

**WATSON PHARMACEUTICALS, INC.**  
**COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS**  
**CHARTER**

**I. PURPOSE**

The primary purpose of the Compensation Committee is to review, approve and evaluate director and senior executive compensation plans, policies and programs for the Company. The Committee's goals are to provide a competitive level of compensation to attract and retain talented directors and senior executives, reward senior executives for corporate performance by linking a substantial portion of their total compensation to the achievement of measurable performance objectives, provide senior executives with long and short-term incentives to maximize corporate performance, and align the interests of such directors and senior executives with the stockholders in order to maximize stockholder value.

The Compensation Committee will primarily fulfill these responsibilities by carrying out the activities enumerated in Section V of this Charter. The Committee shall have the authority to delegate responsibility for the day-to-day management of executive compensation payable to the officers of the Company.

**II. COMPOSITION**

The Compensation Committee shall be comprised of three or more directors as determined by the Board, each of whom shall (a) satisfy the independence requirements of the New York Stock Exchange and (b) have experience, in the business judgment of the Board, that would be helpful in addressing the matters delegated to the Committee.. In addition, only "non-employee directors" as such term is defined under Rule 16b-3(b)(3)(i) of the Securities Exchange Act of 1934, as amended, shall be eligible to serve on the Committee. The members of the Committee shall be elected by the Board and serve at its pleasure for such term or terms as it shall determine.

**III. MEETINGS**

The Committee shall meet at least two times annually, or more frequently as circumstances dictate. The agenda for each meeting shall be prepared by the Secretary of the Committee and, whenever reasonably practicable, circulated to each member prior to the meeting date.

**IV. PROCEDURAL MATTERS**

A majority of the members of the Compensation Committee shall constitute a quorum. A majority of the members present at any meeting at which a quorum is present may act on behalf of the committee. Unless the Board elects a Chairperson, the members of the Committee may designate a Chairperson by majority vote. The Committee will meet at such times as shall be determined by its Chairperson, or upon the request of any two of its members. The Chairperson will preside, when present, at all meetings of the Committee. The Committee will keep a record

of its meetings and report on them to the Board. The Committee may meet by telephone or video conference and may take action by unanimous written consent.

The Committee may retain any independent counsel, experts or advisors that the Committee believes to be desirable and appropriate. The Committee may also use the services of the Company's regular legal counsel or other advisors to the Company. The Company shall provide for appropriate funding, as determined by the Committee, for payment of compensation to any such persons employed by the Committee and for ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. The Committee shall have sole authority to retain and terminate any consultants used to assist in the evaluation of director or senior executive compensation, including sole authority to approve such search firm's fees and other retention terms.

## **V. RESPONSIBILITIES AND DUTIES**

To fulfill its responsibilities and duties, the Compensation Committee shall:

1. Evaluate Senior Executive Officer Performance. Establish procedures to evaluate the performance of the Chief Executive Officer and perform such evaluation. The Committee also shall review the procedures for the evaluation of other senior executive officers and the results of the Chief Executive Officer's evaluation of such officers.
2. Establish Senior Executive Officer Compensation. Establish the annual salary, bonus, and other benefits of the senior executive officers. The Compensation Committee shall consider the recommendations of the Chief Executive Officer in determining such compensation of the senior executive officers of the Company, other than the Chief Executive Officer. The Committee shall also be responsible for determining the Company's policy with respect to the application of Section 162(m) of the Internal Revenue Code of 1986, as amended, and when compensation may be paid by the Company which is not deductible for Federal income tax purposes.
3. Senior Executive Compensation Programs. Ensure appropriate oversight of the Company's senior executive compensation programs, including establishing and periodically reviewing policies for the administration of senior executive compensation programs, reviewing on a periodic basis the Company's principal senior executive compensation programs and taking steps to modify any senior executive compensation programs that yield payments and benefits not reasonably related to performance. The Committee shall administer the Company's equity incentive plans and any senior executive bonus incentive plans. The Committee also shall approve the grant of employee stock options to officers, set guidelines for the granting of stock options to non-officers for approval by the Non-Officer Stock Option Committee and approve the granting of any stock options to any non-officer which is outside the guidelines established by the Committee.
4. Employee Benefit Plans. Review and approve any new employee benefit plan or change to an existing plan that creates a material long-term financial commitment by the

Company or any subsidiary. The Committee may review periodically the Company's material benefit plans, the appropriateness of the allocation of benefits under such plans, and the extent to which such plans are meeting the intended objectives. The Committee also shall appoint the appropriate administrators for employee benefit plans in accordance with their terms.

5. Evaluate Succession Planning. Ensure appropriate oversight of the Company's succession planning process, including periodically reviewing succession plans for key senior management positions, and processes associated with development of potential successors.
6. Performance Standards. Where appropriate, review performance standards for senior executive officers to be used in succession planning, development, and implementation of the Company's compensation programs.
7. Management Consultation. Consult with and seek advice from the Company's senior management concerning the appropriateness and usefulness of the Company's human resource policies and compensation plans, and consult with senior management and other appropriate persons, including external consultants, regarding appropriate human resources planning and incentives for a high-performing workforce.
8. Evaluate Human Resources Strategies. Ensure appropriate oversight of the Company's human resources policies, including periodically reviewing major strategies established to fulfill the Company's ethical and legal human resources responsibilities.
9. Stockholders Report. Consistent with the rules and regulations of the Securities and Exchange Commission, report to stockholders on the Company's senior executive compensation policies and programs.
10. Director Compensation. Review, and recommend to the Board for approval, the annual retainer and meeting fees for Board of Directors and committees of the Board and the terms and awards of stock compensation for members of the Board. As part of such review, the Compensation Committee will consider how the Company's director fees and other compensation relates to director compensation for companies of comparable size and complexity and also will consider the impact that excessive director compensation could potentially have on director independence. The Compensation Committee's review will include an examination of both direct and indirect forms of compensation to the Company's directors.
11. Annual Performance Review. The Committee shall evaluate its own performance on an annual basis, including its compliance with this Charter, and provide the Board with any recommendations for changes in procedures or policies governing the Committee. The Committee shall conduct such evaluation and review in such manner as it deems appropriate.