

ASHLAND INC.
Form DEF 14A
December 05, 2011
Table of Contents

SCHEDULE 14A INFORMATION

PROXY STATEMENT PURSUANT TO SECTION 14(a)

OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

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

ASHLAND INC.

(Name of Registrant as Specified in Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

No fee required

Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

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

(2) Aggregate number of securities to which transaction applies: N/A

Edgar Filing: ASHLAND INC. - Form DEF 14A

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

(4) Proposed maximum aggregate value of transaction: N/A

(5) Total fee paid: N/A

.. Fee paid previously with preliminary materials.

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid: N/A

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

(3) Filing Party: N/A

(4) Date Filed: N/A

Notes:

Table of Contents

James J. O'Brien

Ashland Inc.

Chairman and

50 E. RiverCenter Blvd., P.O. Box 391

Chief Executive Officer

Covington, KY 41012-0391

December 9, 2011

Dear Ashland Inc. Shareholder:

On behalf of your Board of Directors and management, I am pleased to invite you to attend the 2012 Annual Meeting of Shareholders of Ashland Inc. The meeting will be held on Thursday, January 26, 2012, at 10:30 a.m. (EST), at the Metropolitan Club, 50 E. RiverCenter Boulevard, Covington, Kentucky.

The attached Notice of Annual Meeting and Proxy Statement describe the business to be conducted at the meeting. We have elected, where possible, to provide access to our proxy materials over the Internet under the Securities and Exchange Commission's notice and access rules. We believe that providing our proxy materials over the Internet reduces the environmental impact of our Annual Meeting without limiting our shareholders' access to important information about Ashland.

Whether or not you plan to attend the meeting, we encourage you to vote promptly.

We appreciate your continued confidence in Ashland, and we look forward to seeing you at the meeting.

Sincerely,

James J. O'Brien

Table of Contents

Ashland Inc.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To be held January 26, 2012

To our Shareholders:

Ashland Inc., a Kentucky corporation, will hold its Annual Meeting of Shareholders on Thursday, January 26, 2012, at 10:30 a.m. (EST) at the Metropolitan Club, 50 E. RiverCenter Boulevard, Covington, Kentucky. Ashland's shareholders will act on the following matters at the Annual Meeting or any adjournment of that meeting:

- (1) To elect four directors to Class II: Roger W. Hale, Vada O. Manager, George A. Schaefer, Jr. and John F. Turner;
- (2) To ratify the appointment of PricewaterhouseCoopers LLP as independent registered public accountants for fiscal 2012;
- (3) To vote upon a non-binding advisory resolution approving the compensation paid to Ashland's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion; and
- (4) To consider any other business properly brought before the Annual Meeting.

Only shareholders of record at the close of business on December 1, 2011 are entitled to vote at the Annual Meeting or any adjournment of that meeting.

If you are a participant in the Ashland Inc. Employee Savings Plan (the "Employee Savings Plan"), the Ashland Inc. Leveraged Employee Stock Ownership Plan (the "LESOP") or the Ashland Inc. Employee Union Savings Plan (the "Union Plan"), your vote will constitute voting instructions to Fidelity Management Trust Company, who serves as trustee of all three of these plans (the "Trustee"), for the shares held in your account.

In order that your Ashland Common Stock may be represented at the Annual Meeting, please vote in person, by telephone, over the Internet or by mailing your proxy card. If you are a participant in the Employee Savings Plan, the LESOP or the Union Plan, then our proxy tabulator, Corporate Election Services or its agent, must receive all voting instructions to the Trustee for such plans, whether given by telephone, over the Internet or by mail, before 6:00 a.m. (EST) on Tuesday, January 24, 2012.

By Order of the Board of Directors,

LINDA L. FOSS

Assistant General Counsel

and Corporate Secretary

Covington, Kentucky

December 9, 2011

Table of Contents**Table of Contents**

	Page
<u>Questions and Answers about the Annual Meeting</u>	1
<u>Ashland Common Stock Ownership of Certain Beneficial Owners</u>	4
<u>Ashland Common Stock Ownership of Directors and Executive Officers of Ashland</u>	5
<u>Election of Directors Item 1</u>	7
<u>Board of Directors</u>	7
<u>Nominees for Election at the 2012 Annual Meeting</u>	8
<u>Continuing Directors Not Up for Election at the 2012 Annual Meeting</u>	12
<u>Compensation of Directors</u>	17
<u>Director Compensation Table</u>	17
<u>Annual Retainer</u>	18
<u>Restricted Shares/Units</u>	19
<u>Stock Ownership Guidelines for Directors</u>	19
<u>Corporate Governance</u>	20
<u>Governance Principles</u>	20
<u>Board Leadership Structure</u>	20
<u>Oversight of Ashland's Executive Compensation Program</u>	21
<u>Personnel and Compensation Committee Interlocks and Insider Participation</u>	22
<u>Board's Role of Risk Oversight</u>	22
<u>Director Independence and Certain Relationships</u>	22
<u>Related Person Transaction Policy</u>	23
<u>Communication with Directors</u>	24
<u>Attendance at Annual Meeting</u>	24
<u>Executive Sessions of Directors</u>	24
<u>Shareholder Recommendations for Directors</u>	24
<u>Shareholder Nominations of Directors</u>	25
<u>Committees and Meetings of the Board of Directors</u>	26
<u>Executive Compensation</u>	29
<u>Compensation Discussion and Analysis</u>	29
<u>Executive Summary</u>	29
<u>Principles and Objectives of Ashland's Executive Compensation Program</u>	31
<u>Factors Considered in Determining Executive Compensation</u>	33
<u>Elements of Ashland's Executive Compensation Program</u>	35
<u>Pay Mix</u>	36
<u>Risk Assessment</u>	44
<u>Executive Compensation Recovery / Clawback Policy</u>	45
<u>Retirement Benefits</u>	45
<u>Health and Welfare Benefits</u>	46
<u>Executive Perquisites</u>	46
<u>Severance Pay Plan</u>	46
<u>Change in Control Agreements</u>	46
<u>Deductibility of Compensation</u>	46
<u>Personnel and Compensation Committee Report on Executive Compensation</u>	48
<u>Summary Compensation Table</u>	49
<u>Grants of Plan-Based Awards</u>	51
<u>Outstanding Equity Awards at Fiscal Year-End</u>	53
<u>Option Exercises and Stock Vested</u>	55

Table of Contents

	Page
<u>Pension Benefits</u>	56
<u>Nonqualified Deferred Compensation</u>	61
<u>Potential Payments upon Termination or Change in Control</u>	62
<u>Audit Committee Report</u>	70
<u>Ratification of Independent Registered Public Accountants Item 2</u>	72
<u>Non-Binding Advisory Resolution Approving the Compensation Paid to Ashland's Named Executive Officers Item 3</u>	73
<u>Miscellaneous</u>	75
<u>Proxy Solicitation Costs</u>	75
<u>Shareholder Proposals for the 2013 Annual Meeting</u>	75
<u>Other Matters</u>	76

Table of Contents

ASHLAND INC.

PROXY STATEMENT

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

Q: What am I voting on?

- A:** (1) Election of four directors to Class II: Roger W. Hale, Vada O. Manager, George A. Schaefer, Jr. and John F. Turner;
- (2) Ratification of PricewaterhouseCoopers LLP (PwC) as Ashland's independent registered public accountants for fiscal 2012; and
- (3) A non-binding advisory resolution approving the compensation paid to Ashland's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

Q: Who may vote at the Annual Meeting?

- A:** Shareholders of Ashland Inc. (Ashland or the Company) at the close of business on December 1, 2011 (the Record Date), are entitled to vote at the Annual Meeting. As of the Record Date, there were 78,113,945 shares of Ashland Common Stock outstanding. Each share of Ashland Common Stock is entitled to one vote.

Q: Who can attend the Annual Meeting?

- A:** All Ashland shareholders on the Record Date are invited to attend the Annual Meeting, although seating is limited. If your shares are held in the name of a broker, bank or other nominee, you will need to bring a proxy or letter from that nominee that confirms you are the beneficial owner of those shares.

Q: Why did I receive the Notice of Internet Availability of Proxy Materials in the mail instead of a full set of proxy materials?

- A:** In accordance with rules adopted by the Securities and Exchange Commission (the SEC), we may furnish proxy materials, including this Notice of Annual Meeting of Shareholders and Proxy Statement together with our 2011 Annual Report to Shareholders, by providing access to such documents on the Internet instead of mailing printed copies. Most shareholders will not receive printed copies of the proxy materials unless they have specifically requested them. Instead, a Notice of Internet Availability of Proxy Materials (Notice) will be mailed to shareholders starting on or around December 9, 2011.

Q: How do I access the proxy materials?

- A:** The Notice will provide you with instructions regarding how to view Ashland's proxy materials for the Annual Meeting and the 2011 Annual Report to Shareholders on the Internet. The Notice also instructs you how you may submit your vote. If you would like to receive a paper or email copy of our proxy materials, you should follow the instructions for requesting such materials in the Notice.

Q: What shares are included in the proxy card?

- A:** Your proxy card represents all shares of Ashland Common Stock that are registered in your name and any shares you hold in the Employee Savings Plan, the LESOP or the Union Plan. Additionally, your proxy card includes shares you hold in the dividend reinvestment plan administered by Wells Fargo Bank, National Association (Wells Fargo) for investors in Ashland Common Stock (the DRP). If your shares are held through a broker, bank or other nominee, you will receive either a voting instruction form or a proxy card from the broker, bank or other nominee instructing you how to vote your shares.

Table of Contents

Q: How do I vote if I am a registered holder or I own shares through a broker, bank or other nominee?

A: If you are a shareholder as of the Record Date, you can vote (i) by attending the Annual Meeting, (ii) by following the instructions on the Notice or proxy card for voting by telephone or Internet, or (iii) by signing, dating and mailing in your proxy card. If you hold shares through a broker, bank or other nominee, that institution will instruct you as to how your shares may be voted by proxy, including whether telephone or Internet voting options are available. If you hold your shares through a broker, bank or other nominee and would like to vote in person at the meeting, you must first obtain a proxy issued in your name from the institution that holds your shares.

All shares represented by validly executed proxies will be voted at the Annual Meeting, and such shares will be voted in accordance with the instructions provided. If no voting specification is made on your returned proxy card, James J. O'Brien or Linda L. Foss, as individuals named on the proxy card, will vote (i) FOR the election of the four director nominees, (ii) FOR the ratification of PwC, and (iii) FOR the non-binding advisory resolution approving the compensation paid to Ashland's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion.

Q: How do I vote my shares in the DRP?

A: Shares of Ashland Common Stock credited to your account in the DRP will be voted by Wells Fargo, the plan sponsor and administrator, in accordance with your voting instructions.

Q: How will the Trustee of the Employee Savings Plan, the LESOP and the Union Plan vote?

A: Each participant in the Employee Savings Plan, the LESOP or the Union Plan will instruct the Trustee how to vote the shares of Ashland Common Stock credited to the participant's account in each plan. This instruction also applies to a proportionate number of those shares of Ashland Common Stock allocated to participants' accounts for which voting instructions are not timely received by the Trustee. These shares are collectively referred to as non-directed shares. Each participant who gives the Trustee such an instruction acts as a named fiduciary for the applicable plan under the Employee Retirement Income Security Act of 1974, as amended (ERISA). Your vote must be received by our proxy tabulator, Corporate Election Services (CES), before 6:00 a.m. (EST) on Tuesday, January 24, 2012.

Q: Can a plan participant vote the non-directed shares differently from shares credited to his or her account?

A: Yes, provided that you are a participant in the Employee Savings Plan or the LESOP. Any participant in the Employee Savings Plan or the LESOP who wishes to vote the non-directed shares differently from the shares credited to his or her account or who wishes not to vote the non-directed shares at all may do so by requesting a separate voting instruction card from CES at Corporate Election Services, P.O. Box 1150, Pittsburgh, PA 15230. Participants in the Union Plan, however, cannot direct that the non-directed shares be voted differently from the shares in their accounts.

Q: Can I change my vote once I vote by mail, by telephone or over the Internet?

A: Yes. You have the right to change or revoke your proxy (1) at any time before the Annual Meeting by (a) notifying Ashland's Corporate Secretary in writing, (b) returning a later-dated proxy card, or (c) entering a later-dated telephone or Internet vote; or (2) voting in person at the Annual Meeting. However, any changes or revocations of voting instructions to the Trustee of the Employee Savings Plan, the LESOP or Union Plan must be received by our proxy tabulator, CES, before 6:00 a.m. (EST) on Tuesday, January 24, 2012.

Table of Contents

Q: Who will count the vote?

A: Representatives of CES will tabulate the votes and will act as the inspector of election.

Q: Is my vote confidential?

A: Yes. Your vote is confidential.

Q: What constitutes a quorum?

A: As of the Record Date, 78,113,945 shares of Ashland Common Stock were outstanding. A majority of the outstanding shares present in person or by proxy is required to constitute a quorum to transact business at the Annual Meeting. If you vote in person, by telephone, over the Internet or by returning a properly executed proxy card, you will be considered a part of that quorum.

Abstentions and broker non-votes (i.e., when a broker does not have authority to vote on a specific issue) will be treated as present for the purpose of determining a quorum but as unvoted shares for the purpose of determining the approval of any matter submitted to the shareholders for a vote.

Q: What vote is required for approval of each matter to be considered at the Annual Meeting?

A: (1) *Election of directors* Under Article XII of Ashland's Articles of Incorporation, as amended, the affirmative vote of a majority of votes cast with respect to each director nominee is required for the nominee to be elected. A majority of votes cast means that the number of votes cast for a director nominee must exceed the number of votes cast against that director nominee.

(2) *Ratification of independent registered public accountants* The appointment of PwC will be deemed ratified if votes cast in its favor exceed votes cast against it.

(3) *Non-binding advisory resolution approving the compensation paid to Ashland's named executive officers* The non-binding advisory resolution approving the compensation paid to Ashland's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, will be approved if the votes cast in its favor exceed votes cast against it.

Q: How will broker non-votes be treated?

A: Ashland will treat broker non-votes as present to determine whether or not there is a quorum at the Annual Meeting, but they will not be treated as entitled to vote on the matters, if any, for which the broker indicates it does not have discretionary authority. This means that broker non-votes will not have any effect on whether a matter being considered passes.

Q: Where can I find the voting results of the meeting?

A: We intend to announce preliminary voting results at the Annual Meeting. We will report the final results on a Current Report on Form 8-K filed with the SEC no later than February 1, 2012. You can obtain a copy of the Form 8-K by logging on to our website at <http://investor.ashland.com>, by calling the SEC at 1-800-SEC-0330 for the location of the nearest public reference room, or through the

Edgar Filing: ASHLAND INC. - Form DEF 14A

SEC's EDGAR system at <http://www.sec.gov>.

Important Notice regarding the availability of Proxy Materials for the Annual Meeting to be held on January 26, 2012. This proxy statement and Ashland's 2011 Annual Report to Shareholders are available at www.ashland.com/proxy.

Table of Contents**ASHLAND COMMON STOCK OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

The following table sets forth information with respect to each person known to Ashland to beneficially own more than 5% of the outstanding shares of Ashland Common Stock as of September 30, 2011.

Name and Address of Beneficial Owner	Amount and Nature of Common Stock Beneficial Ownership	Percent of Class of Common Stock*
FMR LLC 82 Devonshire Street Boston, Massachusetts 02109	9,608,229 (1)	12.30%
BlackRock, Inc. 40 East 52 nd Street New York, New York 10022	8,465,756 (2)	10.84%
Fidelity Management Trust Company 82 Devonshire Street Boston, Massachusetts 02109	5,525,286 (3)	7.08%
LSV Asset Management 155 N. Wacker Drive Suite 4600 Chicago, Illinois 60606	4,014,418 (4)	5.14%

* Based on 78,085,549 shares of Ashland Common Stock outstanding as of September 30, 2011.

- (1) Based upon information contained in the Schedule 13G/A filed by FMR LLC (FMR) with the SEC on January 10, 2011, FMR beneficially owned 9,608,229 shares of Ashland Common Stock as of December 31, 2010, with sole voting power over 2,384,255 shares, shared voting power over no shares, sole dispositive power over 9,608,229 shares and shared dispositive power over no shares. FMR reported its beneficial ownership on behalf of itself and its direct and indirect subsidiaries and affiliates as follows: (i) 7,057,646 shares owned by Fidelity Management & Research Company; (ii) 1,105 shares owned by Strategic Advisers, Inc.; (iii) 281,280 shares owned by Pyramis Global Advisors, LLC; (iv) 1,869,768 shares owned by Pyramis Global Advisors Trust Company; and (v) 398,430 shares owned by FIL Limited.
- (2) Based upon information contained in the Schedule 13G/A filed by BlackRock, Inc. (BlackRock) with the SEC on January 10, 2011, BlackRock beneficially owned 8,465,756 shares of Ashland Common Stock as of December 31, 2010, with sole voting power over 8,465,756 shares, shared voting power over no shares, sole dispositive power over 8,465,756 shares and shared dispositive power over no shares. BlackRock reported its beneficial ownership on behalf of itself and the following direct and indirect subsidiaries and affiliates: BlackRock Japan Co. Ltd; BlackRock Advisors (UK) Limited; BlackRock Institutional Trust Company, N.A.; BlackRock Fund Advisors; BlackRock Asset Management Canada Limited; BlackRock Asset Management Australia Limited; BlackRock Advisors LLC; BlackRock Capital Management, Inc.; BlackRock Financial Management, Inc.; BlackRock Investment Management, LLC; BlackRock Fund Managers Limited; BlackRock Asset Management Ireland Limited; BlackRock International Ltd; BlackRock Investment Management UK Ltd; and State Street Research & Management Co.
- (3) As of September 30, 2011, Fidelity Management Trust Company (FMT) was the record owner of 5,525,286 shares of Ashland Common Stock. FMT is the record owner by virtue of its role as Trustee of various retirement plans that hold Ashland Common Stock. The shares included 2,269,781 shares held in the LESOP, 2,801,646 shares held in the Employee Savings Plan, 73,008 shares held in the Union Plan and 380,851 shares held in the Nexeo Solutions, LLC Employee Savings Plan (the Nexeo Plan). For each of the above plans, FMT will vote shares allocated to a participant s account as instructed by the participant. With respect to the Nexeo Plan, FMT will not vote shares for which it receives no direction from a participant. With respect to the LESOP, the Employee Savings Plan and the Union Plan, FMT

Edgar Filing: ASHLAND INC. - Form DEF 14A

will apply participant direction to a proportionate number of those shares of Ashland Common Stock allocated to participants' accounts for which voting instructions are not timely received by the Trustee. FMT disclaims beneficial ownership of these shares.

- (4) Based upon information contained in the Schedule 13G filed by LSV Asset Management (LSV) with the SEC on February 9, 2011, LSV beneficially owned 4,014,418 shares of Ashland Common Stock as of December 31, 2010, with sole voting power over 4,014,418 shares, shared voting power over no shares, sole dispositive power over 4,014,418 shares and shared dispositive power over no shares.

Table of Contents

**ASHLAND COMMON STOCK OWNERSHIP OF DIRECTORS
AND EXECUTIVE OFFICERS OF ASHLAND**

The following table shows as of October 31, 2011, the common stock ownership of each Ashland director and each Ashland executive officer named in the Summary Compensation Table on page 49 of this proxy statement and the common stock ownership of the directors and executive officers of Ashland as a group.

Common Stock Ownership

Name of Beneficial Owner	Aggregate Number of Shares of Common Stock Beneficially Owned	
James J. O'Brien	547,394	(1)(2)(3)
Lamar M. Chambers	116,888	(1)(2)(3)(4)
David L. Hausrath	90,746	(1)(2)(3)
John E. Panichella	64,463	(1)(3)(4)
Theodore L. Harris	48,930	(1)(2)(3)(4)
Roger W. Hale	47,346	(2)(3)(5)(6)
Kathleen Ligocki	68,279	(2)(3)(5)
Vada O. Manager	19,228	(2)(5)
Barry W. Perry	19,930	(2)(5)
Mark C. Rohr	22,882	(2)(5)
George A. Schaefer, Jr.	39,140	(2)(3)(5)
Theodore M. Solso	69,831	(2)(3)(5)
John F. Turner	19,930	(2)(5)
Michael J. Ward	63,438	(2)(3)(5)
All directors and executive officers as a group (22 people)	1,497,942	(1)(2)(3)(4)(5)(6)

None of the listed individuals owned more than 1% of Ashland's Common Stock outstanding as of October 31, 2011. All directors and executive officers as a group owned 1,497,942 shares of Ashland Common Stock, which equaled 1.89% of the Ashland Common Stock outstanding as of October 31, 2011. Shares deemed to be beneficially owned are included in the number of shares of Ashland Common Stock outstanding on October 31, 2011 for computing the percentage ownership of the applicable person and the group, but such shares are not deemed to be outstanding for computing the percentage ownership of any other person.

- (1) Includes shares of Ashland Common Stock held under the Employee Savings Plan and the LESOP by executive officers. Participants can vote the Employee Savings Plan and the LESOP shares, and can invest in numerous investment options available under the Employee Savings Plan.
- (2) Includes stock and/or restricted stock units (share equivalents) held by executive officers in the Ashland Common Stock fund under Ashland's nonqualified deferred compensation plans for employees or by directors under the nonqualified deferred compensation plans for non-employee directors (the Directors' Deferral Plan): as to Mr. O'Brien, 135,975 units; as to Mr. Chambers, 25,355 units; as to Mr. Hausrath, 21,961 units; as to Mr. Harris, 2,120 units; as to Mr. Hale, 28,799 units; as to Ms. Ligocki, 32,827 units; as to Mr. Manager, 17,091 units; as to Mr. Perry, 18,930 units; as to Mr. Rohr, 16,882 units; as to Mr. Schaefer, 18,930 units; as to Mr. Solso, 54,919 units; as to Mr. Turner, 18,930 units; as to Mr. Ward, 49,526 units; and as to all directors and executive officers as a group, 483,780 units.
- (3) Includes shares of Ashland Common Stock with respect to which the directors and executive officers have the right to acquire beneficial ownership within 60 calendar days after October 31, 2011, through the exercise of stock options or stock appreciation

Edgar Filing: ASHLAND INC. - Form DEF 14A

rights (SARs): as to Mr. O Brien, 290,269 shares through SARs; as to Mr. Chambers, 57,553 shares through SARs; as to Mr. Hausrath, 52,627 shares through SARs; as to Mr. Panichella, 13,138 shares through SARs; as to Mr. Harris, 14,359 shares through SARs; as to Messrs. Hale and Schaefer, 16,474 shares through options; as to Messrs. Solso,

Table of Contents

Ward and Ms. Ligoeki, 12,912 shares through options; and as to all directors and executive officers as a group, 71,684 shares through options and 509,958 shares through SARs. All unexercised options on this table are reported as gross shares. All SARs included in this table are reported on a net basis based on the closing price for Ashland Common Stock as reported on the New York Stock Exchange Composite Tape (NYSE) on October 31, 2011. All SARs are stock settled and not issued in tandem with an option.

- (4) Includes restricted shares of Ashland Common Stock: as to Mr. Chambers, 9,000 shares; as to Mr. Panichella, 50,000 shares; as to Mr. Harris, 22,500 shares; and as to all executive officers as a group, 180,295 shares.

- (5) Includes 1,000 restricted shares of Ashland Common Stock for each of the non-employee directors.

- (6) Includes shares of Ashland Common Stock held under the DRP, which provides participants with voting power with respect to such shares.

Table of Contents

ITEMS TO BE VOTED ON BY SHAREHOLDERS

ELECTION OF DIRECTORS

Item 1

Board of Directors

The Board of Directors is currently made up of ten directors, divided into three classes. The four individuals nominated for election as Class II directors at the Annual Meeting are Roger W. Hale, Vada O. Manager, George A. Schaefer, Jr. and John F. Turner. The nominees to Class II will be elected to serve a three-year term until the 2015 Annual Meeting. The Governance and Nominating Committee (G&N Committee) has confirmed that all four nominees will be available to serve as directors upon election and recommends that shareholders vote for them at the Annual Meeting. Theodore M. Solso, currently a Class III director, has decided after twelve years of service on Ashland s Board that he will retire as a director at the 2012 Annual Meeting.

Under Article XII of Ashland s Articles of Incorporation, as amended, in an uncontested election the affirmative vote of a majority of votes cast with respect to a director nominee is required for the nominee to be elected. Therefore, the number of votes cast for a nominee must exceed those cast against a nominee for the nominee to be elected to the Board of Directors.

Pursuant to the Board of Directors resignation policy in Ashland s Corporate Governance Guidelines (published on Ashland s website (<http://investor.ashland.com>)), any nominee who is serving as a director at the time of an uncontested election who fails to receive a greater number of votes for his or her election than votes against his or her election will tender his or her resignation for consideration by the Board of Directors within ten days following the certification of the shareholder vote. The Board will decide, through a process managed by the G&N Committee, whether to accept the resignation within 90 days following the date of the shareholder meeting. The Company will then promptly disclose the Board s decision and reasons therefor. As a condition to his or her nomination, each person nominated by the G&N Committee must agree in advance to abide by the policy. Messrs. Hale, Manager, Schaefer, and Turner, the four nominees to Class II, have each agreed to abide by the policy.

If no voting specification is made on a properly returned or voted proxy card, James J. O Brien or Linda L. Foss (proxies named on the proxy card) will vote FOR the four nominees named in this proxy statement. If any of the nominees should be unable or unwilling to stand for election at the time of the Annual Meeting, the proxies may vote for a replacement nominee recommended by the Board of Directors, or the Board may reduce the number of directors to be elected at the Annual Meeting. At this time, the Board knows of no reason why any of the returning nominees would not be able to serve as a director if elected.

The Board of Directors recommends a vote FOR Roger W. Hale, Vada O. Manager, George A. Schaefer, Jr. and John F. Turner for election as Class II directors at the 2012 Annual Meeting.

Table of Contents

Nominees for Election at the 2012 Annual Meeting

Class II Directors

(Term expiring in 2015)

Professional Experience:

Roger W. Hale

Independent Consultant

Former Chairman and Chief Executive Officer of LG&E Energy Corporation

Director since 2001

Committees:

Environmental, Health and Safety

Governance and Nominating

Age: 68

Mr. Hale is currently an independent consultant. He served as Chairman of the Board and Chief Executive Officer of LG&E Energy Corporation, a diversified energy services company headquartered in Louisville, Kentucky, from August 1990 until retiring in April 2001. Prior to joining LG&E Energy, he was Executive Vice President of BellSouth Corporation, a communications services company in Atlanta, Georgia. From 1966 to 1986, Mr. Hale held several executive positions with AT&T Co., a communications services company, including Vice President, Southern Region from 1983 to 1986.

Education:

Mr. Hale holds a Bachelor of Arts degree from the University of Maryland and a Masters of Science in Management from the Massachusetts Institute of Technology, Sloan School of Management.

Public Company Boards:

Mr. Hale is a Director of Hospira, Inc., where he chairs the Compensation Committee and is a member of the Governance and Public Policy Committee and the Science, Technology and Quality Committee.

During the past five years, Mr. Hale also served on the board of directors of H&R Block, Inc. as Presiding Director.

Director Qualifications:

Edgar Filing: ASHLAND INC. - Form DEF 14A

As a former Chairman of the Board and Chief Executive Officer of a diversified energy services company, Mr. Hale brings significant management experience and knowledge to the Board in the areas of finance, accounting, business operations, risk oversight and corporate governance. He also brings significant experience gained from service on the board of directors of other public companies.

Table of Contents

Nominees for Election at the 2012 Annual Meeting (continued)

Professional Experience:

Vada O. Manager

Senior Vice President of APCO Worldwide

Director since 2008

Committees:

Audit

Personnel and Compensation

Age: 50

Mr. Manager is Senior Vice President of APCO Worldwide, a strategic consulting company. Prior to this position, he was an independent global consultant. Mr. Manager served as the Senior Director of Global Issues Management for Nike, Inc. from 2006 until March 2009, and he held various management positions at Nike beginning in 1997. Before joining Nike, he performed a similar role for Levi Strauss & Co. and was also a Vice President of the Washington, D.C.-based public affairs firm, Powell Tate, a part of Weber Shandwick.

Education:

Mr. Manager holds a Bachelor of Science degree in political science from Arizona State University and performed graduate work at the London School of Economics.

Director Qualifications:

As a current senior officer and former consultant and senior officer of other large companies, Mr. Manager brings significant experience and knowledge to the Board in the areas of risk oversight, crisis management, marketing, finance, accounting and international business operations.

Table of Contents

Nominees for Election at the 2012 Annual Meeting (continued)

Professional Experience:

George A. Schaefer, Jr.

Mr. Schaefer served as Chairman of the Board of Directors of Fifth Third Bancorp headquartered in Cincinnati, Ohio until June 2008. Prior to this position, he held several executive positions with Fifth Third, including Chief Executive Officer, President and Chief Operating Officer.

Former Chairman and Chief Executive Officer of Fifth Third Bancorp

Director since 2003

Education:

Committees:

Chair, Audit

Governance and Nominating

Mr. Schaefer holds a Bachelor of Science degree from the U.S. Military Academy at West Point and a Masters in Business Administration from Xavier University.

Age: 66

Public Company Boards:

Mr. Schaefer is a Director of Wellpoint Inc. where he chairs the Audit Committee and is a member of the Executive and Compensation Committees.

Non-Profit Boards:

Mr. Schaefer is a member of the Board of Trustees of the University of Cincinnati Healthcare System.

Director Qualifications:

As a former Chairman of the Board and Chief Executive Officer of a leading financial institution, Mr. Schaefer brings significant experience and knowledge to the Board in the areas of finance, accounting, business operations, risk oversight and corporate governance. He also brings significant experience gained from service on the board of directors of other public companies.

Table of Contents

Nominees for Election at the 2012 Annual Meeting (continued)

Professional Experience:

John F. Turner

Former Assistant Secretary of State for the U.S. Department of State's Bureau of Oceans and International and Scientific Affairs

Director since 2006

Committees:

Chair, Governance and Nominating

Environmental, Health and Safety

Age: 69

Mr. Turner served as Assistant Secretary of State for the U.S. Department of State's Bureau of Oceans and International and Scientific Affairs in Washington, D.C., from November 2001 until July 2005. Prior to serving at the Department of State, he was President and Chief Executive Officer of The Conservation Fund, a non-profit organization dedicated to conserving America's natural and historic heritage. Mr. Turner also served in the Wyoming state legislature for 19 years and is a past president of the Wyoming State Senate. He is also a managing partner in The Triangle X Ranch in Wyoming.

Education:

Mr. Turner holds a Bachelor of Arts degree in biology from the University of Notre Dame and a Master of Science degree in wildlife ecology from the University of Michigan.

Public Company Boards:

Mr. Turner is a Director of Peabody Energy Company, where he serves on the Health, Safety and Environmental and the Nominating and Corporate Governance Committees; International Paper Company, where he chairs the Public Policy and Environment Committee and serves on the Governance and Executive Committees; and American Electric Power Company, Inc., where he is a member of the Audit, Policy, and Nuclear Oversight Committees.

Non-Profit Boards:

Mr. Turner is Chairman of the Ruckelshaus Institute of Environmental Natural Resources at the University of Wyoming and Senior Associate of The Conservation Fund.

Director Qualifications:

Edgar Filing: ASHLAND INC. - Form DEF 14A

As a former senior governmental official, Mr. Turner brings significant experience and knowledge to the Board in the areas of environmental protection and regulatory compliance, risk oversight and corporate governance. He also brings significant experience gained from his public service and his service on the board of directors of other public companies.

Table of Contents

Continuing Directors Not Up for Election at the 2012 Annual Meeting

Class III Directors

(Term expiring in 2013)

Professional Experience:

Mark C. Rohr

Executive Chairman of the Board of
Albemarle Corporation

Mr. Rohr is Executive Chairman of the Board of Albemarle Corporation, a specialty chemical company. He will serve in this position until February 1, 2012. Prior to this position, he held several executive positions with Albemarle, including Chief Executive Officer, President and Chief Operating Officer. Before joining Albemarle, he served with Occidental Chemical Corp. as Senior Vice President Specialty Chemicals.

Director since 2008

Committees:

Effective April 2, 2012, Mr. Rohr will become the Chairman of the Board and Chief Executive Officer of Celanese Corporation, a specialty materials and chemical products company.

Audit

Environmental, Health and Safety

Age: 60

Education:

Mr. Rohr holds Bachelor of Science degrees in chemistry and chemical engineering from Mississippi State University.

Public Company Boards:

Mr. Rohr is a Director of Celanese Corporation, where he chairs the Nominating and Corporate Governance Committee and is a member of the Environmental, Health and Safety Committee.

Non-Profit Boards:

Mr. Rohr serves on the Executive Committee of the American Chemistry Council and the Advisory Board of Mississippi State University College of Arts and Sciences.

Director Qualifications:

As a current Executive Chairman of the Board and a former Chief Executive Officer of a leading chemical company, Mr. Rohr brings significant management and chemical industry experience and knowledge to the Board in the areas of finance, accounting, international business operations, safety, environmental compliance, risk oversight and corporate governance. He also brings significant experience gained from service on the board of directors of other public companies.

Table of Contents

Continuing Directors Not Up for Election at the 2012 Annual Meeting (continued)

Professional Experience:

Michael J. Ward

Mr. Ward is Chairman of the Board and Chief Executive Officer of CSX Corporation, a transportation supplier. Prior to this position, he was President of CSX Transportation, the corporation's rail unit.

Chairman of the Board and Chief Executive Officer of CSX Corporation

Director since 2001

Education:

Committees:

Environmental, Health and Safety

Mr. Ward holds a Bachelor of Arts degree from the University of Maryland and a Masters in Business Administration from the Harvard Business School.

Personnel and Compensation

Age: 61

Non-Profit Boards:

Mr. Ward is a Director of the American Coalition for Clean Coal Electricity, City Year and Take Stock in Children. His other affiliations include The Florida Council of 100, The Business Roundtable and the Hubbard House Foundation.

Director Qualifications:

As a current Chairman of the Board and Chief Executive Officer of a major transportation company, Mr. Ward brings significant experience and knowledge to the Board in the areas of finance, accounting, business operations, safety, environmental compliance, risk oversight and corporate governance. He also brings significant experience gained from service on the board of directors of another public company.

Table of Contents

Continuing Directors Not Up for Election at the 2012 Annual Meeting (continued)

Class I Directors

(Term expiring in 2014)

Professional Experience:

Kathleen Ligocki

Chief Executive Officer and Director of Next Autoworks Company

Director since 2004

Committees:

Chair, Environmental, Health and Safety

Audit

Personnel and Compensation

Age: 55

Ms. Ligocki is Chief Executive Officer and a Director of Next Autoworks Company, a car design, engineering and assembly company. She is also a principal in Pine Lake Partners, Inc., a consulting firm focused on turnarounds and start-up companies. Ms. Ligocki served as Chief Executive Officer of GS Motors, a subsidiary of a large conglomerate based in Mexico City from 2007-2010. Prior to these positions, she served as President, Chief Executive Officer and a Director of Tower Automotive, Inc. from August 2003 to August 2007. Tower Automotive filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code in February 2005, and it emerged from Chapter 11 in July 2007 when substantially all of its assets were purchased by an affiliate of Cerberus Capital Management, L.P. Prior to joining Tower Automotive, Ms. Ligocki worked at the Ford Motor Company, United Technologies and General Motors Corporation.

Education:

Ms. Ligocki holds a Bachelor of Arts degree in liberal studies from Indiana University, a Masters in Business Administration from The Wharton School at the University of Pennsylvania and honorary doctorates from Indiana University and Central Michigan University.

Non-Profit Boards:

Ms. Ligocki serves on a variety of non-profit and academic boards focused on women, families and life-long education.

Director Qualifications:

As a current Chief Executive Officer and former senior officer of several large automotive companies, Ms. Ligocki brings significant experience and knowledge to the Board in the areas of manufacturing, finance, accounting, international business operations, safety,

environmental compliance, risk oversight and corporate governance.

Table of Contents

Continuing Directors Not Up for Election at the 2012 Annual Meeting (continued)

Professional Experience:

James J. O'Brien

Mr. O'Brien is Ashland's Chairman of the Board and Chief Executive Officer. Prior to this position, Mr. O'Brien was President and Chief Operating Officer of Ashland and Senior Vice President and Group Operating Officer of Ashland. He also served as the President of Valvoline from 1995 to 2001.

Chairman of the Board and Chief Executive Officer of Ashland Inc.

Director since 2002

Age: 57

Education:

Mr. O'Brien holds a Bachelor of Science degree in accounting and finance and a Masters in Business Administration from The Ohio State University.

Public Company Boards:

Mr. O'Brien is a Director of Humana Inc., where he serves on the Investment and Audit Committees.

Non-Profit Boards:

Mr. O'Brien serves as a member of the Dean's Advisory Council for the Fisher Graduate College of Business at The Ohio State University. He is also Chairman of the Board of Trustees for Midway College in Kentucky and a member of the Board of Directors of the American Chemistry Council.

Director Qualifications:

Mr. O'Brien has extensive knowledge of Ashland and all of its business segments, and he brings significant management experience and knowledge to the Board in the areas of finance, accounting, international business operations, risk oversight and corporate governance. He also brings significant experience gained from service on the board of directors of another

public company.

Table of Contents

Continuing Directors Not Up for Election at the 2012 Annual Meeting (continued)

Professional Experience:

Barry W. Perry

Former Chairman and Chief Executive Officer of Engelhard Corporation

Director since 2007

Lead Independent Director

Committees:

Audit

Governance and Nominating

Personnel and Compensation

Age: 65

Mr. Perry served as Chairman and Chief Executive Officer of Engelhard Corporation from January 2001 to June 2006. Prior to this position, he held various management positions with Engelhard Corporation beginning in 1993. From 1991 to 1993, Mr. Perry was a Group Vice President of Rhone-Poulenc. Prior to joining Rhone-Poulenc, he held a number of executive positions with General Electric Company.

Education:

Mr. Perry holds a Bachelor of Science degree in plastics engineering from the University of Massachusetts.

Public Company Boards:

Mr. Perry is a Director of Arrow Electronics, Inc., where he serves on the Compensation Committee and Albemarle Corporation, where he serves on the Compensation and the Health, Science and Environmental Committees.

Director Qualifications:

As the former Chairman of the Board and Chief Executive Officer of a leading chemical company, Mr. Perry brings significant management and chemical industry experience and knowledge to the Board in the areas of finance, accounting, international business operations, safety, environmental compliance, risk oversight and corporate governance. He also brings significant experience gained from service on the boards of directors of other public companies.

Table of Contents**COMPENSATION OF DIRECTORS****Director Compensation Table**

The following table is a summary of compensation information for the fiscal year ended September 30, 2011 for Ashland's non-employee directors. Mr. O'Brien, Chairman of the Board and Chief Executive Officer, receives no compensation as a Director of Ashland.

Name (a)	Fees Earned or		Total (\$) (h)
	Paid in Cash (1) (\$) (b)	Stock Awards (2) (\$) (c)	
Roger W. Hale	90,000	100,000	190,000
Dr. Bernadine P. Healy*	32,500	0	32,500
Kathleen Ligocki	105,000	100,000	205,000
Vada O. Manager	97,500	100,000	197,500
Barry W. Perry	112,500	100,000	212,500
Mark C. Rohr	97,500	100,000	197,500
George A. Schaefer, Jr.	105,000	100,000	205,000
Theodore M. Solso**	97,500	100,000	197,500
John F. Turner	97,500	100,000	197,500
Michael J. Ward	95,000	100,000	195,000

* Dr. Healy retired from Ashland's Board of Directors effective January 27, 2011.

** Mr. Solso will retire from Ashland's Board of Directors on January 26, 2012.

(1) For fiscal 2011, Ms. Ligocki and Messrs. Perry, Solso and Ward deferred all of their fees into the Directors' Deferral Plan and Mr. Manager deferred \$17,062.50 of his fees into the Directors' Deferral Plan. In addition, Mr. Manager had \$17,062.50 of his fees paid in Ashland Common Stock.

(2) The values in this column (c) represent the aggregate grant date fair value of restricted stock unit awards granted in fiscal 2011 computed in accordance with FASB ASC Topic 718. These restricted stock unit awards are recorded as liabilities under generally accepted accounting principles and do not require assumptions in computing their grant date fair value. Each non-employee director received a grant of 1,682 restricted stock units of Ashland Common Stock in the Directors' Deferral Plan on January 27, 2011. The grant date fair value per share of each restricted stock unit was the same as the closing price of \$59.46 per share of Ashland Common Stock on the NYSE on such date.

Table of Contents

The following table identifies the aggregate number of stock and option awards for each non-employee director outstanding as of September 30, 2011.

Name	Shares of Restricted Ashland Common Stock (#)	Unvested Restricted Stock Units of Ashland Common Stock (1) (#)	Outstanding Ashland Stock Options (2) (#)
Roger W. Hale	1,000	1,696	16,474
Dr. Bernadine P. Healy*	0	0	20,036
Kathleen Ligocki	1,000	1,696	12,912
Vada O. Manager	1,000	1,696	0
Barry W. Perry	1,000	1,696	0
Mark C. Rohr	1,000	1,696	0
George A. Schaefer, Jr.	1,000	1,696	16,474
Theodore M. Solso**	1,000	1,696	12,912
John F. Turner	1,000	1,696	0
Michael J. Ward	1,000	1,696	12,912

* Dr. Healy retired from Ashland's Board of Directors effective January 27, 2011.

** Mr. Solso will retire from Ashland's Board of Directors on January 26, 2012.

(1) Includes credit for reinvested dividends allocated since the grant date, January 27, 2011.

(2) No stock options have been granted to non-employee directors since January 26, 2006.

Annual Retainer

Ashland's non-employee director compensation program provides: (a) an annual retainer of \$90,000 for each director; (b) an additional annual retainer of \$20,000 for the Lead Independent Director; (c) an additional annual retainer of \$15,000 for the Chair of the Audit Committee and \$7,500 for Audit Committee members; and (d) an additional annual retainer of \$7,500 for other Committee Chairs.

Non-employee directors may elect to receive part or all of each retainer in cash or as shares of Ashland Common Stock. They may also elect to have a portion or all retainers deferred and paid through the Directors' Deferral Plan. The directors who make an election to defer retainers may have the deferred amounts held as common stock units (share equivalents) in the hypothetical Ashland Common Stock fund or invested under the other available investment options under the plan. The payout of the deferred retainers occurs upon termination of service by a director. Directors may elect to have the payout in a single lump sum or in installments, not to exceed 15 years. For deferrals before January 1, 2005, upon a change in control of Ashland (as defined in the Directors' Deferral Plan), amounts in the directors' deferral accounts will be automatically distributed as a lump sum in cash to the director. For deferrals on and after January 1, 2005, distributions for such deferrals will be made

pursuant to each director's election and valued at the time of the distribution.

Table of Contents

Restricted Shares/Units

Upon election to the Board of Directors, each new director received 1,000 restricted shares of Ashland Common Stock. The restricted shares may not be sold, assigned, transferred or otherwise encumbered until the earliest to occur of: (i) retirement from the Board of Directors; (ii) death or disability of the director; (iii) a 50% change in the beneficial ownership of Ashland; or (iv) voluntary early retirement to enter governmental service. The G&N Committee has discretion to limit a director's forfeiture of these shares if he or she leaves the Board of Directors for reasons other than those listed above.

Each non-employee director also receives an annual award of deferred restricted stock units in the Directors' Deferral Plan with a grant date value of \$100,000. The restricted stock units vest one year after date of grant or upon the date of the next annual shareholder meeting, if earlier. Dividends on restricted stock units are reinvested in additional restricted stock units. Upon a change in control of Ashland, the restricted stock units immediately vest. A director may elect before the restricted stock units vest to have his or her vested units paid in shares of Ashland Common Stock or in cash after the director terminates from service.

Stock Ownership Guidelines for Directors

The Board of Directors considers Ashland Common Stock ownership by directors to be of utmost importance. The Board believes that such ownership enhances the commitment of directors to Ashland's future and aligns their interests with those of Ashland's other shareholders. The Board has therefore established minimum stock ownership guidelines for non-employee directors which require each director to own the lesser of (i) 12,500 shares or units of Ashland Common Stock, or (ii) Ashland Common Stock having a value of at least five times his or her base annual cash retainer of \$90,000. Each newly elected director has five years from the year elected to reach this ownership level. All of Ashland's current directors have attained the minimum stock ownership levels based on holdings as of October 31, 2011.

Table of Contents

CORPORATE GOVERNANCE

Governance Principles

Ashland is committed to adhering to sound corporate governance practices. The documents described below are published on Ashland's website (<http://investor.ashland.com>). These documents are also available for free in print to any shareholder who requests them. Among the corporate governance practices followed by Ashland are the following:

Ashland has adopted Corporate Governance Guidelines. These guidelines provide the framework for the Board of Directors governance of Ashland and include a general description of the Board's purpose, director qualification standards, retirement and resignation policies and other responsibilities. The Corporate Governance Guidelines require that two-thirds of Ashland's directors be independent, as defined by Ashland's Director Independence Standards, which incorporate the independence requirements of the SEC's rules and the listing standards of the New York Stock Exchange (the Standards).

Ashland also requires compliance with its code of business conduct which applies to all of Ashland's directors and employees, including the principal executive officer, principal financial officer, principal accounting officer and persons performing similar functions. Ashland intends to post any amendments or waivers of the code (to the extent applicable to Ashland's directors and executive officers) on Ashland's website or in a Current Report on Form 8-K.

Each of Ashland's Board Committees has adopted a charter defining its respective purposes and responsibilities.

Only independent directors, as defined in the Standards, may serve on the Audit Committee, G&N Committee and Personnel and Compensation Committee (the P&C Committee) of the Board.

The Board, and each Committee of the Board, has the authority to engage independent consultants and advisors.

Board Leadership Structure

Ashland combines the roles of Chairman of the Board and Chief Executive Officer, which is balanced through the appointment of a Lead Independent Director. The Board believes that combining the positions of Chairman and Chief Executive Officer provides clarity of leadership and is in the best interests of Ashland and its shareholders at this time. The Board believes that the use of a Lead Independent Director provides appropriate independent oversight of management. Independent oversight has been further assured by having only one member of management on the Board. The non-management directors regularly meet alone in executive session at Board meetings.

The Lead Independent Director is an independent director selected annually by the G&N Committee. Mr. Perry is currently the Lead Independent Director. In addition to the duties of all Board members, the Lead Independent Director:

Coordinates with the Chairman of the Board to determine the appropriate schedule of meetings;

Places any item he or she determines is appropriate on the Board's agenda;

Directs that specific materials be included in Board mailings and works with the G&N Committee, as appropriate, to assess the quality, quantity and timeliness of the flow of information from management to the Board;

Edgar Filing: ASHLAND INC. - Form DEF 14A

Directs the retention of consultants and advisors to report directly to the Board;

Coordinates with the G&N Committee to oversee compliance with Ashland's Corporate Governance Guidelines and to recommend appropriate revisions thereto;

Table of Contents

Coordinates and develops the agenda for, and moderates executive sessions of, the Board's independent directors and acts as principal liaison between the independent directors and the Chairman of the Board and Chief Executive Officer on sensitive matters; and

Works with the G&N Committee to recommend the membership of the various Board Committees and Committee Chairs.

Oversight of Ashland's Executive Compensation Program

The P&C Committee is responsible for the approval and administration of compensation programs for executive officers and certain other employees of Ashland. The P&C Committee is composed of independent directors. In making compensation decisions, the P&C Committee considers, among other things: Ashland's compensation philosophy, its financial and operating performance, the individual performance of executives, compensation policies and practices for Ashland employees generally, and practices and executive compensation levels within peer and similarly-sized general industry companies.

The P&C Committee's primary responsibilities are to:

Ensure that the Company's executive compensation programs are appropriately competitive, support organizational objectives and shareholder interests, and emphasize the pay for performance linkage;

Review, evaluate and approve on an annual basis, the goals and objectives of the Chief Executive Officer. The P&C Committee annually evaluates the Chief Executive Officer's performance in light of these established goals and objectives; based on these evaluations after an executive session, the P&C Committee sets the Chief Executive Officer's annual compensation, including base salary, annual incentives and long-term incentives;

Review and approve compensation of all key senior executives and elected corporate officers; and

Approve any employment agreements, consulting arrangements, severance or retirement arrangements, change in control agreements, and/or any special or supplemental benefits or provisions covering any current or former executive officer of Ashland.

For further information about the responsibilities of the P&C Committee, see Committees and Meetings of the Board of Directors - Personnel and Compensation Committee on page 28.

The P&C Committee may form and delegate authority to subcommittees with regard to any of the above responsibilities.

In determining and administering the executive compensation programs, the P&C Committee takes into consideration:

Recommendations of the Chief Executive Officer and the Chief Human Resources and Communications Officer regarding potential changes to named executive officer compensation based on performance, competitiveness, personnel and organizational changes, regulatory issues, strategic initiatives and other matters;

Information provided by the Human Resources-Global Total Rewards function at Ashland and its compensation consultant; and

Advice of an outside, independent, executive compensation consultant on all aspects of executive compensation, including comparison to the practices and executive compensation levels within peer and general industry companies.

The P&C Committee meets in executive session for a portion of each Committee meeting.

Table of Contents

Personnel and Compensation Committee Interlocks and Insider Participation

The members of the P&C Committee for fiscal 2011 were Theodore M. Solso (Chair), Kathleen Ligocki, Vada O. Manager, Barry W. Perry and Michael J. Ward. There were no impermissible interlocks or inside directors on the P&C Committee.

Board's Role of Risk Oversight

The Board of Directors has oversight responsibility with respect to Ashland's risk management processes. This includes working with management to determine and assess the Company's philosophy and strategy towards risk management and mitigation. Management is responsible for the day-to-day management of risk, and reports periodically to the Board and to specific Committees on current and emerging risks and the Company's approach to avoiding and mitigating risk exposure. The Board reviews in detail the Company's most significant risks and whether management is responding consistently within the Company's overall risk management and mitigation strategy.

While the Board maintains the ultimate oversight responsibility for risk management, each of the various Committees of the Board has been assigned responsibility for risk management oversight of specific areas. In particular, the Audit Committee maintains responsibility for overseeing risks related to Ashland's financial reporting, audit process, and internal controls over financial reporting and disclosure controls and procedures. The Audit Committee also has oversight responsibility related to Ashland's key financial risks. The Environmental, Health and Safety Committee assists the Board in fulfilling its oversight responsibility with respect to environmental, health, safety and business continuity risks. In setting compensation, the P&C Committee monitors and evaluates the compensation and benefits structure of the Company, including providing guidance on philosophy and policy matters and excessive risk-taking. Finally, the G&N Committee conducts an annual review of nominees to the Board and is charged with developing and recommending to the Board corporate governance principles and policies and Board Committee structure, leadership and membership.

Director Independence and Certain Relationships

The Board of Directors has adopted the Standards to assist in its determination of director independence. To qualify as independent under these Standards, the Board must affirmatively determine that a director has no material relationship with Ashland, other than as a director.

Pursuant to the Standards, the Board of Directors undertook a review of director independence in November 2011. During this review, the Board considered relationships and transactions between each director, any member of his or her immediate family, and his or her affiliates, and Ashland and its subsidiaries and affiliates. As provided for in the Standards, the purpose of the review was to determine whether any such relationships or transactions were inconsistent with a determination that the director is independent.

As a result of the review, the Board of Directors affirmatively determined that Messrs. Hale, Manager, Perry, Rohr, Schaefer, Solso, Turner and Ward and Ms. Ligocki are each independent of Ashland and its affiliates. Mr. O'Brien, Ashland's Chief Executive Officer, is the only director determined not to be independent of Ashland.

Table of Contents

In the normal course of business, Ashland had transactions with other corporations where certain directors are executive officers. None of the transactions were material in amount as to Ashland and none were reportable under the federal securities laws. Ashland's Board of Directors has concluded that the following relationships between Ashland and the director-affiliated entities are not material pursuant to the Standards and the G&N Committee has determined that the transactions are not Related Person Transactions, as defined in the Related Person Transaction Policy:

Mark C. Rohr, a director of Ashland, is Executive Chairman of the Board and former Chief Executive Officer of Albemarle Corporation (Albemarle). During fiscal 2011, Ashland paid Albemarle approximately \$11.4 million and Albemarle paid Ashland approximately \$900,000 for certain products and/or services.

Michael J. Ward, a director of Ashland, is Chairman of the Board and Chief Executive Officer of CSX Corporation (CSX). During fiscal 2011, Ashland paid CSX approximately \$15.4 million for transportation services, and CSX paid Ashland approximately \$68,000 for certain products and/or services.

Theodore M. Solso, a director of Ashland, will be retiring from Ashland's Board on January 26, 2012. Mr. Solso is currently Chairman and Chief Executive Officer of Cummins Inc. (Cummins) and will be retiring from Cummins effective January 1, 2012. During fiscal 2011, Ashland paid Cummins approximately \$14,000 for certain products and services, and Cummins paid Ashland approximately \$32 million for goods and services. Additionally, Ashland Consumer Markets, a commercial unit of Ashland, and Cummins are partners in joint ventures.

Related Person Transaction Policy

Federal securities laws require Ashland to describe any transaction, since the beginning of the last fiscal year, or any currently proposed transaction, in which Ashland was or is to be a participant and the amount involved exceeds \$120,000, and in which any related person had or will have a direct or indirect material interest. Related persons are directors and executive officers, nominees for director and any immediate family members of directors, executive officers or nominees for director. Ashland is also required to describe its policies and procedures for the review, approval or ratification of any Related Person Transaction.

Pursuant to Ashland's written Related Person Transaction Policy (the Policy), the G&N Committee is responsible for reviewing the material facts of all transactions that could potentially be transactions with related persons. The Policy covers any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships (including any indebtedness or guarantee of indebtedness) in which (1) the aggregate amount involved will or may be expected to exceed \$120,000 in any fiscal year, (2) Ashland is a participant, and (3) any related person has or will have a direct or indirect interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). Transactions between Ashland and any firm, corporation or entity in which a related person is an executive officer or general partner, or in which any related persons collectively hold more than 10% of the ownership interest, are also subject to review under the Policy.

Under the Policy, Ashland's directors and executive officers are required to annually identify potential transactions with related persons or their firms that meet the criteria set forth in the Policy, and management is required to forward all such disclosures to the G&N Committee. The G&N Committee reviews each disclosed transaction. The G&N Committee has discretion to approve, disapprove or otherwise act if a transaction is deemed to be a Related Person Transaction subject to the Policy. Only disinterested members of the G&N Committee may participate in the determinations made with regard to a particular transaction. If it is impractical to convene a meeting of the G&N Committee, the Chairman of the G&N Committee is authorized to make a determination and promptly report such determination in writing to the other G&N Committee members. All determinations made under the Policy are required to be reported to the full Board of Directors.

Table of Contents

Under the Policy and consistent with SEC regulations, certain transactions are not Related Person Transactions, even if such transactions exceed \$120,000 in a fiscal year. Those exceptions are:

Compensation to a director or executive officer which is or/will be disclosed in Ashland's proxy statement;

Compensation to an executive officer which is approved by the P&C Committee and would have been disclosed in Ashland's proxy statement if the executive officer was a named executive officer;

A transaction in which the rates or charges involved are determined by competitive bids, or which involves common, contract carrier or public utility services at rates or charges fixed in conformity with law or governmental authority;

A transaction that involves services as a bank depository of funds, transfer agent, registrar, indenture trustee or similar services; and

A transaction in which the related person's interest arises solely from the ownership of Ashland stock and all shareholders receive the same benefit on a pro rata basis.

Communication with Directors

The Board of Directors has established a process by which shareholders and other interested parties may communicate with the Board. Persons interested in communicating with the Board, or with a specific member or Committee of the Board, may do so by writing to the Lead Independent Director in care of the General Counsel of Ashland, 50 E. RiverCenter Boulevard, P.O. Box 391, Covington, Kentucky 41012-0391. Communications directed to the Lead Independent Director will be reviewed by the General Counsel and distributed to the Lead Independent Director as well as to other individual directors, as appropriate, depending on the subject matter and facts and circumstances.