

**Corporate Governance Guidelines**  
**of Hospira, Inc.**  
**Rev. August 21, 2013**

I. GENERAL BOARD MATTERS

- **Board Role and Responsibilities.** The role of the Board of Directors (the “Board”) of Hospira, Inc. (the “Company”) is to represent and protect the interests of the shareholders of the Company by supervising and directing the management of the Company. The primary function of the Board is to use business judgment in exercising the authority over corporate actions that are granted to it by the Company’s Certificate of Incorporation and Delaware Corporation Law and overseeing the conduct of the Company’s business. The following are the Board’s primary oversight responsibilities, which may be carried out by the full Board, a Board committee or the independent members of the Board, as appropriate under the circumstances:
  - overseeing the conduct of the Company’s business so that it is managed by its officers, managers and employees in the long-term interests of shareholders;
  - selecting, evaluating and compensating the Chief Executive Officer and other top executive officers;
  - planning for Chief Executive Officer succession, as well as monitoring management’s succession planning for other officers and senior managers;
  - overseeing and reviewing the Company’s strategic direction and objectives and significant operational issues and decisions;
  - monitoring the Company’s accounting and financial reporting practices, processes and controls;
  - overseeing the Company’s ethics and compliance program, including compliance with applicable laws and regulations; and
  - overseeing the processes that are in place to safeguard the Company’s assets and mitigate risk.
- **Board Size.** The number of directors on the Board will be established from time to time by resolution of the Board. The Board periodically reviews its size to consider that which is deemed to be most effective for its operations. In general, the Board should neither be too small so that it lacks the needed expertise and independence, nor too large so that it impairs efficiency and functionality. The Board recognizes that retirements, resignations, recruiting delays, as well as the availability of qualified candidates, may result periodically in the Board consisting of a slightly higher or lower number of directors than the Board may have targeted.

- Chair of the Board and Chief Executive Officer. The Board believes that it is important to retain the flexibility to allocate the responsibilities of the offices of Chair of the Board and Chief Executive Officer in any manner that it determines to be in the best interests of the Company. The Board specifically reserves the right to vest the responsibilities of Chair of the Board and Chief Executive Officer in the same individual. If the responsibilities of the Chair of the Board are vested in an independent director, Exhibit A sets forth the responsibilities and other matters involving the selection and service of such independent chair. If the responsibilities of the chair are vested in someone other than an independent director, the independent directors will elect a lead director.

## II. DIRECTOR INDEPENDENCE AND QUALIFICATIONS

- Qualifications. The qualifications for the directors of the Company are set forth in the Outline for Directorship Qualifications, which is attached as Exhibit B.
- Independence. A majority of the directors of the Company shall meet the New York Stock Exchange and Company's standards for independence. All of the members of the Audit Committee, the Compensation Committee and the Governance and Public Policy Committee shall be independent. The Company's Director Independence Guidelines are attached as Exhibit C.
- Change in Affiliation. Directors are expected to report to the Chair of the Board and the chair of the Governance and Public Policy Committee when they experience a significant change in their business or professional affiliation or responsibility and offer to resign from the Board. The Governance and Public Policy Committee will determine whether the director continues to adequately meet the requirements for service on the Board and whether or not to accept the resignation, and in so doing may consult with the Chair of the Board to the extent the committee chair deems appropriate.
- Limit on the Number of Other Directorships. Directors are expected to devote sufficient time to fulfill their responsibilities as directors in accordance with the criteria set forth in the Outline for Directorship Qualifications. Accordingly, directors may serve on the Board of other public companies, but shall limit such service to that reasonable number of companies which would not conflict with his or her responsibilities as a director of the Company.
- New Directorships. Directors are expected to inform the Chair of the Board and the chair of the Governance and Public Policy Committee of any public company directorships that they have been offered before accepting that directorship. In addition, no director shall serve on the Board of any competitor of the Company.

- Term Limits or Retirement Age. The Company's directors are not subject to term limits or mandatory retirement ages because the Board has determined that the knowledge, expertise and continuity provided by those directors who have experience with the Company and who continue to meet the qualifications set forth in the Outline for Directorship Qualifications are valuable to the Company. As an alternative to term limits and mandatory retirement, the Board, in consultation with the Governance and Public Policy Committee, will review each incumbent director's continued service on the Board when considered for re-nomination. The review shall include consideration of the individual performance of each director and the director's anticipated future contributions, as well as the overall composition of the Board, which should reflect an appropriate diversity of viewpoints and backgrounds. The Board will also consider the periodic rotation of directors to ensure fresh perspectives and new ideas and business strategies, but will take into account that there may be reasons at any given point in time to maintain an individual director's membership on the entire Board.

### III. DIRECTOR RESPONSIBILITIES

- Preparation for and Attendance at Meetings. Directors are expected to prepare adequately for and regularly attend the annual meeting of stockholders and meetings of the Board and Board committees on which they serve.
- Special Meetings. Recognizing that situations arise requiring prompt Board action, directors shall make themselves available for special meetings and shall promptly return documents requiring their signature. Directors shall receive prompt notification of such special meetings.
- Disclosure of Potential Conflicts of Interest. Directors must disclose to the rest of the members of the Board any potential conflict of interest they may have with respect to a matter under discussion and, if appropriate, refrain from voting on a matter on which they may have a conflict.
- Board Review. The Board shall review and, where appropriate, approve fundamental operating, financial, risk management and other corporate strategies, as well as major plans and objectives, and shall monitor the effectiveness of management policies and decisions, including the execution of strategies.
- Public Statements. Absent unusual circumstances, the Company's executive officers, as opposed to individual directors, provide the public voice of the Company.

### IV. BOARD AND COMMITTEE MEETINGS

- Meetings. The Board generally meets at least five times a year, on dates selected by the Chair of the Board. Directors will be given as much advance notice of meeting dates as reasonably practicable.

- Agenda. The Chair of the Board, in consultation with the other Board members, shall set the agenda for meetings of the Board. The chair of each committee shall set the agenda for the meetings of the applicable committee, and in so doing may consult with the Chair of the Board, to the extent the committee chair deems appropriate. Directors and committee members may suggest agenda items and may raise other matters at meetings.
- Executive Sessions. The independent directors generally meet at least five times a year (which are held in conjunction with each Board meeting) in regularly scheduled executive sessions and may hold such additional executive sessions as they determine necessary or appropriate. If the Chair of the Board is an independent director, the Chair of the Board shall normally preside at these executive sessions. Otherwise, the lead director will preside at the executive sessions.

## V. BOARD COMMITTEES

- Audit, Compensation and Governance and Public Policy Committees. The Board shall at all times have an Audit Committee, a Compensation Committee and a Governance and Public Policy Committee. All of the members of these committees shall satisfy the independence requirements of the New York Stock Exchange and the Company. Each of these committees shall operate in accordance with applicable law, its charter, and the applicable rules of the Securities and Exchange Commission and the New York Stock Exchange.
- Other Committees. The Board may also establish such other committees as it deems appropriate and delegate to those committees any authority permitted by applicable law and the Company's by-laws as the Board sees fit, other than the responsibilities delegated to the Audit Committee, the Compensation Committee and Governance and Public Policy Committee in their charters or reserved to the full Board.
- Rotation of Committee Chairs and Members. The Governance and Public Policy Committee is responsible, after consultation with the Chair of the Board, for making recommendations to the Board with respect to the committee chairs and members. The full Board shall make the final determination as to the committee chairs and members. The Governance and Public Policy Committee will consider the periodic rotation of committee chairs and members, taking into account that there may be reasons at a given point in time to maintain an individual director's committee membership or position as committee chair.

## VI. DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS

- Access to the Company's Management. Each director shall have complete access to the Company's management. The Company's management will make itself available to answer the directors' questions about the Company between meetings.
- Independent Advisors. The Board and Board committees may engage and consult with financial, legal, or other independent advisors at the Company's expense.

## VII. DIRECTOR COMPENSATION AND INDEMNIFICATION

- Role of the Compensation Committee. Each year, in accordance with the terms of its charter, the Compensation Committee shall review, at least annually, the compensation paid to the members of the Board and give its recommendations to the Board regarding both the amount of director compensation that should be paid and the allocation of that compensation between equity-based awards and cash.
- Director Compensation Guidelines. The Compensation Committee shall establish director compensation guidelines and review them as appropriate. In recommending director compensation, the Compensation Committee shall take comparable director fees into account and shall review any arrangement that could be viewed as indirect director compensation. The Board will review, as appropriate, charitable contributions made to organizations with which a director is affiliated and any consulting contracts with, or other indirect forms of compensation to, a director, when determining the form and amount of director compensation and the independence of a director.
- Indemnification. In accordance with the terms of its by-laws, the Company shall indemnify the members of the Board to the fullest extent permitted by law.

## VIII. DIRECTOR ORIENTATION AND CONTINUING EDUCATION

- Director Orientation. Following their election, every newly elected member of the Board shall participate in an orientation program established by the Company. This orientation program shall include presentations designed to familiarize directors with the Company and its strategic plans, its significant financial, accounting and risk management issues, its code of business conduct, compliance programs and other controls, its executive officers, and its internal and independent auditors. The program shall also address procedures of the Board, directors' responsibilities, the Board's Corporate Governance Guidelines and Board committee charters.
- Continuing Education. The Board encourages its members to participate in continuing education programs sponsored by universities, stock exchanges or other organizations or consultants specializing in director education. Directors may attend continuing education programs at the Company's expense.

## IX. MANAGEMENT EVALUATION AND SUCCESSION

- Evaluation of Chief Executive Officer and Other Management. The Governance and Public Policy Committee shall oversee, and establish procedures for, the annual evaluation of the Chief Executive Officer's performance. The Board shall review the results of this evaluation, including discussing it outside the presence of the management directors, to satisfy itself that the Chief Executive Officer is providing the long-term and short-term leadership that the Board deems necessary for the Company. In addition, the Governance and Public Policy Committee, with the input of the Chief Executive Officer, shall oversee, and establish procedures for, the annual assessment of the performance and development of the Company's other executive officers.

Succession Planning. Succession planning for the Company's executive officer positions is critical to the Company's long-term success. The Board shall annually review the Company's succession plans, which shall be discussed among the non-management directors. The Board shall also identify potential successors for the Chief Executive Officer position, although this does not mean that it must at all times have selected a particular individual as the designated successor Chief Executive Officer. The Chief Executive Officer shall participate in this process by providing the Board with recommendations or evaluations of potential successors and identifying any development plans that the Chief Executive Officer recommends for such individuals. The Chief Executive Officer is expected to recommend to the Board on an ongoing basis one or more successors in the event of an unexpected inability of the Chief Executive Officer to continue to serve.

#### X. ANNUAL PERFORMANCE EVALUATION OF THE BOARD

- Self-Evaluation by the Board. Each year, the Board will conduct a self-evaluation to determine whether it and its committees are functioning effectively. The Governance and Public Policy Committee shall oversee, and establish procedures for, the annual evaluations. The full Board will discuss the evaluation report to determine what, if any, action should be undertaken to improve Board and Board committee performance.
- Statement of Principles. These Guidelines are a statement of principle and intent. The Board reserves the right, unless otherwise required by law or the rules of the Securities and Exchange Commission or the New York Stock Exchange, to make exceptions to these Guidelines where it believes such action is warranted due to special circumstances and is in the best interest of the Company.
- Evaluation of the Corporate Governance Guidelines. The Board recognizes that these Corporate Governance Guidelines must continue to evolve to meet the changing needs of the Company and its stockholders and changing requirements. The Board, with the assistance of its Governance and Public Policy Committee, will periodically review these Corporate Governance Guidelines to determine whether any changes are appropriate.

#### XI. COMPLIANCE WITH DISCLOSURE REQUIREMENTS

- Disclosure of Corporate Governance Guidelines and Committee Charters. Copies of these Corporate Governance Guidelines and the charters of the Audit Committee, the Compensation Committee and the Governance and Public Policy Committee shall be made publicly available by the Company in accordance with the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, and the listing rules of the New York Stock Exchange. Furthermore, the Company shall state in certain of its filings with the Securities and Exchange Commission that such materials are publicly available in accordance with the Securities Exchange Act of 1934, as amended, and the rules promulgated thereunder, and the listing rules of the New York Stock Exchange.

## XII. STOCK OWNERSHIP GUIDELINES

- Stock Ownership for Directors. Directors are encouraged to make a substantial investment in stock of the Company. Accordingly, the Board set minimum stock ownership guidelines for directors, which are periodically reviewed and updated by the Compensation Committee. The minimum stock ownership guidelines can be found on the Company's external website.
- Stock Ownership for Officers. Officers are encouraged to make a substantial investment in stock of the Company. Accordingly, the Board set minimum stock ownership guidelines for officers, which are periodically reviewed and updated by the Compensation Committee. The minimum stock ownership guidelines can be found on the Company's external website.
- Hedging and Pledging Transactions. Officers and directors are prohibited from engaging in any hedging transactions involving Company securities. Officers and directors are prohibited from holding Company securities in a margin account or otherwise pledging Company securities as collateral for a loan.

## XIII. CODE OF BUSINESS CONDUCT

- Directors shall adhere to the Company's Code of Business Conduct as in effect from time to time. Any waiver of the Code of Business Conduct for a director may be made only by the Board. The Company shall make prompt public disclosure, in accordance with applicable laws, rules and regulations, of any such waiver.

## XIV. CONFLICTS OF INTEREST AND COMPANY OPPORTUNITIES

- Conflicts of Interest. Directors shall avoid actual or apparent conflicts with the Company's interests.

As stated in Part III of these Guidelines, each director must disclose to the other members of the Board any potential conflict of interest such director may have with respect to a matter under discussion and, if appropriate, refrain from voting on a matter on which such director may have a conflict.

Subject to the New York Stock Exchange listing standards for independence, a non-management director may own a significant financial interest in any firm or corporation which does or seeks to do business with the Company, or which is a competitor of the Company. However, such director must remove himself or herself from any Board discussion or other activity that directly impacts the relationship between the Company and such firm or corporation.

Subject to the New York Stock Exchange listing standards for independence, a non-management director may hold a directorial, managerial, employment, consulting or other position with any firm or corporation which does or seeks to do business with the Company. Again, however, such director must remove himself or herself from any Board discussion or other activity that directly impacts the relationship between the Company and such firm or corporation.

The Board shall be notified before the Company enters into any transaction with, or involving, a director, an executive officer or a person or entity related to a director or executive officer that would potentially require disclosure in the Company's filings with the Securities and Exchange Commission as a related party transaction under applicable rules, and the Board shall have adequate opportunity to review such proposed transaction. Any transaction that would cause an independent director not to be independent or would cause that director to be ineligible to serve on any Board committees on which the director is then serving under applicable rules and regulations of the Securities and Exchange Commission, New York Stock Exchange or the Company shall be avoided.

As stated in Part II of these Guidelines, no director shall serve on the Board of any competitor of the Company. Subject to the New York Stock Exchange listing standards for independence, a non-management director may hold a managerial, employment, consulting or other position with a competitor of the Company only if the Board determines that such position is not in conflict with this principle.

- Company Opportunities. Directors shall advance the Company's business interests when the opportunity to do so arises.



## **EXHIBIT A**

### **Board Chair Roles and Responsibilities**

#### **BOARD LEADERSHIP**

- The chair will preside over all meetings of the shareholders and the Board.
- The chair will preside over all meetings of the independent directors, including executive sessions, and take the lead role in communicating to the Chief Executive Officer any feedback as appropriate.
- The chair will ensure the Board is fulfilling its roles and responsibilities as set forth in Hospira's Corporate Governance Guidelines.
- Whether by service on the Governance and Public Policy Committee or otherwise, the chair will:
  - \* assist in the recruitment of Board candidates;
  - \* have active involvement in Board evaluations;
  - \* have active involvement in establishing committee membership and committee chairs; and
  - \* have active involvement in the evaluation of the Chief Executive Officer.
- The chair will provide Board performance feedback to the Chief Executive Officer.
- The chair will work with committee chairs as necessary to ensure committee work is conducted at the committee level and appropriately reported to the Board.
- The chair will communicate with the independent directors between meetings when appropriate.
- The chair will recommend consultants and outside advisors to the Board as necessary or appropriate.

#### **MEETINGS**

- The chair may call meetings of either the Board or the independent directors.
- The chair may attend meetings of committees on which the chair is not a member.

## **COLLABORATION WITH CHIEF EXECUTIVE OFFICER**

- The chair will act as mentor to the Chief Executive Officer and serve as principal liaison on Board-wide issues between the independent directors and the Chief Executive Officer.
- In collaboration with the Chief Executive Officer, the chair will develop an annual Board agenda with a focus on the areas of Board responsibility.
- In collaboration with the Chief Executive Officer, the chair will develop Board meeting agendas and ensures critical issues are included.
- The chair will determine with the Chief Executive Officer the quality, quantity, appropriateness and timeliness of information provided to the Board.
- In collaboration with the Chief Executive Officer, the chair will develop meeting schedules in advance of Board meetings to assure that there is sufficient time for discussion of all agenda items.

## **APPOINTMENT, TERM AND COMPENSATION**

- The Governance and Public Policy Committee is responsible for recommending a candidate for the position of chair from among the independent directors, and the chair will be elected by the directors.
- The chair will serve a two-year term, with the possibility of being elected for one additional term of two years.
- The chair may be removed by the independent directors with or without cause at any time without notice.
- In addition to all other regular pay for Board or committee service, the chair will receive annual cash compensation of \$45,000 and annual stock compensation in the value of \$110,000 as of the date of grant.

## **IDEAL QUALITIES FOR SERVICE AS BOARD CHAIR INCLUDE THE FOLLOWING:**

- Integrity: Promote the highest standards of, and act as a role model of, ethics, integrity and corporate governance.
- People Leadership Skills: Get a diverse set of people to work together effectively; harness and focus the group's work and build consensus; encourage active engagement by all members of the Board; strong time management skills.
- Relationships: Promote effective relationships and open communication both inside and outside the boardroom. Build close relationship of trust with the independent directors and the Chief Executive Officer; provide support and advice to the Chief Executive Officer while respecting executive responsibility.

- Clear Communication Skills: Effectively communicate between the Board and management; be direct and concise, yet diplomatic; able to have difficult conversations.
- Time Commitment: Has the time required to fulfill all responsibilities as listed above and focus and availability.
- Passion for the Work: Motivated by the work, not the compensation; accepts and fulfills all responsibilities.
- Ambassador for Hospira: A member of the Board like all others; plays active role in running meetings, sets agenda and serves as interface between management and Board; doesn't try to "run the show." Puts Hospira's interests first.

## **EXHIBIT B**

### **Outline for Directorship Qualifications**

The following characteristics shall be taken into consideration when selecting nominees for the Board of the Company. Individual nominees do not need to satisfy all the qualifications listed below, and there is no requirement that all qualifications be represented on the Board. As a majority of the Board must consist of individuals who are independent, a nominee's ability to meet the independence criteria of the New York Stock Exchange and the Company is also a factor in the nominee selection process.

In addition to the specific characteristics set forth below, Board members should, at a minimum, have backgrounds that collectively provide a portfolio of experience and knowledge that will serve the Company's governance and strategic needs. Board candidates will be considered on the basis of a range of criteria including broad-based business knowledge and relationships, prominence and excellent reputations in their primary fields of endeavor, as well as a global business perspective and commitment to good corporate citizenship. Directors should have demonstrated experience and ability that is relevant to the Board's oversight role with respect to the Company's business and affairs.

1. Strong management experience, and/or experience with multinational operations, including, but not limited to active or retired Chair and Chief Executive Officers, Chief Operating Officers, Presidents, or Executive or Group Vice Presidents
2. Other areas of experience which are desirable for representation on the Board of the Company include, but are not limited to persons with experience in hospital products, hospital administration, medical or pharmaceutical products, medical research and development, finance or international business.
3. The Board shall include persons with a range of ages and persons of diverse ethnicity, gender and geography.
4. Primary characteristics required in new Board candidates:
  - A. They must be first and foremost able and willing to represent the stockholders' short and long-term economic interests.
  - B. They must be able to contribute to the evaluation of the existing management of the Company.
  - C. They must also be cognizant of the responsibilities of the Company to its employees, customers, regulatory authorities, and cognizant of other civic and social issues.
  - D. They will be willing to take the necessary time to properly prepare for Board and Committee meetings, at a minimum, based on a thorough review of the material supplied before each Board meeting.
5. Primary characteristics required for renomination of incumbent directors. Incumbent directors should continue to meet the general qualifications outlined above and, in addition, should abide by the following criteria:
  - A. Adequate preparation for Board and Committee meetings, including a thorough review of and familiarity with the written materials supplied before each meeting.

- B. Participation in and contributions to Board and Committee discussions through useful and pertinent suggestions, questions, and comments.
- C. Providing on-going advice and counsel to management on the Director's own initiative and when requested by management.
- D. Regular attendance at Board and Committee meetings.
- E. Maintaining an independent familiarity with the external environments in which the Company operates and especially in the Director's own particular fields of expertise.

## EXHIBIT C

### Director Independence Guidelines

No director qualifies as “independent” unless the Board affirmatively determines that the director has no material relationship with the Company or its subsidiaries (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company or any of its subsidiaries). In making this determination, the Board shall consider all relevant facts and circumstances, including the following standards:

- A director who is, or has been within the last three years, an employee of the Company or its subsidiaries, or whose immediate family member is, or has been within the last three years, an executive officer of the Company or its subsidiaries is not independent;
- A director who receives, or whose immediate family member receives, more than \$120,000 in direct compensation from the Company or its subsidiaries, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), and other than amounts received by an immediate family member for service as a non-executive employee, during any 12-month period in the last three years is not independent;
- A director who, or whose immediate family member, is a current partner of a firm that is the internal or external auditor of the Company or any of its subsidiaries is not independent;
- A director who is a current employee of a firm that is the internal or external auditor of the Company or any of its subsidiaries is not independent;
- A director who has an immediate family member who is a current employee of a firm that is the internal or external auditor of the Company or any of its subsidiaries and who personally works on the Company’s (or a subsidiary’s) audit is not independent;
- A director who, or whose immediate family member, was within the last three years a partner or employee of a firm that is the internal or external auditor of the Company or any of its subsidiaries and personally worked on the Company’s (or a subsidiary’s) audit during that time is not independent;
- A director or an immediate family member is employed, or has been employed within the last three years, as an executive officer of another company where any of the Company’s present executive officers at the same time serves or served on that Company’s Compensation Committee is not independent;
- A director who is a current employee, or whose immediate family member is a current executive officer, of a company that makes payments to, or receives payments from, the Company or its subsidiaries for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other Company’s consolidated gross revenues, is not independent; and
- A director who is an executive officer of a charitable organization that receives charitable contributions (other than matching contributions) from the Company and its subsidiaries that are in excess of the greater of \$1 million or 2% of such charitable organization’s consolidated gross revenues is not independent.