CARDINAL HEALTH INC
Form DEF 14A
September 14, 2012


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 þ
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))
þ 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)
Payment of Filing Fee (Check the appropriate box):

þ No fee required.
¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

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(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

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¨ Fee paid previously with preliminary materials.

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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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 | AGAINST | 7 |

### Board Nominees*

| 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 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| 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 Incentive Plan Compensation ($) | All Other Compensation ($) | Total ($) |
|---|---|---|---|---|---|---|---|
| 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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2012 PROXY STATEMENT

GENERAL INFORMATION

These proxy materials are being furnished to solicit proxies on behalf of the Board of Directors of Cardinal Health, Inc. for use at our Annual Meeting of Shareholders to be held on Friday, November 2, 2012, and at any adjournment or postponement (the "Annual Meeting"). The meeting will take place at our principal executive office located at 7000 Cardinal Place, Dublin, Ohio 43017, at 8:00 a.m., local time.

These proxy materials include our Notice of Annual Meeting and Proxy Statement and our Annual Report to Shareholders for the fiscal year ended June 30, 2012. In addition, these proxy materials may include a proxy card for the Annual Meeting. A copy of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, filed with the U.S. Securities and Exchange Commission (the "SEC"), will be provided, free of charge, to any shareholder upon written request addressed to our Investor Relations department at Cardinal Health, Inc., 7000 Cardinal Place, Dublin, Ohio 43017. These proxy materials are first being sent or made available to our shareholders on or about September 14, 2012.

References to our fiscal years in this proxy statement mean the fiscal year ended or ending on June 30 of such year. For example, "fiscal 2012" refers to the fiscal year ended June 30, 2012.

Notice of Internet Availability of Proxy Materials

As permitted by the SEC, we are providing proxy materials to some of our shareholders via the Internet. On or about September 14, 2012, we mailed a Notice of Internet Availability of Proxy Materials ("Notice") explaining how to access our proxy materials online. If you received the Notice, you will not receive a printed copy of our proxy materials by mail unless you request one by following the directions included on the Notice.

Voting Information

Record date. We have fixed the close of business on September 6, 2012 as the record date for determining our shareholders entitled to notice of and to vote at the Annual Meeting. On that date, we had outstanding 340,520,957 common shares. Shareholders at the record date will have one vote per share for the election of each of our 12 director nominees, and one vote per share on each other voting matter.

Quorum. We will have a quorum to conduct business at the Annual Meeting if the holders of a majority of our common shares are present, either in person or by proxy.

How to vote. We encourage you to vote promptly. If you are a "registered holder" (meaning your shares are registered in your name with our transfer agent, Computershare Trust Company, N.A.), or you hold shares in an employee plan, then you may vote either in person at the Annual Meeting or by proxy. If you decide to vote by proxy, you may do so in any one of the following three ways:

- By telephone. You may vote your shares 24 hours a day by calling the toll free number 1-800-652-VOTE (8683) within the United States, U.S. territories, or Canada, and following instructions provided by the recorded message. You will need to enter identifying information that appears on your proxy card or the Notice. The telephone voting system allows you to confirm that your votes were properly recorded.
- By Internet. You may vote your shares 24 hours a day by logging on to a secure website, www.envisionreports.com/CAH, and following the instructions provided. You will need to enter identifying information that appears on your proxy card or the Notice. As with the telephone voting system, you will be able to confirm that your votes were properly recorded.
- By mail. If you received a proxy card, you may mark, sign, and date your proxy card and return it by mail in the enclosed postage-paid envelope.

Telephone and Internet voting is available through 2:00 a.m. Eastern time on Friday, November 2, 2012.

If, like most shareholders, you are a beneficial owner of shares held in "street name" (meaning a broker, trustee, bank, or other nominee holds shares on your behalf), you may vote in person at the Annual Meeting only if you obtain a legal proxy from the nominee that holds your shares. Alternatively, you may vote by completing and signing the voting instruction form that the nominee provides to you, or by using telephone or Internet voting arrangements described on the voting instruction form, the Notice, or other materials that the nominee provides to you.

Changing or revoking your proxy. Your presence at the Annual Meeting will not automatically revoke your proxy. If you are a registered holder, you may change or revoke your proxy at any time before a vote is taken at the meeting by giving notice to us in writing or during the Annual Meeting, by executing and forwarding to us a later-dated proxy, or by voting a later proxy over the telephone or the Internet. If you are a beneficial shareholder, you should check with the broker, trustee, bank, or other nominee that holds your shares to determine how to change or revoke your vote.

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Shares held under plans. If you hold shares through our 401(k) Savings Plans or Deferred Compensation Plan, you will receive voting instructions from Computershare Trust Company, N.A. Please note that employee plan shares have an earlier voting deadline of 2:00 a.m. Eastern time on Wednesday, October 31, 2012.

Broker non-votes. If you are a beneficial owner whose shares are held by a broker, you must instruct the broker how to vote your shares. If you do not provide voting instructions, your broker is not permitted to vote your shares on the election of directors, the advisory vote to approve the compensation of our named executive officers, or the shareholder proposal. This is called a "broker non-vote." In these cases, the broker can register your shares as being present at the Annual Meeting for purposes of determining a quorum and may vote your shares on ratification of the appointment of our auditors.

Voting. Our Articles of Incorporation and Code of Regulations specify the vote requirements for matters presented to a shareholder vote at the Annual Meeting.

The Equality Network Foundation, a client of Newground Social Investment represented by Investor Voice, submitted a shareholder proposal for the 2012 Annual Meeting requesting that the Board change the voting standard for matters presented to a shareholder vote to eliminate the effect of abstentions on the vote outcome. In August 2012, the Board considered this proposal, determined that it was in our best interest, and approved an amendment to our Code of Regulations to change the vote requirement. The Equality Network Foundation then withdrew its proposal.

Under the new voting standard, a matter (other than matters where the vote requirement is specified by law, our Articles of Incorporation, or our Code of Regulations) is approved by the shareholders if authorized by the affirmative vote of a majority of the votes cast, with abstentions having no effect on the vote outcome.

You may either vote for, against, or abstain on each of the proposals. Votes will be tabulated by or under the direction of inspectors of election, who will certify the results following the Annual Meeting. To elect directors and adopt the other proposals, the following votes are required under our governing documents:

| Item | Vote Required | Effect of Abstentions and Broker Non-Votes on Vote Required |
|---|---|---|
| Election of directors | Approval of the majority of votes cast in an uncontested election (1) | Not considered as votes cast and have no effect on the outcome |
| Ratification of Ernst & Young LLP as auditor for fiscal 2013 | Approval of the majority of votes cast | Not considered as votes cast and have no effect on the outcome |
| Advisory vote to approve the compensation of our named executive officers | Approval of the majority of votes cast | Not considered as votes cast and have no effect on the outcome |
| Shareholder proposal | Approval of the majority of votes cast | Not considered as votes cast and have no effect on the outcome |

(1) If a nominee who is a sitting Board member is not re-elected by a majority vote, that individual will be required to tender a resignation for the Board's consideration. See "Corporate Governance — Resignation Policy for Incumbent Directors Not Receiving Majority Votes" on page 13. Proxies may not be voted for more than 12 nominees, and shareholders may not cumulate their voting power.

How shares will be voted. The shares represented by all valid proxies received by telephone, by Internet, or by mail will be voted in the manner specified. Where specific choices are not indicated, the shares represented by all valid proxies received will be voted FOR the election of each of the 12 director nominees, FOR the ratification of the auditors, FOR approval of the compensation of our named executive officers, and AGAINST the shareholder proposal. If any other matters properly come before the Annual Meeting, the individuals named in your proxy, or their substitutes, will determine how to vote on those matters in their discretion. The Board of Directors does not know of any other matters that will be presented for action at the Annual Meeting. The Board recommends that you vote FOR the election of the 12 director nominees, FOR Proposals 2 and 3, and AGAINST Proposal 4.

Transfer Agent

Registered shareholders should direct communications regarding change of address, transfer of share ownership, lost share certificates, and other matters regarding their share ownership to Computershare Trust Company, N.A., P.O. Box 43078, Providence,

RI 02940-3078. Our transfer agent may also be contacted via the Internet at www.computershare.com/investor or by telephone at (877) 498-8861 or (781) 575-2879.

Attending the Annual Meeting

You will not be admitted to the Annual Meeting unless you have an admission ticket or satisfactory proof of share ownership, and photo identification. If you are a registered shareholder, your admission ticket is attached to your proxy card or you may present the Notice. If your shares are not registered in your name, your proof of share ownership can be the Notice or a photocopy of the voting instruction form that the nominee provided to you if your shares are held by a bank or brokerage firm. You can call our Investor Relations department at (614) 757-4757 if you need directions to the Annual Meeting.

Even if you expect to attend the Annual Meeting in person, we urge you to vote your shares in advance.

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PROPOSAL 1—ELECTION OF DIRECTORS

Our Board has nominated 12 directors for election at this Annual Meeting to serve until the next annual meeting and until his or her successor is duly elected and qualified. All of the nominees currently are directors of Cardinal Health. Each agreed to be named in this proxy statement and to serve if elected. If, due to death or other unexpected occurrence, one or more of the nominees is not available for election, proxies will be voted for the election of all remaining nominees and any substitute nominee(s) the Board selects.

David W. Raisbeck, a director since 2002, has decided not to stand for re-election at the Annual Meeting. The size of the Board will be reduced to 12 at that time.
Set forth below is background information regarding each individual nominated for election as a director. We believe that each of our nominees has sound judgment and integrity and is able to commit sufficient time and attention to the activities of the Board.

Colleen F. Arnold, 55, Director since 2007

- Senior Vice President, Application Management Services, IBM Global Business Services of International Business Machines Corporation, a provider of systems, financing, software, and services, since January 2010
- General Manager of GBS Strategy, Global Consulting Services and SOA Solutions, Global Industries and Global Application Services of IBM from 2007 to January 2010

Director qualifications: As an executive officer of IBM, Ms. Arnold brings to the Board valuable experience that contributes to the Board's understanding of the impact of information technology on our business. She also brings to the Board more than 30 years of relevant experience in the areas of operations, management, executive leadership, strategic planning, and international markets.

George S. Barrett, 57, Director since 2009

- Chairman of the Board and Chief Executive Officer of Cardinal Health since August 2009
- Vice Chairman of Cardinal Health and Chief Executive Officer — Healthcare Supply Chain Services from January 2008 to August 2009
- Held a number of executive positions with Teva Pharmaceuticals Industries Limited, a generic and branded pharmaceutical manufacturer, from 1999 to 2007, including President and Chief Executive Officer of Teva North America, Corporate Executive Vice President — Global Pharmaceutical Markets and a member of the Office of the Chief Executive Officer, and President of Teva Pharmaceuticals USA
- Other current public company directorship: Eaton Corporation, a diversified industrial manufacturer, since 2011

Director qualifications: Having worked for over 30 years in the pharmaceutical industry, Mr. Barrett has experience in the areas of healthcare, operations, management, regulatory compliance, finance, executive leadership, strategic planning, human resources, corporate governance, and international markets. As a result, he provides the Board with unique perspective and insights regarding our businesses, industry, challenges, and opportunities, and he communicates management’s perspective on important matters to the Board. He also brings to the Board valuable perspective and understanding from his service on Eaton’s board of directors.

Glenn A. Britt, 63, Director since 2009

- Chief Executive Officer of Time Warner Cable Inc., a cable operator, since August 2001 and Chairman of Time Warner Cable since March 2009
- 

Held other positions with Time Warner Cable and its predecessors from 1972 to 2001, including Chief Financial Officer of Time Inc. from 1988 to 1990

- Other current public company directorships:
  - Time Warner Cable since 2003
  - Xerox Corporation, a developer, manufacturer, marketer, servicer, and financier of document equipment, software, solutions, and services, since 2004

Director qualifications:  Through his current and prior leadership positions at Time Warner Cable, a publicly traded company, Mr. Britt brings to the Board relevant experience in the areas of finance, operations, management, executive leadership, strategic planning, human resources, and corporate governance. His prior experience in several finance positions provides valuable insight in the areas of financial reporting and accounting and controls. He also brings to the Board valuable perspective and understanding from his position as Chairman of Time Warner Cable's board of directors and from his service on Xerox's board of directors, including its Audit Committee and as its lead independent director.

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Carrie S. Cox, 55, Director since 2009

- Chief Executive Officer of Humacyte, Inc., a privately held, development stage company focused on regenerative medicine, since September 2010
- Executive Vice President and President, Global Pharmaceuticals, of Schering-Plough Corporation, a branded pharmaceutical manufacturer, from 2003 through November 2009
- Other current public company directorships:
  - Texas Instruments Incorporated, a developer, manufacturer, and marketer of semiconductors, since 2004
  - Celgene Corporation, a biopharmaceutical company, since 2009

Director qualifications: As a former executive officer of Schering-Plough until its acquisition in 2009 and a licensed pharmacist, Ms. Cox brings to the Board valuable experience in the pharmaceutical aspects of our business. She has worked in the pharmaceutical industry for over 30 years, giving her relevant experience in the areas of healthcare, operations, management, regulatory compliance, executive leadership, strategic planning, and international markets. She also brings to the Board valuable perspective and insights from her service on the boards of directors of Texas Instruments and Celgene, including their respective Audit Committees. She is a former member of the Harvard School of Public Health’s Health Policy and Management Executive Council, which contributes to her knowledge of and perspective on healthcare policy issues.

Calvin Darden, 62, Director since 2005

- Senior Vice President of U.S. Operations of United Parcel Service, Inc., a package delivery company and provider of specialized transportation and logistics services, from 2000 until his retirement in 2005
- Other current public company directorships:
  - Target Corporation, an operator of large-format general merchandise discount stores, since 2003
  - Coca-Cola Enterprises, Inc., a marketer, manufacturer, and distributor of nonalcoholic beverages in select international markets, since 2004

Director qualifications: A former executive officer of UPS, Mr. Darden has valuable experience in supply chain networks and logistics that contributes to the Board’s understanding of this important aspect of our business. He has over 30 years of relevant experience in the areas of operations, management, executive leadership, efficiency and quality control, strategic planning, and labor relations. He also brings to the Board valuable perspective and insights from his service on Target’s board of directors, including its Compensation Committee, and on Coca-Cola Enterprises’ board of directors, including its Human Resources and Compensation Committee.

Bruce L. Downey, 64, Director since 2009

- Partner of NewSpring Health Capital II, L.P., a venture capital firm, since March 2009
- Chairman and Chief Executive Officer of Barr Pharmaceuticals, Inc., a generic pharmaceutical manufacturer, from 1994 through December 2008
- Other current public company directorship: Momenta Pharmaceuticals, Inc., a biotechnology company, since 2009
- Prior public company directorship: Barr Pharmaceuticals, Inc. from 1993 through 2008

Director qualifications: Having spent 14 years as Chairman and Chief Executive Officer of Barr Pharmaceuticals, a publicly traded generic pharmaceutical company, until its acquisition in 2008, Mr. Downey brings to the Board relevant experience in the areas of healthcare, operations, management, regulatory compliance, finance, executive leadership, strategic planning, human resources, and corporate governance. He also offers valuable experience in the pharmaceutical aspects of our business, and perspective and insights from his position as

Chairman of Barr Pharmaceuticals' board of directors and from his service on Momenta Pharmaceuticals’ board of directors, including its Audit Committee. Before his career at Barr Pharmaceuticals, Mr. Downey was a practicing attorney for 20 years.

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John F. Finn, 64, Director since 1994 and Presiding Director since 2009

- President and Chief Executive Officer of Gardner, Inc., a supply chain management company serving industrial and consumer markets, since 1985
- Other current public company directorships:
  - J.P. Morgan Funds, a registered investment company, since 1998
  - Greif, Inc., an industrial package products and services company, since 2007

Director qualifications: As Chief Executive Officer of Gardner, Inc. for more than 25 years, Mr. Finn brings to the Board valuable experience in supply chain management that contributes to the Board's understanding of this important aspect of our business. He also brings relevant experience in the areas of operations, management, finance, executive leadership, strategic planning, and human resources. Mr. Finn has healthcare knowledge and historical perspective gained from over 18 years of service on our Board. He also brings to the Board valuable perspective and insights from his service as a trustee of the J.P. Morgan Funds and on Greif's board of directors, including their respective Audit Committees.

Clayton M. Jones, 63, Director since September 2012

- Chairman, President, and Chief Executive Officer of Rockwell Collins, Inc., an aviation electronics and communications equipment company, since 2002
- Other current public company directorship: Deere & Company, an agricultural and construction machinery manufacturer, since 2007
- Prior public company directorship: Unisys Corporation, an information technology company, from 2004 through 2010

Director qualifications: As Chairman, President, and Chief Executive Officer of Rockwell Collins, a publicly traded company, Mr. Jones brings to the Board relevant experience in highly regulated industries as well as in the areas of operations, management, finance, executive leadership, strategic planning, human resources, corporate governance, and international markets. He also brings to the Board valuable perspective and understanding from his position as Chairman of Rockwell Collins' board of directors and from his service on Deere & Company's board of directors.

Gregory B. Kenny, 59, Director since 2007

- President and Chief Executive Officer of General Cable Corporation, a manufacturer of aluminum, copper, and fiber-optic wire and cable products, since 2001
- Other current public company directorships:
  - General Cable since 1997
  - Ingredion Incorporated (formerly Corn Products International, Inc.), a corn refining and ingredient company, since 2005
- Prior public company directorship: IDEX Corporation, an applied solutions business that sells pumps, flow meters, and other fluidics systems and components, and engineered products, from 2002 to 2007

Director qualifications: As Chief Executive Officer of General Cable, a publicly traded company, Mr. Kenny brings to the Board relevant experience in the areas of operations, management, finance, executive leadership, strategic planning, human resources, corporate governance, and international markets. He also brings to the Board valuable perspective and insights from his service on General Cable's and Ingredion's boards of directors, including Ingredion's Corporate Governance and Nominating Committee, and on IDEX's board of directors, including chairing its Compensation Committee. He is a member of the board of directors of the Federal Reserve Bank of Cleveland (Cincinnati branch).

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David P. King, 56, Director since 2011

- President and Chief Executive Officer of Laboratory Corporation of America Holdings, an independent clinical laboratory company ("LabCorp"), since January 2007 and Chairman of LabCorp since May 2009
- Executive Vice President and Chief Operating Officer of LabCorp from 2005 to 2006
- Held other senior positions with LabCorp prior to 2005, including Executive Vice President, Strategic Planning and Corporate Development and Senior Vice President, General Counsel, and Chief Compliance Officer
- Other current public company directorship: LabCorp since 2009

Director qualifications: Having spent over 10 years in senior executive roles with LabCorp, including the past five years as its Chief Executive Officer, Mr. King brings to the Board valuable experience in the areas of healthcare, operations, management, regulatory compliance, finance, executive leadership, strategic planning, human resources, corporate governance, and international markets. He also brings to the Board valuable perspective and insights from his position as Chairman of LabCorp's board of directors. Before his career at LabCorp, Mr. King was a practicing attorney for 17 years, having worked in both private practice and with the U.S. Department of Justice.

Richard C. Notebaert, 65, Director since 1999

- Chairman and Chief Executive Officer of Qwest Communications International Inc., a telecommunications systems company, from 2002 until his retirement in 2007
- Other current public company directorships:
  - Aon plc, a provider of risk management services, insurance, and reinsurance brokerage, and human capital consulting, since 1998
  - American Electric Power Company, Inc., a public utility holding company, since April 2011

Director qualifications: Having spent more than 11 years as Chairman and Chief Executive Officer of publicly traded companies Qwest and Ameritech Corporation, Mr. Notebaert brings to the Board relevant experience in the areas of operations, management, finance, executive leadership, strategic planning, human resources, corporate governance, and international markets. He has healthcare knowledge and historical perspective gained from 13 years of service on our Board, including formerly serving as our Presiding Director. Mr. Notebaert also brings to the Board valuable perspective and insights from his position as Chairman of the boards of directors of Qwest and Ameritech and from his service on Aon's board of directors, including chairing its Organization and Compensation Committee and serving on its Governance/Nominating Committee, and on American Electric Power's board of directors, including serving on its Human Resources Committee.

Jean G. Spaulding, M.D., 65, Director since 2002

- Private medical practice in psychiatry since 1977
- Consultant, Duke University Health System since 2002
- Associate Clinical Professorship at Duke University Medical Center since 1998
- Trustee, The Duke Endowment, a charitable trust, since 2002

Director qualifications: With more than 30 years of experience as a practicing psychiatrist, Dr. Spaulding brings to the Board valuable experience in healthcare and healthcare delivery systems. She has historical perspective gained from over 10 years of service on our Board. Dr. Spaulding's service as Vice Chancellor of Health Affairs with Duke University Health System, a large and highly respected healthcare system, and her years of teaching at Duke University Medical Center contribute to her knowledge of and perspectives on healthcare issues.

The Board recommends that you vote FOR the election of these nominees.

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## PROPOSAL 2—RATIFICATION OF THE APPOINTMENT OF OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors has appointed Ernst & Young LLP as our independent registered public accounting firm for fiscal 2013. While not required by law, we are asking our shareholders to ratify this appointment at the Annual Meeting as a matter of good corporate governance. If shareholders do not ratify this appointment, the Audit Committee will consider whether it is appropriate to appoint another registered public accounting firm. Even if the appointment is ratified, the Audit Committee in its discretion may appoint a different registered public accounting firm at any time during the fiscal year if it determines that such a change would be in the best interest of us and our shareholders. Our Audit Committee approved, and our shareholders ratified, the appointment of Ernst & Young as our independent registered public accounting firm for fiscal 2012.

We expect representatives of Ernst & Young to be present at the Annual Meeting. They will have an opportunity to make a statement if they desire to do so, and to respond to appropriate questions from shareholders.

The Board recommends that you vote FOR the proposal to ratify the appointment of Ernst & Young as our independent registered public accounting firm for fiscal 2013.

## PROPOSAL 3—ADVISORY VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

In accordance with Section 14A of the Securities Exchange Act of 1934 (the "Exchange Act"), we are asking our shareholders to approve, on a non-binding advisory basis, the compensation of our named executives, as disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table, and the related compensation tables, notes, and narrative in this proxy statement for the Annual Meeting.

We urge shareholders to read the Compensation Discussion and Analysis beginning on page 17 of this proxy statement, which describes in more detail how our executive compensation program operates and is designed to achieve our compensation objectives, as well as the Summary Compensation Table and related compensation tables, notes, and narrative appearing on pages 25 through 38, which provide detailed information on the compensation of our named executives. The Human Resources and Compensation Committee (the "Compensation Committee") and the Board believe that the executive compensation program articulated in the Compensation Discussion and Analysis is effective in achieving our goals and that the compensation of our named executives reported in this proxy statement has supported and contributed to our success.

Although this advisory vote is not binding on the Board, the Board and the Compensation Committee will review and consider the voting results when evaluating our executive compensation program.

The Board has adopted a policy providing for annual say-on-pay advisory votes. Unless the Board modifies this policy, the next say-on-pay advisory vote will be held at our 2013 Annual Meeting.

The Board recommends that you vote FOR the approval, on a non-binding advisory basis, of the compensation of our named executive officers, as disclosed in the Compensation Discussion and Analysis, the Summary Compensation Table, and the related compensation tables, notes, and narrative in this proxy statement.

## PROPOSAL 4—SHAREHOLDER PROPOSAL: EXECUTIVES TO RETAIN SIGNIFICANT STOCK

We received notice that a shareholder intends to present the following proposal at the Annual Meeting. The proposed resolution and its supporting statement, for which neither we nor the Board accepts responsibility, are set forth below.

Kenneth Steiner, 14 Stoner Ave., 2M, Great Neck, New York 11021, a shareholder owning at least 500 of our common shares as of April 12, 2012, submitted this proposal.

The shareholder proposal and supporting statement read as follows:

4-Executives to Retain Significant Stock

RESOLVED, Shareholders urge that our executive pay committee adopt a policy requiring that senior executives retain a significant percentage of stock acquired through equity pay programs until reaching normal retirement age and to report to shareholders regarding this policy before our next annual shareholder meeting.

Shareholders recommend that a percentage of at least 33% of net after-tax stock be required. This policy shall apply to future grants and awards of equity pay and should address the permissibility of transactions such as hedging transactions which are not sales but reduce the risk of loss to executives. This proposal asks for a retention policy starting as soon as possible.

Requiring senior executives to hold a significant portion of stock obtained through executive pay plans would focus our executives on our company's long-term success. A Conference Board Task Force report on executive pay stated that hold-to-retirement requirements give executives “an

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ever-growing incentive to focus on long-term stock price performance."
This proposal should also be evaluated in the context of our Company's overall corporate governance as reported in 2012:
The Corporate Library, an independent investment research firm rated our company "High Concern" in Executive Pay. Our CEO George Barrett received a mega-grant of 685,000 market-priced stock options and 81,000 restricted stock units worth $7 million. This pay had no performance-vesting conditions and simply vests over time. Mr. Barrett also realized $3 million from the vesting of 94,000 stock awards. Equity pay given as a long-term incentive is only effective if it includes performance-vesting conditions. Furthermore, our CEO was entitled to a potential $30 million payment under a change in control. Thus executive pay practices were not sufficiently aligned with shareholder interests.
David Raisbeck was designated a "flagged (problem) director" by The Corporate Library due to his board responsibilities at Armstrong Holdings which filed for bankruptcy. In spite of this, Mr. Raisbeck was given added responsibilities and assigned to our executive pay committee and our nomination committee. John Finn had 18-years long-tenure as director which was an independence concern - yet was assigned to our audit committee as chairman no less and our nomination committee. Mr. Finn was also our Lead Director, a position which demands above average independence in order to be effective.
Please encourage our board to respond positively to this proposal to initiate improved corporate governance to make our company more competitive:
Executives To Retain Significant Stock - Yes on 4
The Board of Directors' Statement in Opposition to Proposal 4
Your Board recommends a vote AGAINST Proposal 4 because we already require our executives to hold a significant amount of company shares. Among other policies, we ensure that the interests of our executives are aligned with those of our shareholders through:

- share ownership requirements;
- a requirement that executives hold for one year 100% of the net after-tax shares that they acquire through stock option exercises and RSU vestings; and
- our policies prohibiting executives from hedging our securities or pledging them as collateral for a loan.

We have benchmarked our share ownership requirements and believe that they are consistent with our compensation comparator group and public companies generally. We believe that our policies in certain respects are more rigorous than most companies of our

size, which do not maintain a one-year holding period requirement like we do. Furthermore, no company in our comparator group has a policy, as requested by the Proposal, that requires executives to hold equity compensation until retirement age.
The Board believes that our current share ownership guidelines appropriately balance the importance of aligning executives' and shareholders' interests against the need to maintain competitive compensation policies that attract and retain executive talent in a competitive market. Specifically, our share ownership guidelines require the Chief Executive Officer to own shares equal in value to five times his or her base salary, the Chief Financial Officer and Segment Chief Executive Officers to own shares equal in value to four times their base salaries, and the other executive officers to own shares equal in value to three times their base salaries, all with an appropriate transition period. At June 30, 2012, all of our executive officers were in compliance with the share ownership guidelines.
In addition, we impose a holding period requirement that applies to executive stock option and RSU awards. In the case of stock options, an executive officer must hold 100% of his or her net after-tax common shares until the earlier of the first anniversary of the stock option exercise or termination of employment. In the case of RSUs, an executive officer must hold 100% of the after-tax common shares he or she receives until the earlier of the first anniversary of vesting or termination of employment.
Additionally, we already prohibit executives from engaging in short sales, publicly traded options, puts and calls, forward sale contracts, and other swap, hedging, and derivative transactions relating to our securities. We also prohibit our executives from holding our securities in margin accounts or pledging our securities as collateral for a loan.

In summary, the Board believes that the policy requested by the Proposal is unnecessary because we currently have appropriate and robust policies in this area. The Board believes that these existing policies already accomplish the objective of the Proposal of aligning executives' long-term interests with those of shareholders.
The Board recommends a vote AGAINST the adoption of this shareholder proposal.

## BOARD OF DIRECTORS AND COMMITTEES OF THE BOARD

### Board of Directors

Our Board of Directors currently consists of 13 members. The Board was increased from 12 members to 13 members when Mr. Jones joined the Board in September 2012 and will be decreased to 12 members again when Mr. Raisbeck completes his term at the Annual Meeting. The Board held seven meetings during fiscal 2012. Each director attended 75% or more of the meetings of the Board

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and Board committees on which he or she served during fiscal 2012. Eleven of our directors at the time of the 2011 Annual Meeting of Shareholders attended the meeting. Absent unusual circumstances, each director is expected to attend the Annual Meeting.

Committees of the Board of Directors

The Board has established four committees: the Audit Committee, the Nominating and Governance Committee, the Human Resources and Compensation Committee, and the Executive Committee. The charter for each committee is available on our website, at www.cardinalhealth.com, under “Investors — Corporate Governance.” This information also is available in print (free of charge) to any shareholder who requests it from our Investor Relations department.

During fiscal 2012, each member of the Audit, Nominating and Governance, and Compensation Committees was determined by the Board to be independent as defined by the rules of the New York Stock Exchange ("NYSE") and in accordance with our Corporate Governance Guidelines. The table below identifies the current committee members.

| Name | Audit | Nominating and Governance | Human Resources and Compensation | Executive |
|---|---|---|---|---|
| Colleen F. Arnold | | X | | |
| George S. Barrett | | | | Chair |
| Glenn A. Britt | Chair | | | X |
| Carrie S. Cox | X | | | |
| Calvin Darden | | | X | |
| Bruce L. Downey | X | | | |
| John F. Finn (Presiding Director) | X | X | | X |
| Clayton M. Jones (1) | | | | |
| Gregory B. Kenny | | X | Chair | X |
| David P. King (2) | X | | | |
| Richard C. Notebaert | | X | X | X |
| David W. Raisbeck (3) | | Chair | X | X |
| Jean G. Spaulding, M.D. | | | X | |
| Fiscal 2012 Meetings | 7 | 5 | 7 | 1 |

(1) The Board has not yet appointed Mr. Jones, who joined the Board in September 2012, to a committee.
(2) The Board appointed Mr. King to serve on the Audit Committee effective November 2, 2011.
(3) Mr. Raisbeck has decided not to stand for re-election at the Annual Meeting and his term will expire at that time.

The Audit Committee. The Audit Committee’s primary duties are to assist the Board in monitoring:

- the integrity of our financial statements;
- the independent auditor’s qualifications, independence, and performance;
- the ethics and compliance program and our compliance with legal and regulatory requirements;
- our process for assessing and managing risk; and
- the performance of our internal audit function.

The Audit Committee reviews quarterly and annual financial statements before they are filed or announced. It also reviews matters such as the significant financial reporting issues and judgments made in connection with the preparation of our financial statements, including any significant changes in our selection or application of accounting principles; the effect of regulatory and accounting initiatives; and the adequacy and effectiveness of our internal controls and disclosure controls and procedures.

The Audit Committee obtains reports from our Chief Legal and Compliance Officer regarding our ethics and compliance program, including compliance by Cardinal Health and its subsidiaries and foreign affiliates with applicable legal requirements and the Standards of Business Conduct described below. The Audit Committee discusses with management our major financial risk exposures and the steps management has taken to monitor and control such exposures, including our financial risk assessment and financial risk management policies.

The Audit Committee pre-approves all services provided by the independent auditor and appoints, compensates, and oversees the independent auditor, including resolution of any disagreements with management regarding financial reporting. The Audit Committee also reviews our internal audit plan and the functions and structure of our internal audit department.

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The Board has determined that each of Messrs. Britt, Downey, Finn, and King is an "audit committee financial expert" for purposes of the SEC rules and is independent, as independence for audit committee members is defined by the NYSE.

The Nominating and Governance Committee. The Nominating and Governance Committee's primary duties are to:

- identify and recommend to the Board individuals qualified to become Board members (consistent with criteria approved by the Board);
- review our Corporate Governance Guidelines;
- perform a leadership role in shaping and overseeing our corporate governance practices;
- conduct the annual evaluation of the Board's effectiveness and performance; and
- oversee our policies and practices regarding political expenditures.

The Nominating and Governance Committee considers and recommends criteria to the Board for identifying and evaluating potential Board candidates; reviews and considers any Board candidates recommended by shareholders; assesses the qualifications, attributes, skills, contributions, and independence of individual incumbent directors; recommends to the Board changes in the structure, composition, and function of the Board's committees; and considers and makes recommendations to the Board regarding any resignations tendered by a director.

Human Resources and Compensation Committee. The Compensation Committee's primary duties are to:

- develop an executive compensation program to support overall business strategies and objectives, attract and retain key executives, and link compensation with business objectives and organizational performance;
- approve compensation for the Chief Executive Officer, including relevant performance goals and objectives, and evaluate his performance;
- approve compensation for our other executive officers and oversee their evaluations;
- make recommendations to the Board with respect to the adoption of equity-based compensation plans and incentive compensation plans;
- review the outside directors' compensation program for competitiveness and plan design, and recommend changes to the Board;
- oversee workplace diversity initiatives and progress;
- consult with management on major policies affecting employee relations;
- oversee and assess the appropriateness of any material risks related to compensation arrangements; and
- recommend to the Board the frequency of the advisory vote on executive compensation.

The Compensation Discussion and Analysis, which begins on page 17, discusses how the Compensation Committee makes compensation-related decisions regarding our executive officers. The Compensation Committee acts as the administrator of our equity and non-equity incentive plans covering executive officers and other senior management. Generally, the Compensation Committee may delegate to our officers authority to administer the plans, including selecting participants and determining award levels within plan parameters, but may not delegate any such responsibility with respect to our officers subject to Section 16 of the Exchange Act.

The Executive Committee. The Board also has established the Executive Committee, comprised of the Chairman and Chief Executive Officer, the chairpersons of each of the Audit, Nominating and Governance, and Compensation Committees, the Presiding Director, and Mr. Notebaert. The Executive Committee acts from time to time on behalf of the Board when specific authority is delegated to it by the Board or to consider or act upon a matter promptly.

## CORPORATE GOVERNANCE

### Shareholder Recommendations for Director Nominees

The Nominating and Governance Committee will consider candidates recommended by shareholders for election as director. Shareholder recommendations will be evaluated against the same criteria used to evaluate other nominees, which criteria are discussed below under "Director Qualification Standards and Performance Assessment." Shareholders who wish to recommend a candidate may do so by writing to the Nominating and Governance Committee in care of the Office of the Corporate Secretary, Cardinal Health, Inc., 7000 Cardinal Place, Dublin, Ohio 43017. To be considered by the committee for consideration at the 2013 annual meeting of shareholders, a shareholder recommendation must be received no later than May 17, 2013, and must contain the following information:

- the name and address of the nominating shareholder;
- the name and address of the person recommended for nomination;
- a representation that the shareholder is a holder of our common shares entitled to vote at the meeting;

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- a statement in support of the shareholder's recommendation, including a description of the candidate's qualifications;
- information regarding the candidate as would be required to be included in a proxy statement filed in accordance with SEC rules; and
- the candidate's written, signed consent to serve if elected.

Shareholders who wish to nominate directors directly for election at an annual meeting of shareholders in accordance with the procedures in our Code of Regulations should follow the instructions under "Shareholder Proposals for Inclusion in Next Year's Proxy Statement" on page 41.

Communicating with the Board

Shareholders and other interested parties may communicate with the Board, any committee of the Board, any individual director, or the independent directors as a group, by writing to the Office of the Corporate Secretary, Cardinal Health, Inc., 7000 Cardinal Place, Dublin, Ohio 43017, or sending an e-mail to bod@cardinalhealth.com. Communications from shareholders will be distributed to the entire Board unless addressed to a particular committee or director. The Corporate Secretary will not distribute communications that are unrelated to the duties of the Board, such as spam, junk mail, mass mailings, business solicitations, and advertisements.

Corporate Governance Guidelines

You can find the full text of our Corporate Governance Guidelines on our website, at www.cardinalhealth.com, under "Investors — Corporate Governance." This information also is available in print (free of charge) to any shareholder who requests it from our Investor Relations department.

Director Independence

The Board has established standards to assist it in determining director independence. These standards can be found within our Corporate Governance Guidelines on our website, at www.cardinalhealth.com, under "Investors — Corporate Governance." They address, among other things, employment and compensation relationships, relationships with our auditors, and customer and business relationships.

The Board assesses at least annually the independence of directors and, based on the recommendation of the Nominating and Governance Committee, determines which members are independent. The Board has determined that each of Messrs. Britt, Darden, Downey, Finn, Jones, Kenny, King, Notebaert, and Raisbeck, Mmes. Arnold and Cox, and Dr. Spaulding is independent under the listing standards of the NYSE and our Corporate Governance Guidelines.

In determining that Ms. Arnold, an executive officer of IBM, is independent, the Nominating and Governance Committee and the

Board considered our relationship with IBM, from which we purchase equipment and services in the ordinary course of business. IBM is the major service provider on a business transformation project for our Medical segment, which includes several important information technology systems. Most of this project was implemented in fiscal 2012. Our aggregate payments to IBM were substantially less than 1% of IBM's consolidated gross revenues for each of 2012, 2011, and 2010.

Director Qualification Standards and Performance Assessment

The Nominating and Governance Committee reviews with the Board the appropriate skills and characteristics required of Board members and develops criteria for identifying and evaluating qualified Board candidates. These criteria, as described in our Corporate Governance Guidelines, include business experience, qualifications, attributes, and skills; independence; judgment; integrity; ability to commit sufficient time and attention to the activities of the Board; and the absence of potential conflicts with our interests.

The Nominating and Governance Committee considers the foregoing criteria when assessing the operation and goals of the Board as a whole and seeks to achieve diversity of occupational and personal backgrounds on the Board, including race and gender diversity. The Nominating and Governance Committee assesses the effectiveness of this process by gathering data and discussing the diversity of the Board in the annual self-assessments of the Nominating and Governance Committee and the Board.

If the Nominating and Governance Committee believes that a potential candidate may be appropriate for the Board, the committee takes time to learn more about the candidate and gives the candidate an opportunity to learn more about Cardinal Health, the Board, and its governance practices. Ultimately, the Board is responsible for selecting candidates for election as directors based on the recommendation of the Nominating and Governance Committee.

The Nominating and Governance Committee had engaged a search firm to assist with identifying and evaluating potential Board candidates during fiscal 2012. This search firm identified Mr. Jones as a potential candidate for consideration by the Nominating and Governance Committee.

The Nominating and Governance Committee assesses Board performance by conducting an annual evaluation of the Board, the results of which are discussed with the full Board. Each of the Audit, Nominating and Governance, and Compensation Committees conducts an annual self-assessment. In addition, the Nominating and Governance Committee conducts an individual evaluation of each director. The Presiding Director shares the results of his or her evaluation with each director.

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## Board Leadership Structure

Under our Corporate Governance Guidelines, the Board is responsible for selecting the Chairman of the Board and the Chief Executive Officer. The Board currently combines these roles. The independent directors annually elect an independent director to serve as Presiding Director.

The Board periodically reviews and assesses its leadership structure to ensure it is appropriate for the circumstances. The Board believes that a number of factors support the current leadership structure. By serving as both the Chairman and Chief Executive Officer, Mr. Barrett has been able to draw on his knowledge of our daily operations, his knowledge of the healthcare industry and the competitive developments within it, and his knowledge of our relationships with our customers, vendors, employees, shareholders, and other business partners to provide our Board with leadership in setting its agenda and focusing its discussions. In addition, this structure fosters clear accountability, effective decision making, and alignment between the Board and management. It also allows a single person to speak on behalf of the Board and the company to our customers, vendors, employees, shareholders, and regulators. After considering these factors and Mr. Barrett's strong and effective leadership of the Board, the Board approved a new three-year employment agreement for him to continue to serve in the combined role of Chairman and Chief Executive Officer.

The Board believes that it maintains independence in its operation and in its oversight of management by appointing an independent Presiding Director, by convening regular executive sessions of independent directors, and by its key committees and all of its directors (other than Mr. Barrett) being independent. The Presiding Director's role is to:

- preside at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- have the authority to call additional executive sessions of the independent directors;
- serve as a liaison between the Chairman and the independent directors;
- approve the information sent to the Board and the agenda and schedule for Board meetings; and
- make himself available, as deemed appropriate by the Board, to consult and communicate directly with major shareholders.

Mr. Finn, the Presiding Director since 2009, is actively engaged in the role. He chairs executive sessions of the independent directors, which were held at each of the five in-person Board meetings during fiscal 2012. He meets frequently with Mr. Barrett and works closely with him in developing Board agendas, topics, and schedules. He is a member of the Nominating and Governance Committee and participates in the the annual evaluation of the Board and the individual evaluations of each director. He meets with each Board member to discuss the results of his or her individual evaluation. He participates in the Compensation Committee discussions relating to the annual performance evaluation of, and compensation decisions regarding, Mr. Barrett. Finally, during fiscal 2012, Mr. Finn attended a major healthcare investor conference with management.

## Risk Oversight

The Board’s role in risk oversight. The Board is responsible for overseeing our policies and procedures for assessing and managing risk. Management is responsible for assessing and managing our exposures to risk on a day-to-day basis, including the creation of appropriate risk management policies and procedures. Management also is responsible for informing the Board of our most significant risks and our plans for managing those risks.

To assist the Board and management in exercising their respective responsibilities, we have developed an enterprise risk management ("ERM") program that our Chief Legal and Compliance Officer oversees. Under the ERM program, management identifies and prioritizes enterprise risks and develops systems to assess, monitor, and mitigate those risks. Senior management reviews and discusses with the Board significant risks identified through the ERM program. The Audit Committee assists the Board by monitoring our process for identifying, assessing, and managing risk and major financial and other significant risk exposures.

Risk assessment in compensation programs. Management, under the Compensation Committee’s oversight and with assistance from the Compensation Committee’s compensation consultant, has assessed our compensation programs and concluded that our compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on Cardinal Health. This risk assessment process included reviewing the design and operation of our compensation programs, identifying and evaluating situations or compensation elements that could raise more significant risks, and evaluating other controls and processes designed to identify and manage risk. The risk assessment was presented to and discussed with the Compensation Committee.

Policies on Business Ethics

We maintain written Standards of Business Conduct that outline our corporate values and standards of integrity and behavior and are designed to protect and promote the reputation of our company. The full text of the Standards of Business Conduct is posted on our website, at www.cardinalhealth.com, under “Investors — Corporate Governance: Ethics and Compliance.” This information also is available in print (free of charge) to any shareholder who requests it from our Investor Relations department.

Our Chief Legal and Compliance Officer has responsibility for our ethics and compliance functions and authority to implement and maintain an effective ethics and compliance program. He also has responsibility to provide reports reviewing our ethics and compliance program on a quarterly basis to the Audit Committee and at least annually to the Board. He reports to the Chair of the

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Audit Committee and to the Chief Executive Officer and meets in separate executive sessions regularly with the Audit Committee.

Resignation Policy for Incumbent Directors Not Receiving Majority Votes

Our Corporate Governance Guidelines require any incumbent director who is not re-elected by shareholders in an uncontested election to promptly tender a resignation to the Chairman. Within 90 days following the certification of the shareholder vote, the Nominating and Governance Committee will recommend to the Board whether to accept the resignation. Thereafter, the Board will promptly act and publicly disclose its decision and the rationale behind the decision.

Management Succession Planning

The Board is actively engaged and involved in talent management. The Compensation Committee oversees the process for succession planning for the Chief Executive Officer and senior executives. The Board is responsible for the actual succession planning for the position of Chief Executive Officer and reviews succession planning for other senior management positions. The Board had two formal succession planning and talent review discussions during fiscal 2012 in addition to other informal discussions. The Compensation Committee also receives quarterly organizational updates.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Related Party Transactions Policy

The Board follows a written policy that the Audit Committee must approve or ratify any transaction exceeding $120,000 in which we are a participant and any related party has a direct or indirect material interest. Related parties include our directors, nominees for election as a director, persons controlling over 5% of our common shares, executive officers, and the immediate family members of each of these individuals.

Once a transaction is identified as requiring approval, the Audit Committee will review all of the relevant facts and circumstances and determine whether to approve the transaction. The Audit Committee will take into account such factors as it considers appropriate, including the material terms of the transaction, the nature of the related party’s interest in the transaction, the significance of the transaction to the related party and us, the nature of the related party’s relationship with us, and whether the transaction would be likely to impair the judgment of a director or executive officer to act in our best interest.

If advance approval of a transaction is not feasible, the Audit Committee will consider the transaction for ratification at its next regularly scheduled meeting. The Audit Committee Chairman may

pre-approve or ratify any related party transactions in which the aggregate amount is expected to be less than $1 million.

Related Party Transactions

Since July 1, 2011, there have been no transactions, and there are no currently proposed transactions, involving an amount exceeding $120,000 in which we were or are to be a participant and in which any related person had or will have a direct or indirect material interest.

AUDIT COMMITTEE REPORT

The Audit Committee has reviewed and discussed the audited financial statements for fiscal 2012 with management and with Ernst & Young, our independent accountants. The Audit Committee also has discussed with Ernst & Young the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Audit Committee received from Ernst & Young the written disclosures and the letter required by applicable requirements of the Public Company Accounting Oversight Board regarding Ernst & Young’s communications with the Audit Committee concerning independence, and has discussed with Ernst & Young its independence from Cardinal Health. The Audit

Committee also has considered whether Ernst & Young could provide non-audit services to Cardinal Health and remain independent.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements for fiscal 2012 be included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, filed with the SEC.

Submitted by the Audit Committee of the Board of Directors.

Glenn A. Britt, Chairman
Carrie S. Cox
Bruce L. Downey
John F. Finn
David P. King

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## INDEPENDENT ACCOUNTANTS

### Fees Paid to Independent Accountants

The table below sets forth the fees billed to us by Ernst & Young for services in fiscal 2012 and 2011.

| | Fiscal Year Ended June 30, 2012 ($) | Fiscal Year Ended June 30, 2011 ($) |
|---|---|---|
| Audit fees (1) | 5,333,180 | 5,414,207 |
| Audit-related fees (2) | 1,640,355 | 1,879,426 |
| Tax fees (3) | 1,821,705 | 1,799,463 |
| All other fees | — | — |
| Total fees | 8,795,240 | 9,093,096 |

(1) Audit fees include fees paid to Ernst & Young related to the annual audit of our consolidated financial statements, the annual audit of the effectiveness of our internal control over financial reporting, the review of financial statements included in our Quarterly Reports on Form 10-Q, and statutory audits of various international subsidiaries. Audit fees also include fees for services performed by Ernst & Young that are closely related to the audit and in many cases could only be provided by our independent accountant, such as comfort letters and consents related to SEC registration statements.

(2) Audit-related fees include fees for services related to acquisitions and divestitures of certain businesses, audit-related research and assistance, internal control reviews, service auditor’s examination reports, and employee benefit plan audits.

(3) Tax fees include fees for tax compliance and other tax-related services. The aggregate fees billed to us by Ernst & Young for tax compliance and other tax-related services for fiscal 2012 were $295,648 and $1,526,057, respectively, and for fiscal 2011 were $331,135 and $1,468,328, respectively.

### Audit Committee Audit and Non-Audit Services Pre-Approval Policy

The Audit Committee must pre-approve the audit and permissible non-audit services performed by our independent accountants in order to ensure that the accountants remain independent from Cardinal Health. The Audit Committee has adopted a policy governing this pre-approval process.

Under the policy, the Audit Committee annually pre-approves certain services within established dollar thresholds. If a proposed service is not included in the annual pre-approval, the Audit Committee must separately pre-approve the service before the engagement begins.

The Audit Committee has delegated pre-approval authority to the Chairman of the Audit Committee for proposed services up to $500,000. Proposed services exceeding $500,000 require full Audit Committee approval.

All audit and non-audit services provided for us by Ernst & Young for fiscal 2012 and 2011 were pre-approved by the Audit Committee.

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## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The table below sets forth certain information regarding the beneficial ownership of our common shares and the percentage of our common shares outstanding represented by such ownership by:

- each person known by us to own beneficially more than 5% of our outstanding common shares;
- our directors;
- our Chairman and Chief Executive Officer and the other current and former executive officers named in the Summary Compensation Table; and
- our current executive officers and directors as a group.

A person has beneficial ownership of shares if the person has voting or investment power over the shares or the right to acquire such power in 60 days. Investment power means the power to direct the sale or other disposition of the shares. Except as otherwise described in the notes below, all information is as of September 6, 2012, and the listed beneficial owners have sole voting and investment power.

| Name of Beneficial Owner | Common Shares Number Beneficially Owned | Percent of Class | Additional Restricted Share Units (12) |
|---|---|---|---|
| Capital World Investors (1) | 35,991,424 | 10.4 | — |
| Wellington Management Company, LLP (2) | 35,005,469 | 10.1 | — |
| BlackRock, Inc. (3) | 25,088,419 | 7.3 | — |
| Colleen F. Arnold (4)(6) | 19,276 | * | 13,551 |
| George S. Barrett (5) | 2,172,504 | * | 139,341 |
| Glenn A. Britt (4)(6) | 18,001 | * | 12,296 |
| Donald M. Casey Jr. | — | * | 29,905 |
| Carrie S. Cox | — | * | 10,288 |
| Calvin Darden (4)(6) | 30,417 | * | 13,590 |
| Bruce L. Downey (4) | 10,652 | * | 12,369 |
| John F. Finn (4)(6)(7) | 77,048 | * | 15,299 |
| Jeffrey W. Henderson (5) | 910,743 | | |