

TYPES OF AWARDS

Stock Options

Options granted under the 2019 Plan may be either non-qualified stock options or incentive stock options qualifying under Section 422 of the Code. The option price may not be less than the fair market value of the stock on the date the option is granted. On February 28, 2019, the closing price of our shares traded on the NYSE, as published in the *Wall Street Journal*, was \$43.35 per share.

The option price is payable in cash or, if the grant provides, in common stock. Generally, all options terminate after a 10-year period from the date of the grant. The 2019 Plan also provides for the automatic exercise of options that are due to expire in the event that the option price is less than the fair market value of the underlying shares.

The Compensation Committee determines the terms of each stock option grant at the time of the grant.

Total Shareholder Return Units / Stock Appreciation Rights

A TSRU or SAR represents a right to receive the excess of (i) the fair market value of one share of common stock on the date of the settlement pursuant to the terms of the grant plus dividends, if applicable, over (ii) the grant price of the right on the grant date, as specified by the Compensation Committee. TSRUs and SARs may, but need not, be granted in tandem with options. The Compensation Committee determines the terms of each TSRU/SAR at the time of the grant. Any freestanding TSRU/SAR may not be granted with a grant price that is less than the fair market value of the stock on the date the TSRU/SAR is granted and cannot have a term longer than 10 years. Distributions to the recipient may be made in common stock, in cash or in a combination of both as determined by the Compensation Committee.

Restricted Stock Awards

Restricted stock is stock issued with such contingencies or restrictions as the Compensation Committee may impose. Until the conditions or contingencies are satisfied or lapse, the stock is subject to forfeiture. Unless the Compensation Committee determines otherwise, a recipient of a restricted stock award has the same voting, dividend and other rights as holders of common stock, except that the 2019 Plan prohibits the payment of dividends on unearned/unvested awards. If the participant ceases to be an employee before the end of the contingency or restricted period, the award is forfeited, subject to such exceptions as authorized by the Compensation Committee.

Restricted Stock Units

An RSU is an award of a right to receive, in cash or shares, as the Compensation Committee may determine, the fair market value of one share of Pfizer common stock, on such terms and conditions as the Compensation Committee may determine.

Performance-Based Awards

The 2019 Plan has been designed to permit the Compensation Committee to grant performance-based awards that are earned subject to the achievement of set performance goals, including PSAs, PPSs, performance cash awards and other awards/units. A performance award may be in any form of award permitted under the 2019 Plan. The Compensation Committee may select periods during which performance criteria chosen by the Committee are measured for the purpose of determining the extent to which a performance award has been earned. The Compensation Committee decides whether the performance levels have been achieved, what amount of the award will be paid and the form of payment, which may be cash, stock or other property or any combination. The 2019 Plan has also been designed to permit the grant of performance-based awards that are denominated in cash.

Performance goals may be based on the achievement of specified levels of company performance (or performance of an applicable unit or division of the company) under one or more of the measures described in the 2019 Plan, relative to the performance of other corporations or comparable businesses, and may provide for the inclusion or exclusion of specified extraordinary, nonrecurring charges.

As described in our Compensation Discussion and Analysis under “*Tax Policies*,” the exception from the Section 162(m) \$1.0 million deduction limit for qualified “performance-based” compensation paid to certain covered executive officers has been repealed, effective for taxable years beginning after December 31, 2017. From such effective time of the changes to Section 162(m), the company is no longer able to grant qualified performance-based compensation, other than where transition relief may apply.