

# **ALLERGAN BOARD OF DIRECTORS GUIDELINES ON SIGNIFICANT CORPORATE GOVERNANCE ISSUES**

The Board has approved “*Board Guidelines on Significant Corporate Governance Issues.*” These guidelines are being published in this Proxy Statement to inform stockholders of the Board’s current thinking with respect to selected corporate governance issues considered to be of significance to stockholders. These guidelines are not rigid rules. Nor is it intended that publication of these guidelines be interpreted as a representation that they will be strictly followed in each instance. The Board will continue to assess the appropriateness and efficacy of these guidelines and it is likely that changes or exceptions to these guidelines will be considered from time to time.

## **1. Selection of Chairman and Chief Executive Officer**

The Board shall be free to make the selection of the Chief Executive Officer and the Chairman of the Board in the manner it deems in the best interests of Allergan.

This shall include the decision regarding whether the role of the Chief Executive Officer and Chairman should be separate or combined.

## **2. Executive Sessions of Non-Employee Directors**

The non-employee directors serving on the Board will meet regularly in executive session without members of management present. These meetings may, in the discretion of the non-employee directors, include a discussion with the Chief Executive Officer on occasion.

Where non-employee directors include directors that are non “independent directors”, as defined in the rules of The New York Stock Exchange, the independent members of the Board shall annually hold at least one executive session consisting solely of independent directors.

It is the policy of the Board that the Vice Chairman, if present at the meeting, shall preside over the executive sessions. If the Vice Chairman is not present, a director shall be selected by a majority of the directors present to chair the executive session.

## **3. Number of Committees**

The current four Committees of the Board are Audit and Finance, Organization and Compensation, Corporate Governance, and Science & Technology. The Audit and Finance Committee shall consist entirely of independent directors, as defined by the Securities Exchange Act of 1934, the rules of the Securities and Exchange Commission promulgated thereunder, and by the rules of The New York Stock Exchange. The Corporate Governance and Organization and

Compensation Committees will consist entirely of independent directors, as defined by the rules of The New York Stock Exchange. The Board may form a new committee or disband a current committee consistent with the requirements of The New York Stock Exchange.

#### **4. Assignment and Rotation of Committee Members**

The Corporate Governance Committee is responsible, after consultation with the Chief Executive Officer and after consideration of the desires of individual Board members, for the assignment of Board members to various committees.

Consideration shall be given to rotating committee members periodically (in 3 to 4 year intervals), but such shall not be mandated as policy since there may be reasons at a given point in time to maintain an individual director's committee membership for a longer period.

#### **5. Frequency and Length of Committee Meetings**

The Committee chairperson, in consultation with Committee members, will determine the frequency and length of the meetings of the Committee, provided that each Committee shall meet a minimum of once per year. Meetings will normally be held around Board meetings.

#### **6. Committee Agenda**

The chairperson of the Committee, in consultation with the appropriate members of management and staff, will develop the Committee's agenda.

Each Committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year (to the degree these can be foreseen). This forward agenda will also be shared with the Board. Key functional managers (e.g., Chief Financial Officer, General Counsel) will have direct contact with the appropriate Committee chairperson.

#### **7. Selection of Agenda Items for Board Meetings**

The Chairman of the Board will establish the agenda for each Board meeting.

At the beginning of each year, the Chairman will establish a schedule of agenda subjects to be discussed during the year.

Each Board member is free to suggest the inclusion of item(s) on the agenda. The Chairman of the Board will be proactive in encouraging Board members to submit agenda items.

#### **8. Board Materials Distributed in Advance**

Information and data that is important to the Board's understanding of the

business to be conducted at that meeting should be distributed in writing to the Board before the Board meets whenever possible. Management will make every attempt to see that this material is as brief as possible while still providing the desired information.

## **9. Presentations**

As a general rule, presentations on specific subjects should be sent to the Board members in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the subject. When there is no prior distribution of a presentation on a sensitive subject, each member should normally be advised in advance of the meeting of the subject and the principal issues the Board will need to consider.

## **10. Regular Attendance of Non-Directors at Board Meetings**

The Board supports the regular attendance at each Board Meeting of non-Board members who are members of senior management.

Should the Chief Executive Officer desire to have additional attendees on a regular basis, the Board expects that this suggestion will be made to the Board for its concurrence.

## **11. Board Access to Senior Management and Independent Advisors**

Board members have complete access to Allergan's Management and Independent Advisors.

It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Corporation.

Furthermore, the Board encourages the senior management to, from time to time, bring other managers into Board meetings who: (a) can provide additional insight into the items being discussed because of personal involvement in these areas, and/or (b) represent managers with future potential that the senior management believes should be given exposure to the Board.

## **12. Board Compensation Review**

An external adviser shall periodically, but at least once every other year, report to the Corporate Governance Committee on the status of Allergan Board compensation in relation to other U.S. companies.

Changes in Board compensation, if any, should come at the suggestion of the Corporate Governance Committee, but with full discussion and approval by the Board. The Corporate Governance Committee will make Board compensation change recommendations after it has reviewed the information it considers appropriate from the Human Resources department and outside consultants.

In making recommendations, the Corporate Governance Committee shall seek to fairly compensate the Board at levels that are competitive with other companies in the industries in which Allergan competes and to align Board members' interests with the long-term interests of Allergan's stockholders. In its deliberations, the Corporate Governance Committee and the Board shall consider whether the levels of Board compensation could impair independence and shall evaluate any consulting, charitable contribution or other potential indirect compensation arrangements.

**13. Size of the Board**

The Board currently recommends that a range between 10 and 13 Board members is appropriate for Allergan. However, the Board is willing to increase its size in order to accommodate the availability of an outstanding candidate or candidates or in anticipation of the retirement of Board members.

**14. Mix of Inside and Outside Directors**

Consistent with the requirement of The New York Stock Exchange, there shall be a majority of independent directors on the Allergan Board. It is the Board's long-term desire that the only non-independent director should be the Corporation's Chief Executive Officer.

**15. Definition of What Constitutes Independence for Directors**

The term "independent" with respect to a Board member shall mean:

- (a) for purposes of determining whether a director is qualified to serve as a member of the Corporation's Audit and Finance Committee, a director who meets the qualification requirements for being an independent director under applicable securities laws, including the Securities and Exchange Act of 1934, the applicable rules and regulations of the Securities and Exchange Commission and the rules of The New York Stock Exchange; and
- (b) for all other purposes, a director who meets the qualification requirements for being an independent director under the rules of The New York Stock Exchange.

Each year the Board shall determine a director's independence based on the then current legal criteria, and shall disclose those determinations in Allergan's annual proxy statement.

**16. Former Chief Executive Officer's Board Membership**

It is assumed that when the Chief Executive Officer resigns from his or her corporate officer position, he/she should offer his/her resignation from the Board

at the same time. Whether the individual continues to serve on the Board is a matter for the Board to decide in its discretion after discussion with the new Chief Executive Officer.

**17. Board Membership Criteria**

The Corporate Governance Committee is responsible for reviewing with the Board on an annual basis the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of diversity, age, skills such as understanding of research and development, manufacturing technologies, international background, etc., all in the context of an assessment of the perceived needs of the Board at that point in time.

**18. Selection of New Director Candidates**

The Board itself should be responsible for selecting its own members. The Board delegates the screening process involved to the Corporate Governance Committee with the direct input from the Chairman of the Board as well as the Chief Executive Officer and the other members of the Board. There should be a full discussion at a Board meeting before the decision to invite someone to join the Board is made.

**19. Invitation to a New Potential Director, Orientation, and Continuing Education**

An invitation to join the Board should generally be extended by the Chairperson of the Corporate Governance Committee or the Chairman of the Board on behalf of the Board after full Board approval. The new director will receive an orientation about the Corporation and its Corporate Governance philosophy. This orientation includes comprehensive background briefings by appropriate executive officers of the Corporation.

In addition, all Board members should periodically participate in briefing sessions and continuing education programs on topical subjects, including corporate governance matters, to assist the Board members in discharging their duties. The orientation and continuing education programs should be subject to the oversight of the Corporate Governance Committee, and should be the responsibility of the Vice Chairman working with the Chief Executive Officer. The Corporation shall pay for Board members' attendance at up to two (2) continuing education programs per year.

**20. Assessing the Board's Performance**

The Corporate Governance Committee is responsible to undertake an annual assessment of the Board's performance. The Vice Chairman shall lead the process of evaluating the Board's performance and shall present the findings for a

discussion by the full Board. This should be completed following the end of each fiscal year and at the same time as the report on Board membership criteria.

This assessment should address the Board's contribution as a whole and specifically review areas in which the Board and/or the management believes a better contribution could be made, including, without limitation, attendance at Board meetings.

## **21. Directors Who Change Their Present Job Responsibility**

It is the sense of the Board that individual directors who change the responsibility they held when they were elected to the Board should volunteer to resign from the Board.

It is not the sense of the Board that the directors who retire or change from the position they held when they came on the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Corporate Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

## **22. Term Limits**

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into Allergan and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Corporate Governance Committee, in consultation with the Chief Executive Officer and the Chairman of the Board, will review each director's continuation on the Board every year. This will also allow each director the opportunity to conveniently confirm his/her desire to continue as a member of the Board.

## **23. Retirement Age**

It is the sense of the Board that when a Board member reaches the age of 70, the Board, acting through the Corporate Governance Committee, should annually evaluate the appropriateness of the director's ongoing service on the Board. In doing so, the Corporate Governance Committee should be guided by factors such as whether the director has retired from other business pursuits, the director's anticipated contributions to the Board, the director's health, as well as the factors typically considered for ongoing service on the Board.

**24. Formal Evaluation of the Chief Executive Officer**

The Organization and Compensation Committee should evaluate the performance of the Chief Executive Officer annually. The results of this evaluation should be communicated to the Chief Executive Officer by the Chairperson of the Organization and Compensation Committee.

The evaluation should be based on objective criteria including performance of the business, accomplishment of long-term strategic objectives, development of management, etc.

The evaluation will be used by the Organization and Compensation Committee in the course of its deliberations when considering the compensation of the Chief Executive Officer.

**25. Succession Planning**

There should be an annual report by the Chief Executive Officer to the Board on succession planning.

The Chief Executive Officer's recommendation as to a successor should he/she be unexpectedly disabled shall be available on a continuing basis.

**26. Management Development**

There will be an annual report to the Organization and Compensation Committee by the Chief Executive Officer on Allergan's program for management development, described in detail.

This report should be given to the Organization and Compensation Committee at the same time as the succession planning report noted above.

**27. Board Interaction with the Media and Investors**

As to media and investor relations, the Board believes that only senior management speaks for Allergan.