

# **PSS World Medical, Inc.**

## **Corporate Governance Principles**

(June 2009)

The following principles govern the function, composition and operation of the Board of Directors of PSS World Medical, Inc. As required under the Company's Articles of Incorporation, the Board is divided into three classes of approximately equal size with each class elected by the shareholders to staggered three year terms. As a result, approximately one-third of director positions stand for election at each Annual Meeting of Shareholders.

### **Role of the Board**

Shareholders elect the Board to oversee senior management and to assure that shareholder long-term interests are served. Through oversight, review, and counsel, the Board establishes and promotes the Company's business and organizational objectives and assists management to determine the Company's mission and long-term strategy. In fulfilling such role, the primary duties of the Board are as follows:

- To select, evaluate and compensate the Chairman and Chief Executive Officer ("CEO")
- To assist the Chairman and CEO in creating and maintain a plan for CEO and senior management succession
- To regularly review and monitor corporate strategy
- To review and approve major corporate actions
- To review and approve annual operating plans and budgets
- To determine whether adequate systems of financial and internal controls and effective legal compliance and ethics programs are in place

The Board recognizes that the long-term interests of shareholders are advanced by responsibly addressing the concerns of other stakeholders, including employees, customers, suppliers, government, and the public.

### **Board Composition and Selection; Independence**

**Board Size.** The Board believes 7 to 10 members is an appropriate size based on the Company's present circumstances. The Board periodically evaluates whether a larger or smaller slate of directors would be preferable.

**Selection/Qualification of Directors.** The Corporate Governance Committee is responsible for recommending to the Board director candidates for nomination and election. The Board nominates director candidates for election by the shareholders and

fills any Board vacancies that occur between shareholder elections pursuant to the Company's Bylaws. Nominees for election to the Board of Directors are considered based on a number of qualifications, including, but not limited to, independence, character and integrity, financial literacy, level of education and business experience, sufficient time to devote to matters of the Board of Directors, and a commitment to represent the long-term interests of the Company's shareholders. The Corporate Governance Committee identifies potential candidates for the Board through a variety of business contacts, including current executive officers and directors, community leaders, and shareholders. The Corporate Governance Committee periodically reviews with the Board the applicable skills and characteristics required of Board nominees in the context of current Board composition and Company circumstances and may, to the extent it deems appropriate, retain a professional search firm and other advisors to identify potential nominees for the Board.

The Governance Committee will consider candidates recommended by shareholders. Shareholders wanting to suggest director candidates should submit their suggestions in writing to the attention of the Corporate Secretary of the Company and must do so by following the procedures described in the Company's Bylaws.

**Director Independence.** The Board shall at all times have a majority of “independent” directors as defined by the NASDAQ Marketplace Rules. The Board will also consider all other relevant facts and circumstances bearing on independence and will make an affirmative determination that no relationship exists that which, in the opinion of the Board, would impair his or her independence.

**Term Limits.** 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 operations and future of the Company based on their experience with and understanding of the Company's history, policies, and objectives. At the end of each director's term, however, the Corporate Governance Committee shall evaluate the suitability for re-election based on, among other things, the Company's needs and the director's performance.

**Director Retirement Policy.** A director is expected to tender his or her resignation to the Board of Directors upon attainment of his or her 72<sup>nd</sup> birthday, subject to acceptance by the Board of Directors, such resignation to take effect at the next annual meeting of shareholders, unless the Board of Directors determines that an earlier effective date would better serve the needs of the Board of Directors and shareholders. In addition, Directors will not be nominated for election to the Board after their 72<sup>nd</sup> birthday, although the full Board may nominate candidates over 72 for special circumstances. The Corporate Governance Committee will make a recommendation to the Board of Directors as to whether to accept or reject the tendered resignation, or whether other action should be taken. The Board of Directors will then act on the tendered resignation, taking into account the Corporate Governance Committee's recommendation. The Corporate Governance Committee in making its recommendation and the Board of Directors in

making its decision may each consider any factors or other information that they consider appropriate and relevant. The director who tenders his or her resignation will not participate in the recommendation of the Corporate Governance Committee or the decision of the Board of Directors with respect to his or her resignation.

**Offer of Resignation Upon Change in Principal Position or Personal Circumstances.**

The Board believes that any director who retires from his or her present employment, or who materially changes his or her position, or who experiences a change in his or her personal circumstances that could reasonably be expected to have an adverse effect on the director's reputation or the reputation of the Company, should offer to resign from the Board. The Corporate Governance Committee will then make a recommendation whether the Board should accept the resignation based on a review of whether the individual continues to satisfy the Board's membership criteria in light of his or her new occupational status.

**Lead Independent Director.** The Board has an independent director designated as the Lead Independent Director, who shall have responsibility for presiding at all meetings of independent directors. In addition, the Lead Independent Director shall:

- Serve as a liaison between the Chairman of the Board and the other independent directors and coordinating the activities of the independent directors
- In consultation with the Chairman, approve the annual calendar for all meetings of the Board and its Committees
- Make recommendations to the Chairman and the Board regarding the structure of Board meetings
- Recommend matters for consideration by the Board and its Committees
- Consult with the Chairman regarding the agenda and materials to be provided to directors in advance of each Board meeting
- Coordinate, with the Compensation Committee, the performance evaluation of the Chairman and Chief Executive Officer
- Serve as an independent point of contact for stockholders wishing to communicate with the Board other than through the Chairman

**Limitation on Directorships/Audit Committees.** No director may serve on more than five public company boards (including the Company's Board) and no Audit Committee member may serve on more than three public company audit committees (including the Company's Audit Committee) without the approval of the Board of Directors. In addition, directors who also serve as CEOs or in equivalent positions generally should not serve on more than two public company boards (including the Company's Board) in addition to their employer's board. Upon being invited to serve on the Board of any publicly held or for profit company, a director is required to notify the Corporate Secretary, who shall in turn discuss with the Corporate Governance Committee any issues which may relate to the Company should the director accept the invitation.

## **Board Meetings; Involvement of Senior Management and Independent Advisors**

**Board and Shareholder Meetings.** The Board will generally hold a minimum of four regularly scheduled meetings per year and will hold additional special meetings as necessary. Each director is expected to attend both scheduled and special meetings, except if unusual circumstances make attendance impractical. In addition, directors are expected to attend the Annual Meeting of Shareholders.

**Board Meeting Agendas and Materials.** The Chairman of the Board in conjunction with the Lead Independent Director will set the agenda for each Board meeting, taking into account suggestions from other members of the Board. All information relevant to the Board's understanding of matters to be discussed at an upcoming Board meeting should be distributed to all members in advance, whenever feasible and appropriate. Each director is expected to review this information in advance of the meeting to facilitate the efficient use of meeting time. Management should ensure that the materials distributed are as concise as possible, yet give directors sufficient information to make informed decisions. Sensitive subject matters may be discussed at the meeting without written materials being distributed in advance or at the meeting.

**Access to Employees/Independent Advisors.** The Board should have free access to all members of management. Management is encouraged to invite Company personnel to any Board meeting at which their presence and expertise would help the Board have a full understanding of matters being considered. The Board and its committees have the right at any time to retain independent outside auditors and financial, legal, or other advisors. The Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside auditors or advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

**Executive Sessions of Independent Directors.** The independent directors will meet without management present at each regularly scheduled board meeting, and may meet without management present at such other times as determined by the Lead Independent Director. In the absence of the Lead Independent Director, the director presiding at such meeting shall be another independent director designated by the Lead Independent Director in advance of such meeting (or in the absence of such direction, a member of the Executive Committee). The Lead Independent Director also shall preside at all meetings of the Board when the Chairman is not present.

## **Board Compensation**

**Compensation Review.** The Compensation Committee is responsible for periodically reviewing the competitiveness and appropriateness of the compensation programs for non-management directors and approving any changes for the ensuing year and making recommendations to the Board with respect thereto.

**Mandatory Stock Ownership Guidelines.** Directors are required to own no less than 15,000 shares of common stock. Such shares may be accumulated over a period of five years after a director joins the Board. The Board shall periodically review the appropriateness of these guidelines.

### **Communications with Shareholders**

**Shareholder Communications to the Board.** Shareholders may contact an individual director, the Board as a group, or a specified Board committee or group, including the independent directors as a group, by writing to the following:

Corporate Secretary  
PSS World Medical, Inc.  
4345 Southpoint Blvd.  
Jacksonville, FL 32216

Each communication should specify the applicable addressee or addressees to be contacted as well as the general topic of the communication. Communications also may be referred to other departments within the Company. The Company generally will not forward to the directors a communication that it determines to be primarily commercial in nature or related to an improper or irrelevant topic, or that requests general information about the Company.

### **Performance Evaluation; Succession Planning**

**Management Succession Planning.** The non-management members of the Board shall, at least annually, review and monitor management development and succession plans for senior management positions including the CEO. As part of such process, the board shall periodically discuss with the CEO, a recommendation as to a successor in the event of the sudden resignation, retirement or disability of the CEO.

**Board and Committee Self-Evaluation.** The Corporate Governance Committee is responsible for conducting an annual evaluation of the performance of the Board and each of its members. In addition, each committee is responsible for conducting an annual performance evaluation. Evaluation results are reported to the Board. The Corporate Governance Committee's report should generally include an assessment of the Board's compliance with the principles set forth in these guidelines, as well as identification of areas in which the Board could improve its performance. Each committee's report generally should include an assessment of the committee's compliance with the principles set forth in these guidelines, the committee's charter, and identification of areas in which the committee could improve its performance.

## **Committees**

**Number and Type of Committees.** The Board has five committees: an Audit Committee, a Compensation Committee, a Corporate Governance Committee, a Strategic Planning Committee, and an Executive Committee. The Audit, Compensation and Corporate Governance Committees are comprised entirely of independent directors and have written charters approved by the Board describing the committee's general authority and responsibilities. The Board may add new committees or remove existing committees as it deems advisable in the fulfillment of its responsibilities.

**Committee Composition, Meetings and Agenda.** Committee assignments and composition are reviewed annually to ensure that each committee has members with the proper background and experience. The chairperson of each committee is responsible for developing, together with relevant Company managers, the committee's general agenda and objectives and for setting the specific agenda for committee meetings. The chairperson and committee members will determine the frequency and length of committee meetings consistent with the committee's charter.

## **Miscellaneous**

**Director Orientation and Continuing Education.** The Corporate Governance Committee and management are responsible for director orientation programs and for director continuing education programs to assist directors in maintaining skills necessary or appropriate for the performance of their responsibilities. Orientation programs are designed to familiarize new directors with the Company's businesses, strategies, and policies and to assist new directors in developing the skills and knowledge required for their service. Continuing education programs for Board members may include a combination of internally developed materials and presentations and programs presented by third parties at the Company.

**Review of Governance Guidelines.** The policies and practices memorialized in these guidelines have developed over a period of years. The Governance Committee shall review these Corporate Governance Principles on not less than an annual basis and will recommend to the Board such changes as it deems necessary.