

## **Audit and Public Policy Committee Charter of Hospira, Inc.**

### **1. Purpose.**

The Audit and Public Policy Committee of the Board of Directors of Hospira, Inc. (the “Company”) shall be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditor of the Company. The Audit and Public Policy Committee shall assist the Board with respect to its oversight of (a) the integrity of the Company’s financial statements, (b) the independent auditor’s qualifications and independence, (c) the performance of the Company’s internal audit function and independent auditor, (d) the Company’s compliance with legal and regulatory requirements and (e) public policy and government affairs issues that affect the Company.

### **2. Organization.**

The Audit and Public Policy Committee shall be composed of at least three (3) directors. Each member of the Audit and Public Policy Committee shall satisfy the independence and financial literacy requirements of the New York Stock Exchange, the Securities Exchange Act of 1934, as amended (the “Securities Exchange Act”), and the rules and regulations promulgated thereunder, as such requirements are interpreted by the Board in its business judgment. At least one member of the Audit and Public Policy Committee shall have accounting or related financial management expertise, as the Company’s Board interprets such qualification in its business judgment. The Board may presume that a member of the Committee who satisfies the definition of audit committee financial expert set forth in Regulation S-K has accounting or related financial management expertise. Directors’ fees, including committee fees, are the only compensation that an Audit and Public Policy Committee member may receive from the Company. No member of the Audit and Public Policy Committee may serve simultaneously on the audit committee of more than three public companies, including the Company.

The Board shall appoint the members of the Audit and Public Policy Committee and the Committee’s Chairman annually, considering in each case the recommendations of the Company’s Nominations and Compensation Committee. The members of the Audit and Public Policy Committee shall serve until their successors are appointed and qualify. The Board shall have the power at any time to change the membership of the Audit and Public Policy Committee and to fill vacancies in it, subject to such new member(s) satisfying the independence, financial literacy, experience and financial expertise requirements referred to above. Except as expressly provided in this Charter, the by-laws of the Company or the corporate governance guidelines of the Company, or as otherwise provided by law or the listing rules of the New York Stock Exchange, the Audit and Public Policy Committee shall fix its own rules of procedure.

### **3. Authority and Responsibilities.**

The Audit and Public Policy Committee shall make regular reports to the Board. The Audit and Public Policy Committee shall also prepare the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement. The disclosure of the members of the Audit and Public Policy Committee shall be included or incorporated by reference in the Company's annual report. The Audit and Public Policy Committee shall consult with management but shall not delegate its responsibilities to either management or another committee of the Board; provided, however, that the Audit and Public Policy Committee may delegate any of its responsibilities and duties to one or more members of the Audit and Public Policy Committee, except to the extent such delegation would be inconsistent with the requirements of the Securities Exchange Act, the listing rules of the New York Stock Exchange or the Company's by-laws.

To the extent that it deems necessary or appropriate to carry out its duties, the Audit and Public Policy Committee shall have the authority, without seeking approval of the Board, to (a) retain and compensate special legal, accounting or other consultants to advise the Audit and Public Policy Committee and (b) conduct or authorize investigations or studies of any matters within its scope of responsibilities. The Audit and Public Policy Committee shall receive appropriate funding, as determined by the Audit and Public Policy Committee, from the Company for payment of (a) compensation to the independent auditor employed by the Company for the purpose of rendering or issuing an audit report or performing other audit, review or attest services for the Company, (b) compensation to any special legal, accounting or other consultants employed by the Audit and Public Policy Committee and (c) ordinary administrative expenses of the Audit and Public Policy Committee that are necessary or appropriate in carrying out its duties.

#### **a. Authority and Responsibilities Relating to Audit Issues.**

The Audit and Public Policy Committee shall have the sole authority to appoint, retain, evaluate or terminate the Company's independent auditor (subject, if applicable, to stockholder ratification). The Audit and Public Policy Committee shall pre-approve all permissible non-audit services and all audit, review or attest engagements required under the securities laws to be rendered by the independent auditor. Alternatively, the Company may enter into engagements to render such services pursuant to pre-approval policies and procedures established by the Audit and Public Policy Committee; provided, that such policies and procedures are detailed as to the particular service, the Committee is informed of each service and such policies and procedures do not include the delegation of Committee responsibilities under the Securities Exchange Act to management. Moreover, the pre-approval requirement for permissible non-audit services shall be waived under certain circumstances described in Section 10A of the Securities Exchange Act.

The Audit and Public Policy Committee shall be directly responsible for the oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company. The independent auditor shall report directly to the Audit and Public Policy Committee. The Company's internal auditor shall also be ultimately accountable to the Audit and Public Policy Committee.

The following functions are some of the common recurring activities of the Audit and Public Policy Committee in carrying out its oversight responsibility with respect to audit issues.

- Meet separately, periodically, with the independent auditor, with management of the Company and with the internal auditors (or other personnel responsible for the internal audit function).
- Evaluate the qualifications, performance, and independence of the Company's independent auditor at least annually. This evaluation shall include the review and evaluation of the lead partner of the independent auditor. In making its evaluation, the Audit and Public Policy Committee should take into account the opinions of the Company's management and internal auditors (or other personnel responsible for the internal audit function). The Audit and Public Policy Committee shall present its conclusions with respect to the independent auditor to the Board. In connection with its evaluation of the independent auditor, the Audit and Public Policy Committee shall, at least annually, obtain and review a report by the Company's independent auditor describing:
  - the firm's internal quality-control procedures;
  - any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and
  - to assess the independent auditor's independence, all relationships between the independent auditor and the Company.

The Audit and Public Policy Committee shall discuss with the independent auditor any issues or relationships disclosed in that report and shall, if necessary, take appropriate action to ensure the auditor's independence.

- Oversee compliance of the Company’s rotation policy for the partners and employees of the independent auditor with the requirements of Section 10A of the Securities Exchange Act and the rules of the Securities and Exchange Commission. Without limiting the generality of the foregoing, the Audit and Public Policy Committee shall ensure that the lead (or coordinating) audit partner of the independent auditor (having primary responsibility for the audit), and the audit partner responsible for reviewing the audit, are rotated at least every five years, as required by Section 10A of the Securities Exchange Act, and further consider rotation of the independent audit firm itself. The Audit and Public Policy Committee shall report its conclusions to the Board.
  
- Review and discuss with management and the independent auditor,
  - the Company’s annual audited financial statements, including disclosures made under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, and recommend to the Board whether the audited financial statements should be included in the Company’s Form 10-K;
  
  - the Company’s quarterly financial statements, including disclosures made under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” or similar disclosures, and the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, prior to the filing of its Form 10-Q, including the results of the independent auditor’s reviews of the quarterly financial statements to the extent applicable;
  
  - the scope, procedures and fees for the proposed audit for the current year and, at its conclusion, review that audit including any comments or recommendations by the independent auditor;
  
  - the type and presentation of information to be included in earnings press releases (paying particular attention to any use of “pro forma,” or “adjusted” non-GAAP, information), as well as financial information and earnings guidance (generally, or on a case-by-case basis) provided to analysts and rating agencies (for the avoidance of doubt, the Audit and Public Policy Committee need not discuss in advance each earnings release or each instance in which the Company may provide earnings guidance);
  
  - the responsibilities, budget and staffing of the Company’s internal audit function;

- major issues regarding accounting principles and financial statement presentations, including significant changes in the Company's selection or application of accounting principles, and major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies;
  - analyses prepared by management and/or the Company's independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and
  - the effect of regulatory and accounting initiatives, as well as off-balance sheet structures (if any), on the financial statements of the Company.
- Review and discuss with management and the independent auditor, as applicable,
    - any report by the independent auditor required by Section 10A of the Securities Exchange Act, including any report relating to critical accounting policies and practices to be used in connection with the audit of the Company, all alternative treatments of financial information within GAAP that have been discussed with management, the ramifications of the use of those alternative disclosures and treatments, and the treatment preferred by the independent auditor, and other material written communications between the independent auditor and management, such as any management letter or schedule of unadjusted differences;
    - any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditor, and any response from the Company to that letter;
    - any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with management or restrictions on the scope of the independent auditor's activities or on access to requested information and management's response thereto;
    - any accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise);
    - any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement; and

- any information obtained from the independent auditor with respect to illegal acts in accordance with Section 10A of the Securities Exchange Act.
- Ensure that the Company maintains an internal audit function to provide management and the Audit and Public Policy Committee with ongoing assessments of the Company's risk management processes and system of internal control.
- Review and discuss with the Company's independent auditor and internal auditors the internal audit function, the department's authority and responsibilities, budget, staffing, independence, and reporting obligations, the proposed audit plan for the coming year, the coordination of that proposed audit plan with the independent auditor, the results of the internal audit and a specific review of any significant issues.
- Review and discuss with management, the internal auditors and the independent auditor, as appropriate, the Company's major financial risk exposures and the steps management has taken to monitor and control those exposures. In particular, the Audit and Public Policy Committee shall discuss guidelines and policies to govern the process by which risk assessment and risk management is undertaken by the Company.
- Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditor who were engaged on the Company's account in compliance with Section 10A of the Securities Exchange Act.
- Establish procedures for
  - the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and
  - the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- Review any disclosures made to the Audit and Public Policy Committee by the Company's chief executive officer or chief financial officer regarding compliance with their certification obligations under Rule 13a-14 or Rule 15d-14 of the Securities Exchange Act, including the Company's disclosure controls and procedures and internal controls for financial reporting and evaluations thereof.
- Review with the independent auditor, internal auditors and financial management, the adequacy, effectiveness and quality of the Company's accounting and financial reporting principles, policies, procedures and controls, and elicit from such group any recommendations for improvements.

**b. Authority and Responsibilities Relating to Public Policy Issues.**

With respect to public policy issues, the Audit and Public Policy Committee shall provide general oversight over, and, as it determines appropriate, make recommendations to the Board, on the following matters:

- The Company's Compliance Program as administered by the Office of Ethics and Compliance, including matters raised by the Company's Helpline.
- The Company's quality control and regulatory compliance programs.
- The Company's environmental, health and safety compliance programs.
- The Company's charitable and community service activities.
- The Company's political activities and government relations, including any political contributions by the Company.
- Proposals relating to public policy and/or social responsibility issues submitted by stockholders of the Company for inclusion in the Company's proxy materials.
- Such other matters as the Board shall designate.

**4. Annual Performance Evaluation.**

The Audit and Public Policy Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit and Public Policy Committee also shall conduct an annual evaluation of the Committee's own performance, and shall report the results of the evaluation to the Board.

**5. Limitations on the Role of the Audit and Public Policy Committee.**

While the Audit and Public Policy Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit and Public Policy Committee to prepare financial statements, plan or conduct audits or determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management and the independent auditor.