

**HILLENBRAND, INC.**  
**(THE “COMPANY”)**

**CORPORATE GOVERNANCE STANDARDS**  
**FOR**  
**THE BOARD OF DIRECTORS**

(As approved by the Board of Directors on December 7, 2011)

The Board of Directors of the Company (the “Board”) has as its central guiding principle to act in the best long-term interests of the shareholders of the Company in all that it does.

The following Corporate Governance Standards established by the Board provide a structure within which directors and management can effectively pursue the Company’s objectives for the benefit of its shareholders and other constituencies. The Board will review at least annually the practices incorporated into these Corporate Governance Standards and will determine if they should be updated by evaluating them in light of the standards identified by leading governance authorities and the evolving needs of the Company. These Corporate Governance Standards shall be published on the Company’s website.

**I. ROLE OF THE BOARD**

1.1 **Direction.** The Company’s business is managed under the direction of the Board. The Board will consider all major decisions of the Company. While the Board may delegate to its standing and ad hoc Committees certain matters requiring greater depth of analysis, the Board strives to operate where permissible as a “committee of the whole,” with each director participating in each major decision. Central to the Board’s direction of Company business is the principle that the Board and its members should think and act like owners, and the Board’s goals, structure, operating approach, evaluations and compensation are aligned with this principle.

1.2 **Strategy.** Every year the Board will engage management in a discussion of the Company’s strategic direction and, based on that discussion, set the Company’s strategic direction and review and approve a three-year strategic framework and a one-year business plan.

1.3 **Company Performance.** On an ongoing basis during each year, the Board will monitor the Company’s performance against its annual business plan and against the performance of its peers.

1.4 **Ethics.** The Board is responsible for the enactment and approval of changes in the Company’s Code of Ethical Business Conduct (“Ethics Policy”). The Board’s Audit Committee has responsibility for the oversight of the implementation and administration of the Ethics Policy, the review and assessment at least annually of the effectiveness of the Ethics Policy, and the recommendation to the Board of suggested changes in the Ethics Policy.

1.5 **Risk Oversight.** The Board as a whole is responsible for overseeing the Company’s exposures to risk. As a part of this responsibility, the Board shall satisfy itself 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 throughout the organization exists in an appropriate manner.

1.6 **Delegation; Evaluation of Management.** The conduct of the Company's business has been delegated by the Board to the Company's Chief Executive Officer ("CEO") and the senior management team. The Board will evaluate the performance of the Company's CEO and certain other members of senior management at least annually in meetings of independent directors that are not attended by the CEO. Such evaluations shall be in addition to evaluations to be performed by the Board's Compensation and Management Development Committee.

1.7 **Access.** Directors shall have complete access to the Company's management. It is assumed that directors will exercise reasonable judgment to assure that contact of this sort is not distracting to the business operations of the Company. As a courtesy, directors should inform the CEO of any such contact other than routine communications<sup>1</sup>. Further, the Board encourages the CEO to bring managers into Board meetings from time to time who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent potential members of future senior management that the CEO believes should be given exposure to the Board.

1.8 **Succession Planning.** Succession planning and management development will be reviewed annually by the CEO with the Board. The Board will review at least annually its succession plan for the Company's CEO.

## II. STRUCTURE OF THE BOARD

2.1 **Criteria.** Each member of the Board will meet the criteria for selection and discharge the responsibilities set forth in the Position Specifications<sup>2</sup> for a director of the Company.

2.2 **Independence.** At all times, at least a majority of the directors of the Company shall be independent, as determined pursuant to paragraph 2.7 below.

2.3 **Age.** No more than half the members of the Board may be over seventy years of age.

2.4 **Chairperson.** The CEO shall not also hold the position of Chairperson of the Board.

2.5 **Competencies.** While the Company does not have a formal policy regarding diversity, the Board believes that diversity in the broadest sense is good business, and it seeks talented people with diverse backgrounds, skills and perspectives who can work together to lead the Company to long-term success.

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<sup>1</sup> Routine communications would include, for example, communications between a Committee Chairperson and the management executive charged with coordinating the work of the particular Committee.

<sup>2</sup> See Position Specifications for Member of Board of Directors of Hillenbrand, Inc.

2.6 **Size.** The Board will consider from time to time its optimum size and will increase or decrease from time to time, as appropriate, the number of its members.

2.7 **Determination of Independence.** After receiving a recommendation from the Board's Nominating/Corporate Governance Committee (the "NCG Committee"), the Board must determine annually, based on a consideration of all relevant facts and circumstances, whether each director is independent.

(a) A director does not qualify as independent unless the Board has affirmatively determined that the director has no material relationship with the Company<sup>3</sup> (either directly or as a partner, shareholder or officer of an organization that has a material relationship with the Company). In making this determination, the Board shall consider the issue of materiality not only from the standpoint of the director, but also from that of the persons or organizations with which the director has an affiliation. The Board shall also consider whether the relationship represents a potential conflict of interest or otherwise interferes with the director's exercise of his or her independent judgment from management and the Company. Material relationships can include, among others, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. The basis for the Board's determination that a relationship is not material shall be disclosed in the Company's annual proxy statement.

(b) In assessing a director's independence, the Board shall also consider the director's ownership, or affiliation with the owner, of less than a controlling amount of voting securities of the Company.

(c) Further, the Board cannot conclude that a director is independent if:

- The director is, or has been within the last three years, an employee of the Company, or has an immediate family member<sup>4</sup> who is, or has been within the last three years, an executive officer of the Company. Employment as an interim Chairperson, interim CEO, or interim executive officer shall not disqualify a director from being considered independent following that employment.
- The director has received, or has an immediate family member who has received, during any twelve-month period within the last three years, more than \$120,000 in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service). Compensation received by a director for former service as

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<sup>3</sup> For purposes of this paragraph 2.7, all references to the Company include the Company's subsidiaries.

<sup>4</sup> As used in these Corporate Governance Standards, "immediate family member" includes a person's spouse, parents, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, brothers and sisters-in-law and anyone (other than domestic employees) who shares such person's home. When applying the three-year look-back provisions described in this paragraph 2.7, the Board need not consider individuals who are no longer immediate family members of the director as a result of legal separation or divorce or those who have died or become incapacitated.

an interim Chairperson, interim CEO, or interim executive officer need not be considered in determining independence under this test. Compensation received by an immediate family member for service as an employee of the Company (other than an executive officer) need not be considered in determining independence under this test.

- (i) The director or an immediate family member of the director is a current partner of a firm that is the Company's internal or external auditor; (ii) the director is a current employee of such a firm; (iii) the director has an immediate family member who is a current employee of such a firm and who personally works on the Company's audit; or (iv) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on the Company's audit within that time.
- The director or an immediate family member of the director is, or has been within the last three years, employed as an executive officer of another company where any of the Company's present executives at the same time serves or served on that other company's compensation committee.
- The director is a current employee, or an immediate family member of the director is a current executive officer, of a company that has made payments to, or received payments from, the Company for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company's consolidated gross revenues. The look-back provision for this test applies solely to the financial relationship between the Company and the director's or immediate family member's current employer; the Board need not consider former employment of the director or immediate family member. Contributions to tax exempt organizations shall not be considered "payments" for purposes of this provision, but the Company shall disclose in its annual proxy statement any such contributions made by the Company to any tax exempt organization in which any independent director serves as an executive officer if, within the preceding three years, contributions in any single fiscal year exceeded the greater of \$1 million, or 2% of such tax exempt organization's consolidated gross revenues. In addition, the Board must consider the materiality of any such relationship in making its determination of independence.
- The director owns, or is affiliated with the owner of, a controlling amount of voting stock of the Company.

(d) The disqualification of one director from being independent pursuant to these provisions shall not automatically disqualify any other director on the Board who is an immediate family member of such disqualified director, but the disqualification of an

immediate family member of a director shall be one of the facts and circumstances considered by the Board in assessing such director's independence.

(e) The Board discourages the following types of transactions with or on behalf of non-employee directors:

- Making substantial charitable contributions to any organization in which a director is affiliated
- Entering into consulting contracts with (or providing other indirect forms of compensation to) directors
- Entering into other compensatory arrangements with directors that may raise questions about their independence

### **III. OPERATION OF THE BOARD**

3.1 **Evaluation.** The NCG Committee will oversee an annual evaluation and assessment of the effectiveness of the whole Board as well as its various Committees and will, at such intervals as it deems appropriate, assess the effectiveness of the individual directors.

(a) Evaluations and assessments will include a review of the mix of skills, core competencies and qualifications (including independence under applicable standards) of members of the Board, which should reflect expertise in one or more of the following areas:

- Accounting and finance
- Death care, process equipment or other industries in which the Company is involved
- Manufacturing
- Lean business
- International operations
- Mergers and acquisitions
- Public company governance
- Executive compensation design
- Risk management and oversight
- Strategic planning

(b) To make these assessments, the NCG Committee shall solicit annually the opinions of each director regarding the foregoing matters. The NCG Committee shall present its findings and recommendations, if any, to the Board of Directors for appropriate action by the Board, if needed. Ineffective directors shall be replaced as promptly as practicable, and inefficient Committees of the Board shall be restructured or eliminated promptly.

3.2 **Majority Vote.** Any individual elected as a director who receives less than a majority of the votes cast in an uncontested election shall offer his or her resignation to the Board for its consideration promptly following certification of the vote. Prior to the Board's determination of whether to accept or reject such a resignation, the NCG Committee shall 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.

3.3 **Additional Directorships.** Directors are encouraged to limit the number of directorships they hold so that they can devote sufficient time to the discharge of their responsibilities to each organization and company for which they serve as a director, including the Company. When any director intends to join another board of directors, that director shall provide advance notice to the Chairperson of the Board and the Secretary. Upon termination of or significant change in a director's principal employment or acceptance of a position as a director on a public company board that results in a director serving on more than five public company boards (including the Board of the Company), he or she shall notify the Chairperson of the Board and tender his or her resignation from the Board. The Board may reject such resignation if the change in status is satisfactory and the Board believes that the director will continue to be a valuable contributor to the Board.

3.4 **Stock Ownership.** Non-employee directors are required to own no fewer than 12,000 shares of common stock of the Company or equivalents (which may include RSUs as further defined below) by no later than the fourth anniversary of their election to the Board and on a continual basis thereafter. The Board may from time to time adopt, revise or terminate director stock ownership guidelines. In addition, non-employee directors shall be required to hold any vested shares of the Company's common stock that were awarded as restricted shares or deferred stock shares (otherwise known as restricted stock units under the Company's Stock Incentive Plan ("RSUs")) 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.

3.5 **Meetings; Agendas.** Directors are expected to attend all meetings, both scheduled and unscheduled, throughout the year. Proposed agendas for each regularly scheduled Board meeting shall be developed by the Chairperson of the Board and CEO, together with any other member or members of the Board or management that the Chairperson or CEO may select. The proposed agenda shall then be circulated to each member of the Board prior to each meeting for comment. Proposed agendas for each regularly scheduled Board Committee meeting shall be developed by the Chairperson of the applicable Board Committee and the applicable management liaison.

3.6 **Meeting Materials.** Analyses and empirical data that are important to the directors' understanding of the business to be conducted at a meeting of the Board or any Committee will be distributed, to the extent practicable, in writing to all members in advance of the meeting. Management will make every reasonable effort to assure that this material is both concise and in sufficient detail to provide a reasonable basis upon which directors may make an informed business decision. In many cases, significant items requiring Board or Committee approval may be reviewed in one or more meetings, with the intervening time being used for clarification and discussion of relevant issues.

3.7 **Expert Advice.** While the information needed for the Board's decision making generally will be found within the Company, from time to time the Board may seek legal or other expert advice from sources independent of management. Generally such advice will be sought with the knowledge of the CEO. Accordingly, the Board shall have the sole authority to engage, compensate, oversee and terminate external independent consultants, counsel and other advisors as it determines necessary to carry out its responsibilities. The Company shall provide appropriate funding (as determined by the Board) for payment of compensation to advisors engaged by the Board.

3.8 **Executive Session.** The non-employee directors regularly shall conduct executive sessions of the Board without participation by any employees of the Company. The Chairperson of the Board, or in his or her absence, the Vice Chairperson of the Board, shall preside over such executive sessions of the Board at each regularly scheduled meeting of the Board of Directors.

3.9 **Orientation and Education.** The Board is committed to the orientation, training and continuing education of directors at both the Board and Committee levels. As such, 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.

3.10 **Compensation.**

(a) The NCG Committee shall assess the adequacy and suitability of the compensation package for members of the Company's Board of Directors in relation to competitive market and sound corporate governance practices no fewer than every three years.

(b) Given the strategy of the Company as well as the expectations of individual board members, director compensation should compare very well versus peers. It should also be simple and straightforward with two primary elements – a cash retainer and RSUs. More than half the value of this compensation (60% or greater) should be in RSUs.

(c) The Company feels it is appropriate to pay the Board Chairperson as well as Committee Chairpersons additional retainers in light of the significant additional work they assume. However, the Company does not believe it should pay either Board or Committee meeting fees or Committee member retainers. Committee member workload is fairly spread, meeting attendance is expected and total compensation compares favorably to the Company's peer group.

(d) Changes in Board compensation, if any, should be suggested by the NCG Committee and approved only after a full discussion among the members of the Board.

#### IV. COMMITTEES OF THE BOARD

4.1 **Committees.** The Board has established the following standing Committees so that certain important areas can be addressed in more depth than may be possible in a full Board meeting: NCG Committee, Audit Committee, Compensation and Management Development

Committee and Mergers and Acquisitions Committee. Each standing Committee shall have a specific written charter that has been approved by the Board. In addition to these standing Committees, the Board may, by resolution passed from time to time, designate one or more other Committees to have and exercise the powers of the Board in the management and affairs of the Company except as otherwise limited by law.

4.2 **Independence.** Each of the NCG Committee, Audit Committee and Compensation and Management Development Committee will consist entirely of independent directors. All independent directors shall be members of the NCG Committee.

4.3 **Committee Membership.** The NCG Committee shall make recommendations to the Board regarding the membership of the Board Committees and the Chairpersons of such Committees. After considering the recommendation of the NCG Committee, the Board shall elect at its annual meeting the members of the several Board Committees to serve until the next annual meeting of the Board or until their successors shall be duly elected and qualified. The Committee Chairpersons will periodically report the respective Committee's findings and conclusions to the Board.

4.4 **Expert Advice.** Each Committee of the Board shall have the sole authority to engage, compensate, oversee and terminate external independent consultants, counsel and other advisors as it determines necessary to carry out its duties, including the resolution of any disagreements between management and the auditor regarding financial reporting. The Company shall provide appropriate funding (as determined by each Committee) for payment of compensation to advisors engaged by the Committees.

4.5 **Executive Session.** The non-employee directors regularly shall conduct executive sessions of the Board Committees without participation by any employees of the Company. The Chairperson of each of the standing Committees of the Board or, in his or her absence, the Vice Chairperson of each of those Committees, shall preside over such executive sessions of those Committees at each regularly scheduled meeting of those Committees.

## V. COMPANY EQUITY

5.1 **Management Stock Ownership.** All executive officers and members of management are expected to own shares of the Company's common stock.

(a) Specifically, the CEO of the Company and all other officers of the Company and its subsidiaries designated below ("Required Owners") shall be required to hold, on or before the later of April 1, 2013, or the fifth anniversary of the date such Required Owner became a Required Owner, shares of the Company's common stock or equivalents at the levels described below:

<b>Position</b>	<b>Required Ownership Level (Expressed as a Multiple of Base Annual Salary)</b>
Company CEO	4 x Base Annual Salary
Senior Vice Presidents of the Company	2 x Base Annual Salary
All Vice Presidents of the Company	1 x Base Annual Salary
All Presidents, Vice Presidents, and certain other senior officers of the Company's significant subsidiaries	1 x Base Annual Salary

(b) Shares owned outright, as well as shares of restricted stock, RSUs, or Performance Stock Units (hereinafter referred to as "Stock Awards") with respect to shares of the Company's common stock (whether vested or unvested) will count as share equivalents towards the Required Ownership Level.

(c) In the event of a failure to achieve or maintain the Required Ownership Level, the Compensation and Management Development Committee (or its designee) may, in its sole discretion, (i) require the applicable individual to hold all after tax vested Stock Awards and shares acquired upon exercise of stock options or (ii) suspend future Stock Award grants until the Required Ownership Level is achieved. The Compensation and Management Development Committee (or its designee) may make exceptions, in its sole discretion, in the event of disability or great financial hardship.

5.2 **Equity Plans.** Shareholders of the Company will be given an opportunity to vote on the adoption of all equity-compensation plans and any material revisions to such plans. Brokers may not vote a customer's shares on any equity compensation plan unless the broker has received that customer's instructions to do so.

5.3 **Stock Options.** Stock options will not be repriced; that is, the exercise price for options will not be lowered even if the current fair market value of the underlying shares is below their exercise price.

## **VI. CERTAIN TRANSACTIONS**

6.1 **Related Party.** Any related party transactions between the Company or any of its subsidiaries and any director or executive officer of the Company shall be reviewed and preapproved by the NCG Committee.

6.2 **Loans.** Subject to limited exceptions permitted by law, the Company will not directly or indirectly grant loans to directors or executive officers of the Company that are not available to outsiders.