GAAP diluted earnings per share from continuing operations in Appendix A to this proxy statement.

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