

HILLENBRAND INDUSTRIES INC

Form DEF 14A

January 04, 2005

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**SCHEDULE 14A**

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

Filed by the Registrant  x  
Filed by a Party other than the Registrant  o

Check the appropriate box:

- o Preliminary Proxy Statement.
- o CONFIDENTIAL, FOR USE OF THE COMMISSION ONLY (AS PERMITTED BY RULE 14a-6(e)(2)).
- x Definitive Proxy Statement.
- o Definitive Additional Materials.
- o Soliciting Material Pursuant to Section 240.14a-12

**Hillenbrand Industries, Inc.**

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(Name of Registrant as Specified In Its Charter)

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

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

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1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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SEC 1913 (02-02)

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**HILLENBRAND INDUSTRIES, INC.**

**NOTICE OF ANNUAL MEETING**

**To Be Held February 10, 2005**

The annual meeting of shareholders of Hillenbrand Industries, Inc., an Indiana corporation, 700 State Route 46 East, Batesville, Indiana 47006-8835, will be held at the offices of Batesville Casket Company, Inc., One Batesville Boulevard, Batesville, Indiana 47006-7798, on Thursday, February 10, 2005, at 10:00 a.m., local time (Eastern Standard Time), for the following purposes:

- (1) To elect five members to the Board of Directors;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP as independent auditors of Hillenbrand Industries, Inc.; and
- (3) To transact such other business as may properly come before the meeting and any adjournment of the meeting.

The Board of Directors has fixed the close of business on December 17, 2004, as the record date for determining which shareholders are entitled to notice of and to vote at the meeting.

By Order of the Board of Directors

Patrick D. de Maynadier  
Secretary

January 4, 2005

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***HILLENBRAND INDUSTRIES, INC.***

***PROXY STATEMENT***

This proxy statement relates to the solicitation by the Board of Directors of Hillenbrand Industries, Inc. (the Company), 700 State Route 46 East, Batesville, Indiana 47006-8835, telephone (812) 934-7000, of proxies for use at the annual meeting of the Company's shareholders to be held at the offices of Batesville Casket Company, Inc., One Batesville Boulevard, Batesville, Indiana 47006-7798, on Thursday, February 10, 2005, at 10:00 a.m., local time (Eastern Standard Time), and at any adjournments of the meeting. This proxy statement and the enclosed form of proxy were mailed initially to shareholders on or about January 4, 2005. All shares represented by these proxies will be voted at this meeting in accordance with instructions given by shareholders. Where no instructions are given the shares will be voted (1) in favor of the election of the Board of Directors' nominees for five directors; (2) in favor of the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors of the Company; and (3) in the discretion of the proxy holder upon such other business as may properly come before the meeting.

The purpose of the annual meeting is to vote upon the matters set forth above. The Board of Directors is not aware of any other business that may come before the meeting.

**VOTING**

The close of business on December 17, 2004, has been fixed as the record date for determining which shareholders are entitled to notice of and to vote at the annual meeting. On December 17, 2004, there were 62,025,580 shares of the Company's common stock issued and outstanding. Each share of common stock is entitled to one vote with respect to every matter submitted to a vote at the meeting. Votes cast by proxy, whether by proxy card, telephone or the Internet, or in person at the annual meeting will be tabulated by the election inspectors appointed for the meeting. If you submit your proxy by telephone or via the Internet, you should not return your proxy card. Instructions for submitting proxies by telephone or the Internet are set forth on the enclosed proxy card. If you choose to submit your proxy by mail, please sign, date and return the proxy card in the envelope provided. A proxy may be revoked at any time before it is voted at the meeting by submitting written notice of revocation to the Secretary of the Company or by submitting another timely proxy by telephone, Internet or mail. If you hold shares through a broker or other custodian, please check the voting instructions used by that broker or custodian.

**Votes Necessary to Adopt Proposals.** Directors are elected by a plurality of the votes cast by shareholders entitled to vote at a meeting at which a quorum is present. Ratification of the appointment of the auditors and any other matter that comes before the meeting will be approved if the votes cast favoring the action exceed the votes cast opposing the action.

A majority of the shares issued and outstanding constitutes a quorum. Under Indiana law, once a share is represented for any purpose at a meeting it is deemed present for quorum purposes for the remainder of the meeting. Abstentions, broker non-votes and instructions on a proxy to withhold authority to vote for one or more of the director nominees will result in fewer votes being cast with respect to a particular issue or nominee. A broker non-vote occurs when a broker holding shares for a beneficial owner does not vote on a particular matter because the broker does not have discretionary voting power for that matter and has not received instructions from the beneficial owner. In the absence of such instructions, brokers have discretionary voting power for matters such as the election of directors and the ratification of auditors but not for certain other matters.

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**ELECTION OF DIRECTORS**

The Articles of Incorporation and the Code of By-laws of the Company provide that members of the Board of Directors shall be classified with respect to the terms that they shall serve by dividing them into three classes that are as nearly equal in number of members as possible. Directors in each class are elected for a three-year term unless they resign or retire earlier. The Board assigns new directors elected by the Board to a class until the first annual meeting after their election.

On September 8, 2004, the Board of Directors increased the size of the Board of Directors from nine members to eleven members, with the new positions being added to Classes I and II. On the same day, the Board of Directors elected Eduardo R. Menascé and Mark D. Ketchum to fill the newly created Class I and Class II positions, respectively, until the upcoming annual meeting. As of the date of this proxy statement, therefore, Classes I and II each consist of four members and Class III consists of three members.

At the upcoming annual meeting, the shareholders will elect three members of the Board of Directors in Class III to serve three-year terms expiring at the 2008 annual meeting. Shareholders also will elect one member of the Board of Directors in each of Class I and II, representing the positions added by the Board of Directors on September 8, 2004. The Class I position will serve a one-year term expiring at the 2006 annual meeting and the Class II position will serve a two-year term expiring at the 2007 annual meeting. The remaining incumbent directors in Class I and Class II were each previously elected to serve terms expiring at the 2006 and 2007 annual meetings, respectively.

Unless authority is withheld, all shares represented by proxies submitted pursuant to this solicitation will be voted in favor of electing as directors the nominees listed below for the terms indicated. If any of these nominees should be unable to serve, shares represented by proxies may be voted for a substitute nominee selected by the Board of Directors, or the Board of Directors may amend the Code of By-laws of the Company to reduce the number of directors.

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

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Nominees to be elected to serve three-year terms expiring at the 2008 annual meeting:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Served As A Director Since</b>	<b>Shares<sup>(1)</sup> Beneficially Owned As Of December 17, 2004</b>	<b>Percent of Total Shares Outstanding</b>
John A. Hillenbrand II	73	Personal Investments	1981 <sup>(2)</sup>	1,020,195 <sup>(3)(4)</sup>	1.6%
Frederick W. Rockwood	57	President and Chief Executive Officer of the Company	1999	405,002 <sup>(5)(6)</sup>	(7)
Joanne C. Smith	43	Senior Vice President of Strategy and Business Development of the Rehabilitation Institute of Chicago	2003	0	(7)

**CLASS I**

Nominee to be elected to serve a one-year term expiring at the 2006 annual meeting:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Served As A Director Since</b>	<b>Shares<sup>(1)</sup> Beneficially Owned As Of December 17, 2004</b>	<b>Percent of Total Shares Outstanding</b>
Eduardo R. Menascé	59	President, Enterprise Solutions Group, Verizon Communications	2004	0	0%

**CLASS II**

Nominee to be elected to serve a two-year term expiring at the 2007 annual meeting:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Served As A</b>	<b>Shares<sup>(1)</sup> Beneficially Owned As Of</b>	<b>Percent of Total</b>
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			<b>Director Since</b>	<b>December 17, 2004</b>	<b>Shares Outstanding</b>
Mark D. Ketchum	55	Retired President of Global Baby and Family Care business unit of The Procter & Gamble Company	2004	0	0%



**Table of Contents****CONTINUING DIRECTORS:****CLASS I**

Serving terms expiring at the 2006 annual meeting:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Served As A Director Since</b>	<b>Shares<sup>(1)</sup> Beneficially Owned As Of December 17, 2004</b>	<b>Percent of Total Shares Outstanding</b>
Rolf A. Classon	59	Supervisory Director of Bayer HealthCare AG	2002	9,000	(7)
Charles E. Golden	58	Executive Vice President and Chief Financial Officer of Eli Lilly and Company	2002	9,092 <sup>(5)</sup>	(7)
W August Hillenbrand	64	Retired Chief Executive Officer of the Company	1972	3,584,577 <sup>(3)(5)(9)</sup>	5.7%

**CLASS II**

Serving terms expiring at the 2007 annual meeting:

<b>Name</b>	<b>Age</b>	<b>Principal Occupation</b>	<b>Served As A Director Since</b>	<b>Shares<sup>(1)</sup> Beneficially Owned As Of December 17, 2004</b>	<b>Percent of Total Shares Outstanding</b>
Ray J. Hillenbrand	70	Chairman of the Board of the Company	1970	1,302,214 <sup>(3)(9)</sup>	2.1%
Anne Griswold Peirce	53	Associate Dean for Academic Affairs and Associate Professor of Clinical Nursing at Columbia University School of Nursing	2003	31 <sup>(10)</sup>	(7)
Peter H. Soderberg	58	President and Chief Executive Officer of Welch Allyn, Inc.	2002	8,500	(7)



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Name	Age	Principal Occupation	Shares <sup>(1)</sup>	
			Beneficially Owned As Of December 17, 2004	Percent of Total Shares Outstanding
Scott K. Sorensen	43	Vice President and Chief Financial Officer <sup>(11)</sup>	113,743 <sup>(5)</sup>	(7)
Patrick D. de Maynadier	44	Vice President, General Counsel and Secretary <sup>(12)</sup>	35,925	(7)
Kenneth A. Camp	59	President and Chief Executive Officer, Batesville Casket Company, Inc. <sup>(13)</sup>	105,730 <sup>(5)</sup>	(7)
R. Ernest Waaser	48	President and Chief Executive Officer, Hill-Rom Company, Inc. <sup>(14)</sup>	74,584 <sup>(5)</sup>	(7)
All directors and executive officers of the Company as a group, consisting of 18 persons.			6,456,885 <sup>(4)(5)(6)(8)(9)(10)</sup>	10.2%

(1) The Company's only class of equity securities outstanding is common stock without par value. The Company is not aware of any person, other than members of the Hillenbrand family as indicated herein, beneficially owning more than five percent (5%) of the Company's common stock. These share figures include the following shares that may be purchased pursuant to stock options that are exercisable within 60 days of December 17, 2004: W August Hillenbrand, 222,000 shares; John A. Hillenbrand II, 24,000 shares; Rolf A. Classon, 8,000 shares; Charles E. Golden, 8,000 shares; Peter H. Soderberg, 8,000 shares; Frederick W. Rockwood, 361,668 shares; Ray J. Hillenbrand, 30,000 shares; Scott K. Sorensen, 106,334 shares; Patrick D. de Maynadier, 34,334 shares; Kenneth A. Camp, 99,001 shares; R. Ernest Waaser, 65,667 shares; and all directors and executive officers as a group, 994,172 shares. Except as otherwise indicated in these footnotes, the persons named have sole voting and investment power with respect to all shares shown as beneficially owned by them.

(2) John A. Hillenbrand II previously served as a Director of the Company from 1972 to 1979.

(3) John A. Hillenbrand II and Ray J. Hillenbrand are brothers, and they are cousins of W August Hillenbrand.

(4) Includes 17,240 shares held of record by John A. Hillenbrand II's wife, Joan L. Hillenbrand; and an aggregate of 526,250 shares held of record by trusts for the benefit of his children and grandchildren, by a family partnership and by a family corporation. Mr. Hillenbrand disclaims beneficial ownership of these shares.

(5) These share figures include vested deferred fees and/or compensation in the form of deferred or restricted shares of common stock held on the books and records of the Company in the following amounts: W August Hillenbrand, 170,537 shares; Charles E. Golden, 1,092 shares; Frederick W. Rockwood, 18,316 shares; Scott K. Sorensen, 2,557 shares; Kenneth A. Camp, 350 shares; R. Ernest Waaser, 5,483 shares; and all directors and

executive officers as a group, 198,335 shares.]

- (6) Includes 15,470 shares held of record by Frederick W. Rockwood's wife, Jolene Rockwood.
- (7) Ownership of less than one percent (1%) of the total shares outstanding.
- (8) Includes 265,435 shares owned of record and beneficially by W August Hillenbrand's wife, Nancy K. Hillenbrand; 2,284,760 shares owned of record, or which may be acquired within sixty days, by trusts, of which W August Hillenbrand is trustee or co-trustee; 49,242 shares held of record by a charitable trust, of which Mr. Hillenbrand is a co-trustee; and 351,879 shares held by a limited partnership, of which Mr. Hillenbrand is a limited partner. Mr. Hillenbrand disclaims beneficial ownership of these shares. Mr. Hillenbrand's address is the address of the Company's principal executive offices.
- (9) Includes 800,000 shares held of record by a trust, of which Ray J. Hillenbrand is trustee; 128,975 shares held of record by a charitable foundation, of which Mr. Hillenbrand is a trustee; and 222,854 shares held of record by family partnerships for the benefit of other members of his immediate family. Mr. Hillenbrand disclaims beneficial ownership of these shares.

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- (10) Includes 31 shares held of record by Anne Griswold Peirce's spouse.
- (11) Mr. Sorensen was elected Vice President and Chief Financial Officer of the Company on March 1, 2001.
- (12) Mr. de Maynadier was elected Vice President, General Counsel and Secretary effective January 28, 2002.
- (13) Mr. Camp was elected President and Chief Executive Officer of Batesville Casket Company, Inc., a subsidiary of the Company, on May 1, 2001. He was also elected as a Vice President of the Company on October 8, 2001. Prior to his election to these positions, Mr. Camp has held various other positions within Hillenbrand Industries, Inc. and its subsidiary Batesville Casket Company, Inc.
- (14) Mr. Waaser was elected President and Chief Executive Officer of Hill-Rom Company, Inc., a subsidiary of the Company, on January 22, 2001. He was also elected as a Vice President of the Company on October 8, 2001.
- Ray J. Hillenbrand was first named as Chairman of the Board of the Company on January 17, 2001. He has been engaged in the management of personal and family investments for much of his career. Mr. Hillenbrand was employed by and active in the management of the Company prior to his resignation as an officer in 1977. Mr. Hillenbrand is President of Dakota Charitable Foundation and serves as a member of the Board of Trustees of The Catholic University of America, Washington, D.C. He is past Chairman of the Board of Rushmore Health Systems, which includes Rapid City Regional Hospital.

Rolf A. Classon was named as Vice Chairman of the Board on December 4, 2003. He was Chairman of the Executive Committee of Bayer HealthCare, a sub group of Bayer AG, from October 2002 to July 2004, and was President of Bayer Health Care L.L.C., a subsidiary of Bayer AG, from October 2002 to July 2004. Previously, he had been president of Bayer's Diagnostic Division and head of Bayer's Worldwide Business Group Diagnostics since 1995. Bayer is an international research-based company active in life sciences, polymers and chemicals. A native of Sweden, Mr. Classon joined Bayer's Miles Diagnostics business in 1991 as executive vice president, worldwide marketing, sales and service. He also served as senior vice president, sales and service for Diagnostics with Miles Inc. beginning in 1992. During his career, Mr. Classon has held management positions with Pharmacia AB, Sweden; Swedish Match Group; and Asbjorn Habberstad AB. Prior to joining Bayer, he was president and chief operating officer of Pharmacia Biosystems AB. Mr. Classon currently serves on the supervisory board of Bayer HealthCare AG, the board of Enzon Pharmaceuticals, Inc., a company focused on oncology and antiviral pharmaceuticals, the board of ISTA Pharmaceuticals, a company involved in ophthalmological pharmaceuticals, and the board of Auxilium Pharmaceuticals, a specialty pharmaceutical company in the fields of urology and men's health.

Charles E. Golden is Executive Vice President and Chief Financial Officer for Eli Lilly and Company, Indianapolis, Indiana, a global provider of pharmaceutical products and health care information. He joined Eli Lilly in his current position and as a member of its board of directors in 1996. Prior to joining Eli Lilly, Mr. Golden served as a corporate vice president of General Motors and chairman of General Motors' vehicle operations in the United Kingdom from 1993 to 1996. He joined General Motors as part of its treasurer's office in 1970 and subsequently held positions in domestic and international operations, ultimately becoming treasurer of GM. He is a member of the National Advisory Board of J.P. Morgan Chase & Co., and Chairman of The Council of Financial Executives of the Conference Board. He also serves on the boards of directors of Clarian Health Partners, and Crossroads of America Council (Boy Scouts of America) (as President), on the board of trustees of Park Tudor School, and on the Finance Committee of the Indianapolis Museum of Art.

John A. Hillenbrand II has managed personal and family investments since 1979. He is also Vice Chairman of Able Body Manufacturing and Assembly, LLC, a manufacturer of truck bodies, and Nambé Mills, Inc., a producer of handcrafted alloy items for cooking, serving and decorating, and Vice Chairman of Pri-Pak, Inc., a provider of packaging for energy drinks and spirits. Mr. Hillenbrand was employed by and active in the



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management of the Company prior to his resignation as an officer in 1979. He currently serves as Co-Chairman of the State of Indiana's Government Efficiency Commission.

W August Hillenbrand served as Chief Executive Officer of the Company from 1989 until 2000. Mr. Hillenbrand also served as President of the Company from 1981 until 1999. Prior to his retirement in December 2000, the Company had employed Mr. Hillenbrand throughout his business career. Mr. Hillenbrand is the Chief Executive Officer of Hillenbrand Capital Partners, an unaffiliated family investment partnership. He is also a director of DPL Inc. of Dayton, Ohio and Pella Corporation of Pella, Iowa.

Mark D. Ketchum retired in November 2004 as the President of Global Baby and Family Care business unit of The Procter & Gamble Company of Cincinnati, Ohio, a manufacturer and marketer of consumer products, after serving in that capacity since 1999. Mr. Ketchum held a broad range of assignments with Procter & Gamble since joining the company in 1971. He held leadership roles for thirteen years in manufacturing and operations, six years in brand management and advertising, and fourteen years in executive level general management positions. He holds a Bachelor of Science in Industrial Engineering and Operations Research from Cornell University. Mr. Ketchum has been a Cornell University Alumni Ambassador and, from 1991 to 1999, was on the Board of Directors, Tissue Division of the American Forest & Paper Association. He is a director of Newell Rubbermaid Inc.

Eduardo R. Menascé is President of the Enterprise Solutions Group for Verizon Communications, Inc., New York City, New York. Prior to the merger of Bell Atlantic and GTE Corporation, which created Verizon Communications, he was the president and Chief Executive Officer of CTI MOVIL S.A. (Argentina), a business unit of GTE Corporation, from 1996 to 2000. Mr. Menascé has also held senior positions at CANTV in Venezuela and Wagner Lockheed and Alcatel in Brazil. He earned a Bachelor degree in Industrial Engineering from Universidad Pontificia Catolica de Rio de Janeiro and a Master's degree in Business Administration from Columbia University. Mr. Menascé currently serves on the Board of Directors of Pitney Bowes, Inc., a global provider of integrated mail and document management solutions, and Key Corp, one of the nation's leading bank-based financial service companies. He also serves on the Board of Advisors of Adventis, a leading management and strategy consultancy to the converging global information industries.

Anne Griswold Peirce, R.N., Ph.D. has been the Associate Dean for Academic Affairs and Associate Professor of Clinical Nursing at the Columbia University School of Nursing since September, 2002. From 1996 through June 2002, Dr. Peirce was a Dean and Professor of Nursing and the Director of Nursing Research at the University of Mississippi Medical Center. During her career, Dr. Peirce has held management and academics positions with various medical institutions, colleges and universities, including the Columbia University School of Nursing. Dr. Peirce has also authored numerous journal articles and textbook chapters related to the field of nursing. She also serves on the editorial board of the journals of Nursing Measurement and the Online Journal of Health Ethics.

Frederick W. Rockwood was elected Chief Executive Officer and President of the Company on December 3, 2000 after being President since December 6, 1999. The Company has employed him since 1977. Previous positions held within the Company include President and Chief Executive Officer of Hillenbrand Funeral Services Group, Inc. from 1997 to 1999, President and Chief Executive Officer of Forethought Financial Services, Inc. from 1985 to 1997, and Senior Vice President of Corporate Planning and Director of Corporate Strategy. He has also been a management consultant with Bain and Company and Boston Consulting Group. He is a member of the Board of Directors of AdvaMed.

Joanne C. Smith, M.D. has been the Senior Vice President, Corporate Strategy and Business Development for the Rehabilitation Institute of Chicago since April 2002. Since 1992 she has been an attending physician at the same institution. From 1997 through April 2002, Dr. Smith was the Senior Vice President and





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Chief Operating Officer of the Corporate Partnership Division of the Rehabilitation Institute of Chicago and from 1992 to 1997 she held various management positions there. She also serves on the boards of directors of AptarGroup, Inc., a leading supplier of personal care, cosmetics, pharmaceutical, food and beverage dispensing systems, and the AON Memorial Education Fund, a fund dedicated to supporting the educational needs of the children who suffered the loss of a parent in the World Trade Center attack.

Peter H. Soderberg is President and Chief Executive Officer of Welch Allyn, Inc., Skaneateles Falls, N.Y. Welch Allyn, Inc. is a privately held global technology company with units that manufacture innovative medical diagnostic equipment, patient monitoring systems and miniature precision lamps. Appointed to his current position in 2000, Mr. Soderberg was previously group vice president and chief operating officer. His prior experience includes 23 years at Johnson & Johnson where he served in a variety of operations, marketing and management positions in four of its over-the-counter and professional product companies. Most recently, he was president of Johnson & Johnson Health Management, a Johnson & Johnson portfolio company. His career also includes roles as president and chief executive officer of an industrial technology company and the founder and president of a venture capital business. He is on the board of directors of Wilson Greatbatch Technologies, Inc., the Advanced Medical Technology Association (AdvaMed) and the Health Industry Distributors Association Foundation and serves as vice chairman of the board of the Syracuse Symphony Orchestra and vice chairman of the Metropolitan Development Authority of Central New York.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Under Section 16(a) of the Securities Exchange Act of 1934, the Company's directors, its executive officers and any person holding more than ten percent of the Company's common stock are required to file with the Securities and Exchange Commission initial reports of ownership and reports of changes in ownership of common stock of the Company. The Company is required to report in this proxy statement any failure to file or late filing occurring during the fiscal year ended September 30, 2004. Based solely on a review of filings furnished to the Company and other information from reporting persons, the Company believes that all of these filing requirements were satisfied by its directors, executive officers and ten percent beneficial owners except that Kimberly K. Dennis filed two late reports with respect to two transactions involving the award of 500 restricted stock units to, and the exercise of 1,250 stock options by, her husband, who is an employee of one of the Company's subsidiaries, Anne Griswold Peirce filed one late report with respect to one transaction involving the purchase of 31 shares by her husband, Scott K. Sorensen filed one late report with respect to one transaction for nine shares received by him as a result of the reinvestment of dividends, and Stephen R. Lang filed one late report with respect to one transaction involving the exercise of 5,000 options.

## **ABOUT THE BOARD OF DIRECTORS (INCLUDING DIRECTOR COMPENSATION)**

The Board of Directors, which is elected by the shareholders, is the ultimate decision-making body of the Company except with respect to those matters reserved to the shareholders. It selects the senior management team, which is charged with the conduct of the Company's business. Having selected the senior management team, the Board acts as an advisor and counselor to senior management and monitors its performance.

## **Board's Role in Strategic Planning**

The Board of Directors has the legal responsibility for overseeing the affairs of the Company and, thus, an obligation to keep informed about the Company's business and strategies. This involvement enables the Board to provide guidance to management in formulating and developing plans and to exercise independently



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its decision-making authority on matters of importance to the Company. Acting as a full Board and through the Board's four standing committees, the Board is fully involved in the Company's strategic planning process.

Each year, typically in the spring, summer and fall, senior management sets aside specific periods to develop, discuss and refine the Company's long-range operating plan and overall corporate strategy. Specific operating priorities are developed to effectuate the Company's long-range plan. Some of the priorities are short-term in focus; others are based on longer-term planning horizons. Senior management reviews the insights and conclusions reached at its meetings with the Board over the course of several Board meetings and seeks approval of the overall corporate strategy and long-range operating plan at Board meetings that usually occur in the summer and fall. These meetings are focused on corporate strategy and involve both management presentations and input from the Board regarding the assumptions, priorities and objectives that will form the basis for management's strategies and operating plans.

At subsequent Board meetings, the Board continues to substantively review the Company's progress against its strategic plans and to exercise oversight and decision-making authority regarding strategic areas of importance and associated funding authorizations.

In addition, Board meetings held throughout the year target specific strategies and critical areas for extended, focused Board input and discussion.

The role that the Board plays is inextricably linked to the development and review of the Company's strategic plan. Through these processes, the Board, consistent with good corporate governance, encourages the long-term success of the Company by exercising sound and independent business judgment on the strategic issues that are important to the Company's business.

## **Functioning of the Board**

The Chairman of the Board, Chief Executive Officer and Secretary set the agenda for Board meetings with the understanding that certain items pertinent to the advisory and monitoring functions of the Board be brought to it periodically by the Chief Executive Officer for review and/or decision. For example, the Board reviews the annual corporate budget. Agenda items that fall within the scope of responsibilities of a Board committee are reviewed with the chair of that committee. All directors have the opportunity sufficiently in advance of regular Board and committee meetings to review proposed Board and committee agendas and any member of the Board may request that an item be removed from or included on the agenda. Board and committee materials related to agenda items are provided to Board members sufficiently, typically up to two weeks, in advance of regular meetings to allow the Directors to prepare for discussion of the items at the meetings.

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

The chairs of the committees of the Board each preside over the portion of the meetings at which the principal items to be considered are within the scope of the authority of their respective committees. The chair of each committee determines the frequency, length and agenda of meetings of that committee. Sufficient time



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to consider the agenda items is provided. Materials related to agenda items are provided to the committee members sufficiently, typically up to two weeks, in advance of regular meeting to allow the members to prepare for discussion of the items at the meeting.

Executive sessions or meetings of outside Directors without management present are held regularly after Board and committee meetings. The Chairman of the Board generally presides at executive sessions of non-management directors, except that the chairs of the committees of the Board preside at executive sessions of non-management directors held following meetings of their committees or at which the principal items to be considered are within the scope or authority of their committees.

## **Communications with Directors**

In order to provide the Company's security holders and other interested parties with a direct and open line of communication to the Board of Directors, the Board of Directors has adopted and implemented the following procedures for communications to Directors.

Security holders of the Company and other interested persons may communicate with the Chairman of the Board, the chairmen of the Company's Nominating/Corporate Governance Committee, Audit Committee or Compensation and Management Development Committee or the non-management directors of the Company as a group by sending an email to [investors@hillenbrand.com](mailto:investors@hillenbrand.com). The email should specify which of the foregoing is the intended recipient.

All communications received in accordance with these procedures will be reviewed initially by the Company's Investor Relations Department and General Counsel. The Investor Relations Department will relay all such communications to the appropriate director or directors unless the Investor Relations Department and General Counsel determine that the communication:

does not relate to the business or affairs of the Company or the functioning or constitution of the Board of Directors or any of its committees;

relates to routine or insignificant matters that do not warrant the attention of the Board of Directors;

is an advertisement or other commercial solicitation or communication;

is frivolous or offensive; or

is otherwise not appropriate for delivery to directors.

The director or directors who receive any such communication will have discretion to determine whether the subject matter of the communication should be brought to the attention of the full Board of Directors or one or more of its committees and whether any response to the person sending the communication is appropriate. Any such response will be made through the Company's Investor Relations Department and only in accordance with the Company's policies and procedures and applicable law and regulations relating to the disclosure of information.

The Company's Investor Relations Department will retain copies of all communications received pursuant to these procedures for a period of at least one year.

The Nominating/Corporate Governance Committee of the Board of Directors will review the effectiveness of these procedures from time to time and, if appropriate, recommend changes.

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The Company has not established a formal policy regarding director attendance at its annual meetings of shareholders, but the Company's directors generally do attend the annual meetings. The Chairman of the Board presides at the annual meeting of shareholders, and the Board of Directors holds one of its regular meetings in conjunction with the annual meeting of shareholders. Accordingly, unless one or more members of the Board are unable to attend, all members of the Board are present for the annual meeting. All members of the Board at the time of the Company's 2004 annual meeting of shareholders attended that meeting.

## **Other Corporate Governance Matters**

Both the Board of Directors and management of the Company firmly embrace good and accountable corporate governance and believe that an attentive, performing Board is a tangible competitive advantage. With that commitment, the Company began its efforts to improve the operation and processes of its Board of Directors significantly in advance of recent corporate governance developments. Director compensation has always comprised cash and stock based compensation. A non-Chief Executive Officer director has held the position of Chairman of the Board since April 1989. In early 2001, efforts to modify the composition of the Board began, with an emphasis on independence and the mix of characteristics, experiences and diverse perspectives and skills most appropriate for the Company. The Board has established position specifications, including performance criteria, for itself, the Chairman of the Board, the Vice Chairman of the Board and the Chief Executive Officer, and, since May 2002, as part of the planned transition of the membership of our Board, the Company has welcomed to the board seven new independent directors who are proven leaders, five of whom have significant experience in the health care industry. Non-Hillenbrand family directors have outnumbered family members on the Board since May 2002, and the Board has had a majority of independent directors since December 4, 2003. Moreover, since September 2002, the Board of Directors of the Company has taken additional measures to ensure continued high standards for corporate governance. Specifically, the Board has taken the following actions, among others:

The Board approved Corporate Governance Standards for the Board of Directors in September 2002 and has revised these Standards on several occasions as warranted by changes in New York Stock Exchange governance standards and other developments. Among other matters, these Standards:

confirm that the Board of Directors has established standing committees, each with a charter approved by the Board, to address certain key areas. These committees are the Audit Committee, Finance Committee, Compensation and Management Development Committee and Nominating/Corporate Governance Committee;

provide that at least a majority of the directors of the Company shall be independent;

provide for an annual determination by the Board of Directors regarding the independence of each director;

provide that the Audit Committee, Nominating/Corporate Governance Committee and Compensation and Management Development Committee will consist entirely of independent directors;

provide for an annual assessment by the Nominating/Corporate Governance Committee of the Board's effectiveness as a whole as well as the effectiveness of the individual directors and the Board's various committees, including a review of the mix of skills, core competencies and qualifications of members of the Board, which should reflect expertise in one or more of the following areas: accounting and finance, product and technology development, strategic oversight, healthcare, death

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care or other low growth industry, manufacturing, service businesses, international operations, merger and acquisition related business development leadership development, sales and marketing development, compensation design and processes, public company governance and international governance; and

provide that the non-management directors regularly shall conduct executive sessions without participation by any employees of the Company.

The full text of the Corporate Governance Standards as approved and revised by the Board of Directors is attached to this proxy statement as Appendix A.

The Board determined the independence of each of the Company's directors based on the standards set forth in the Corporate Governance Standards described above and elected only independent directors as members of the Audit Committee, Nominating/Corporate Governance Committee and Compensation and Management Development Committee. See "Determinations with Respect to Independence of Directors" below.

On December 1, 2004 the Nominating/Corporate Governance Committee of the Board completed a formal evaluation of the effectiveness of the incumbent directors who are being nominated for election at the Company's 2005 annual meeting of shareholders and substantially completed a formal evaluation of the effectiveness of the Board as a whole as well as the effectiveness of the individual directors and the Board's various committees, including a review of the mix of skills, core competencies and qualifications of members of the Board. On December 1, 2004 the Nominating/Corporate Governance Committee also reviewed a summary of its findings with the Board and commenced the process of setting Board, Board committee and individual director goals for 2005. The Nominating/Corporate Governance Committee plans to complete its formal evaluation of all individual directors, the Board and its committees over the course of several meetings.

In September 2002, the Board overhauled its committee structure by:

creating the Nominating/Corporate Governance Committee and approving a written charter for this committee;

renaming its Compensation Committee as the Compensation and Management Development Committee and approving a revised written charter for this committee;

approving a revised written charter for the Audit Committee; and

suspending operations of the Executive Committee of the Board of Directors.

The Board has since adopted revised charters for each of its committees as warranted by changes in NYSE listing standards, SEC rules and other developments.

The Board approved a revised Code of Ethical Business Conduct covering, among other matters, conflicts of interest, corporate opportunities, confidentiality, protection and proper use of the Company's assets, fair dealing, compliance with laws, including insider trading laws, accuracy and reliability of the Company's books and records and reporting of illegal or unethical behavior. This Code applies to all directors, officers and other employees of the Company, including the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The Company's Code of Ethical Business Conduct constitutes a "code of ethics" within the meaning of Item 406 of the Securities and Exchange Commission's Regulation S-K.



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All employees, including the Company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, are required to participate in ethics training and abide by the Code of Ethical Business Conduct to ensure that the Company's business is conducted in a consistently legal and ethical manner. All members of the Board of Directors and all officers of the Company and its subsidiaries have read and certified their compliance with the Code without exception.

Employees are required to report any conduct that they believe in good faith to be an actual or apparent violation of the Code of Ethical Business Conduct. The Sarbanes-Oxley Act of 2002 requires companies to have procedures to receive, retain and treat complaints received regarding accounting, internal accounting controls or auditing matters and to allow for the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. The Company currently has such procedures in place and has effectively and independently addressed concerns raised by employees and others.

Hill-Rom refers to Advanced Medical Technology Association's (AdvaMed) Code of Ethics on Interactions with Health Care Professionals on a regular basis to seek guidance on policies and ethical issues. AdvaMed is the largest medical technology association in the world, representing more than 1,200 innovators and manufacturers of medical devices, diagnostic products and medical information systems. The Code is a voluntary code of ethics to facilitate members' ethical interactions with those individuals or entities that purchase, lease, recommend, use, arrange for the purchase or lease of, or prescribe members' medical technology products in the United States. The Company and Hill-Rom are members and Fred Rockwood is on its Board of Directors. The Code can be accessed at [www.advamed.org/publicdocs/coe.html](http://www.advamed.org/publicdocs/coe.html).

Directors may not be given personal loans or extensions of credit by the Company, and all Directors are required to deal at arm's length with the Company and its subsidiaries, and to disclose any circumstance that might be perceived as a conflict of interest. In September 2004, the Nominating/Corporate Governance Committee adopted a policy that all new proposed related party transactions involving executive officers or directors must be reviewed and approved by that Committee in advance.

The Board approved a policy mandating that the Company's outside independent auditors not perform any prohibited non-audit services under the Sarbanes-Oxley Act of 2002 and the related SEC rules. In addition, the Audit Committee approved a policy requiring that all services from the outside independent auditors must be pre-approved by the Audit Committee or its delegate (i.e., Chairman).

The Board adopted stock ownership guidelines for the Company's Directors and executive officers. In general, these standards require non-employee Directors to hold restricted stock granted to them until six months after they cease to be directors and that executive officers of the Company must achieve and maintain a minimum level of stock ownership. The stock ownership guidelines are included in the Corporate Governance Standards attached as Appendix A.

As part of director's education, which includes, among other things regular dedicated sessions regarding the Company's businesses and operations, the Board requires each director to attend an outside governance related seminar at least once every three years, and the Audit Committee sponsors regular sessions with participation by all directors concerning financial literacy.

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Pursuant to the Foreign Corrupt Practices Act and the Sarbanes-Oxley Act of 2002, the Company monitors and enforces policies, and implements a system of internal controls, designed to detect and prevent money laundering, corruption and bribery. Supporting processes include ethics training and certification regarding, among other things, compliance with the Foreign Corrupt Practices Act, documentation, training and testing, new hire criminal background checks and internal audit procedures.

Consistent with the Company's commitment to corporate governance, the Board and management believe that the foregoing measures and others that have been taken place the Company in compliance with listing requirements of the New York Stock Exchange, the Sarbanes-Oxley Act of 2002 and related rules of the Securities and Exchange Commission. Copies of the Company's Corporate Governance Standards, Code of Ethical Business Conduct and Board committee charters are filed or incorporated by reference as exhibits to the Company's Annual Report on Form 10-K for the year ended September 30, 2004 and are available on the Company's website at [www.hillenbrand.com](http://www.hillenbrand.com). Also available on the Company's website are position specifications adopted by the Board for the positions of Chief Executive Officer, Chairman of the Board of Directors, Vice Chairman of the Board of Directors, Vice Chairman of the committees of the Board of Directors and other members of the Board of Directors.

## **Determinations with Respect to Independence of Directors**

As noted above, the Corporate Governance Standards adopted by the Board of Directors require the Board of Directors to make an annual determination regarding the independence of each of the Company's directors and provide standards for making these determinations which are consistent with the listing standards of the New York Stock Exchange. The Board made these determinations for each member of the Board in December 2004, based on an annual evaluation performed by and recommendations made by the Nominating/Corporate Governance Committee, consistent with past practices.

As set forth in the Company's Corporate Governance Standards, a director will be independent only if the Board of Directors determines, based on a consideration of all relevant facts and circumstances, that the director has no material relationship with the Company or any of its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company or any of its subsidiaries). In assessing the materiality of a director's relationship with the Company and each director's independence, the Board must 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. Material relationships can include, among others, commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. 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. The Board cannot conclude that a director is independent in the following circumstances:

A director who is or was an employee, or whose immediate family member is or was an executive officer, of the Company may not be considered independent until three years after the end of such employment relationship.

A director who receives or received, or whose immediate family member receives or received, more than \$100,000 per year 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), may not be considered independent until three years after he or she ceased to receive more than \$100,000 per year in such compensation.

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A director who is or was affiliated with or employed by, or whose immediate family member is or was affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company may not be considered independent until three years after the end of the affiliation or the employment or auditing relationship.

A director who is or was employed, or whose immediate family member is or was employed, as an executive officer of another company where any of the Company's present executives serves or served on that company's compensation committee may not be considered independent until three years after the end of such service or the employment relationship.

A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes or made payments to, or receives or received payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds or exceeded the greater of \$1 million, or 2% of such other company's consolidated gross revenues, may not be considered independent until three years after falling below such threshold.

A director who owns, or is affiliated with the owner of, a controlling amount of voting stock of the Company may not be considered independent.

To assist in the Board's determinations, each director completed materials designed to identify any relationships that could affect the director's independence, and the General Counsel and Secretary of the Company conducted follow up interviews with certain of the directors. On the basis of these materials and the standards described above, the Board determined that each of Rolf A. Classon, Charles E. Golden, Ray J. Hillenbrand, Mark D. Ketchum, Eduardo R. Menascé, Anne Griswold Peirce, Joanne C. Smith, and Peter H. Soderberg is independent. With respect to each of Messrs. Classon, Ketchum, Menascé and Soderberg and Dr. Peirce, the Board determined that they were independent because no relationship was identified that would automatically bar them from being characterized as independent, no other relationship between any of them and the Company or any of its subsidiaries, whether or not material, was identified and none of them beneficially owns more than 1% of the Company's outstanding common stock.

With respect to Charles E. Golden, the Board considered the fact that Mr. Golden is a member of the Board of Directors of Clarian Health Partners, which purchased and rented approximately \$3.2 million, \$4.8 million and \$3.7 million of products from the Company in the fiscal years 2002, 2003 and 2004, respectively. In determining that this relationship was not material, the Board considered that Mr. Golden is not an executive officer of Clarian Health Partners and that the amount of products purchased and rented from the Company by Clarian Health Partners in the last three years have been substantially below 2% of the consolidated gross revenues of Clarian Health Partners in those years.

With respect to Ray J. Hillenbrand, the Board examined the following relationships involving Mr. Hillenbrand, which constituted all of the relationships involving Mr. Hillenbrand that were identified to the Board:

Mr. Hillenbrand's use prior to 2001 of Company aircraft without charge. In evaluating this relationship, the Board considered that, in 2002, Mr. Hillenbrand reimbursed the Company for his use of Company aircraft in 2001 and agreed to reimburse the Company for such costs in future periods. Based on these cost reimbursements, and the fact that Mr. Hillenbrand did not use Company aircraft for personal purposes during 2003 or 2004, the Board determined that the use of the aircraft was not material to either Mr. Hillenbrand or the Company.

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Mr. Hillenbrand's service, prior to August 2002, as an officer and trustee of the John A. Hillenbrand Foundation, a charitable foundation to which the Company contributed \$500,000 in each of 2002, 2003 and 2004. In evaluating this relationship, the Board considered that, in August 2002, Mr. Hillenbrand resigned from all positions with this foundation. On this basis, the Board determined that this relationship was not material to either Mr. Hillenbrand or the Company. Mr. Hillenbrand's beneficial ownership of approximately 2.1% of the Company's outstanding Common Stock. The Board determined that this ownership did not constitute a controlling interest in the Company.

The fact that the Board determined that Mr. Hillenbrand's brother, John A. Hillenbrand II, who is also a Board member, is not independent under the standards described above. The Board determined that Mr. Hillenbrand had exercised in the past and could be expected to exercise in the future business judgment independent from John A. Hillenbrand II. The Board also considered that its determination that John A. Hillenbrand II was not independent was based on a consideration by the Board of all the facts and circumstances and not because a finding of independence was automatically or technically barred under NYSE listing standards.

With respect to Joanne C. Smith, the Board considered the fact that the Rehabilitation Institute of Chicago, of which Dr. Smith serves as Senior Vice President of Strategy and Business Development, has purchased approximately \$61,000, \$280,000, and \$140,000 of products from the Company in fiscal years 2002, 2003 and 2004, respectively. In evaluating this relationship, the Board considered that the amount of purchases by the Rehabilitation Institute of Chicago in the last three years constituted less than one-quarter of one percent of the gross revenues of the Rehabilitation Institute of Chicago in those years and that Dr. Smith has no authority with respect to the purchasing decisions of the Rehabilitation Institute of Chicago. On the basis of these factors, the Board determined that this relationship was not material.

The Board concluded that, based on all of the relevant facts and circumstances, none of these relationships constituted a material relationship with the Company that represents a potential conflict of interest or otherwise interferes with the exercise by any of these directors of his or her independent judgment from management and the Company.

Also on the basis of the standards described above and the materials submitted by the directors, the Board determined that none of Frederick W. Rockwood, W August Hillenbrand or John A. Hillenbrand II meets the standards for independence. Accordingly, none of these non-independent directors serves on the Audit, Compensation and Management Development or Nominating/Corporate Governance Committees of the Board of Directors.

## **Meetings and Committees of the Board of Directors**

It is the general policy of the Company that all major decisions be considered by the Board as a whole. As a consequence, the committee structure of the Board is limited to those committees considered to be basic to, or required for, the operation of a publicly owned Company. Currently these committees are the Compensation and Management Development Committee, Finance Committee, Audit Committee and Nominating/Corporate Governance Committee, each of which has a written charter adopted by the Board of Directors. The Nominating/Corporate Governance Committee recommends the members and chairs of these committees to the Board. The Audit Committee, Compensation and Management Development Committee and Nominating/Corporate Governance Committee are made up of only independent directors. The current charter for each of the Board's standing committees is available on the Company's website at [www.hillenbrand.com](http://www.hillenbrand.com).

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In furtherance of its policy of having major decisions made by the Board as a whole, the Company has an orientation and continuing education process for Board members that includes extensive materials, meetings with key management and visits to Company facilities and Company and industry events. Moreover, as part of director s education, which includes, among other things regular dedicated sessions regarding the Company s businesses and operations, the Board requires each director to attend an outside governance related seminar at least once every three years, and the Audit Committee sponsors regular sessions with participation by all directors concerning financial literacy.

During the fiscal year ended September 30, 2004, the Board of Directors of the Company held seven meetings. During this period, no member of the Board of Directors attended fewer than 75% of the aggregate of the number of meetings of the full Board of Directors and the number of meetings of the committees on which he served.

The **Finance Committee** assists the Board of Directors in matters related to the capital structure of the Company and is responsible for overseeing the investment of the Company s assets pending utilization in the Company s operations. Effective September 9, 2004, the Finance Committee of the Board of Directors consists of John A. Hillenbrand II (Chairman), Mark D. Ketchum (Vice Chairman), W August Hillenbrand, and Anne Griswold Peirce. Prior to September 9, 2004, the Finance Committee consisted of W August Hillenbrand, John A. Hillenbrand II (Chairman) and Anne Griswold Peirce. During the fiscal year ended September 30, 2004, the Finance Committee held five meetings.

The **Audit Committee** has general oversight responsibilities with respect to the Company s financial reporting and financial controls. It annually reviews the Company s financial reporting process, its system of internal controls regarding accounting, legal and regulatory compliance and ethics that management or the Board has established and the internal and external audit processes of the Company. Effective September 9, 2004, the Audit Committee consists of Charles E. Golden (Chairman), Eduardo R. Menascé (Vice Chairman) and Joanne C. Smith. Prior to September 9, 2004, the Audit Committee consisted of Charles E. Golden (Chairman), Ray J. Hillenbrand and Joanne C. Smith. During the fiscal year ended September 30, 2004, the Audit Committee held thirteen meetings. Each member of the Audit Committee is independent under Rule 10A-3 of the Securities and Exchange Commission and NYSE listing standards and meets the financial literacy guidelines established by the Board in the Audit Committee Charter. The Board interprets financial literacy to mean the ability to read and understand audited and unaudited consolidated financial statements (including the related notes) and monthly operating statements of the sort released or prepared by the Company, as the case may be, in the normal course of its business. The Board of Directors has determined that each of Charles E. Golden and Eduardo R. Menascé is an audit committee financial expert as that term is defined in Item 401(h) of Regulation S-K of the Securities and Exchange Commission.

The **Compensation and Management Development Committee** assists the Board in ensuring that the officers and key management of the Company are effectively compensated in terms of salaries, supplemental compensation and other benefits that are internally equitable and externally competitive. The Committee is also responsible for assessing annually the adequacy and suitability of the compensation package for members of the Board of Directors and for reviewing and assessing the talent development and succession management actions concerning the officers and key employees of the Company. Effective September 9, 2004, the Compensation and Management Development Committee consists of Rolf A. Classon (Chairman), Mark D. Ketchum (Vice Chairman), Anne Griswold Peirce and Peter H. Soderberg. Prior to September 9, 2004, the Compensation and Management Development Committee consisted of Rolf A. Classon (Chairman), Anne Griswold Peirce and Peter H. Soderberg. During the fiscal year ended September 30, 2004, the Compensation and Management Development Committee held seven meetings. Each member of the Compensation and Management Development Committee is independent as defined by the New York Stock Exchange listing standards.



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Effective September 9, 2004 the **Nominating/Corporate Governance Committee** consists of Peter H. Soderberg (Chairman), Joanne C. Smith (Vice Chairwoman), Rolf A. Classon, Charles E. Golden, and Eduardo R. Menascé. Prior to September 9, 2004 the Committee consisted of Ray J. Hillenbrand (Chairman), Rolf A. Classon (Vice Chairman), Charles E. Golden, Joanne C. Smith and Peter H. Soderberg. The Nominating/Corporate Governance Committee held six meetings during the fiscal year ended September 30, 2004. Each member of the Nominating/Corporate Governance Committee is independent as defined by the New York Stock Exchange listing standards.

The charter for the Nominating/Corporate Governance Committee of the Board of Directors provides that the primary function of this Committee is to assist the Board of Directors in ensuring that the Company is operated in accordance with prudent and practical corporate governance standards, ensuring that the Board achieves its objective of having a majority of its members be independent in accordance with New York Stock Exchange and other regulations and identifying candidates for the Board of Directors. The charter provides that this Committee must consist of at least three members of the Board of Directors all of whom are independent. The charter provides that, to fulfill its duties and responsibilities, the Committee must:

Review from time to time and, if appropriate, recommend changes to the Board to the corporate governance standards for Board of Directors of the Company and its committees, including committee charters;

Review from time to time, and, if appropriate, make changes to the statement setting forth the responsibilities of directors and the qualifications for new nominees for election to the Board;

Review from time to time, and, if appropriate, make changes to the statement setting forth the responsibilities of and the qualifications for the Chairman of the Board and the Vice Chairman of the Board;

Annually assess the Board's effectiveness as a whole as well as the effectiveness of the individual directors and the Board's various committees, including a review of the mix of skills, core competencies and qualifications of members of the Board, which should reflect expertise in one or more of the following areas: accounting and finance, product and technology development, strategic oversight, healthcare, death care or other low growth industry, manufacturing, service businesses, international operations, merger and acquisition related business development leadership development, sales and marketing development, compensation design and processes, public company governance and international governance;

If deemed necessary, select and retain an executive search firm to identify qualified candidates to serve as members of the Board, considering effectiveness, responsiveness and other relevant factors, and approve the fees and other compensation to be paid to the executive search firm;

Review the performance of the executive search firm and approve any proposed discharge of the executive search firm when circumstances warrant;

Select and recommend to the Board director nominees for election at each annual meeting of shareholders, as well as director nominees to fill vacancies arising between annual meetings of shareholders;

When deemed necessary or appropriate, make recommendations to the Board regarding the appointment or replacement of the Chairman of the Board and the Vice Chairman of the Board;

Determine requirements for, and means of, director orientation and training; and

Review the charter for the Committee and assess the performance of the members of the Committee at least annually and recommend updates and changes to the Board as conditions warrant.

The Board of Directors has adopted position specifications applicable to members of the Board of Directors, and nominees for the Board of Directors recommended by the Nominating/Corporate Governance Committee must meet the qualifications set forth in these position specifications. The specifications provide



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that a candidate for director should not ever (i) have been the subject of a Securities and Exchange Commission enforcement action in which he or she consented to the entry of injunctive relief, a cease and desist order, or a suspension or other limitation on the ability to serve as a corporate officer or supervisor, (ii) had any license suspended or revoked due to misconduct of any type or (iii) violated any fiduciary duty to the Company or its Code of Ethical Business Conduct, and should exhibit the following characteristics:

Have a reputation for industry, integrity, honesty, candor, fairness and discretion;

Be an acknowledged expert in his or her chosen field of endeavor, which area of expertise should have some relevance to the Company's businesses or operations;

Be knowledgeable, or willing and able to become so quickly, in the critical aspects of the Company's businesses and operations; and

Be experienced and skillful in serving as a competent overseer of, and trusted advisor to, senior management of a substantial publicly held corporation.

In addition, as specified in the charter for the Nominating/Corporate Governance Committee, nominees for the Board of Directors recommended by the Nominating/Corporate Governance Committee should contribute to the mix of skills, core competencies and qualifications of the Board through expertise in one or more of the following areas: accounting and finance, product and technology development, strategic oversight, healthcare, death care or other low growth industry, manufacturing, service businesses, international operations, merger and acquisition related business development, leadership development, sales and marketing development, compensation design and processes, public company governance and international governance.

The Nominating/Corporate Governance Committee reviews incumbent directors against the position specifications applicable to members of the Board of Directors and independence standards set forth in the New York Stock Exchange Listing Standards. Additionally, since 2003, the Board as a whole, the Board committees and individual incumbent directors are formally evaluated annually by the Nominating/Corporate Governance Committee, whose findings are reviewed with the Board. The Nominating/Corporate Governance Committee retains a nationally recognized consulting firm to assist it with the evaluation process and retained a nationally recognized executive search firm to assist it with the identification and evaluation of the two directors added to the Board in September 2004, Mark D. Ketchum and Eduardo R. Menascé.

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

The Company's Code of By-Laws provides that nominations of persons for election to the Board of Directors of the Company may be made at any meeting of shareholders by or at the direction of the Board of Directors or by any shareholder entitled to vote for the election of members of the Board of Directors at the meeting. For nominations to be made by a shareholder, the shareholder must have given timely notice thereof in writing to the Secretary of the Company and any nominee must satisfy the qualifications established by the Board of Directors of the Company from time to time as contained in the proxy statement of the Company for the immediately preceding annual meeting or posted on the Website of the Company at [www.hillenbrand.com](http://www.hillenbrand.com). To be timely, a shareholder's nomination must be delivered to or mailed and received by the Secretary not later than (i) in the case of the annual meeting, 100 days prior to the anniversary of the date of the immediately preceding annual meeting which was specified in the initial formal notice of such meeting (but if the date of the forthcoming annual meeting is more than 30 days after such anniversary

date, such written notice will also be timely if received by the Secretary by the later of 100 days prior to the forthcoming meeting date and the close

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of business 10 days following the date on which the Company first makes public disclosure of the meeting date) and (ii) in the case of a special meeting, the close of business on the tenth day following the date on which the Company first makes public disclosure of the meeting date. The notice given by a shareholder must set forth: (i) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated; (ii) a representation that the shareholder is a holder of record, setting forth the shares so held, and intends to appear in person or by proxy as a holder of record at the meeting to nominate the person or persons specified in the notice; (iii) a description of all arrangements or understandings between such shareholder and each nominee proposed by the shareholder and any other person or persons (identifying such person or persons) pursuant to which the nomination or nominations are to be made by the shareholders; (iv) such other information regarding each nominee proposed by such shareholder as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission; (v) the consent in writing of each nominee to serve as a director of the Company if so elected, and (vi) a description of the qualifications of such nominee to serve as a director of the Company.

## **Compensation of Directors**

Of the Company's current Board members, only Mr. Rockwood is a salaried employee of the Company. All other directors receive separate compensation for Board service.

During the fiscal year ended September 30, 2004, with the exception of the Chairman, each director who was not a salaried officer or employee of the Company received an annual retainer of \$25,000. Each non-employee director, including the Chairman received a fee of \$3,500 for each Board of Directors meeting attended in person, plus \$1,000 for each additional day spent at a Board meeting. The annual retainer for the Chairman was \$150,000. Directors who are not salaried officers or employees who were members of the Finance, Audit, Compensation and Management Development or Nominating/Corporate Governance Committee received \$1,500 for each committee meeting attended in person. Additionally, the chairman of each of the committees received an additional annual retainer of \$5,000. Directors who are not salaried officers or employees who attended Board or committee meetings by telephone were paid 50% of the fee payable for attendance at such meetings in person. Directors who are not salaried officers or employees were reimbursed for expenses incurred as a result of attendance at Board or committee meetings. Directors who are not salaried officers or employees may defer receipt of directors' fees otherwise payable to them by the Company and invest these fees in common stock of the Company under the Hillenbrand Industries Directors' Deferred Compensation Plan. Under the Company's Stock Incentive Plan, in 2004 each non-employee director received an annual grant of 1,400 restricted stock units (otherwise known as deferred stock awards). Vesting for such restricted stock units will occur on the later to occur of one year and one day from the date of the grant or the six month anniversary of the date that the applicable Director ceases to be a member of the Board of Directors of the Company. The Chairman of the Board's 2004 annual grant of restricted stock units was 3,500 units. Non-employee directors are also eligible to participate in the Company's group term life insurance program in which the Company pays premiums. Death benefits, which are age related, range from \$45,000 to \$150,000.

In 2004, the Board of Directors approved a revised compensation program for non employee directors, which is in effect for the 2005 fiscal year and, except for the number of restricted stock units awarded to Directors other than the Chairman of the Board, is the same as the program that was in effect for the 2004 fiscal year. The details of this program are as follows:

Directors shall receive an annual retainer of \$25,000 for their service as directors, together with a \$3,500 fee for each Board meeting attended. The Chairman of the Board of Director's annual retainer shall, however, be \$150,000.

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For any Board meeting lasting longer than one day, each Director who attends will receive \$1,000 for each additional day.

Directors who attend a Board meeting or standing committee meeting by telephone will receive fifty percent (50%) of the usual meeting fee.

Each Director who is a member of the Nominating/Corporate Governance, Finance, Audit or Compensation and Management Development Committee receives a fee of \$1,500 for each committee meeting attended.

The Chairmen of the Audit, Compensation and Management Development, Nominating/Corporate Governance and Finance Committees shall receive an additional \$10,000, \$8,000, \$7,000 and \$5,000 annual retainer, respectively.

Directors who attend meetings of committees of which they are not members shall receive no fees for their attendance.

Notwithstanding the foregoing for any meeting of an ad hoc committee or team of the Board that requires attendance in person or by telephone, the Directors who attend shall each receive a meeting fee of \$1,500, except when such meetings occur before, during or after a meeting of the Board or a standing committee of the Board that also is attended by such Directors.

Board and committee retainers shall be paid in quarterly installments and the meeting fees shall be paid following the meeting.

Each Director shall be reimbursed for expenses incurred as a result of attendance at Board or committee meetings.

Each Director shall be awarded on the first trading day following the close of each annual meeting of the Company's shareholders 1,800 restricted stock units (otherwise known as deferred stock awards) under the Company's Stock Incentive Plan. Vesting for such restricted stock units will occur on the later to occur of one year and one day from the date of the grant or the six month anniversary of the date that the applicable Director ceases to be a member of the Board of Directors of the Company. In the case of the Chairman of the Board of Directors, his or her annual grant of restricted stock units shall be 3,500.

**Certain Relationships and Related Transactions**

In September 2004, the Nominating/Corporate Governance Committee adopted a policy that all new proposed related party transactions involving executive officers or directors must be reviewed and approved by that Committee in advance.

As previously disclosed, during 2000, W August Hillenbrand and the Company entered into an agreement relating to Mr. Hillenbrand's retirement as Chief Executive Officer of the Company on December 2, 2000. Under that agreement, Mr. Hillenbrand agreed to render consulting services to, and refrain from competing with, the Company through September 18, 2005. In addition to his annual consulting fee of approximately \$907,700, received during the fiscal year ended September 30, 2004, Mr. Hillenbrand also received \$149,900 of above market interest on deferred compensation and \$44,650 for payment of deferred restricted stock. Mr. Hillenbrand is also entitled to receive a package of benefits from the Company, including payment of life and health insurance premiums, reimbursement of medical expenses not covered by insurance, an office, a secretary, an automobile, reimbursement of miscellaneous expenses, supplemental pension fund

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benefit payments and use of the Company's corporate aircraft for individual personal purposes on the same basis as the Company's Chief Executive Officer's personal use, *i.e.*, up to fifty hours per year. During the fiscal year ended September 30, 2004, these benefits aggregated approximately \$492,000. Additionally, during fiscal year 2004 the Company paid \$247,264 for legal and security measures to address certain security threats to Mr. Hillenbrand and the Company.

During the fiscal year ended September 30, 2004, the Company contributed \$500,000 to The John A. Hillenbrand Foundation, a public charitable foundation formed in 1950 to promote religious, educational and/or charitable activities in the City of Batesville and the County of Ripley, Indiana. The Foundation has contributed to a variety of projects involving the local churches, schools and hospital. The Board of Directors has approved a contribution of the same amount for 2005. W August Hillenbrand, a director of the Company, is an officer and director of the Foundation and John A. Hillenbrand II is a director of the Foundation. Ray J. Hillenbrand resigned from all positions held with the Foundation on August 1, 2002.

During the fiscal year ended September 2003, the Board of Directors, on the recommendation of the Nominating/Corporate Governance Committee, approved a transaction pursuant to which the Company sold to certain family members of each of W August Hillenbrand and Daniel A. Hillenbrand, a former director, approximately 530 acres of land adjacent to the Company's corporate retreat facilities, formerly part of the Hillenbrand family farm. The Company did not use this land and had no plans for its use. The Company obtained two independent appraisals for this land, and the sale price approved by the Board was the higher of these two appraisals \$2,000 per acre, for a total purchase price of approximately \$1.06 million. The sale was consummated during the second quarter of fiscal 2004.

The Rehabilitation Institute of Chicago, of which Joanne C. Smith, a director of the Company, is Senior Vice President of Strategy and Business Development, is a customer of the Company. During the fiscal year ended September 30, 2004, the Company sold approximately \$140,000 of products to the Rehabilitation Institute of Chicago. The Rehabilitation Institute of Chicago is a voluntary member, among thousands of members, of one of the group purchasing organizations with which the Company has a contract. Accordingly, the Company expects to continue to sell products to this customer, although the amounts of future sales are not fixed and are not currently determinable. Sales to this customer are on terms consistent with those of sales to the Company's other customers. Dr. Smith has no authority with respect to the purchasing decision of the Rehabilitation Institute of Chicago.

Near the end of fiscal 2003 the Company's Batesville Casket subsidiary entered into a contract with Nambé Mills, Inc. pursuant to which Batesville Casket will purchase urn products from Nambé Mills. Purchases during the fiscal year ended September 30, 2004 were approximately \$225,000 and are projected to total approximately \$310,000 during fiscal 2005. John A. Hillenbrand II, a director of the Company, is the Vice Chairman of the Board of Nambé Mills. Mr. Hillenbrand's children own substantially all of the equity of Nambé Mills. The Company believes that these purchases will be on terms similar to those the Company could obtain from an unrelated third party for these products.

Table of Contents**EXECUTIVE COMPENSATION**

The following tabulation and notes set forth the compensation paid or accrued by the Company during the fiscal years ended September 30, 2004, and September 30, 2003 and the ten month period ended September 30, 2002 to the Chief Executive Officer and each of the other four most highly compensated executive officers.

**Summary Compensation Table**

Name and Principal Position (as of September 30, 2004)	Period and Year	Annual Compensation			Long Term Compensation			
		Salary (\$)	Bonus (\$)	Other Annual Compensation (\$) <sup>(1)</sup>	Awards		Payouts	
					Stock Award(s) (\$) <sup>(2)</sup>	Underlying Options (#) <sup>(3)</sup>	LTI <sup>(4)</sup> Payoff (\$)	All Other Compensation (\$) <sup>(4)</sup>
Frederick W. Rockwood President and Chief Executive Officer	2004	\$ 1,039,767	\$ 0	\$ 105,774	\$ 919,144	100,000	\$ 0	\$ 494,809
	2003	\$ 996,354	\$ 1,882,188	\$ 118,307	\$ 540,350	100,000	\$ 0	\$ 11,650
	2002*	\$ 782,314	\$ 1,548,169	(5)	\$ 0	25,000	\$ 0	\$ 77,297
Scott K. Sorensen <sup>(6)</sup> Vice President and Chief Financial Officer	2004	\$ 457,591	\$ 0	(5)	\$ 282,056	24,000	\$ 0	\$ 50,029
	2003	\$ 427,882	\$ 769,811	(5)	\$ 270,175	25,000	\$ 0	\$ 6,660
	2002*	\$ 335,945	\$ 604,385	(5)	\$ 0	10,000	\$ 0	\$ 12,702
Patrick D. de Maynadier <sup>(7)</sup> Vice President, General Counsel and Secretary	2004	\$ 312,325	\$ 0	(5)	\$ 218,866	18,000	\$ 0	\$ 31,788
	2003	\$ 290,510	\$ 348,280	(5)	\$ 108,070	15,000	\$ 0	\$ 6,508
	2002*	\$ 187,945	\$ 339,231	(5)	\$ 0	20,000	\$ 0	\$ 5,169
Kenneth A. Camp President and Chief Executive Officer, Batesville Casket Company, Inc.	2004	\$ 384,375	\$ 0	(5)	\$ 252,936	20,000	\$ 0	\$ 86,681
	2003	\$ 359,448	\$ 474,280	(5)	\$ 270,175	20,000	\$ 0	\$ 6,906
	2002*	\$ 284,805	\$ 350,267	(5)	\$ 0	9,000	\$ 0	\$ 13,104
R. Ernest Waaser President and Chief Executive Officer, Hill-Rom Company, Inc.	2004	\$ 407,398	\$ 0	(5)	\$ 282,056	24,000	\$ 0	\$ 50,575
	2003	\$ 379,355	\$ 522,067	\$ 55,604	\$ 270,175	25,000	\$ 0	\$ 6,975
	2002*	\$ 294,825	\$ 574,613	(5)	\$ 0	9,000	\$ 0	\$ 15,742

\* Represents the ten-month period ended September 30, 2002.

(1) Consists of above market interest earned on deferred compensation, the cost of perquisites and other personal benefits provided by the Company. Included in 2004 for Frederick W. Rockwood is \$63,185 for cash perquisites paid. Also included in 2004 for Mr. Rockwood is \$26,296, for Mr. Rockwood's personal use of the Company's jet aircraft. The Company's policy permits the Chief Executive Officer, but not other executive officers, to use the Company's aircraft for personal purposes up to fifty hours per year. While the Company does not charge for the

personal use of its aircraft, it does report as taxable income to the Internal Revenue Service and is disclosing here the value of the transportation services rendered based upon IRS formulas.

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- (2) These amounts represent awards of deferred stock, which will be issued in shares of common stock of the Company upon satisfaction of certain vesting conditions and deferral elections. As of September 30, 2004 the number of shares and value of deferred stock held are as follows:

Name	Deferred Stock	
	Shares (#)	Value (\$)
Frederick W. Rockwood	39,501	\$ 1,995,986
Scott K. Sorensen	10,047	\$ 507,675
Patrick D. de Maynadier	4,850	\$ 245,071
Kenneth A. Camp	6,980	\$ 352,699
R. Ernest Waaser	12,973	\$ 655,526

Frederick W. Rockwood was awarded 14,000 deferred stock shares on December 3, 2003, which will vest 20% on December 4, 2005; 25% on December 4, 2006; 25% on December 4, 2007; and 30% on December 4, 2008. Mr. Rockwood was also awarded 1,782 deferred stock shares on December 3, 2003, which vested 100% on December 4, 2004. Mr. Rockwood was also awarded 10,000 deferred stock shares on August 25, 2003, which vested 50% on August 26, 2004 and which will vest 50% on August 26, 2005. Mr. Rockwood was also awarded 20,000 deferred stock shares on October 5, 1999, which vested on October 5, 2002.

Scott Sorensen was awarded 4,500 deferred stock shares on December 3, 2003, which will vest 20% on December 4, 2005; 25% on December 4, 2006; 25% on December 4, 2007; and 30% on December 4, 2008. Mr. Sorensen was also awarded 343 deferred stock shares on December 3, 2003, which vested 100% on December 4, 2004. Mr Sorensen was also awarded 5,000 deferred stock shares on August 25, 2003, which vested 50% on August 26, 2004 and which will vest 50% on August 26, 2005. Mr. Sorensen was also awarded 10,000 deferred stock shares on March 1, 2001, which vested 50% on January 1, 2002 and 50% on January 1, 2003.

Patrick D. de Maynadier was awarded 3,500 deferred stock shares on December 3, 2003, which will vest 20% on December 4, 2005; 25% on December 4, 2006; 25% on December 4, 2007; and 30% on December 4, 2008. Mr. de Maynadier was also awarded 258 deferred stock shares on December 3, 2003, which vested 100% on December 4, 2004. Mr. de Maynadier was also awarded 2,000 deferred stock shares on August 25, 2003, which vested 50% on August 26, 2004 and which will vest 50% on August 26, 2005.

Kenneth A. Camp was awarded 4,000 deferred stock shares on December 3, 2003, which will vest 20% on December 4, 2005; 25% on December 4, 2006; 25% on December 4, 2007; and 30% on December 4, 2008. Mr. Camp was also awarded 343 deferred stock shares on December 3, 2003, which vested 100% on December 4, 2004. Mr Camp was also awarded 5,000 deferred stock shares on August 25, 2003, which vested 50% on August 26, 2004 and which will vest 50% on August 26, 2005. Mr. Camp was also awarded 1,500 deferred stock shares on January 17, 2001, which vested on January 17, 2004.

R.Ernest Waaser was awarded 4,500 deferred stock shares on December 3, 2003, which will vest 20% on December 4, 2005; 25% on December 4, 2006; 25% on December 4, 2007; and 30% on December 4, 2008. Mr. Waaser was also awarded 343 deferred stock shares on December 3, 2003, which vested 100% on December 4, 2004. Mr Waaser was also awarded 5,000 deferred stock shares on August 25, 2003, which vested 50% on August 26, 2004 and which will vest 50% on August 26, 2005. Mr. Waaser was also awarded 1,500 deferred stock shares on March 8, 2001, which vested on January 1, 2003.



Dividends paid on the Company common stock will be deemed to have been paid with regard to the deferred stock shares awarded and deemed to be reinvested in Company common stock at the market value on the date of such dividend, and will be paid in additional shares on the vesting date of the underlying award.

- (3) Options were granted pursuant to the Company's Stock Incentive Plan for the fiscal years ended September 30, 2004 and September 30, 2003 and for the ten-month period ended September 30, 2002.

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(4) All Other Compensation earned or allocated in the fiscal year ended September 30, 2004 is as follows:

Name	401(k) Contributions	Supplemental 401(k) Contributions	Executive Life Insurance Bonus Plan	Total
Frederick W. Rockwood	\$ 6,150	\$ 13,599	\$475,060	\$494,809
Scott K. Sorensen	\$ 6,150	\$ 32,625	\$ 11,254	\$ 50,029
Patrick D. de Maynadier	\$ 6,150	\$ 17,139	\$ 8,499	\$ 31,788
Kenneth A. Camp	\$ 6,150	\$ 26,665	\$ 53,866	\$ 86,681
R. Ernest Waaser	\$ 6,150	\$ 28,563	\$ 15,862	\$ 50,575

The value reported for the Executive Life Insurance Bonus Plan is the annual premium paid for whole life insurance paid in fiscal year 2004, except for the amount reported for Frederick W. Rockwood which represents the conversion of the cash surrender value, including gross-up for taxes due, of the former Split Dollar Life Insurance policies to whole life insurance. The conversion was accomplished by a release of assignment of the split dollar collateral assignment held by the Company.

(5) Amounts do not exceed disclosure thresholds established under SEC rules.

(6) In 2004, Mr. Sorensen was appointed to the Board of Directors and the Audit Committee of GMP Companies, Inc., a privately held company in which the Company had previously made a minority equity investment. Mr. Sorensen receives from GMP the compensation paid to all of GMP's non-management directors, including fees for attendance at board and committee meetings and stock option grants..

(7) Mr. de Maynadier was elected Vice President, General Counsel and Secretary effective January 28, 2002. Prior to that date he was not employed by the Company.

**Option Grants in Last Fiscal Year  
(for fiscal year ended September 30, 2004)**

The following table sets forth certain information concerning stock option grants to the named executive officers during the fiscal year ended September 30, 2004:

**Individual Grants**

Name	Number of Securities Underlying Options Granted (#) <sup>(1)</sup>	Percent of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date	Grant Date Present Value (\$) <sup>(2)</sup>
Frederick W. Rockwood	100,000	15.68%	\$ 58.24	12/3/2013	\$1,556,630
Scott K. Sorensen	24,000	3.76%	\$ 58.24	12/3/2013	\$ 373,591
Patrick D. de Maynadier	18,000	2.82%	\$ 58.24	12/3/2013	\$ 280,193
Kenneth A. Camp	20,000	3.14%	\$ 58.24	12/3/2013	\$ 311,326
R. Ernest Waaser	24,000	3.76%	\$ 58.24	12/3/2013	\$ 373,591

- (1) All options were granted pursuant to the Company's Stock Incentive Plan. The options were granted at an exercise price equal to the fair market value of the Company's common stock on the date of grant. The options were granted for terms of ten years, and vest one-third on each of the first three anniversaries of the date of grant. In the event of a change of control of the Company, the unvested portions of the options will be subject to accelerated vesting.
- (2) Option values were calculated on the basis of the Black-Scholes option pricing model. Options were assumed to be exercised 6.00 years after the date of grant. Other assumptions used for the valuations are a risk-free interest rate of 3.73%, stock price volatility of .2634 and annual dividend yield of 1.76%.  
The actual value realized by an

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officer from exercise of the options will depend on the market value of the Company's common stock on the dates the options are exercised.

**Aggregated Option Exercises in Last Fiscal Year  
and Fiscal Year-End Option Values  
(for fiscal year ended September 30, 2004)**

The following table sets forth certain information concerning option exercises during the fiscal year ended September 30, 2004 by the named executive officers and unexercised options held by such officers as of September 30, 2004:

Name	Shares Acquired On Exercise	Value Realized	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Frederick W. Rockwood	0	\$ 0	270,001	199,999	\$ 1,230,629	\$ 213,165
Scott K. Sorensen	0	\$ 0	81,668	52,332	\$ 126,836	\$ 54,165
Patrick D. de Maynadier	0	\$ 0	18,334	34,666	\$ 15,200	\$ 30,400
Kenneth A. Camp	0	\$ 0	80,667	41,333	\$ 455,453	\$ 42,632
R. Ernest Waaser	0	\$ 0	42,668	50,332	\$ 59,286	\$ 53,464

**Life Insurance**

During fiscal 2004 the Company maintained the Hillenbrand Industries Split Dollar Life Insurance Plan covering Frederick W. Rockwood, Scott K. Sorensen, Kenneth A. Camp and R. Ernest Waaser. The Plan provided split dollar pre- and post-retirement coverage, with pre-retirement employee death benefits ranging from \$600,000 to \$5,000,000. At retirement the coverage would be reduced by 50%. Each covered participant owned an individual policy and the premium was a shared responsibility between the participant and the Company. The Company paid the majority of the premiums subject to a collateral assignment agreement with the participant owner of the policy. The policy matured at age 65 or after the participant had been in the plan for 15 years, whichever was later. At policy maturity or termination, the Company's cash value share, up to its cumulative premium payments on the policy, was transferred from the policy back to the Company. The participant owner of the policy controlled the remaining cash value. The Hillenbrand Industries Split Dollar Life Insurance Plan and related premium payment schedule were in place prior to the effective date of the Sarbanes-Oxley Act of 2002, and no material modifications to the plan or premium payments were made after the Act's effective date. The Company did not make premium payments in fiscal years ended September 30, 2004 and September 30, 2003 for current employees, but did continue premium payments for retirees.

During fiscal 2004, the Company, in conjunction with the replacement of the Split Dollar Life Insurance Plan, purchased executive owned Variable Universal Life Insurance policies, covering the named executives in which premiums are to be paid by the Company for the participant until age 65. The policies provide for pre-retirement employee death benefits that range from \$600,000 to \$5,000,000. At retirement, death benefit coverage will be reduced, and will range from \$400,000 to \$2,500,000.

**Agreements with Executive Officers**

During 2001 and 2002, the Company entered into Change in Control Agreements (the Change in Control Agreements ) with certain officers, including Frederick W. Rockwood, Scott K. Sorensen, Patrick D. de Maynadier, Kenneth A. Camp and R. Ernest Waaser. The Change in Control Agreements are intended to encourage continued employment by the Company of its key management personnel and to allow such personnel to be in a position to provide assessment and advice to the Board of Directors regarding any proposed

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Change in Control without concern that such personnel might be unduly distracted by the uncertainties and risks created by a proposed Change in Control.

The Change in Control Agreements provide for payment of specified benefits upon the Company's termination of the executive's employment (other than on account of death, disability, retirement or cause) in anticipation of or within two years (three years in the case of Mr. Rockwood) after a Change in Control, or upon the executive's termination of employment for good reason within two years (three years in the case of Mr. Rockwood) after a Change in Control. Mr. Rockwood's Change in Control Agreement also provides for the payment of the specified benefits in the event he terminates employment for any reason during the 30-day period following the first anniversary of the Change in Control. The benefits to be provided by the Company upon a Change in Control under any of the above circumstances are: (i) a lump sum payment in cash equal to two times (three times in the case of Mr. Rockwood) the executive's annual base salary; (ii) continued health and medical insurance for the executive and his dependents and continued life insurance coverage for the executive for 24 months (36 months in the case of Mr. Rockwood), with the right to purchase continued medical insurance (at COBRA rates) from the end of this period until the executive reaches retirement age; (iii) a cash payment in lieu of certain prerequisites; and (iv) an increase to the monthly pension benefit otherwise payable to the executive calculated by giving him credit for two additional years of age and service (or, in the case of Mr. Rockwood, three additional years of age and service credit). In addition, upon a Change in Control, whether or not the executive's employment is terminated, all outstanding stock options, restricted stock and deferred stock awards will become fully vested and the executive will be deemed to have earned all outstanding short-term incentive compensation and performance share compensation awards to the extent such awards would have been earned if all performance targets for the relevant period were achieved 100%. Mr. Rockwood's Change in Control Agreement provides that if he receives payments that would be subject to the excise tax on excess parachute payments imposed by Section 4999 of the Internal Revenue Code, he will be entitled to receive an additional gross-up payment in an amount necessary to put him in the same after-tax position as if such excise tax had not been imposed. The Change in Control Agreements for the other named executive officers provide for a similar gross-up payment, except that if the value of all parachute payments to an executive does not exceed 120% of the maximum parachute payment that could be paid to him without giving rise to the excise tax, the payments otherwise called for by the Change in Control Agreement will be reduced to the maximum amount which would not give rise to the excise tax. Assuming a Change in Control had occurred on September 30, 2004, the named executive officers would have received cash lump sum payments upon a termination of employment covered by the Change in Control Agreements in approximately the following amounts: Frederick W. Rockwood \$4,183,000; Scott K. Sorensen \$1,301,000; Patrick D. de Maynadier \$808,000; Kenneth A. Camp \$1,108,000 and R. Ernest Waaser \$1,159,000. The preceding amounts do not take into account the gross-up payments, enhanced pension benefits, insurance benefits, and the vesting of stock options, restricted stock and deferred stock awards.

Under the Change in Control Agreements, a Change in Control is defined generally as (i) the acquisition of beneficial ownership of 35% or more of the voting power of all Company voting securities by a person or group at a time when such ownership is greater than that of the members of the Hillenbrand Family; (ii) the consummation of certain mergers or consolidations; (iii) the failure of a majority of the members of the Company's Board of Directors to consist of Current Directors (defined as any director on the date of the Change in Control Agreements and any director whose election was approved by a majority of the then-Current Directors); (iv) the consummation of a sale of substantially all of the assets of the Company; or (v) the date of approval by the shareholders of the Company of a plan of complete liquidation of the Company.

In addition to the Change in Control Agreements, the Company has entered into Employment Agreements (the Employment Agreements) with each of Frederick W. Rockwood, Scott K. Sorensen, Patrick D. de Maynadier, Kenneth A. Camp and R. Ernest Waaser. The Employment Agreements set forth the basic



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duties of the officers and provide that each officer is entitled to receive a base salary, incentive compensation payable in the Company's discretion and such additional compensation, benefits and perquisites as the Company may deem appropriate. The Employment Agreements are terminable by either the Company or the executive on sixty days notice, or pay in lieu of notice, and are terminable at any time by the Company for cause, as defined in each Employment Agreement. If an executive is terminated other than for cause, the Company is required to pay severance to the executive in an amount equal to twelve months of the executive's base salary at the time of termination. The Employment Agreements also contain limited non-competition and non-solicitation agreements of the executives, which continue generally for a period of two years after the termination of the executive's employment.

**Pension Plan**

The Hillenbrand Industries, Inc. Pension Plan (the "Pension Plan") covers officers of the Company and other employees. Directors of the Company who are not employees of the Company or one of its subsidiaries are not eligible to participate in the Pension Plan. Contributions to the Pension Plan by the Company are made on an actuarial basis, and no specific contributions are determined or set aside for any individual.

The Internal Revenue Code limits the amount of benefits that may be paid under the Pension Plan. A supplemental pension benefit that makes up for the Internal Revenue Code limitations is provided under the SERP described below. Benefits under the Pension Plan are not subject to deductions for Social Security or other offset amounts.

Employees, including officers of the Company, who retire under the Pension Plan receive fixed benefits calculated by means of a formula that takes into account the highest average annual calendar year eligible compensation earned over five consecutive years and the employee's years of service. The following table shows approximate representative pension benefits under the Pension Plan and the pension benefit under the SERP based on a single life annuity commencing at age 65 for the compensation and years of service indicated:

**Approximate Annual Pension Upon Retirement At Age 65**

<b>Highest Average Eligible Compensation for any Period of 5 Consecutive Years</b>	<b>5 Years of Service</b>	<b>10 Years of Service</b>	<b>15 Years of Service</b>	<b>20 Years of Service</b>	<b>25 Years of Service</b>	<b>30 Years of Service</b>	<b>35 Years of Service</b>	<b>40 Years of Service</b>
\$ 100,000	\$ 5,000	\$ 11,000	\$ 16,000	\$ 22,000	\$ 27,000	\$ 33,000	\$ 38,000	\$ 43,000
\$ 200,000	\$13,000	\$ 27,000	\$ 40,000	\$ 54,000	\$ 67,000	\$ 81,000	\$ 94,000	\$107,000
\$ 300,000	\$21,000	\$ 43,000	\$ 64,000	\$ 86,000	\$107,000	\$129,000	\$150,000	\$171,000
\$ 400,000	\$29,000	\$ 59,000	\$ 88,000	\$118,000	\$147,000	\$177,000	\$206,000	\$235,000
\$ 500,000	\$37,000	\$ 75,000	\$112,000	\$150,000	\$187,000	\$225,000	\$262,000	\$299,000
\$ 600,000	\$45,000	\$ 91,000	\$136,000	\$182,000	\$227,000	\$273,000	\$318,000	\$363,000
\$ 700,000	\$53,000	\$107,000	\$160,000	\$214,000	\$267,000	\$321,000	\$374,000	\$427,000
\$ 800,000	\$61,000	\$123,000	\$184,000	\$246,000	\$307,000	\$369,000	\$430,000	\$491,000
\$ 900,000	\$69,000	\$139,000	\$208,000	\$278,000	\$347,000	\$417,000	\$486,000	\$555,000
\$ 1,000,000	\$77,000	\$155,000	\$232,000	\$310,000	\$387,000	\$465,000	\$542,000	\$619,000



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\$ 1,100,000	\$ 85,000	\$ 171,000	\$ 256,000	\$ 342,000	\$ 427,000	\$ 513,000	\$ 598,000	\$ 683,000
\$ 1,200,000	\$ 93,000	\$ 187,000	\$ 280,254	\$ 374,000	\$ 467,000	\$ 561,000	\$ 654,000	\$ 747,000

The credited years of service under the Pension Plan and the SERP as of December 31, 2004 for the officers named in the table are as follows: Frederick W. Rockwood 27 years; Scott K. Sorensen 9 years; Patrick D. de Maynadier 3 years; Kenneth A. Camp 24 years; and R. Ernest Waaser 4 years. The Company has agreed that Mr. de Maynadier and Mr. Waaser will be treated as vested participants for purposes of the Company's qualified plans and the SERP prior to achieving five years of vested service should they leave the Company for any reason except a termination for cause.

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### **Savings Plan**

The Company maintains the Hillenbrand Industries, Inc. Savings Plan (the Savings Plan ), which covers substantially all employees, including senior management. Under the Savings Plan, a tax-qualified retirement savings plan, participating employees may contribute up to 40 percent of compensation on a before-tax basis. The Company contributes a matching contribution to the Savings Plan for only those participants who are not active participants in the Pension Plan in an amount equal to fifty cents for each dollar contributed by participating employees on the first six percent of their compensation. Additionally, the Company annually contributes to the Savings Plan, (i) for employees who are active participants in the Pension Plan, an amount equal to three percent of such employees compensation and, (ii) for employees who are not active employees in the Pension Plan, an amount equal to four percent of such employees compensation.

During 2004, the Savings Plan limited the additions that can be made to a participating employee s account to \$41,000 per year. Additions include all Company contributions and the before-tax contributions made by the Company at the request of the participating employee under Section 401(k) of the Internal Revenue Code. Of those additions, the current maximum before-tax contribution made by a participating employee is \$13,000 per year (or \$16,000 per year for certain participants age 50 and over). In addition, no more than \$205,000 of annual compensation may be taken into account in computing benefits under the Savings Plan. A supplemental savings plan benefit that makes up for these limitations is provide under the SERP (see below).

### **Supplemental Executive Retirement Plan**

The Company maintains the Hillenbrand Industries, Inc. Supplemental Executive Retirement Plan (the SERP ). The SERP provides additional retirement benefits to certain employees selected by the Compensation Committee or the Chief Executive Officer of the Company whose retirement benefits under the Pension Plan and/or Savings Plan are reduced, curtailed or otherwise limited as a result of certain limitations under the Internal Revenue Code. The additional retirement benefits provided by the SERP are (i) for certain Pension Plan participants chosen by the Committee, in an amount equal to the benefits under the Pension Plan which are so reduced, curtailed or limited by reason of the application of such limitation and/or (ii) for certain Savings Plan participants chosen by the Committee, in an amount equal to the benefits under the Savings Plan which are so reduced, curtailed or limited by reason of the application of such limitation. Additionally, certain participants in the SERP who are selected by the Compensation and Management Development Committee may annually accrue an additional benefit of a certain percentage of such participants Compensation (as defined below) for such year (the current percentage is three), and the amount of the retirement benefit shall equal the sum of such annual accruals plus additional earnings factor. Compensation under the SERP shall mean the corresponding definition of compensation under the Pension Plan and the Savings Plan plus a percentage of a participant s eligible compensation as determined under the Company s Short-Term Incentive Compensation Program.

The retirement benefit to be paid under the SERP is from the general assets of the Company, and such benefits are generally payable at the time and in the manner benefits are payable under the Pension Plan and Savings Plan.

### **Stock Incentive Plan**

Under the Hillenbrand Industries, Inc. Stock Incentive Plan (the Stock Incentive Plan ), employees and directors of the Company may be granted stock options, stock appreciation rights, stock awards (including restricted stock awards and bonus stock awards, which may or not be performance-based) and deferred stock (phantom stock). The Compensation and Management Development Committee makes all determinations



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under the Stock Incentive Plan, including who is to receive an award, the number of shares of common stock to be covered by each award granted and the terms and conditions of any award granted (including vesting).

**Short-Term Incentive Compensation Program**

The Company maintains the Hillenbrand Industries, Inc. Short-Term Incentive Compensation Program (the Short-Term Incentive Compensation Program ), which is a performance-based award program whereby certain employees of the Company who are selected by the Compensation and Management Development Committee or Chief Executive Officer receive a payment in cash of up to a predetermined percentage of eligible compensation based upon the Company achieving certain business criteria and upon the individual employee attaining certain individual performance goals.

**Executive Deferred Compensation Program**

Under the Hillenbrand Industries, Inc. Executive Deferred Compensation Program (the Deferred Compensation Program ) certain executives of the Company who are chosen by the Compensation Committee may elect to defer all or a portion of their base compensation, payments under the Short-Term Incentive Compensation Program and certain other benefits to be paid in years later than when such amounts are due.

**Anticipated Amendments**

The American Jobs Creation Act of 2004 will significantly change the tax rules for nonqualified deferred compensation plans including the Company plans and executive contracts as described above which have deferral or other delayed payment features. The new rules are effective December 31, 2004 and the Company plans to make required and appropriate amendments to Board plans, executive plans and executive contracts to comply with applicable legal and regulatory requirements.

**EQUITY COMPENSATION PLAN INFORMATION**

The following table sets forth information concerning the Company's equity compensation plans as of September 30, 2004:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)</b>	<b>Weighted-average exercise price of outstanding options, warrants and rights (\$) (b)</b>	<b>Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column (a)) (c)</b>
Equity compensation plans approved by security holders	3,104,776	\$ 43.50	3,757,359

Equity compensation plans not approved by security holders <sup>(1)(2)</sup>	21,399	\$ 0.00	0
	<u>          </u>	<u>          </u>	<u>          </u>
Total	3,126,175	\$ 43.20	3,757,359

(1) Under the Hillenbrand Industries Stock Award Program, which has not been approved by security holders, shares of common stock have been granted to certain key employees. All shares granted under this program are contingent upon continued employment over specified terms. During 1999, 45,000 shares were granted under this program, 20,000 of which were canceled for lack of continued employment. During 2001, an additional 56,500 shares were granted under this program, 10,500 of which have been canceled. Dividends, payable in stock accrue on the grants and are subject to the same specified terms as the original grants. Shares granted in 1999 had a fair value of \$27.81 per share and those in 2001 had a range of fair values from \$49.76 to \$50.85. Of these grants, 5,000 shares became vested on January 1, 2002; 25,000 shares vested on October 5, 2002; 1,500 shares vested on

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December 6, 2002; 6,500 shares vested on January 1, 2003 and 33,000 shares vested on January 17, 2004. Accrued dividends related to the grants will also vest accordingly. A total of 20,307 deferred shares are payable as of September 30, 2004 under this program.

- (2) Members of the Board of Directors may elect to defer fees earned and invest them in common stock of the Company under the Hillenbrand Industries Directors' Deferred Compensation Plan, which has not been approved by security holders. A total of 1,092 deferred shares are payable as of September 30, 2004 under this program.

**COMPENSATION AND MANAGEMENT  
DEVELOPMENT COMMITTEE'S REPORT**

*The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Securities Exchange Act of 1934, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933 or the Securities Act of 1934.*

The primary function of the Compensation and Management Development Committee (the "Committee") is to assist the Board of Directors of Hillenbrand Industries, Inc. (the "Company") in fulfilling its responsibility for assuring that the officers and key management personnel of the Company are effectively compensated in terms of salaries, supplemental compensation and other benefits which are internally equitable, externally competitive and advance the long term interests of the Company's shareholders. The Committee is also responsible to review and assess the talent development and succession management actions concerning the officers and key employees of the Company.

**Compensation Philosophy and Objectives**

The Company is strongly committed to performance-oriented compensation.

During 2003, the Committee directed a comprehensive review of the compensation philosophy, competitive position, and compensation and benefit practices of the Company be completed. The Company reaffirmed its long-standing philosophy of shareholder value creation as the foundation of its compensation and benefit practices.

During 2004, the Company continued to follow the guiding principles, as outlined below, for the Company's compensation and benefit programs, which support the policy of the Committee to maintain a compensation program that maximizes the creation of long-term shareholder value. These principles are:

Aligning management's interests with those of shareholders

Aligning and motivating employees to achieve superior results

Assuring clear accountabilities and providing rewards for producing results

Ensuring competitive compensation in order to attract and retain superior talent

Focusing on simplicity and adding value

The Company's total compensation is targeted at the 50th percentile of the applicable market, with provision for paying above the 50th percentile when pre-established business criteria targets are achieved.

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When those targets are not achieved, the Company's total compensation is paid below the 50th percentile of the market.

During 2003, the Company engaged two internationally recognized compensation and benefit consulting firms to evaluate the appropriateness of the Company's compensation practices. As a result of the evaluation, the Company established two benchmark samples against which it compared and will compare the applicable marketplace competitive position of the Company's compensation practices. For purposes of the compensation paid to the named executive officers, the applicable marketplace comparators include medical device manufacturers and a broad sample of Fortune 1000 companies and medical device manufacturers.

### **Compensation Components and Process**

The three major components of the Company's executive officer compensation are: (i) base salary, (ii) variable cash incentive awards and (iii) long-term, equity-based incentive awards.

The Committee engaged a nationally recognized independent compensation and benefits consulting firm to evaluate the effectiveness of the Company's compensation and benefit programs and to provide the Committee with additional expertise in the evaluation of the Company's compensation practices and recommendations developed by the firms engaged by the Company. The Committee's compensation consultant evaluates proposals made by executive management of the Company to the Committee to assure independence in the review, approval or rejection of compensation changes recommended by executive management of the Company. This firm works directly for the Committee and, other than assistance to the Nominating/Corporate Governance Committee in connection with the annual Board and director evaluation process, performs no services to the Company other than those directed by the Committee.

The elements of compensation provided to Hillenbrand Industries Chief Executive Officer and other executive officers were compared with those of their counterparts in the markets described above to determine appropriate levels of base salary, target incentives and total cash compensation. In addition, the compensation practices concerning stock-based awards were reviewed and compared.

#### **1. Base Salary**

At the senior executive level, base salaries are conservative when compared with marketplace comparative companies. Emphasis in the Company's compensation programs is placed on variable or at risk compensation rather than on base salary. The Committee reviews the base salaries of the executive officers on an annual basis. Adjustments to base salaries result from an assessment of the performance contributions of each executive in relationship to that executive's scope of responsibility.

Effective December 29, 2003 the Board of Directors acted on the recommendation of the Committee to increase the base salary of Mr. Rockwood by 4.9%. Prior to making the adjustment the Committee reviewed the year to date financial performance of the Company, and the performance contributions of Mr. Rockwood in relationship to performance objectives, such as achievement of shareholder value targets, and made an assessment of the degree to which he was contributing to the creation of long term shareholder value. The Committee reviewed competitive compensation information provided by an independent compensation consulting firm engaged by it prior to recommending to the Board of Directors the adjustment to Mr. Rockwood's base salary. The Committee also utilized the services of that firm to provide marketplace competitive information regarding base salaries of other executive officers. The base salaries of executive officers of the Company were compared with those of other medical device manufacturing firms, and with base salary practices of Fortune 1000 companies. Other executive officers were granted adjustments to their base





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salaries based both upon their performance contributions during the preceding twelve months, and upon similar marketplace comparisons.

In December 2003 adjustments to the base salaries of the Chief Executive Officer and other executive officers were recommended by the Committee and approved by the Board of Directors. No base salary increases were provided to the Chief Executive Officer or any other executive officers for the 2005 fiscal year. Executive officers may elect to defer all or a portion of their base salary to be paid at the end of the deferral period in cash with interest accrued at the prime rate.

Prior to fiscal 2004, executive officers of the Company were eligible for perquisite compensation in an amount equal to 10% of the participant's base salary (or such other limits as may be imposed by the Committee). Perquisite compensation was used to pay for supplemental health care, insurance benefits, financial planning assistance, club membership fees or Company common stock. Executive officers were given the option of deferring all or a portion of perquisite compensation to be paid in cash at the end of the deferral period. During fiscal 2004, perquisite compensation was eliminated and replaced by restricted stock units or adjustments to base salary, annual physical examinations, financial planning reviews and limited income tax preparation assistance.

**2. Variable Incentive Awards**

Under the terms of the Short-Term Incentive Compensation Program, the Committee establishes specific financial objectives, and may also establish non-financial objectives. Short-term financial performance objectives are established annually at levels, which generally represent significant improvement over prior years' results, measured primarily, for fiscal 2004, in terms of shareholder value creation based on net income and cash flow. Effective for fiscal 2005 financial performance objectives will be measured in terms of revenue and profit growth. The Committee established these objectives to maintain the appropriate balance between the short and long-term performance expectations of shareholders.

The amount of short-term incentive compensation is determined by first establishing a performance base ( Performance Base ) and a target ( Target ) for the Company and each subsidiary. The Performance Base and Target for the Company's Chief Executive Officer and Vice Presidents and chief executive officers of the subsidiaries are recommended by the Chief Executive Officer of the Company and approved by the Committee. The Performance Base and Target for the Chief Executive Officer of the Company are directly related to shareholder value creation. Shareholder value creation was based on net income and free cash flow objectives established by the Committee for fiscal 2004.

Under the terms of the Program, short term incentive compensation opportunity is equal to 90% of base salary for the Chief Executive Officer and President of the Company; 75% of base salary in the case of the Chief Financial Officer of the Company and chief executive officers of the subsidiaries; and 50% of base salary for other corporate and subsidiary senior executives. For executive officers of the Company during the fiscal year ended September 30, 2004, the plan provided for short term incentive compensation ranging from 0% of the above scale upon achievement of the Performance Base up to 200% of the above scale upon achievement of the Target, according to a formula recommended by the Chief Executive Officer of the Company and approved by the Committee.

Short-term incentive compensation is calculated for each senior executive participant at the end of each fiscal year. Short-term incentive compensation is payable in cash. All or a portion of short term incentive compensation may be deferred by the executive and invested either in cash or common stock to be paid at the end of the deferral period.

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Executive officers of the Company, including the Chief Executive Officer, were not awarded cash bonuses in December 2004 based upon results that failed to achieve the net income and free cash flow objectives established by the Committee at the beginning of 2004 for the fiscal year ended September 30, 2004.

### **3. Long-Term, Equity-Based Incentive Awards**

The Company's Stock Incentive Plan, which was approved by the Company's shareholders in 2002, provides for the opportunity to grant stock options and other equity-based incentive awards to officers, other key employees and non-employee directors to help align those individuals' interests with those of shareholders, to motivate executives to make strategic long-term decisions, and to better enable the Company to attract and retain capable directors and executive personnel.

Officers and other key employees were granted stock options during the fiscal year ended September 30, 2004. These options vest over a three-year period. In connection with its evaluation of the Stock Incentive Plan, the Committee utilized the services of an independent consulting compensation firm to provide marketplace competitive information.

Based on the review of compensation performed during 2003, and to better align the interests of executive officers with those of the Company's shareholders, the Committee has in 2004 substituted restricted stock units (otherwise known as deferred stock awards under the Company's Stock Incentive Plan) for a significant portion of the stock option grants that would have previously been granted to executives and has approved stock ownership guidelines for recipients of those deferred stock awards.

All employees who are awarded restricted shares of the Company's common stock or restricted stock units with respect to shares of the Company's common stock from and after December 2003 are required to hold shares of the Company's common stock or equivalents at a level equal to at least 400% of their initial annual restricted stock or restricted stock unit grant ( Required Ownership Level ). Until, but not after, the Required Ownership Level is achieved, if annual grants subsequent to the first annual grant are less than the initial annual grant, then the Required Ownership Level will be adjusted downward based on the annual average grant amount. Shares owned outright, restricted stock units (whether vested or unvested) and restricted shares (whether vested or unvested) will count as share equivalents towards the Required Ownership Level. The Required Ownership Level must be achieved within five years from the date of the first annual restricted stock grant. Failure to maintain the Required Ownership Level will result in suspension of future restricted stock or restricted stock unit grants until the Required Ownership Level is achieved.

From time to time, the Company has made deferred stock awards to executives of the Company for various reasons, as presented in footnote 2 of the Summary Compensation Table.

Section 162(m) of the Internal Revenue Code limits tax deductibility of certain executive compensation in excess of \$1 million per year unless certain requirements are met. The Stock Incentive Plan is designed to meet these requirements. The Stock Incentive Plan enables the Committee to grant awards, which satisfy the Section 162(m) requirements as well as those, which do not.

**Submitted by the Compensation and Management Development Committee (as constituted on December 1, 2004)**

Rolf A. Classon (Chairman)

Mark D. Ketchum (Vice Chairman)

Anne Griswold Peirce

Peter H. Soderberg

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**COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION**

During the fiscal year ended September 30, 2004, the Compensation and Management Development Committee consisted of Rolf A. Classon (Chairman), Anne Griswold Peirce, and Peter H. Soderberg. Mark D. Ketchum became a member of the Committee in September 2004.

**COMPANY STOCK PERFORMANCE**

The following graph for the fiscal years ended on the Saturday closest to November 30 of 1999 through 2001, the ten-month period ended September 30, 2002 and the fiscal years ended September 30, 2003 and September 30, 2004 compares the cumulative total return for common stock of the Company with the S&P 500 and S&P 500 Health Care Equipment Index.

The graph assumes \$100 invested in November 1999. Total return assumes that all dividends are reinvested when received.

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**AUDIT COMMITTEE S REPORT**

The Audit Committee of the Board of Directors (the Committee ) is composed of three directors, each of whom is independent under Securities and Exchange Commission Rule 10A-3 and the NYSE s Listing Standards. The Committee operates under a written charter adopted by the Board of Directors.

Management is responsible for the Company s internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. The independent auditors are responsible for performing an independent audit of the Company s consolidated financial statements in accordance with generally accepted auditing standards and the issuance of a report thereon. The Audit Committee s responsibility is to monitor and oversee these processes.

In this regard, the committee meets separately at most regular committee meetings with management, the Director of Internal Audit and the Company s outside independent auditors. The Committee has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities and the authority to retain such outside counsel, experts, and other advisors as it determines appropriate to assist it in the conduct of any such investigation. In addition, the Committee approves, subject to shareholder ratification, the appointment of the Company s outside independent auditors, PricewaterhouseCoopers LLP ( PwC ), and pre-approves all audit and non-audit services to be performed by the auditor.

In this context, the Committee has reviewed and discussed the consolidated financial statements with management and PwC. Management represented to the Committee that the Company s consolidated financial statements were prepared in accordance with generally accepted accounting principles. PwC discussed with the Committee matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended by SAS No. 90 Audit Committee Communications. Management and the auditors also made presentations to the committee throughout the year on specific topics of interest, including:(i) current developments and best practices for audit committees; (ii) updates on the substantive requirements of the Sarbanes-Oxley Act of 2002, including management s responsibility for assessing the effectiveness of internal control over financial reporting; (iii) key elements of anti-fraud programs and controls; (iv) transparency of corporate financial reporting; (v) the Company s critical accounting policies; (vi) the applicability of several new and proposed accounting releases; and (vii) numerous SEC accounting developments. .

PwC also provided to the Committee the letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees). PwC informed the Audit Committee that it was independent with respect to the Company within the meaning of the securities acts administered by the Securities and Exchange Commission and the requirements of the Independence Standards Board, and PwC discussed with the Committee that firm s independence with respect to the Company. In addition, the Committee considered whether non-audit consulting services provided by the auditors firm could impair the auditors independence and concluded that such services have not impaired the auditors independence.

Based upon the Committee s discussions with management and PwC and the Committee s review of the representations of management and the report of PwC to the Committee, the Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the year ended September 30, 2004.

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In addition, the Committee has discussed with the Chief Executive Officer and the Chief Financial Officer of the Company the certifications required to be given by such officers in connection with the Company's Annual Report on Form 10-K pursuant to the Sarbanes-Oxley Act of 2002 and Securities and Exchange Commission rules adopted thereunder, including the subject matter of such certifications and the procedures followed by such officers and other management in connection with the giving of such certifications.

**Submitted by the Audit Committee (as constituted on December 1, 2004)**

Charles E. Golden (Chairman)

Eduardo R. Menascé (Vice Chairman)

Joanne C. Smith

(Each of whom the Board of Directors has determined is an independent director under applicable standards)

**RATIFICATION OF APPOINTMENT OF AUDITORS**

Subject to shareholder ratification, the Audit Committee of the Board of Directors of the Company has appointed the firm of PricewaterhouseCoopers LLP ( PwC ), certified public accountants, as independent auditors to make an examination of the consolidated financial statements of the Company for its fiscal year ending September 30, 2005. PwC served as the independent auditors of the Company for year ended September 30, 2004. A representative of PwC will be present at the annual meeting with an opportunity to make a statement, if he so desires, and will be available to respond to appropriate questions.

The Audit Committee has adopted a policy requiring that all services from the outside independent auditors must be pre-approved by the Audit Committee or its delegate (Chairperson) and has adopted guidelines that non-audit related services, including tax consulting, tax compliance and tax preparation fees, should not exceed the total of audit and audit related fees. During fiscal 2004 PwC's fees for non-audit related services fell within these guidelines.

**Audit Fees**

Aggregate fees billed by PwC for professional services rendered for the audit of the Company's annual consolidated financial statements included in the annual report on Form 10-K and the review of interim consolidated financial statements included in quarterly reports on Form 10-Q and the review and audit of the application of new accounting pronouncements, SEC releases and accounting for unusual transactions were \$1,326,696 and \$1,942,550 for the years ended September 30, 2003 and September 30, 2004, respectively.

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### **Audit-Related Fees**

Aggregate fees billed by PwC for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and that are not disclosed under "Audit Fees" above were \$1,193,253 and \$1,974,254 for the years ended September 30, 2003 and September 30, 2004, respectively. These audit related services include primarily the statutory audits of European and financial services entities, agreed-upon services related to acquisition and divestiture transactions, and review and assistance with the planning and training for implementation of a Sarbanes-Oxley compliance review project.

### **Tax Fees**

Aggregate fees billed by PwC for professional services rendered to the Company for tax compliance, tax advice and tax planning were \$2,361,704 and \$1,160,319 for the years ended September 30, 2003 and September 30, 2004, respectively.

### **All Other Fees**

Aggregate fees billed by PwC for all other products and services provided to the Company were \$1,400 and \$1,500 for the years ended September 30, 2003 and September 30, 2004, respectively. These fees were for a subscription to PwC's online accounting research tool.

**The Board of Directors recommends that the shareholders vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors of the Company.**

## **COST OF SOLICITATION**

The entire cost of solicitation of proxies by the Board of Directors will be borne by the Company. In addition to the use of the mails, proxies may be solicited by personal interview, facsimile, telephone, electronic communication and telegram by directors, officers and employees of the Company. The Company expects to reimburse brokers or other persons for their reasonable out-of-pocket expenses in forwarding proxy material to beneficial owners.

## **SHAREHOLDER PROPOSALS**

In order for shareholder proposals submitted pursuant to Rule 14a-8 under the Securities Exchange Act of 1934 to be presented at the Company's 2005 annual meeting of shareholders and included in the Company's proxy statement and form of proxy relating to that meeting, such proposals must be submitted to the Secretary of the Company at the Company's principal offices in Batesville, Indiana not later than September 6, 2005.

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In addition, the Company's Amended and Restated Code of By-laws provides that for business to be brought before a shareholders' meeting by a shareholder or for nominations to the Board of Directors to be made by a shareholder for consideration at a shareholders' meeting, notice thereof must be received by the Secretary of the Company at the Company's principal offices not later than 100 days prior to the anniversary of the immediately preceding annual meeting, or not later than November 2, 2005 for the 2006 annual meeting of shareholders. The notice must also provide certain information set forth in the Amended and Restated Code of By-laws.

**INCORPORATION BY REFERENCE**

Notwithstanding anything to the contrary set forth in any of the Company's previous or future filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, that incorporates this proxy statement by reference, the Audit Committee's Report, the Compensation and Management Development Committee's Report and the graph Comparison of Five Year Cumulative Total Return shall not be incorporated by reference into any such filings.

Patrick D. de Maynadier  
Secretary

January 4, 2005



**HILLENBRAND INDUSTRIES, INC.**  
**(the Company")**

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

(As approved by Board of Directors on December 2, 2004)

The following corporate governance standards established by the Board of Directors 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 Company's business is managed under the direction of the Board, but the conduct of the Company's business has been delegated by the Board to the Company's senior management team.

1. The Board will consider all major decisions of the Company. However, 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: Audit Committee, Nominating/Corporate Governance Committee, Compensation and Management Development Committee and Finance Committee. Each standing Committee has a specific charter that has been approved by the Board.

2. By the Company's 2004 Annual Meeting of Shareholders, and at all times thereafter, at least a majority of the directors of the Company shall be independent, as determined pursuant to numbered paragraph 3 below.

3. The Board, after receiving a recommendation from the Nominating/Corporate Governance Committee, must determine annually, based on a consideration of all relevant facts and circumstances, whether each director is independent. A director does not qualify as independent unless the Board has affirmatively determined that the director has no material relationship with the Company<sup>1</sup>, (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). In assessing the materiality of a director's relationship with the Company and each director's independence, 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 and shall 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. In assessing a director's independence, the Board shall also consider the director's ownership, or affiliation with the owner, of less than a

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<sup>1</sup> For purposes of this numbered paragraph 3, all references to the Company include the Company's subsidiaries.

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controlling amount of voting securities of the Company. The basis for the Board's determination that a relationship is not material shall be disclosed in the Company's annual proxy statement.

Further, the Board cannot conclude that a director is independent as follows:

A director who is or was an employee, or whose immediate family member<sup>2</sup> is or was an executive officer, of the Company may not be considered independent until three years after the end of such employment relationship. Employment as an interim Chairman or CEO shall not disqualify a director from being considered independent following that employment.

A director who receives or received, or whose immediate family member receives or received, more than \$100,000 per year 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), may not be considered independent until three years after he or she ceased to receive more than \$100,000 per year in such compensation. Compensation received by a director for former service as an interim Chairman or CEO need not be considered in determining independence under this test.

A director who is or was affiliated with or employed by, or whose immediate family member is or was affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company may not be considered independent until three years after the end of the affiliation or the employment or auditing relationship.

A director who is or was employed, or whose immediate family member is or was employed, as an executive officer of another company where any of the Company's present executives serves or served on that company's compensation committee may not be considered independent until three years after the end of such service or the employment relationship.

A director who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes or made payments to, or receives or received payments from, the Company for property or services in an amount which, in any single fiscal year, exceeds or exceeded the greater of \$1 million, or 2% of such other company's consolidated gross revenues, may not be considered independent until three years after falling below such threshold. The look-back provision for this test applies solely to the financial relationship between the Company and the director or immediate family member's current employer; the Board need not consider former employment of the director or immediate family member. Charitable organizations shall not be considered companies for purposes of this provision, but the Company shall disclose in its annual proxy statement any charitable contributions made by the Company to any charitable organization in which a 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 charitable organization's consolidated gross revenues. In addition, the Board must consider the materiality of any such charitable relationship in making its determination of independence.

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<sup>2</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 lookback provisions described in this numbered paragraph 3, 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.

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A director who owns, or is affiliated with the owner, of a controlling amount of voting stock of the Company may not be considered independent.

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 shall be one of the facts and circumstances considered by the Board in assessing such other director's independence.

Moreover, the Board discourages the following types of transactions with or on behalf of non-officer directors:

the making of substantial charitable contributions to any organization in which a director is affiliated;

the entering into of consulting contracts with (or providing other indirect forms of compensation to) directors; or

the entering into of other compensatory arrangements with directors that may raise questions about their independence.

4. The Audit Committee, the Nominating/Corporate Governance Committee and the Compensation and Management Development Committee of the Board will consist entirely of independent directors.

5. Each member of the Board will act in accordance with the criteria for selection and discharge the responsibilities set forth in the Position Specifications<sup>3</sup> for a director of the Company.

6. In addition to evaluations to be performed by the Compensation and Management Development Committee, the Board will evaluate the performance of the Company's Chief Executive Officer and certain other senior management positions at least annually in meetings of independent directors that are not attended by the Chief Executive Officer. As a general rule, the Chief Executive Officer should not also hold the position of Chairman of the Board. However, if, with the Board's approval, the Chief Executive Officer also holds the position of Chairman of the Board, the Board will elect a non-executive Vice Chairman (or a non-executive director who is the Lead Director). The Vice Chairman or Lead Director will preside at meetings to evaluate the performance of the Chief Executive Officer.

7. 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.

8. 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. In this connection, the Board will assess the impact of emerging political, regulatory and economic trends and developments on the Company. The Board will hold periodic meetings devoted primarily to the review of the Company's strategic plan and business plan and its performance against them.

9. The Nominating/Corporate Governance Committee will annually assess the Board's effectiveness as a whole as well as the effectiveness of the individual directors and the Board's various Committees, including a review of the mix of skills, core competencies and qualifications (including independence under applicable standards) of members of the Board and its various committees, which should reflect expertise in one or more of the following areas: accounting and finance, healthcare, international business, mergers and acquisitions, leadership, business and management, strategic planning, government relations, investor relations, executive leadership development, and executive compensation. In order to make these assessments, the

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<sup>3</sup> See Position Specification for Member of Board of Directors of Hillenbrand Industries, Inc.



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Nominating/Corporate Governance Committee shall solicit annually the opinions of each director regarding the foregoing matters. The Nominating/Corporate Governance Committee shall present its findings and recommendations to the Board of Directors for appropriate corrective action by the Board. Ineffective directors shall be replaced as promptly as practicable and inefficient Committees of the Board shall be restructured or eliminated promptly.

10. Directors are expected to own shares of common stock of the Company. The Board of Directors may from time to time adopt, revise or terminate director stock ownership guidelines. Specifically, any non employee director who from and after October 1, 2003 is awarded restricted shares of the Company's common stock or restricted stock units (otherwise known as deferred stock awards) with respect to shares of the Company's common stock shall be required to hold any vested shares of the Company's common stock under such awards until at least the six month anniversary from the date such director ceases to be a director of the Company.

Directors are encouraged to limit the number of directorships that they hold in public companies so that they can devote sufficient time to the discharge of their responsibilities to each public company for which they serve as a director, including the Company. The Nominating/Corporate Governance Committee shall make recommendations to the Board regarding the membership of the several Board committees and the chairs of such committees. The members of the several Board committees shall be elected by the Board, after consideration of the recommendation of the Nominating/Corporate Governance Committee, at the annual meeting of the Board to serve until the next annual meeting of the Board or until their successors shall be duly elected and qualified. Unless the Chair of any Committee is elected by the Board, after consideration of the recommendation of the Nominating/Corporate Governance Committee, the members of the Committee may designate a Chair by majority vote of the Committee membership. The several Committee Chairs will periodically report the Committee's findings and conclusions to the Board. Upon termination of or significant change in a member of the Board's principal employment, he or she shall notify the Chairman of the Board and tender his or her resignation from the Board, which may be rejected by the Board if the change in status is satisfactory and the Board believes that the director will continue to be a valuable contributor to the Board.

11. Succession planning and management development will be reviewed annually by the Chief Executive Officer with the Board.

12. All executive officers are expected to own shares of the Company's common stock, in addition to options to purchase common stock. Specifically, all executives who are awarded restricted shares of the Company's common stock or restricted stock units (otherwise known as deferred stock awards under the Company's Stock Incentive Plan) with respect to shares of the Company's common stock from and after December 2003 shall be required to hold shares of the Company's common stock or equivalents described below at a level equal to at least 400% of their initial annual restricted stock or restricted stock unit grant ( Required Ownership Level ). Until, but not after, the Required Ownership Level is achieved, if annual grants subsequent to the first annual grant are less than the initial annual grant, then the Required Ownership Level will be adjusted downward based on the annual average grant amount. Shares owned outright, restricted stock units (whether vested or unvested) and restricted shares (whether vested or unvested) will count as share equivalents towards the Required Ownership Level. The Required Ownership Level must be achieved within five years from the date of the first annual restricted stock grant. Failure to maintain the Required Ownership Level will result in suspension of future restricted stock or restricted stock unit grants until the Required Ownership Level is achieved.

13. Incentive compensation plans will link executive compensation directly and objectively to measured financial and non-financial goals set in advance by the Compensation and Management Development Committee.

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14. Shareholders of the Company will be given an opportunity to vote on the adoption and amendment of all equity-compensation 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.

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

16. 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.

17. 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. Outside directors shall be encouraged to provide input into the development of Board and Committee meeting agenda.

18. 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 and that any such contact, if in writing, will be copied to the Chief Executive Officer and the Chairman of the Board. Furthermore, the Board encourages the Chief Executive Officer 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 Chief Executive Officer believes should be given exposure to the Board.

19. The Nominating/Corporate Governance Committee shall assess, at least annually, 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. The Chief Executive Officer or other members of the senior management team or other persons appointed by the Nominating/Corporate Governance Committee shall report to the Nominating/Corporate Governance Committee once a year regarding the adequacy and suitability of the Company's Board compensation package in relation to other comparable U.S. companies. Changes in Board compensation, if any, should be suggested by the Nominating/Corporate Governance Committee and approved only after a full discussion among the members of the Board.

20. While the Board, with the recommendation of the Nominating/Corporate Governance Committee, will review from time to time the compensatory arrangements with the Company's non-officer, non-employee directors, the Board believes that the form and amount of the Company's current compensatory arrangements with its non-officer, non-employee directors summarized below are both customary and appropriate:

Directors shall receive an annual retainer of \$25,000 for their service as directors, together with a \$3,500 fee for each Board meeting attended. The Chairman of the Board of Director's annual retainer shall, however, be \$150,000.

For any Board meeting lasting longer than one day, each Director who attends will receive \$1,000 for each additional day.

Directors who attend a Board meeting or standing committee meeting by telephone will receive fifty percent (50%) of the usual meeting fee.



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Each Director who is a member of the Nominating/Corporate Governance, Finance, Audit or Compensation and Management Development Committee receives a fee of \$1,500 for each committee meeting attended.

The Chairmen of the Audit, Compensation and Management Development, Nominating/Corporate Governance and Finance Committees shall receive an additional \$10,000, \$8,000, \$7,000 and \$5,000 annual retainer, respectively.

Directors who attend meetings of committees of which they are not members shall receive no fees for their attendance.

Notwithstanding the foregoing, for any meeting of an ad hoc committee or team of the Board that requires attendance in person or by telephone, the Directors who attend shall each receive a meeting fee of \$1,500, except when such meetings occur before, during or after a meeting of the Board or a standing committee of the Board that also is attended by such Directors.

Board and committee retainers shall be paid in quarterly installments and the meeting fees shall be paid following the meeting.

Each Director shall be reimbursed for expenses incurred as a result of attendance at Board or committee meetings.

Each Director shall be awarded on the first trading day following the close of each annual meeting of the Company's shareholders 1,800 restricted stock units (otherwise known as deferred stock awards) under the Company's Stock Incentive Plan in lieu of the stock option grant contemplated by Section 12 of the Company's Stock Incentive Plan. Vesting for such restricted stock units will occur on the later to occur of one year and one day from the date of the grant or the six month anniversary of the date that a the applicable Director ceases to be a member of the Board of Directors of the Company. In the case of the Chairman of the Board of Directors, his or her annual grant of restricted stock units shall be 3,500.

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

22. 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.

23. The Board is committed to the continuing orientation and training of new and incumbent directors at the Board and Committee levels.

24. The non-management directors regularly shall conduct executive sessions without participation by any employees of the Company and shall designate and publicly disclose the name of a director who will preside at regularly scheduled meetings of the non-management directors.

25. 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 and concurrence of the Chief Executive Officer. 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





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responsibilities. The Company shall provide appropriate funding (as determined by each committee) for payment of compensation to advisors engaged by the Board.

26. Likewise, 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.

27. These Corporate Governance Standards have been developed and approved by the Board. The Board will review at least annually the practices incorporated into these Corporate Governance Standards by comparing them to the standards identified by leading governance authorities and the evolving needs of the Company and determine whether these Corporate Governance Standards should be updated. These Corporate Governance Standards shall be published in the Company's Proxy Statement or Annual Report to shareholders.

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**HILLENBRAND INDUSTRIES, INC.**

**Proxy for Annual Meeting Of Shareholders To Be Held February 10, 2005  
PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS**

The undersigned appoints Ray J. Hillenbrand and Frederick W. Rockwood, or either of them, with full power of substitution, as proxies to vote all the shares of the undersigned of Hillenbrand Industries, Inc. (the Company) at the offices of Batesville Casket Company, Inc., One Batesville Boulevard, Batesville, Indiana 47006-7798, on February 10, 2005 at 10:00 a.m., local time (Eastern Standard Time), and at any adjournments of the meeting, on the following matters:

- (1) Election of director nominees John A. Hillenbrand II, Frederick W. Rockwood, and Joanne C. Smith to serve three-year terms as directors.
  - FOR ALL NOMINEES**
  - WITHHOLD AUTHORITY**
 (except as marked to the contrary below)

**(INSTRUCTION:** To withhold authority to vote for any individual nominee, write that nominee's name on the line provided below.)

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- (2) Election of director nominee Eduardo R. Menascé to serve a one-year term as director.
  - FOR**
  - WITHHOLD AUTHORITY**
- (3) Election of director nominee Mark D. Ketchum to serve a two-year term as director.
  - FOR**
  - WITHHOLD AUTHORITY**
- (4) Ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors.
  - FOR**
  - AGAINST**
  - ABSTAIN**
- (5) In their discretion upon such other business as may properly come before the meeting or any adjournment thereof.

**This proxy may be revoked at any time before it is exercised.**

(continued and to be signed on reverse side)

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**THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED AS DIRECTED BY THE UNDERSIGNED SHAREHOLDER. IF NO DIRECTION IS GIVEN, THE SHARES WILL BE VOTED FOR ITEMS 1, 2, 3 AND 4. IF ANY DIRECTOR NOMINEE SHOULD BE UNABLE TO SERVE, THE SHARES WILL BE VOTED FOR A SUBSTITUTE NOMINEE SELECTED BY THE BOARD OF DIRECTORS. IF ANY OTHER BUSINESS COMES BEFORE THE MEETING, THE SHARES REPRESENTED BY THIS PROXY WILL BE VOTED IN THE DISCRETION OF THE PROXY HOLDERS NAMED ABOVE, OR EITHER OF THEM.**

\_\_\_\_\_  
Signature

\_\_\_\_\_

Signature if held jointly

Please sign name and title exactly  
as shown on label on this proxy card.

Dated: \_\_\_\_\_, 2005

**IMPORTANT: This proxy is solicited on behalf of the Board of Directors. Please mark, sign, date and return this proxy promptly in the enclosed envelope. When signing as attorney, executor, administrator, trustee, partner, officer or guardian, please give your full title. If shares are held jointly, all holders must sign the proxy. No postage is required if mailed in the United States.**