

August 10, 2020

VIA E-MAIL

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Cardinal Health, Inc.*
Shareholder Proposal of the International Brotherhood of Teamsters General Fund
Securities Exchange Act of 1934—Rule 14a-8

Ladies and Gentlemen:

In a letter dated July 7, 2020, we requested that the staff of the Division of Corporation Finance concur that our client, Cardinal Health, Inc. (the “Company”), could exclude from its proxy statement and form of proxy for its 2020 Annual Meeting of Shareholders a shareholder proposal (the “Proposal”) and statement in support thereof received from the International Brotherhood of Teamsters General Fund (the “Proponent”).

The Proponent and its co-filer, Adrian Dominican Sisters, have agreed to withdraw the Proposal and, in reliance thereon, we hereby withdraw the July 7, 2020 no-action request relating to the Company’s ability to exclude the Proposal pursuant to Rule 14a-8 under the Securities Exchange Act of 1934.

Please do not hesitate to call me at (202) 955-8671 if you have any questions.

Sincerely,



Ronald O. Mueller

cc: John M. Adams, Jr., Cardinal Health, Inc.
Ken Hall, International Brotherhood of Teamsters
Judy Byron, OP, Adrian Dominican Sisters

July 7, 2020

VIA E-MAIL

Office of Chief Counsel
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: *Cardinal Health, Inc.*
Shareholder Proposal of the International Brotherhood of Teamsters General Fund
Securities Exchange Act of 1934—Rule 14a-8

Ladies and Gentlemen:

This letter is to inform you that our client, Cardinal Health, Inc. (the “Company”), intends to omit from its proxy statement and form of proxy for its 2020 Annual Meeting of Shareholders (collectively, the “2020 Proxy Materials”) a shareholder proposal (the “Proposal”) and statements in support thereof (the “Supporting Statement”) received from the International Brotherhood of Teamsters General Fund (the “Proponent”).

Pursuant to Rule 14a-8(j), we have:

- filed this letter with the Securities and Exchange Commission (the “Commission”) no later than eighty (80) calendar days before the Company intends to file its definitive 2020 Proxy Materials with the Commission; and
- concurrently sent a copy of this correspondence to the Proponent.

Rule 14a-8(k) and Staff Legal Bulletin No. 14D (Nov. 7, 2008) (“SLB 14D”) provide that shareholder proponents are required to send companies a copy of any correspondence that the proponents elect to submit to the Commission or the staff of the Division of Corporation Finance (the “Staff”). Accordingly, we are taking this opportunity to inform the Proponent that if it elects to submit additional correspondence to the Commission or the Staff with respect to this Proposal, a copy of that correspondence should be furnished concurrently to the undersigned on behalf of the Company pursuant to Rule 14a-8(k) and SLB 14D.

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 2

THE PROPOSAL

The Proposal states:

RESOLVED that shareholders of Cardinal Health, Inc. (“Cardinal”), urge the Human Resources and Compensation Committee (the “Committee”) of the board to take the steps necessary to provide that the Committee may decline to pay in full an award (a “Bonus”) to a senior executive under any annual cash incentive program (“Bonus Program”) that is based on one or more financial measurements (a “Financial Metric”) whose performance measurement period (“PMP”) is one year or shorter for a period (the “Deferral Period”) following the award, including developing a methodology for determining the length of the Deferral Period and adjusting the unpaid portion of the Bonus over the Deferral Period.

The methodology referenced above should allow accurate assessment of risks taken during the PMP that could have affected performance on the Financial Metric(s) and facilitate Cardinal’s recoupment of Bonus compensation pursuant to its recoupment policy.

The changes should be implemented in a way that does not violate any existing contractual obligation or the terms of any compensation or benefit plan currently in effect.

A copy of the Proposal, as well as related correspondence with the Proponent, is attached to this letter as Exhibit A.

BASES FOR EXCLUSION

We hereby respectfully request that the Staff concur in our view that the Proposal properly may be excluded from the 2020 Proxy Materials pursuant to:

- Rule 14a-8(i)(7) because the Proposal relates to the Company’s ordinary business operations; and
- Rule 14a-8(i)(10) because the Company has substantially implemented the Proposal.

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 3

ANALYSIS

I. The Proposal May Be Excluded Under Rule 14a-8(i)(10) As Substantially Implemented

Rule 14a-8(i)(10) permits the exclusion of a shareholder proposal “[i]f the company has already substantially implemented the proposal.” The Commission stated in 1976 that the predecessor to Rule 14a-8(i)(10) was “designed to avoid the possibility of shareholders having to consider matters which already have been favorably acted upon by the management.” *See* Exchange Act Release No. 12598 (July 7, 1976). Originally, the Staff narrowly interpreted this predecessor rule and granted no-action relief only when shareholder proposals were “‘fully’ effected” by the company. *See* Exchange Act Release No. 19135 (Oct. 14, 1982). By 1983, the Commission recognized that the “previous formalistic application of [the Rule] defeated its purpose” because proponents were successfully convincing the Staff to deny no-action relief by submitting shareholder proposals that differed from existing company policy by only a few words. Exchange Act Release No. 20091, § II.E.6. (Aug. 16, 1983) (the “1983 Release”). Therefore, in 1983, the Commission adopted a revised interpretation to the rule to permit the omission of shareholder proposals that had been “substantially implemented.” 1983 Release. The 1998 amendments to the proxy rules codified this position. 1998 Release at n.30 and accompanying text.

Under this standard, when a company can demonstrate that it already has taken actions to address the underlying concerns and essential objectives of a shareholder proposal, the Staff has concurred that the shareholder proposal has been “substantially implemented” and may be excluded as moot. The Staff has noted that “a determination that the company has substantially implemented the proposal depends upon whether [the company’s] particular policies, practices and procedures compare favorably with the guidelines of the proposal.” *Texaco, Inc. (Recon.)* (avail. Mar. 28, 1991).

In applying this standard, a company need not implement a shareholder proposal in the manner that a shareholder may prefer. *See* 1998 Release at n.30 and accompanying text. Differences between a company’s actions and a shareholder proposal are permitted as long as the company’s actions satisfactorily address the shareholder proposal’s essential objectives. For example, the Staff has concurred that companies, when substantially implementing a shareholder proposal that touches upon executive compensation matters, can address aspects of implementation that may differ from the manner in which the shareholder proponent would implement the proposal. For example, in *Rite Aid Corp.* (avail. Apr. 14, 2020), the Staff concurred that the company had substantially implemented a shareholder proposal requesting amendments to the Company’s clawback policy, even though the company had not addressed one aspect of the proposal (relating to the location and timing of public disclosure regarding application of the policy) in the manner specifically requested in the proposal. Similarly, in *Visa Inc.* (avail. Oct. 11, 2019), the

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 4

Staff concurred that the company had substantially implemented a proposal recommending that the compensation committee reform the company's executive compensation philosophy to include social factors to enhance the company's social responsibility, even though the factors considered by the company did not include the one specifically recommended in the proposal. *See also, Wal-Mart Stores, Inc.* (avail. Mar. 25, 2015) (concurring with the exclusion of a proposal that requested the Company to include at least one metric related to the Company's employee engagement as a metric in determining senior executives' incentive compensation, noting "that [the Company's] policies, practices and procedures compare favorably with the guidelines of the proposal and that [the company] has, therefore, substantially implemented the proposal"). Therefore, if a company has satisfactorily addressed a proposal's "essential objective," the proposal will be deemed "substantially implemented" and, therefore, may be excluded as moot. *See, e.g., Exelon Corp.* (avail. Feb. 26, 2010); *Anheuser-Busch Companies, Inc.* (avail. Jan. 17, 2007); *ConAgra Foods, Inc.* (avail. July 3, 2006); *Johnson & Johnson* (avail. Feb. 17, 2006); *The Talbots Inc.* (avail. Apr. 5, 2002); *Masco Corp.* (avail. Mar. 29, 1999); and *The Gap, Inc.* (avail. Mar. 8, 1996).

Here, the Proposal requests that the Company's Human Resources and Compensation Committee (the "Committee") "take the steps necessary to provide that the Committee *may* [emphasis supplied] decline to pay in full an award . . . to a senior executive . . . based on one or more financial measurements (a 'Financial Metric') whose performance measurement period ('PMP') is one year or shorter" and subject such awards to a "Deferral Period." The Proposal further states that the methodology developed to implement the Proposal "should allow accurate assessment of risks taken during the PMP that could have affected performance on the Financial Metric(s) and facilitate Cardinal's recoupment of Bonus compensation pursuant to its recoupment policy."¹ As discussed below, the Committee has already substantially implemented the Proposal. Specifically, under the Company's Annual Incentive program, the Committee already is authorized to operate exactly as requested in the Proposal. Moreover, although the Proposal requests only that a methodology be established to allow the Committee to operate in the requested manner, in fact the Committee already currently operates the Annual Incentive program in a manner that satisfies and implements the terms of the Proposal.

The Company's Annual Incentive program is a cash-based bonus program that is based on fiscal year financial performance metrics and covers approximately 4,100 of the Company's employees, including its senior executives. The Annual Incentive program operates pursuant to the shareholder-approved the Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan, as

¹ The Company's compensation recoupment ("clawback") policy is discussed in the Compensation Discussion and Analysis, "Potential Impact on Compensation from Executive Misconduct ('Clawbacks')," in the Cardinal Health 2019 Proxy Statement and Notice of Annual Meeting of Shareholders, at 37, available at https://www.sec.gov/Archives/edgar/data/721371/000130817919000231/lcah2019_def14a.htm#5575144674635112:672031.

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 5

amended (the “2011 Plan”).² The 2011 Plan grants the Committee broad discretion in establishing the terms of and methodology for administering the Annual Incentive program. For example:

- Under Section 4(b)(v), the Committee, which serves as the “Administrator” of the 2011 Plan, may “determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder.” Similarly, under Section 13(a), the Committee may establish in its discretion cash-settled awards and determine (i) the amounts potentially payable to a participant, (ii) the performance criteria and level of achievement versus these criteria which will determine the amount of such payment, (iii) the period as to which performance or vesting will be measured for establishing the amount of any payment, (iv) the timing of any payment earned by virtue of performance; (v) forfeiture provisions; and (vi) other terms and conditions.
- Section 13(c) provides that the timing of payment of any Cash Award will occur on or before the 15th day of the third month after the end of the applicable performance period, unless the Committee in its discretion specifically provides otherwise in an award agreement. Section 13(c) further provides that the Committee may provide for the payment of any Cash Award to be deferred to a specified date or event.
- Section 4(b)(xv) grants the Committee broad discretion “to make all other determinations deemed necessary or advisable” and “to take any action it determines in its sole discretion to be appropriate,” which could include, for example, adjustments to the amounts payable under a Cash Award. Similarly, Section 14(d) provides that the amount payable under a Cash Award on account of satisfaction of any of the financial or other performance criteria listed in Section 14(b) may be reduced by the Committee on the basis of such further considerations as the Committee in its sole discretion determines.³

² See Exhibit 10.1 to Cardinal Health’s Current Report on Form 8-K filed on November 7, 2016, at <https://www.sec.gov/Archives/edgar/data/721371/000072137116000353/exhibit101-amendedcardinal.htm>, the First Amendment to The Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan filed as Exhibit 10.2 to the Company’s Form 10-K for the fiscal year ended June 30, 2017, at https://www.sec.gov/Archives/edgar/data/721371/000072137117000083/a17q4_10kx063017xexhibit1022.htm, and the Second Amendment to The Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan filed as Exhibit 10.2 to the Company’s Form 10-Q for the quarterly period ended December 31, 2019 at <https://www.sec.gov/Archives/edgar/data/721371/000072137120000023/a20q210q123119exhibit102.htm>.

³ Although the heading preceding the text of Section 14(d) refers to Section 162(m) of the Internal Revenue Code, which has been amended to no longer allow for the deductibility of performance-based compensation, Section 26(c) of the Plan provides that “[t]he headings preceding the text of the sections hereof are inserted solely for convenience of reference, and do not constitute a part of the Plan, nor do they affect its meaning, construction, or effect.”

Office of Chief Counsel
 Division of Corporation Finance
 July 7, 2020
 Page 6

- Under Section 20 of the 2011 Plan, as amended effective August 8, 2017,⁴ the Committee may, in its discretion, require that all or any portion of any Cash Award paid or payable after June 30, 2018 to a Participant who is or was an executive officer be forfeited to the Company pursuant to the Company’s compensation recoupment (“clawback”) policy.⁵ In addition, the Company further amended the 2011 Plan in November 2019 to add Section 13(e), which introduces restrictive covenants requiring forfeiture or repayment of cash awards “if a Participant engages in Misconduct or Competitor Conduct during employment or within 12 months after the Termination of Employment for any reason.”⁶

These and other provisions of the 2011 Plan establish a framework that allows for administration of the Annual Incentive program in a manner that fully implements the Proposal. Specifically, as requested by the Proposal, pursuant to the 2011 Plan the Committee may:

<u>Proposal Requirement</u>	<u>Plan Section</u>
1. establish an “annual cash incentive program (‘Bonus Program’) that is based on one or more financial measurements (a ‘Financial Metric’) whose performance measurement period (‘PMP’) is one year or shorter”	Section 4(b)(v) and Section 13(a)
2. “decline to pay in full an award (a ‘Bonus’) to a senior executive . . . for a period (the ‘Deferral Period’) following the award, including developing a methodology for determining the length of the Deferral Period”	Section 13(c)

⁴ For the text of this provision, see First Amendment to The Cardinal Health, Inc. 2011 Long-Term Incentive Plan filed as Exhibit 10.2 to the Company’s Form 10-K for the fiscal year ended June 30, 2017, at https://www.sec.gov/Archives/edgar/data/721371/000072137117000083/a17q4_10kx063017xexhibit1022.htm.

⁵ The Company’s recoupment policy authorizes the Company to seek repayment of incentive awards from a participant if that participant (1) engages in misconduct that causes or contributes to the need to restate previously filed financial statements and the payment was based on financial results that we subsequently restate, or (2) if a participant commits misconduct, including a breach of the Company’s Standards of Business Conduct or violation of an applicable non-competition or confidentiality agreement. See the Cardinal Health 2019 Proxy Statement and Notice of Annual Meeting of Shareholders, at 42, available at https://www.sec.gov/Archives/edgar/data/721371/000130817919000231/lcah2019_def14a.htm#5575144674635112:672031

⁶ See Second Amendment to The Amended Cardinal Health, Inc. 2011 Long-Term Incentive Plan filed as Exhibit 10.2 to the Company’s Form 10-Q for the quarterly period ended December 31, 2019 at <https://www.sec.gov/Archives/edgar/data/721371/000072137120000023/a20q210q123119exhibit102.htm>.

Office of Chief Counsel
 Division of Corporation Finance
 July 7, 2020
 Page 7

3. “adjust[] the unpaid portion of the Bonus over the Deferral Period.”	Section 4(b)(xv) and Section 14(d)
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In addition, the 2011 Plan’s terms:

4. “allow accurate assessment [by the Committee] of risks taken during the PMP that could have affected performance on the Financial Metric(s)”; and	Section 4(b)(xv) and Section 14(d)
5. “facilitate Cardinal’s recoupment of Bonus compensation pursuant to its recoupment policy.”	Section 13(e) and Section 20

Moreover, as discussed further in part II of this no-action request, at a meeting held on June 28, 2020, the Committee reviewed the Proposal and an analysis of the Committee’s administration of the Company’s Annual Incentive program. Following such review, the Committee concurred that, as a result of the design flexibility provided for under the 2011 Plan, the Committee already operates the Annual Incentive program in a manner that substantially implements the Proposal. As described in the proxy statement for the Company’s most recent annual meeting:

- Under the Annual Incentive program, the Committee establishes a funding target based in whole or in part upon a financial performance measure reflecting the Board-approved budget for non-GAAP operating earnings for the fiscal year, subject to adjustment based on performance against another financial measure (specifically, tangible capital) over the fiscal year.⁷
- The Committee defers decisions on payment of awards under the Annual Incentive program until after year-end audited financial statements are substantially complete and defers payment of the Annual Incentive awards in full, as provided for in the 2011 Plan, for a period of up to the 15th day of the third month after the end of the applicable performance period.⁸

⁷ See Compensation Discussion and Analysis, “Annual Incentive Compensation,” in the Cardinal Health 2019 Proxy Statement and Notice of Annual Meeting of Shareholders, at 33, available at https://www.sec.gov/Archives/edgar/data/721371/000130817919000231/lcah2019_def14a.htm#5575144674635112:672031.

⁸ As discussed further in part II below, there are important accounting, tax and compensation design considerations supporting the Committee’s use of a two-and-a-half-month deferral period:

- If the deferral was for more than two and a half months, the Company could not allocate accrual of the expense to the applicable performance year.
- A two-and-a-half-month deferral is common for annual incentives because, if the deferral is for more than two and a half months after the end of employees’ tax year, payments would fail to satisfy the “short-term

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 8

Finally, as part of its review of the Proposal, the Committee acknowledged that during the deferral period, the Committee (1) assesses how performance was achieved, including whether the Company was subjected to inappropriate risks, and (2) assesses individual conduct, which would include whether there has been any misconduct that would support application of the recoupment policy.

Thus, the 2011 Plan already establishes the Committee's authority and ability to operate a "Bonus Program" in the manner requested in the Proposal, and through the Annual Incentive program the Committee already is allowed, and in fact has implemented, a methodology for determining the length of the Deferral Period and adjusting the Bonus during the Deferral Period for the factors identified in the Proposal. Accordingly, the Company's current executive compensation program substantially implements the Proposal, and, consistent with the precedent cited above, the Proposal may properly be excluded under Rule 14a-8(i)(10).

II. The Proposal May Be Excluded Under Rule 14a-8(i)(7) Because It Involves Matters Related To The Company's Ordinary Business Operations

A. Background on Rule 14a-(i)(7)

Rule 14a-8(i)(7) permits a company to omit from its proxy materials a shareholder proposal that relates to the company's "ordinary business" operations. According to the Commission's release accompanying the 1998 amendments to Rule 14a-8, the term "ordinary business" "refers to matters that are not necessarily 'ordinary' in the common meaning of the word," but instead the term "is rooted in the corporate law concept providing management with flexibility in directing certain core matters involving the company's business and operations." Exchange Act Release No. 40018 (May 21, 1998) (the "1998 Release").

In the 1998 Release, the Commission stated that the underlying policy of the ordinary business exclusion is "to confine the resolution of ordinary business problems to management and the board of directors, since it is impracticable for shareholders to decide how to solve such problems at an annual shareholders meeting," and identified two central considerations that underlie this policy. One consideration is that "[c]ertain tasks are so fundamental to management's ability to run a company on a day-to-day basis that they could not, as a practical matter, be subject to direct shareholder oversight."

deferral" exception of Section 409A of the Tax Code, requiring other design changes in order to avoid employees being subject to interest and penalties.

- If the Committee provided for a longer deferral period that took into account events occurring after the end of the year, the Annual Incentive would cease to be based on annual performance, and would be viewed as a long-term, instead of annual, incentive.

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 9

The 1998 Release further distinguishes proposals pertaining to ordinary business matters from those involving “significant social policy issues,” the latter of which are not excludable under Rule 14a-8(i)(7) because they “transcend the day-to-day business matters and raise policy issues so significant that it would be appropriate for a shareholder vote.” *Id.* In this regard, when assessing proposals under Rule 14a-8(i)(7), the Staff considers the terms of the resolution and its supporting statement as a whole. *See* Staff Legal Bulletin No. 14C, part D.2 (June 28, 2005) (“In determining whether the focus of these proposals is a significant social policy issue, we consider both the proposal and the supporting statement as a whole.”); Staff Legal Bulletin No. 14J (Oct. 23, 2018) (“SLB 14J”) (“In determining whether the focus of a proposal is senior executive and/or director compensation or, instead, an ordinary business matter, we consider both the resolved clause and supporting statement as a whole.”).

In Staff Legal Bulletin 14K (Oct. 16, 2019) (“SLB 14K”), the Staff noted it “takes a company-specific approach in evaluating significance, rather than recognizing particular issues or categories of issues as universally ‘significant’” and that “a policy issue that is significant to one company may not be significant to another.” In this regard, the Staff stated in Staff Legal Bulletin No. 14I (Nov. 1, 2017) that a “board acting . . . with the knowledge of the company’s business and the implications for a particular proposal on that company’s business is well situated to analyze, determine and explain whether a particular issue is sufficiently significant because the matter transcends ordinary business and would be appropriate for a shareholder vote.” Moreover, in SLB 14J, the Staff indicated, and in SLB 14K confirmed, that a well-developed discussion of the board’s analysis that focuses on specific substantive factors can assist the Staff in evaluating a company’s no-action request.

B. The Proposal Does Not Focus On A Significant Policy Issue That Transcends The Company’s Ordinary Business Operations

In SLB 14J, the Staff noted, “[P]roposals that focus on significant aspects of senior executive and/or director compensation *generally* [emphasis supplied] are not excludable under Rule 14a-8(i)(7).” However, the Staff also noted that there are exceptions to this general proposition. For example, SLB 14J states that many proposals present an issue of “whether the focus of a proposal is senior executive and/or director compensation, or whether its underlying concern relates primarily to ordinary business matters that are not sufficiently related to senior executive and/or director compensation.” As stated in SLB 14K, “rather than recognizing particular issues or categories of issues as universally ‘significant,’” the Staff takes a company-specific approach in evaluating significance.

Here, the Proposal would apply to any annual cash incentive program that the Company establishes for its employees that is based on one or more financial measures for a performance period of a year or less and under which a senior executive may receive a payment. As such, the Proposal applies to the Company’s Annual Incentive program, covering approximately 4,100 of

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 10

the Company's employees, including its senior executives. The supporting statement to the Proposal indicates that the main concern of the Proposal is how the Company, which operates in a highly regulated business, manages general legal compliance and associated risk, issues which generally implicate ordinary business. *See Navient Corp.* (avail. Mar. 26, 2015, *recon. denied* April 8, 2015) ("Proposals that concern a company's legal compliance program are generally excludable under rule 14a-8(i)(7).")

For the reasons discussed below, in the context of the Company's specific situation, the Proposal does not implicate significant executive compensation matters. The Proposal simply asks that the Committee establish an annual incentive plan framework under which the Committee *may* take certain actions. The Proposal further requests that the methodology established *allow* such actions to accommodate certain considerations, but nothing in the Proposal dictates specific actions that the Committee must take. Instead, the Supporting Statement specifically notes that "[t]he Committee would have discretion to set the terms and mechanics of this process" but does not require the compensation framework to be implemented.⁹ Here, however, the Company already has taken the steps to provide the Committee the authority to administer the Company's compensation arrangements and to allow for the methodology as requested by the Proposal. Moreover, not only has the Company established the framework requested by the Proposal, the Committee has actually implemented the Company's Annual Incentive program in a manner that satisfies the criteria set forth in the Proposal. The Company also has numerous other programs and procedures in place to address the Proposal's concern with legal compliance and associated risk management, including the ability to cancel or claw back either annual or long-term incentives for compliance violations that trigger the Company's recoupment policy.

Accordingly, on June 28, the Committee carefully reviewed and considered a number of factors, detailed below, relating to the Proposal and the Company's compensation programs as they are currently structured. The Committee has concurred that, in light of the Company's existing compensation program and practices, including the manner in which the Annual Incentive program currently operates, the actions requested by the Proposal do not implicate significant executive compensation matters for the Company, and therefore the Proposal is not appropriate for a shareholder vote.

In reaching this determination, consistent with the Staff's guidance in SLB 14J and SLB 14K, the Committee considered the factors summarized below.

- **The Company's existing compensation program satisfies the terms of the Proposal.** The Committee determined that there are no differences—or delta—between the

⁹ Proposals similar to this one which required that a bonus deferral program be implemented have been excluded on the basis that they micromanaged complex compensation programs. *See Walmart Inc.* (avail. Mar. 27, 2020); *Johnson and Johnson (Hammerman Family Revocable Inter Vivos Trust)* (avail. Feb. 12, 2020).

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 11

Proposal's specific request and the actions the Company has already taken in implementing its annual financial performance-based bonus program. In evaluating performance for the purpose of the Annual Incentive program, the Committee already employs what it has determined is an appropriate Deferral Period after the end of the year for such evaluations.

- Specifically, the Committee waits until after the audited financial results are produced, the auditors have discussed those results with the Audit Committee of the Board, and the Committee has assessed how individual executives performed during the year. The Committee delays payment of the awards until those assessments are complete and, in the course of those assessment, has the discretion to adjust the amounts payable from the awards. The Committee has exercised this authority in the past and reduced amounts paid based on post-performance period assessment.
- Although the Company's current compensation framework allows for a longer deferral period, the Committee reviewed and confirmed that the Deferral Period the Committee employs is not only sufficient to allow a proper assessment of how the Annual Incentive's financial performance goals were achieved (including to assess risks and whether there was any misconduct that would support application of the recoupment policy), but also supports other considerations, such as accounting and tax rules.¹⁰
- The Committee also assessed the fact that if it provided for a longer deferral period so that it could take into account developments occurring after the end of the fiscal year, the Annual Incentive would cease to be based solely on performance over a 12-month or shorter period, and would instead be viewed by participants as an additional long-term incentive program.

Importantly, the Committee has other means to address the compliance and risk considerations raised in the Supporting Statement. For example, the Committee's charter specifically authorizes it to oversee and assess material risks associated with compensation arrangements.¹¹ Beginning with fiscal 2019, the Committee granted 60% of executives' long-term incentive awards in the form of performance share units, so that longer term performance is taken into account through this element of compensation. As discussed above and in the Company's most

¹⁰ See note 6 to this no-action request for additional information on some of the considerations reviewed by the Committee. For example, under Section 409A of the Internal Revenue Code, to be a permissible "short-term deferral," the Company must pay bonus awards within two and a half months within the end of an employee's tax year, otherwise, the employee will be subject to interest and penalties. The Committee has alternative options to avoid this impact on its employees, but these alternatives would fundamentally alter the nature of the Company's bonus compensation.

¹¹ The Committee's charter is available at http://s1.q4cdn.com/687095970/files/doc_downloads/2020/02/HRCC-Charter-approved-2112020.pdf.

Office of Chief Counsel
Division of Corporation Finance
July 7, 2020
Page 12

recent proxy statement, the 2011 Plan and the Company's recoupment policy allow the Committee to claw back or cancel both annual and long-term compensation if the Committee determines that an executive's conduct triggers recoupment under the policy.

Based on the factors reviewed at its June 28 meeting, the Committee concurred that the Company has substantially implemented the Proposal and that, under a delta analysis, the Annual Incentive program already allows the Committee to act in the manner requested by the Proposal, and the Committee's methodology in administering the Annual Incentive program already satisfies the terms of the Proposal. Accordingly, the Committee concurred that the Proposal does not raise a significant policy issue appropriate for a shareholder vote.

CONCLUSION

Based upon the foregoing analysis, the Company intends to exclude the Proposal from its 2020 Proxy Materials, and we respectfully request that the Staff concur that the Proposal may be excluded under Rule 14a-8.

We would be happy to provide you with any additional information and answer any questions that you may have regarding this subject. Correspondence regarding this letter should be sent to shareholderproposals@gibsondunn.com. If we can be of any further assistance in this matter, please do not hesitate to call me at (202) 955-8671.

Sincerely,



Ronald O. Mueller

Enclosures

cc: John M. Adams, Jr., Cardinal Health, Inc.
Ken Hall, International Brotherhood of Teamsters

EXHIBIT A

From: Pryce-Jones, Michael <MPryce-Jones@teamster.org>

Sent: Friday, May 8, 2020 9:55 AM

To: Adams, Jack <Jack.Adams@cardinalhealth.com>

Cc: Zelenko, Carin <CZelenko@teamster.org>; Malizia, Louis <LMalizia@teamster.org>; Jhingory, Marcia <MJhingory@teamster.org>

Subject: shareholder proposal submission

External Email – Please use caution before opening attachments or clicking links

Hi Jack

First, i do hope things remain good on your end - with family and colleagues. Second, we are filing this bonus-deferral related proposal, which i would like to formally submit through this email. Obviously, we appreciate the ongoing dialogue and hope that something meaningful can be achieved through the working group.

Take care,

Michael

INTERNATIONAL BROTHERHOOD OF TEAMSTERS

JAMES P. HOFFA
General President

25 Louisiana Avenue, NW
Washington, DC 20001



KEN HALL
General Secretary-Treasurer

202.624.6800
www.teamster.org

May 8, 2020

VIA EMAIL: jack.adams@cardinalhealth.com
VIA U.P.S. GROUND

John M. Adams, Jr., Esq., Senior Vice President,
Associate General Counsel & Secretary
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, OH 43017

Dear Mr. Adams:

I hereby submit the enclosed resolution on behalf of the Teamsters General Fund, in accordance with SEC Rule 14a-8, to be presented at the Company's 2020 Annual Meeting.

The General Fund has owned 75 shares of Cardinal Health, Inc., continuously for at least one year and intends to continue to own at least this amount through the date of the annual meeting. Enclosed is relevant proof of ownership.

Any written communication should be sent to the above address via U.S. Postal Service, UPS, or DHL, as the Teamsters have a policy of accepting only union delivery. If you have any questions about this proposal, please direct them to Louis Malizia of the Capital Strategies Department at: (202) 624-6930.

Sincerely,

A handwritten signature in black ink that reads "Ken Hall".

Ken Hall
General Secretary-Treasurer

KH/lm
Enclosures

RESOLVED that shareholders of Cardinal Health, Inc. (“Cardinal”), urge the Human Resources and Compensation Committee (the “Committee”) of the board to take the steps necessary to provide that the Committee may decline to pay in full an award (a “Bonus”) to a senior executive under any annual cash incentive program (“Bonus Program”) that is based on one or more financial measurements (a “Financial Metric”) whose performance measurement period (“PMP”) is one year or shorter for a period (the “Deferral Period”) following the award, including developing a methodology for determining the length of the Deferral Period and adjusting the unpaid portion of the Bonus over the Deferral Period.

The methodology referenced above should allow accurate assessment of risks taken during the PMP that could have affected performance on the Financial Metric(s) and facilitate Cardinal’s recoupment of Bonus compensation pursuant to its recoupment policy.

The changes should be implemented in a way that does not violate any existing contractual obligation or the terms of any compensation or benefit plan currently in effect.

SUPPORTING STATEMENT: As long-term shareholders, we support compensation policies that align senior executives’ incentives with the Company’s long-term success. We are concerned that short-term incentive plans can encourage senior executives to take on excessive risk.

In our view, compliance shortcomings can create significant risks for drug distribution firms. Cardinal is a defendant in the multi-district opioid litigation, as well as in suits brought by numerous state attorneys general alleging that Cardinal failed to report suspiciously high orders of opioid medications. The Company recorded a \$5.6 billion pre-tax charge for the quarter ended on September 30, 2019, for liabilities associated with these cases.¹ Cardinal has also paid fines or settlements for violations of the Foreign Corrupt Practices Act, Controlled Substances Act, and the False Claims Act, among others.²

To foster a longer-term orientation, this proposal asks that the Committee be authorized to defer payment of some portion of senior executive Bonuses and, should it choose to defer, to develop a methodology to allow adjustment of the unpaid portion during the Deferral Period. The Committee would have discretion to set the terms and mechanics of this process.

Bonus deferral is widely used in the banking industry, where overly risky behavior was widely viewed as contributing to the financial crisis. The Financial Stability Board’s *Principles for Sound Compensation Practices* state that bonus deferral is “particularly important” because it allows “late-arriving information about risk-taking and outcomes” to

¹ See Report on Form 0-Q filed on Nov. 7, 2019.

² See <https://violationtracker.goodjobsfirst.org/prog.php?parent=cardinal-health>

IBT General Fund-CAH Proposal

May 8, 2020

Page 2

alter payouts and reduces the need to claw back compensation already paid out, which may “fac[e] legal barriers,” in the event of misconduct. Banking supervisors in 16 jurisdictions, including the U.S., have requirements or expectations regarding bonus deferral. (<https://www.fsb.org/wp-content/uploads/P170619-1.pdf>). Pharmaceutical manufacturers Indivior, GlaxoSmithKline and Novartis defer a portion of annual bonuses into equity that does not immediately vest.

We urge shareholders to vote FOR this proposal.



May 8, 2020

John M. Adams, Jr., Esq., Senior Vice President
Associate General Counsel and Secretary
Cardinal Health, Inc.
7000 Cardinal Place
Dublin, OH 43017

RE: Cardinal Health Inc. - Cusip # 14149Y108

Dear Mr. Adams:

Amalgamated Bank is the record owner of 75 shares of common stock (the "Shares") of Cardinal Health Inc., beneficially owned by the International Brotherhood of Teamsters General Fund. The shares are held by Amalgamated Bank at the Depository Trust Company in our participant account # *** . The International Brotherhood of Teamsters General Fund has held the shares continuously since September 9, 2019, and will continue to hold these shares through the date of the Annual Shareholders Meeting.

If you have any questions or need anything further, please do not hesitate to call me at (212) 895-4974.

Very truly yours,

A handwritten signature in black ink, appearing to read "Suzette Spooner".

Suzette Spooner
Vice President

cc: Louis Maliza

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