

Corporate Governance

Role of the Board

The business of Pharmaceutical Product Development, Inc. (the "Company" or "PPD") is conducted by its officers and employees, under the direction of the chief executive officer ("CEO") and the oversight of the board of directors (the "Board"), to enhance the long-term value of the Company for its shareholders. The Board is elected by the shareholders to help the Company achieve its business objectives through oversight, review and counsel, and to assure that the interests of the shareholders are being served. The Board has adopted these guidelines to set forth the general principles of corporate governance under which it expects to operate and discharge its responsibilities.

Board Functions

Responsibilities. In addition to its general oversight of the Company's management, the Board performs a number of other specific responsibilities, including:

- Reviewing and approving strategies, financial and other corporate plans, and objectives that are fundamental to the Company
- Selecting, evaluating and compensating the CEO and overseeing CEO succession planning
- Providing guidance and oversight on the selection, evaluation, development, succession planning and compensation of senior management
- Reviewing and approving material corporate transactions and commitments not entered into in the ordinary course
- Reviewing and assessing the performance of the Company and its management
- Establishing and monitoring compliance with a code of conduct applicable to all directors and employees of the Company and
- Overseeing processes designed to ensure the Company's compliance with applicable laws and regulations and the accuracy and completeness of its financial statements and other public disclosures.

To the extent permitted by law, the Board may fulfill any of its responsibilities through the delegation of such responsibilities to a committee of the Board.

Board Committees. The Board will have at all times a Finance and Audit Committee, a Compensation Committee and a Nominating and Governance Committee. Members of these committees are appointed annually by the Board after taking into consideration the recommendations of the Nominating and Governance Committee. The Board may establish other committees in accordance with the Company's bylaws.

Board and Committee Meetings. The Board will hold regularly scheduled meetings at such times and places as the Board shall establish. Additional meetings of the Board will be held to meet the needs of the Company upon notice given in accordance with the Company's bylaws. The chairman of the Board and the CEO, taking into account the suggestions of other Board members, will establish the agenda for each Board meeting. The chair of each committee, together with the relevant Company officer and taking into account the suggestions of other committee members, will set the agenda for their respective committee meetings. The Company expects directors to attend Board meetings, meetings of Board committees on which they serve and the annual meeting of stockholders.

Information relevant to the understanding of the Board or a committee of matters to be discussed at an upcoming meeting will generally be distributed in writing sufficiently in advance of the meeting to provide an opportunity for review. The Board recognizes that advance distribution of certain materials, such as highly confidential or time-sensitive information, may not be appropriate or practical.

Executive Sessions. In general, the agenda for regularly scheduled Board meetings will include an executive session for independent directors. The independent directors may also meet at such other times as they determine necessary or advisable. If independent, the chairman will preside at these executive sessions. If the chairman is not independent, then the independent directors will appoint a director to preside at such meetings.

Director Selection and Qualifications

Selection. Directors are elected each year by the Company's shareholders at the annual meeting of shareholders. The Board proposes a slate of director nominees to the shareholders for election to the Board, after taking into consideration the recommendations of

the Nominating and Governance Committee. Shareholders of record may submit nominees to the Nominating and Governance Committee. Shareholder nominees must be submitted in accordance with the Company's bylaws and will receive the same consideration that other nominees receive.

Vacancies in existing or new director positions may be filled by the Board in accordance with the Company's bylaws. Directors elected by the Board to fill such vacancies will serve only until the next annual election of directors.

Qualifications. The Board establishes minimum director qualification standards from time to time after receiving the recommendations of the Nominating and Governance Committee. To be considered as a director nominee, an individual must meet the minimum qualification standards set by the Board. Individuals will also be evaluated on their respective skills and expertise and the needs of the Board at the time. In addition to the minimum qualifications, the Board will have a majority of directors who meet the criteria for independence established by the Nasdaq rules.

Term Limits. The Board does not believe it is in the best interest of the Company or its stockholders to limit the number of terms that an individual may serve as a director on the Board. Directors who have served on the Board for an extended period of time have most likely developed valuable insight into the Company's business and operations, and could continue to make significant contributions toward the achievement of the Company's objectives and the enhancement of long-term shareholder value.

Service on Other Boards. The Board does not believe that it should set a specific limit on the number of other boards on which directors may serve. Service on the boards of other companies must comply with the Company's code of conduct and must not interfere with the director's ability to fulfill his or her responsibilities as a member of the Company's Board. The nature of and involvement in a director's service on other company boards will be taken into account in evaluating the suitability and performance of the individual director.

Material Change in Circumstances. The Board believes that any director who experiences a change in his or her professional circumstances that would materially affect their ability or qualifications

to serve on the Board and discharge their duties should tender his or her resignation to the Board. The Board, after receiving input from the Nominating and Governance Committee, would then evaluate whether the Board should accept the resignation based on the circumstances.

Separation of Chairman and CEO Positions. The Company has historically separated the positions of chairman of the Board and CEO. While the Board believes the separation of these two positions has served the Company well, and intends to maintain this separation where appropriate and practicable, the Board does not believe that it is appropriate to prohibit one person from serving in these two positions.

Director Compensation

The Compensation Committee will annually review the compensation of non-executive Board members, and will make recommendations to the full Board. In making these recommendations, the committee should consider recommendations from the Company's management and independent compensation consultant and the following goals:

- Board members should be fairly compensated for the work involved in overseeing the management of a company with similar size and scope of PPD
- Board member compensation should be competitive with director compensation at other companies with a similar size and scope of PPD
- Board member compensation should align the directors' interests with the interests of the Company's shareholders

A director who is an employee of the Company will not receive any additional compensation for serving as a director.

Resources

Access to Employees. Directors shall have access to Company officers and employees in order to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. The directors shall use their judgment to ensure that contact with officers and employees of the Company is not disruptive to the business operations of the Company. Management is encouraged to invite Company personnel to Board meetings at which their presence and expertise would help the Board have a full understanding of matters being considered.

Independent Advisors. The Board and each committee have the power to hire independent legal, financial or other advisors as they determine necessary or advisable from time to time.

Annual Performance Evaluation

The Board will conduct an annual self-evaluation process to determine if the Board is functioning effectively. The Nominating and Governance Committee will oversee the annual evaluation process and will report the results of the evaluation to the full Board.

Director Orientation

The chief financial officer and general counsel, under the supervision of the chairman of the Board and the CEO, will be responsible for providing an appropriate orientation for new directors.