

## **CORPORATE GOVERNANCE GUIDELINES**

### **A. Role of the Board of Directors**

The Board of Directors (“Board”) is elected by shareholders to provide oversight to senior management in their management of Covance Inc. (“Covance”). Consistent with its fiduciary duty, the Board exercises its oversight to enhance the long term value of Covance to its shareholders. The Board recognizes that long-term value is enhanced in part by responsibly taking account of other stakeholders and interested partners, such as customers, employees, suppliers, and the public.

The Board has adopted these guidelines to set forth the principles of corporate governance under which the Board expects to operate. The Board will review these guidelines from time to time and make such changes as it deems necessary and appropriate.

### **B. Board Responsibilities**

#### **1. General Oversight**

The Board’s oversight of senior management in their management of Covance will include review and discussion of the performance of Covance and its management, its strategies, plans and prospects, and other matters of significant importance.

#### **2. Ethical and Lawful Conduct**

Each director shall adhere to the applicable Covance policies concerning integrity and ethical behavior which the Company’s management and employees are subject, including without limitation the Covance Code of Conduct and its policies on securities law compliance. Covance’s Code of Conduct is posted at Covance’s website (Covance.com). In exercising their oversight of Covance, the directors expect the company’s senior management and its outside advisors and auditors to act with honesty and integrity and the Board expects reasonably to rely on their honesty and integrity.

If an actual or potential conflict of interest arises for a director, the director shall promptly inform the CEO and the presiding director for the pending meeting. All directors will recuse themselves from any discussion or decision affecting their personal or business interests. The Corporate Governance Committee shall resolve any conflict of interest involving a CEO (or any other non-Independent director if any exists) or an executive officer pursuant to its charter as well as independent directors, and the CEO shall resolve any conflict involving other members of senior management.

### 3. Executive Performance Oversight

The Board selects the CEO and oversees his or her performance. The Board will evaluate the CEO's performance at least annually, and annual performance reviews in executive session of independent directors shall be conducted after recommendation from the Compensation Committee. The Board selects and oversees the performance of executive officers and general managers.

### 4. Executive Compensation and Management Succession

The non-employee members of the Board also will determine the compensation of the Chief Executive Officer after reviewing the recommendations of the Compensation and Organization Committee. The Board will review and approve Covance equity compensation plans.

The Board will plan for the succession of the CEO and choose succeeding CEOs. The Board will regularly review and provide guidance for overall management succession planning.

### 5. Board Committees

The Board will have at all times an Audit and Finance Committee, a Compensation and Organization Committee and a Corporate Governance Committee. All of the members of these committees will be independent directors. The Board may have additional committees as it determines from time to time are necessary or appropriate.

Committee members will be appointed by the Board after taking into account the experiences and expertise of individual directors.

Each committee has its own charter, subject to approval by the Board, that sets forth the purposes, organization and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations, committee reporting to the Board and other items.

### 6. Board and Committee Meetings

All directors are expected to attend Board meetings and meetings of Committees on which they serve. The Board of Directors will hold at least five regularly scheduled meetings each year. Additional unscheduled Board meetings may be called upon appropriate notice to address specific needs of the business. The Chairman will establish the agenda for each Board meeting, and each Board member is encouraged to suggest the inclusion of items on the agenda at any time. The CEO and Secretary shall attend all non-executive sessions of the Board, and

other members of management may attend non-executive sessions of the Board at the invitation of the CEO or the Board.

Information and data important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors sufficiently in advance of the meeting to provide an opportunity for review.

The non-management directors of the Board will meet in executive session at least four times annually. Executive session discussions may include any topics as the independent directors determine, but actions of the Board should be taken separately at a Board meeting. The chairs of the Corporate Governance Committee, Compensation and Organization Committee and Audit and Finance Committee shall alternate services in the presiding director for executive sessions of the Board.

#### 7. Non-Covance Communications with the Board

The Board's policy is that management generally speaks for the Company. At the request of management, individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. Notwithstanding this policy, anyone with a concern about Covance's conduct, including without limitation its accounting, auditing or internal accounting controls, may communicate that concern to the independent directors or the Chair of the Audit and Finance Committee without management interference by using the telephone number or email address provided in Covance's website (Covance.com).

### **C. Director Qualifications**

#### 1. Composition of the Board

The Board will nominate directors for election each year in accordance with the Articles of Incorporation and the By-Laws after receiving the recommendations of the Corporate Governance Committee, applying criteria as developed and set forth pursuant to the Corporate Governance Committee Charter.

At least a majority of the Board will at all times be comprised of directors who meet the criteria for independence in accordance with the requirements of the New York Stock Exchange and the Securities and Exchange Commission, and the Board expects its membership generally to include a substantial majority of independent directors.

The Board has adopted the categorical standards set forth on the attached Exhibit “A” to assist the Board in making the independence determination. These categorical standards are intended to comply with the New York Stock Exchange corporate governance rules and all other applicable laws, rules and regulations regarding director independence in effect from time to time. An outside Director shall qualify as independent for purposes of service on the Board of the Company and its Committees if the Board has determined that the Director has no material relationship with the Company.

A Director shall be deemed to have no material relationship with the Company and will qualify as independent if (a) the Director meets the categorical standards set forth in Exhibit “A” attached to these Guidelines and (b) where there exists a relationship or transaction of a type not specifically mentioned in Exhibit “A” and, taking into account all relevant facts and circumstances, the Board has determined that the existence of such other relationship or transaction is not material and would not impair the Director’s exercise of independent judgment.

## 2. Tenure on the Board

The Board does not believe it should limit the number of terms for which an individual may serve as a director. Directors who have served on the board for an extended period of time are able to provide valuable insight into the Company’s operations and prospects based on their experience with and understanding of the Company’s history, policies and objectives. The Board has a history of recruiting new directors periodically who bring new ideas and viewpoints, which it expects to continue.

## 3. Activities Outside the Board

The Board does not believe that its members should be prohibited from serving on the Boards of other companies so long as those commitments do not create material, actual or potential conflicts of interest and do not interfere with the director’s ability to fulfill his or her duties as a member of the Board. The Corporate Governance Committee will take into account the nature and time involved in the director’s service on other boards in assessing director nominees. Directors should advise the Chairman of the Board, the Chairman of the Corporate Governance Committee and the Corporate Secretary in advance of accepting an invitation to serve on another public company board.

Directors who experience a material change in circumstance should volunteer to resign from the Board. The Board, after receiving the recommendation of the Corporate Governance Committee, will then evaluate whether the Board should accept the resignation based on the circumstances.

## 4. Retirement Policy

No individual who is age 72 or older shall be newly appointed to the Board of Directors or nominated to stand for election to the Board of Directors unless an exception is made by the Board in special circumstances.

#### **D. Director Compensation**

The amount and form of non-employee director compensation will be determined after receiving the recommendation of the Corporate Governance Committee pursuant to its charter. Objectives of Director compensation include: (i) to pay fairly the directors for work required in a company of Covance's size and scope, (ii) to align the directors' interests with the long-term interests of shareholders, and (iii) to be sufficient to attract excellent candidates for Board membership without being excessive. Any director who also is an employee of Covance will receive no additional compensation for service as a director.

#### **E. Board Resources**

##### 1. Management and Employees

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Corporate Secretary or directly by the director. The Corporate Secretary advises the Board on appropriate procedures for the conduct of Board meetings and on corporate governance matters, and all Board members shall have access to his advice and services.

##### 2. Independent Directors

The Board and each committee have the right at any time to retain independent legal, financial or other advisors as they may deem necessary.

##### 3. Orientation and Education

Under the supervision of the Chairman and CEO, the General Counsel and the Chief Financial Officer will be responsible for providing an appropriate orientation to new directors and for periodically providing materials or briefing sessions for all directors on subjects that would assist them in discharging their duties.

#### **F. Annual Performance Evaluation of the Board**

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Corporate Governance Committee will receive input from directors and report annually to the Board with an assessment of the Board's performance, which shall be reviewed by the full Board.

## **Exhibit A**

### **Director Independence Standards**

An outside Director shall qualify as independent for purposes of service on the Board of the company if the Board has determined that the Director has no material relationship with the Company. The Board has adopted the following categorical standards to assist the Board in making this determination. These categorical standards have been drafted to conform to, and in some cases be more exacting than, the independence requirements contained in the NYSE corporate governance rules and all other applicable laws, rules and regulations. A fundamental premise of the standards is that any permitted transactions between the Company and a Director, any family member of a Director or their respective transactions between the Company and a Director, any family member of a Director or their respective primary business affiliations shall be on arms-length, market terms.

A majority of the directors will be independent directors, as independence is determined by the Board, based on the guidelines set forth below.

A. A director will not be independent if, within the last three years:

- (i) the director is employed by the Company, or an immediate family member is an executive officer of the Company;
- (ii) the director received any direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service);
- (iii) an immediate family member who is a Company employee received more than \$100,000 per year in direct compensation from the Company; or
- (iv) a Company executive is on the compensation committee of the board of directors of a company which employs the director or an immediate family member as an executive officer.

B. A director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or if an immediate family member is an executive officer, of another company that does business with the Company and the sales by that company to the Company or purchases by that company from the Company, in any single fiscal year during the last three years, are more than the greater of one percent of the annual revenues of that company or \$1 million.

C. A director will not be independent if, at the time of the independence determination, the director is an executive officer or employee, or an immediate family member is an executive officer, of another company which is indebted to the Company, or to which the Company is indebted, and the total amount of either company's indebtedness to the other at the end of the last completed fiscal year is more than one percent of the other company's total consolidated assets.

D. A director will not be independent if, at the time of the independence determination, the director serves as an officer, director or trustee of a charitable organization, and the Company's discretionary charitable contributions to the organization are more than the greater of \$250,000 or one percent of that organization's total annual charitable receipts during its last completed fiscal year.

E. A director will not be independent if, within the last five years, the director or an immediate family member has been affiliated with or employed by the Company's independent auditor.

As amended December 14, 2007