

Hospira, Inc.
Long Term Incentives Policy and Practices

All long term incentive awards, including stock options, are granted under the terms of the Hospira 2004 Long-Term Stock Incentive Plan (LTIP), which was adopted by Hospira prior to the spin-off from Abbott. The Plan was subsequently approved by Hospira's shareholders at the company's first annual meeting of shareholders. The following summary refers to stock options but is also applicable to other forms of long term incentive awards that are permitted under the LTIP.

Grant Award Authority and Administration. The Compensation Committee (Committee) has sole authority for granting awards to SEC reporting officers (the CEO, COO, CFO, Senior Vice Presidents and Controller.) The Committee has delegated to the CEO the authority to grant awards to other employees. The Committee has also authorized the Senior Vice President, Organizational Transformation and People Development to administer the LTIP and develop its administrative rules.

Grant Terms. The annual grants are all made using terms, conditions and forms approved by the Committee. The interim grants are generally made using the same terms, conditions and forms, but the CEO has the authority to adopt different terms, conditions and forms. This authority is used to conform the options to local laws and tax rules outside the U.S. or to respond to competitive requirements for new hires.

Grant Price. All option grants are made at Fair Market value as of the grant date. For this purpose, Fair Market Value is the average of the high and low prices of the stock on the grant date as recorded by the New York Stock Exchange unless specific country grant practices require a different definition of fair market value. All alternative definitions of Fair Market Values must be approved by the Committee prior to use. Determination of grant prices is made and documented by Hospira's Corporate Compensation Department.

Grant Amounts. Grant amounts follow approved annual guidelines or are documented and supported by competitive practice and/or business requirement, e.g., as part of an employment offer. In all cases, awards must be appropriately documented and be reported to the Committee as described below.

Grant Date. The annual award was previously made on the day of the Annual Shareholders meeting. Section 162(m) of the Internal Revenue Code requires the goals for performance based compensation to be established within ninety days of the start of the performance period. As Hospira makes performance based equity grants, the grant date for the annual award will be made on the later of (i) the fifth business day after the public release of Hospira's earnings for the previous calendar year or (ii) the day of completion of the regularly scheduled February Committee meeting, which shall be a business day. This permits the annual grant to be made in compliance with the Section 162(m) regulations and after the expiration of Hospira's year-end blackout period. Grants made to new employees and promoted employees, if required by competitive practice, are generally made as of the last trading day of each quarter on the New York Stock Exchange (NYSE). Under no circumstances may a retroactive or "backdated" option be granted.

Grant Reporting. Annually, the Committee in its February meeting reviews a report of all grant activity for the preceding year. This report includes a summary of the dates, prices and amounts of all grants made. An interim report will be provided to the chairman of the Committee of all grants made during each quarter. A summary of all interim grants will be provided to the chairman of the Committee in February for grants made in the prior year

Replacement Options. Replacement options are awarded as required in connection with the exercise of outstanding stock options converted from Abbott options at the time of the spin-off. The terms of the converted Abbott options entitle the holder to receive a replacement stock option on the date of exercise if the holder pays the exercise price with shares of Hospira stock and certain other conditions are met. The exercise price for a replacement option is the market price of Hospira stock on the date of the replacement award. Options granted as a part of Hospira's annual or interim awards do not have the replacement feature.

Director Equity Awards. Non-employee directors do not receive periodic stock option awards. Annually, on the last day of the calendar quarter in which the annual meeting of shareholders is held, directors receive an award of a number of shares of restricted stock having a Fair Market Value (as defined above under Grant Price) of \$150,000 on that date. Additionally, directors may elect to defer cash-based fees into a stock unit account to be paid in shares of Hospira stock (one share for each unit) at or after termination of service. Directors who make a deferral election will receive on the last day of each calendar quarter a number of deferred stock units having a fair market value equal to the cash fees earned during that quarter. Director compensation is reviewed annually by the Committee.