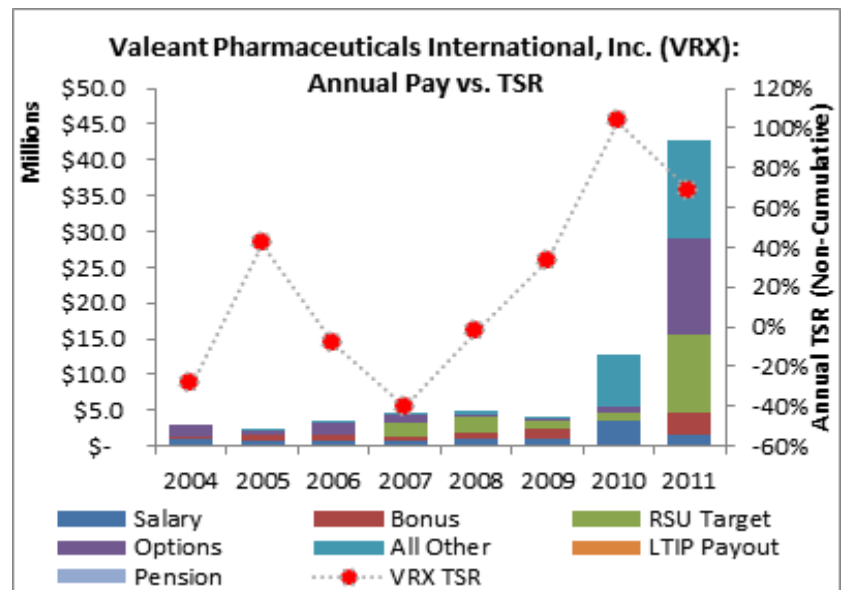
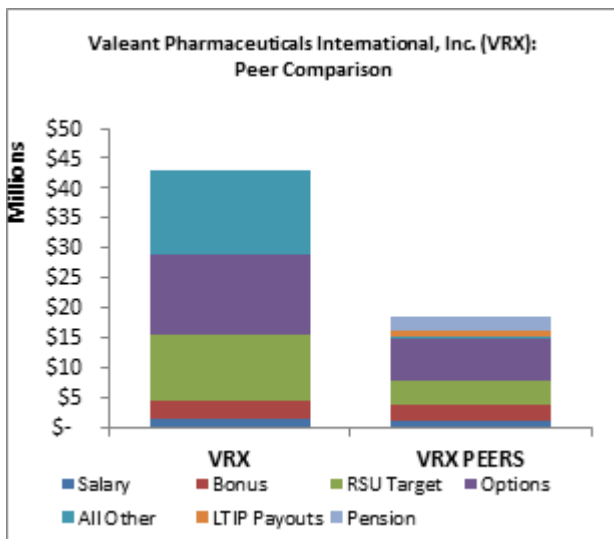


Valeant Pharmaceuticals Int'l, Inc. (VRX): 2004-2011 Pay for Performance

PAY FOR PERFORMANCE SCORE				
1 YEAR = 2	4 YEAR = 2	6 YEAR = 3	8 YEAR = 5	TOTAL: 12/24

After the merger with Biovail in September 2010, VRX approved compensation packages that are closely tied to absolute TSR performance. In 2011, CEO pay increased to nearly \$45m, compared to an average total pay of under \$5m before the merger. Much of this increase was a result of payments related to the merger. As a result, **we have not yet had the chance to observe pay/performance alignment under the new compensation philosophy without the influence of the merger transaction.** Although 2011's pay increase significantly impacted pay/performance alignment, CEO pay change and performance were still positive in all of our observation periods, resulting in a Pay for Performance Score of 12/24.



COMPANY'S DISCLOSED PEER FIRMS	
TICKER	NAME
NYSE:AGN	Allergan Inc
NDQ:BIIB	Biogen Idec Inc
NDQ:CELG	Celgene
NDQ:GILD	Gilead
NDQ:MYL	Mylan Laboratories Inc
NDQ:VRTX	Vertex
NYSE:WPI	Watson Pharmaceuticals Inc

FY 2011 FINANCIAL PERFORMANCE RANKINGS						
#	PEER	TSR	PEER	ROE	PEER	ROA
1	NDQ:BIIB	64.1%	NDQ:GILD	41.6%	NDQ:GILD	16.3%
2	TSE:VRX	64.1%	NDQ:CELG	23.9%	NDQ:BIIB	13.6%
3	NYSE:AGN	28.1%	NDQ:BIIB	19.2%	NDQ:CELG	13.2%
4	NYSE:WPI	16.8%	NYSE:AGN	17.6%	NYSE:AGN	11.2%
5	NDQ:CELG	14.3%	NDQ:MYL	15.4%	NDQ:MYL	4.6%
6	NDQ:GILD	12.9%	NYSE:WPI	7.3%	NYSE:WPI	3.9%
7	NDQ:MYL	1.6%	TSE:VRX	3.8%	NDQ:VRTX	1.3%
8	NDQ:VRTX	-5.2%	NDQ:VRTX	3.7%	TSE:VRX	1.2%
9						
10						
11						

CEO COMPENSATION RANKINGS AGAINST COMPANY'S DISCLOSED PEER FIRMS										
	PEER	TOTAL PAY	PEER	SALARY	PEER	BONUS	PEER	TOTAL CASH	PEER	TOTAL EQUITY
1	TSE:VRX	\$42,859,878	NDQ:MYL	\$1,765,108	NDQ:MYL	\$4,450,811	NDQ:MYL	\$6,215,919	TSE:VRX	\$24,535,787
2	NDQ:MYL	\$22,068,341	TSE:VRX	\$1,561,208	NDQ:VRTX	\$2,986,580	TSE:VRX	\$4,525,275	NDQ:GILD	\$12,339,014
3	NDQ:GILD	\$16,509,775	NDQ:GILD	\$1,407,796	TSE:VRX	\$2,964,067	NDQ:GILD	\$4,165,815	NYSE:AGN	\$11,414,244
4	NYSE:AGN	\$16,448,684	NYSE:AGN	\$1,285,790	NDQ:GILD	\$2,758,019	NDQ:VRTX	\$4,136,935	NDQ:VRTX	\$11,025,648
5	NDQ:VRTX	\$15,164,037	NDQ:BIIB	\$1,228,729	NDQ:BIIB	\$2,670,487	NDQ:BIIB	\$3,899,215	NDQ:MYL	\$10,157,975
6	NDQ:BIIB	\$10,926,010	NDQ:VRTX	\$1,150,355	NYSE:WPI	\$1,978,138	NYSE:WPI	\$3,119,372	NDQ:BIIB	\$6,874,477
7	NDQ:CELG	\$10,600,034	NYSE:WPI	\$1,141,234	NYSE:AGN	\$1,671,527	NYSE:AGN	\$2,957,317	NDQ:CELG	\$6,456,832
8	NYSE:WPI	\$7,621,761	NDQ:CELG	\$1,030,281	NDQ:CELG	\$1,667,767	NDQ:CELG	\$2,698,047	NYSE:WPI	\$4,450,837
9										
10										
11										

PAY FOR PERFORMANCE SCORING

For 2012, the Clarkson Centre for Board Effectiveness (CCBE), prepared a Pay for Performance report for each firm currently listed on the TSX 60 Index that has at least 8 years of historical compensation or share price data available. The CCBE's Performance Score measures how closely CEO pay and TSR are aligned over four different time horizons. Compensation data is gathered from the firm's public filings, and valued at the time of grant. Options are valued using the binomial tree fair value method, and PSUs are valued at the grant date value of the target payout. TSR is calculated using a 30-day average start and end date share price, and assumes the reinvestment of dividends.

CCBE collected pay and performance data for up to ten peer companies for each TSX 60 constituent. Peer companies were selected from each TSX 60 constituent's performance benchmarking peer group, as disclosed in its most recent Management Information Circular. If a performance peer group was not disclosed, the CCBE collected information on the disclosed constituents of the total pay benchmarking peer group. If a peer group had more than 10 constituents, we randomly selected ten from among the disclosed list.

Our Pay for Performance Score takes into account alignment between change in CEO pay and TSR in 1-, 4-, 6- and 8-year observations. CEO pay change is 'smoothed' to account for outlying years. For example, in our 8-year observation we calculate CEO pay change as the percent change of the sum of total CEO pay from 2004-2007 against the sum of total CEO pay from 2008-2011. This helps to normalize our longer observations for unusual events like CEO turnover and large one-time payouts. The Pay for Performance Score gives significantly more weight to longer-term observations than shorter ones.

1-YEAR SCORE	4-YEAR SCORE	6-YEAR SCORE	8-YEAR SCORE
A = 3	A = 4	A = 7	A = 10
B = 3	B = 3	B = 5	B = 8
C = 2	C = 2	C = 3	C = 5
D = 1	D = 1	D = 1	D = 3
E = 0	E = 0	E = 0	E = 0

