



# **BUILDING ON A STRONG FOUNDATION TO ACCELERATE OUR IMPACT**

Environmental, Social and Governance Report

November 2022

## A LETTER FROM OUR CEO



November 2022

Dear MSC Stakeholders,

MSC has been a responsible corporate citizen for more than 80 years. Our purpose and values go back to when my grandfather and MSC's founder, Sid Jacobson, began selling tools from the trunk of his car in Manhattan in 1941. Sid had a vision of building a business that strived for greatness and served a greater purpose: to make the world a better place. Serving others ahead of one's own self-interest is one of the guiding principles that drove MSC's initial success.

We have grown to be a Fortune 1000 company with \$3.7 billion in annual revenue, but those early principles remain at our core despite the incredible changes the distribution industry and MSC have undergone over the years.

Today, all of us at MSC strive to provide greater value to our stakeholders—associates, customers, owners, suppliers and communities—by helping them achieve their potential and greater success. We are driven by our values and guiding principle in four simple words: Do the right thing.

We strongly believe that being a corporate steward makes good business sense. In the past year, we have very purposely transformed our approach to accelerate our progress building off MSC's previous environmental, social and governance (ESG) efforts.

We hope this ESG report provides meaningful insight into our reinvigorated approach and how we manage our business and run our operations, as well as our sustained effort to always do the right thing for our stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erik Gershwind'.

Erik Gershwind  
President & Chief Executive Officer

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## TRANSFORMING OUR APPROACH TO ESG

At MSC, we've always endeavored to be a responsible corporate citizen and our commitment can be summed up in these simple yet powerful words: Do the right thing. We remain committed to this purpose and are consistently evolving our business practices and operations to deliver for our customers.

We have reinvigorated our ESG approach to be more efficient, operationally sound and focused on the most critical elements to advance our progress while staying true to our purpose.

### MATERIALITY ASSESSMENT

In fall 2021, MSC commissioned the Governance & Accountability Institute (G&A) to conduct a materiality assessment of our business according to the Global Reporting Initiative (GRI) framework. The methodology included perspectives from several stakeholder groups including investors, peer companies, customers, and MSC leaders as well as comparisons against GRI principles.

This materiality assessment identified and prioritized 15 topics.

Some of the most material topics for MSC as identified and described by the Materiality Assessment are:

- **Ethics and Integrity**

This topic covers the organization's values, principles, standards, and norms of behavior.

- **Occupational Health & Safety**

This topic includes all aspects of occupational health and safety. Healthy and safe work conditions involve both prevention of physical and mental harm, and promotion of workers' health.

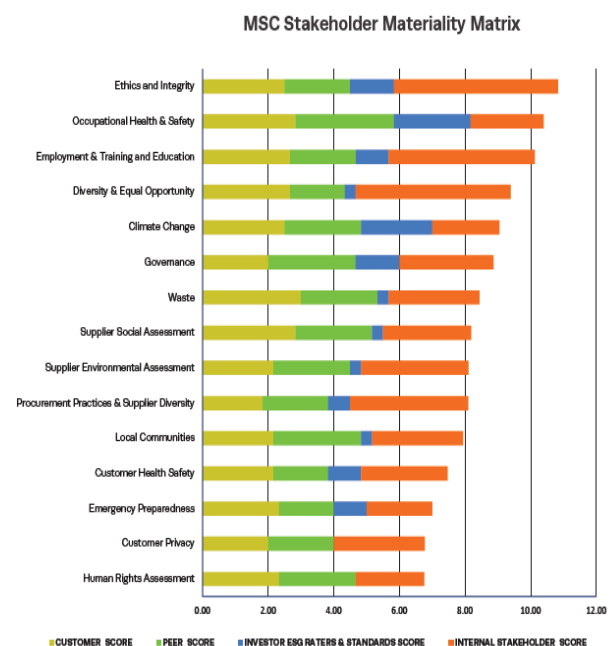
- **Employment and Training & Education**

This topic combines the GRI topics of Employment and Training & Education. This includes an organization's approach to employment or job creation, that is, an organization's approach to hiring, recruitment, retention and related practices, and the working conditions it provides.

It also includes an organization's approach to training and upgrading employee skills, and performance and career development reviews. It also includes transition assistance programs to facilitate continued employability, and the management of career endings due to retirement or termination.

The Materiality Assessment also highlighted the most significant areas of opportunity for MSC to accelerate its ESG impact. These topics include:

- **Climate Change**



This topic combines the GRI topics of Energy and Emissions. An organization can consume energy in various forms, such as fuel, electricity, heating, cooling or steam. Energy can be self-generated or purchased from external sources and it can come from renewable sources (such as wind, hydro or solar) or from non-renewable sources (such as coal, petroleum or natural gas). Types of emissions include greenhouse gas (GHG), ozone-depleting substances (ODS), and nitrogen oxides (NOX) and sulfur oxides (SOX), among other significant air emissions.

- **Waste**

This topic gives insight into the quantity and quality of waste generated and how it is managed by an organization.

- **Supplier Social Assessment**

An organization might be involved with impacts either through its own activities or as a result of its business relationships with other parties. These disclosures can provide information about an organization's approach to preventing and mitigating negative social impacts in its supply chain. Suppliers can be assessed for a range of social criteria, including human rights (such as child labor and forced or compulsory labor); employment practices; health and safety practices; industrial relations; incidents (such as of abuse, coercion or harassment); wages and compensation; and working hours.

- **Governance**

The disclosures in this section give an overview of the governance structure and its composition, the role of the highest governance body in setting the organization's purpose, values, and strategy, the competencies and performance evaluation of the highest governance body, the role of the highest governance body in risk management, the role of the highest governance body in sustainability reporting, the role of the highest governance body in evaluating economic, environmental and social performance, and remuneration and incentives.

## THE FOUR MSC ESG PILLARS

As we set out to transform our ESG program to accelerate our impact, we prioritized and restructured our activities. This approach organizes our efforts to specifically address the ESG topics that are important to our stakeholders with the effective allocation and utilization of company resources as well as addressing the gaps identified in the materiality assessment.

MSC's ESG program is now composed of four pillars: Waste Reduction, Climate Change, Ethical Supply Chain Stewardship and People & Communities.

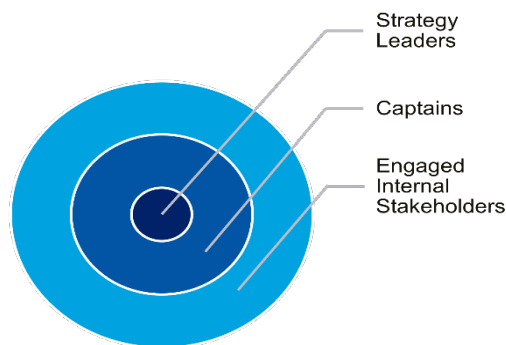
Within each Pillar, MSC is committed to a few objectives:

Waste Reduction	Climate Change	Ethical Supply Chain Stewardship	People & Communities
<ul style="list-style-type: none"> <li>• Invest in solutions to reduce waste in customers' manufacturing and procurement processes</li> <li>• Set goals and report on energy savings and waste reduction resulting from solutions</li> <li>• Set goals and report on MSC's waste metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Increase reporting and disclosure</li> <li>• Identify and plan for climate-based risks</li> </ul>	<ul style="list-style-type: none"> <li>• Enable increased supplier diversity</li> <li>• Support ethical procurement and human rights within the supply chain</li> <li>• Support supply chain sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Demonstrate commitment to diversity, inclusion, and equal opportunity</li> <li>• Invest in MSC's commitment to training and education</li> <li>• Increase commitment to Health &amp; Safety</li> </ul>

**MSC ESG PROGRAM STRUCTURE**

To deliver on objectives in each of the Four Pillars, we evaluated gaps and action plans, assigning subject matter and functional experts from across all of MSC to advance our progress in each. More than 140

projects involving individuals from nearly every function across MSC are engaged in our ESG efforts.



MSC established its ESG Council in October 2021. The ESG Council is led by Steering Sponsors Kristen Actis-Grande, Executive Vice President & Chief Financial Officer, and Neal Dongre, Vice President, General Counsel & Corporate Secretary.

The ESG Council is composed of six captains overseeing multiple project teams, additional business executives and a variety of subject matter experts, as necessary. Each captain is a leader with functional expertise and influence within the organization who has been selected to lead ESG actions within their designated workstreams.

This guiding body is deliberately cross-functional to avoid silos and ensure enterprise-wide collaboration and alignment. The MSC Board of Directors, Nominating and Corporate Governance Committee and Executive leadership team provide ongoing oversight to the ESG Council.

## ESG HIGHLIGHTS

Since the time of publication of our [Corporate Sustainability Report](#) in 2021, we have made strides to achieve our objectives outlined in the MSC ESG Four Pillars.

WASTE REDUCTION	
<b>Helping our customers reduce energy usage and waste</b>	<ul style="list-style-type: none"> <li>• MSC metalworking specialists partner with aerospace, automotive, general machining, fabrication, medical part and other durable goods customers so they can be more efficient in their operations.</li> <li>• We introduce and test manufacturing tools, technologies and strategies to find ways for our customers to manufacture metal, or metal-like, products faster, reducing cycle times.</li> <li>• In the past six years, MSC metalworking specialists have: <ul style="list-style-type: none"> <li>• Saved 700,000 hours of machine hours, equivalent to more than 100 million kilowatt hours.</li> <li>• Helped customers reduce consumption by approximately 1.8 million product units and reduced packaging waste by more than 300 million cubic inches of waste, equivalent of filling nine Goodyear blimps.</li> </ul> </li> </ul>
<b>Partnering with nonprofits to prevent and manage inventory waste</b>	<ul style="list-style-type: none"> <li>• MSC collaborates with inventory donation reverse logistics service, Waste to Charity, to minimize and manage waste supporting cost reduction, creating societal opportunity and minimizing environmental impact. In calendar 2021, MSC donated more than \$4.5 million worth of products to Waste to Charity's reuse and recycling programs.</li> <li>• MSC also donated more than \$3.5 million worth of products to WIN Warehouse in calendar 2021. WIN Warehouse connects nonprofits to companies to purchase their products at greatly discounted rates, preventing corporations' excess inventory from entering the waste stream.</li> </ul>
<b>Recycling to avoid sending nonhazardous solid waste to landfills</b>	<ul style="list-style-type: none"> <li>• Several reduce-reuse-recycle programs are utilized within our operations.</li> <li>• In our Davidson Customer Service Center (CSC) alone, we recycled 3,320 pounds of corrugated cardboard, paper, plastic, glass, e-waste, scrap, metal and pallets in calendar 2021.</li> <li>• In calendar 2021, MSC recycled more than 76,000 pounds of electronic equipment or e-waste such as computers, printers, fax machines and phones.</li> </ul>
<b>Refurbishing to minimize machine scrap, shipping damage and waste</b>	<ul style="list-style-type: none"> <li>• MSC's vending solutions and programs are managed in an environmentally responsible manner. Machine crates are recycled, and changes in operating procedures have led to significant reduction in machine scrap. Shipping damage and associated waste has been greatly reduced through process improvements for re-crating machines. Since transitioning to a larger vending refurbishment center, there has been an increase in refurbishing units that may have previously been scrapped. We remove reusable parts and peripherals for all machines taken out of service.</li> </ul>

	<ul style="list-style-type: none"> <li>• Our vending recycling program initiatives have led to cost savings for MSC and our customers. In fiscal year 2022 alone, MSC refurbished and shipped 587 vending units and 521 PC units, reused 872 wooden crates, and recycled 346,360 lbs. of metal from units that could not be refurbished.</li> </ul>
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*“We’re working together for a better tomorrow at MSC. There is a reinvigorated energy with a high level of engagement around understanding how our business operations impact the environment and focusing our efforts to be better stewards of the environment.*

*Our associate culture and company values have always been aligned with having a greater responsibility to all our stakeholders, but since we have implemented our new ESG structure, the passion and intentionality around reducing waste and energy usage, improving our energy efficiency and assessing how to reduce our carbon footprint have never been demonstrated more than it is today.”*

*- Shane Honig, Sr. Manager, Environmental Compliance & Sustainability*

CLIMATE CHANGE	
<b>Building the foundation to measure GHG emissions</b>	<ul style="list-style-type: none"> <li>• We are developing the process for collecting and analyzing MSC’s greenhouse gas emissions from our 54 facilities worldwide.</li> <li>• In the past year we measured scope 1 emissions data from 3,651 fleet vehicles and 11 North America facilities and scope 2 emission data from 11 North America facilities. For these fleet vehicles and facilities, MSC’s total scope 1 and 2 emissions measured in tons of carbon dioxide equivalent (tCO<sub>2</sub>e) was 14,468 for calendar year 2021.</li> <li>• These 11 North America facilities account for 282 tCO<sub>2</sub>e, or 2% of our presently recordable annual scope 2 emissions. These facilities account for 80% of our square footage of office space.</li> <li>• Our current GHG emissions data is incomplete and does not reflect all of MSC’s emissions across the enterprise. Please refer to the In-Depth Discussion of our ESG Program &amp; Accomplishments on pages 20, 21 of this report for details about the facilities and vehicles included in and excluded from this data.</li> </ul>
<b>Lighting our facilities efficiently</b>	<ul style="list-style-type: none"> <li>• 83% percent of Customer Fulfillment Centers (CFCs) use both motion-sensor lighting and LED lighting, as do our CSCs in Melville, New York, and Davidson, North Carolina. LED lights are more durable and up to 80% more efficient than traditional lighting.</li> <li>• Motion-sensor technology significantly reduces the operating time and energy consumption of each light fixture and extends the lifespan of lightbulbs. More than 90% of lighting at our Reno, Nevada, CFC and most of the fixtures in Harrisburg, Pennsylvania, CFC are controlled by motion-sensor technology.</li> </ul>
<b>Collaborating with SmartWay Transport Partners</b>	<ul style="list-style-type: none"> <li>• More than 80% of MSC’s for hire transportation spend is transacted by SmartWay Transportation Partners, which helps us enhance supply chain sustainability and reduces greenhouse gas emissions.</li> <li>• The SmartWay Program is a partnership between the U.S. Environmental Protection Agency, freight shippers, carriers, and logistics companies. The</li> </ul>



	program helps businesses identify and select more efficient freight carriers and operational strategies.
<b>Enabling our customers to go green with Eco-friendly Products</b>	<ul style="list-style-type: none"> <li>Understanding that green products help our customers achieve requirements for Environmentally Preferable Products (EPP) purchasing standards, MSC focused on expanding our offering of EPP in the past 18 months. We increased the number of available EPP products in our catalog by over 900%.</li> <li>Today MSC offers more than 20,000 products carrying environmentally preferred certifications or environmentally preferable attributes, including Green Seal, Safer Choice, ECOLOGO, GREENGUARD, EnergyStar, WaterSense and USDA Bio-Preferred.</li> </ul>
<b>Celebrating our recognized ESG efforts with industry ratings</b>	<ul style="list-style-type: none"> <li>While we continually strive to enhance our ESG program, we are humbled to receive recognition for our efforts and commitments from other knowledgeable organizations.</li> <li>MSC was awarded a Bronze rating from EcoVadis for our ESG programs and efforts, putting us in the top 50% of all companies rated. The EcoVadis framework surveys on four themes: environment, labor and human rights, ethics and sustainable procurement.</li> <li>MSCI awarded MSC a BB rating in calendar 2021 for our management of financially relevant ESG risks and opportunities.</li> </ul>

*“Doing the right thing is at the core of how we do business at MSC. We continue to enhance our governance structure, policies and procedures to make sure that we have the proper controls in place to ensure this happens, including training our associates. In January 2022 we refreshed and launched mandatory associate training on several governance topics including anti-bribery, anti-corruption, anti-trust, business continuity, and Code of Conduct among others.”*

*-Brian Brockman, Manager, Corporate Counsel & Contract Negotiation*

ETHICAL SUPPLY CHAIN LEADERSHIP	
<b>Taking action to prohibit slavery and human trafficking in our supply chain</b>	<ul style="list-style-type: none"> <li>MSC is committed to responsible corporate citizenship and eliminating all forms of human trafficking and modern slavery from our supply chain.</li> <li>We require our suppliers to comply with the MSC Anti-Trafficking/Anti-Slavery Policy and applicable laws through a supplier agreement, supplier terms and conditions or MSC’s annual supplier requirements letter.</li> </ul>
<b>Demonstrating our commitment and emphasis on compliance</b>	<ul style="list-style-type: none"> <li>MSC is committed to creating and maintaining a positive working environment that is free of harassment or discrimination, in which the individual rights of the associate are protected, and management is responsive to the needs and concerns of all associates.</li> <li>Annually, all associates are required to complete the MSC Code of Business Conduct Training and Assessment. As of June 2022, 94.5% of new hires and associates successfully completed the training.</li> </ul>

*“We are committed to building a more just and equitable work environment at MSC. I believe in the inclusion of every associate within MSC when I think about it from a personal perspective as a leader and a parent. I want to be a role model and make a positive impact to create better outcomes for my children and those with traditionally marginalized identities. That is what drives my work with the hope to create a more equitable future.”*

*- JaCynthia Little, Sr. HR Manager, DEI & Early Talent Programs*

PEOPLE AND COMMUNITIES	
<b>Receiving recognition for our workplace culture</b>	<ul style="list-style-type: none"> <li>MSC received a <a href="#">Top Workplaces award</a> for our organization's culture in both our Davidson, North Carolina, and Melville, New York, offices.</li> <li>A select number of associates in these locations were voluntarily surveyed, providing their feedback about what it's like to work at MSC.</li> <li>MSC was recognized in the top 25% of participating companies for three cultural attributes: supportive managers, open-minded and work-life balance.</li> </ul>
<b>Engaging in conversation to highlight the differences and similarities strengthening our MSC team</b>	<ul style="list-style-type: none"> <li>Unity Discussions are designed to connect associates with their team and leaders and learn about one another all through the lenses of different dimensions of diversity topics ranging from racial literacy to bridging the generational gap.</li> <li>Over the course of the past year, more than 3,000 MSC associates engaged in Unity Discussions, with a 90% participation rate quarterly.</li> <li>We believe these conversations are fostering an environment where our associates have a safe space to listen, learn, be curious and confident about bringing their whole authentic selves to work.</li> </ul>
<b>Pledging our commitment to Diversity, Equity and Inclusion</b>	<ul style="list-style-type: none"> <li>MSC Industrial Supply, Inc. President and CEO, Erik Gershwind, renewed his pledge to act on supporting more inclusive workplaces by signing the CEOAction for Diversity &amp; Inclusion™ Pledge.</li> <li>MSC joined a group of over 2,300 CEOs committed to advancing diversity and inclusion in the workplace. The pledge is about encouraging and cultivating challenging conversations in the workplace to advance change.</li> </ul>
<b>Expanding our circles to be more inclusive through business resource groups</b>	<ul style="list-style-type: none"> <li>MSC launched three new business resource groups, known as Inclusion Circles—Pride, DisABLEd and HOLA (Hispanic Organization for Leadership and Advancement)—adding to those previously introduced in calendar 2021—WIN (Women's Inclusion Network), Veterans, and BIG (Black Inclusion Group).</li> <li>Membership of the Inclusion Circles has grown over 850% over the last year to more than 900 members combined, and each is sponsored by an MSC executive.</li> <li>Inclusion Circles provide our associates with the opportunity to connect to our purpose, promote understanding through a learning culture, and aid in increasing our diverse representation.</li> </ul>
<b>Embracing remote work to increase flexibility</b>	<ul style="list-style-type: none"> <li>Remote work at MSC began as a necessity and part of our COVID-19 response to ensure the health and safety of our associates.</li> <li>In 2022, MSC associates were surveyed about their preferences and leadership determined to implement a flexible, hybrid work policy moving forward, post-pandemic.</li> <li>MSC associates will continue having more workplace flexibility and will have less of an impact on the environment by avoiding daily commutes.</li> </ul>

<b>Offering personal, professional and job-specific development and training opportunities for our associates</b>	<ul style="list-style-type: none"> <li>• MSC offers a variety of formal and informal learning sessions through MSC University. Some of the learning components offered through MSC University include General Offering Sessions, Core Learning Programs for Leaders, Mentoring, Coaching, and a variety of Organizational Effectiveness Solutions.</li> <li>• MSC University directly supports our company's Talent Management Strategy.</li> <li>• MSC associates averaged more than 17 training hours per individual in fiscal year 2022, an increase of more than 10 percent year-over-year.</li> <li>• In fiscal year 2021, MSC piloted a new program dedicated to our women in leadership roles. MSC's Women in Leadership Program utilizes an integrated approach that allows participants to identify their strengths, clarify how they are viewed by others, and develop a personal leader brand statement using a behavior-based approach.</li> <li>• The Customer Fulfillment Center (CFC) Leadership Development Program provides associates the opportunity to increase self-awareness, provide exposure to all areas of the CFC and build leadership skills to prepare for the shift from leading self to leading others in the future.</li> </ul>
<b>Supporting our communities</b>	<ul style="list-style-type: none"> <li>• Over the past five calendar years, MSC has made approximately \$43 million of charitable and in-kind donations to more than 50 local and national nonprofit organizations.</li> <li>• MSC supports dozens of organizations annually, and in the past year MSC has made charitable contributions or awarded grants to more than 50 nonprofits including The Leukemia and Lymphoma Society, The Make-A-Wish Foundation, The Autism Society, The Guide Dog Foundation, Strive, United Way of Long Island, United Way of Central Carolinas, The Family Service League of Long Island, Ronald McDonald House and The LGBT Network.</li> <li>• In calendar 2021, MSC donated approximately \$8 million worth of surplus products to nonprofit organizations in addition to our financial contributions.</li> <li>• In the wake of the COVID-19 pandemic, unemployment and food insecurity soared. Millions turned to food banks and community programs for help to put food on their tables. MSC partnered with food banks across the country.</li> </ul> <p>Our contributions to Atlanta Community Food Bank, Central PA Food Bank, Food Bank of Northern Nevada, Forgotten Harvest (Michigan), Gleaners Food Bank (Indiana), Greater Chicago Food Bank, Mid-Ohio Food Collective, FeedNC (North Carolina), and Island Harvest (Long Island, NY) provided 90,000 nutritious meals.</p>
<b>Helping heroes and their families</b>	<ul style="list-style-type: none"> <li>• Founded in 2017, the MSC Helping Heroes program focuses on supporting military veterans and their families. The cornerstone of this program is our partnership with American Corporate Partners to assist veterans through one-on-one mentoring, networking and career advice.</li> <li>• Since the inception of the program 113 MSC associates throughout the company have mentored over 130 veterans and 5 active-duty spouses. Since 2017, 73 veterans have obtained employment during their MSC mentorship.</li> <li>• The MSC Helping Heroes program also held several events and formed partnerships with military and veteran service organizations, including America's VetDogs, The Mission Continues, Children of Fallen Patriots and Soldiers' Angels.</li> </ul>

<b>Outperforming the industry in safety</b>	<ul style="list-style-type: none"><li>MSC rigorously tracks and measures safety performance and outperforms the industry in three metrics: total recordable rate, lost workday cases and restricted workday cases. These metrics are defined and sourced in the appendix page 58.</li></ul> <table><tr><th>Metric</th><th>Industry Average</th><th>MSC performance</th></tr><tr><td>Total Recordable Rate</td><td>2.2</td><td>1.09</td></tr><tr><td>Lost Workday Cases</td><td>0.9</td><td>0.62</td></tr><tr><td>Restricted Workday Cases</td><td>0.5</td><td>0.26</td></tr></table>	Metric	Industry Average	MSC performance	Total Recordable Rate	2.2	1.09	Lost Workday Cases	0.9	0.62	Restricted Workday Cases	0.5	0.26
Metric	Industry Average	MSC performance											
Total Recordable Rate	2.2	1.09											
Lost Workday Cases	0.9	0.62											
Restricted Workday Cases	0.5	0.26											
<b>Achieving and pursuing best-in-class safety certification</b>	<ul style="list-style-type: none"><li>In January 2020, MSC received our first International Organization for Standardization (ISO) 45001:2018 certification at our Columbus, Ohio, Customer Fulfillment Center (CFC) and will undergo recertification by December 2022 following the three-year certification cycle.</li><li>This initial certification directly covers less than 2% of our associate population, although it has direct impacts on just over half of our associates across MSC. Direct impacts include updated Global Safety Policies applicable to all associates, new programs such as Lessons Learned, Safety Alerts, Safety Calendars, and other forms of communication we developed from this program for associates across MSC.</li><li>With this initial certification complete, MSC has plans to conduct ISO 45001 audits in three of our remaining five CFC locations over the next three years.</li></ul>												

*“MSC is not only committed to our associates’ safety, but we are committed to helping our customers create safer and healthier working environments. Whether it is providing informational resources about the business benefits of a top tier safety program or products and services that protect their associates and improve their operations, MSC is committed to everyone’s safety.”*

*-Shaun Davidson, Manager, Global Safety*

## AN IN-DEPTH DISCUSSION OF OUR ESG PROGRAM & ACCOMPLISHMENTS

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## ABOUT MSC

MSC Industrial Supply Co. is a premier North American distributor of metalworking and maintenance, repair and operations (MRO) products and services. With more than an 80-year history of driving innovation in industrial product distribution, we help solve our manufacturing customers' metalworking, MRO and operational challenges.

### Our Goal

As a company generating \$3.7 billion in sales with nearly 7,000 associates and 3,000-plus suppliers, we work with customers big and small. Our goal is to drive results for their businesses - from keeping operations running efficiently today to continuously rethinking, retooling and optimizing for a more productive tomorrow.

### Our History

Founded by Sid Jacobson in 1941, our company continues to build on a rich history of commitment to our customers, our shareholders, our associates and the communities in which we live and work.

When Sid Jacobson began selling cutting tools from the trunk of his car in 1941, he operated with integrity, respect and a commitment to each customer. He was a leader whose values and passion for excellence are the foundation of what has become MSC Industrial Supply Co. From being one of the first industrial distributors to invest heavily in computing technology to expanding from one category into 40 to offering critical expertise beyond the product, our company has grown into a business with nearly 7,000 associates and with sales in all U.S. states, Canada, Mexico and the United Kingdom. With 80 years of rapid growth and change, we remain committed to delivering the pioneering products and services that help our customers run even better businesses.

Every major milestone in our history has been based on servicing the needs of our customers. Visit <https://www.mscdirect.com/corporate/company-timeline> to look at some of the highlights.

### Our Values

Our values are constant and unwavering, and our associates are responsible for living up to them:

- **Disciplined in our Purpose. Do the Right Thing.** Always act in the best interest of our stakeholders, associates, customers, shareholders, suppliers and communities.
- **Expect to Win. Be Humble.** As a team, we strive to win for all of our stakeholders, but boasting isn't our style.
- **Customer First. Not Ourselves.** We take on challenges, find solutions and get results. Our success is our customers' success.
- **One Team. Embrace Differences.** Our team is the sum of our individual perspectives and experiences. We collaborate, take pride in what we do and have fun doing it.
- **Make Decisions. Deliver Results.** We have the courage to take risks, learn fast, adjust and be accountable.
- **Transform. Engage. Evolve.** We are empowered to make a difference. We are agile and challenge the status quo.
- **Direct. Transparent.** We tell the truth, are honest and straightforward and always act with integrity.



## **Our Offer**

Through our technical metalworking expertise and inventory management and other supply chain solutions, our team of nearly 7,000 associates helps keep our customers' manufacturing operations up and running and improves their efficiency, productivity and profitability.

### Metalworking

With our unique three-step Application Optimization process, our metalworking specialists survey our customers' machining operations, recommend improvements and document results.

### MRO

We help our customers identify indirect spending and put in place processes to manage costs effectively and efficiently.

### ControlPoint Inventory Management

We help our customers gain the visibility they need to manage consumption and control costs with solutions that include vending, Vendor Managed Inventory (VMI), Customer Managed Inventory (CMI), eProcurement, inventory management software and onsite services.

### Business Needs Analysis

We get to know our customers' business, understand their goals, analyze areas where they can drive efficiencies, and document recommended changes through a range of solutions to address their specific needs.

## **Our Customers**

MSC serves a broad range of customers throughout the United States, Canada, Mexico and the United Kingdom, from individual machine shops to Fortune 100 manufacturing companies, to government agencies such as the General Services Administration and the Department of Defense.

We operate a sophisticated network of six customer fulfillment centers, 10 regional inventory centers and 38 warehouses (36 in North America and two in Europe). Of these warehouses, 13 are new to MSC as a result of the fiscal year 2022 acquisitions.

Our customer fulfillment centers are located in or near Harrisburg, Pennsylvania; Atlanta, Georgia; Elkhart, Indiana; Reno, Nevada; Columbus, Ohio; and Hanover Park, Illinois in the United States.

With a history of driving innovation in industrial product distribution for more than 80 years, we help solve our manufacturing customers' metalworking, MRO and operational challenges. Through our technical metalworking expertise and inventory management and other supply chain solutions, our team helps keep our customers' manufacturing operations up and running and improves their efficiency, productivity and profitability.

## **Our Suppliers and Products**

At MSC, we strive to provide our customers with a vast assortment of branded products that meet the highest standards. In addition to all the top brands available to our customers, we also provide 13 MSC-owned and managed brands such as Accupro, Hertel, PRO-SAFE and PRO-SOURCE.

We are firmly committed to offering our customers products of the highest quality and value. MSC's broad range of metalworking and MRO products includes cutting tools, measuring instruments, tooling components, fasteners, flat stock, raw materials, abrasives, machinery, hand and power tools, safety,

office and janitorial supplies, plumbing supplies, material handling products, power transmission components, and electrical supplies.

MSC manages approximately 2.1 million individual product stock keeping units (SKUs), helping our customers consolidate their supplier base and improve efficiencies. Our assortment from multiple product suppliers, prices and quality levels enables our customers to select from “good-better-best” options on nearly all their purchases. We stand apart from our competitors by offering name brands, exclusive brands, and generic products; depth in our core product lines; and competitive pricing.

MSC purchases substantially all our products directly from approximately 3,000 suppliers. No single supplier accounted for more than 5% of our total purchases in fiscal years 2022, 2021 or 2020. MSC is committed to supporting all types of small business enterprises, including veteran-owned small businesses (VOSB), service-disabled veteran-owned small businesses (SDVOSB), small disadvantaged businesses (SDB), HUBZone businesses ([as defined by the U.S. Small Business Administration](#)) and women-owned small businesses (WOSB).

## ENVIRONMENT

We strive to manage our business in a sustainable manner with programs focused on waste reduction and recycling, energy efficiency, freight sustainability, water conservation, eco-friendly product offerings and more.

### Environment and Sustainability Policy

Environmental responsibility is an important aspect of our business mission. Associates at all levels are required to follow company procedures designed to comply with local, state and federal environmental laws and regulations. We also strive to be mindful of natural resources.

MSC employs product stewardship, safety and environmental professionals to help ensure the protection of consumer health and the environment, and we continually work to improve our environmental protection standards and programs, which include:

- **Environmental Permits and Reporting** — We will obtain, maintain and keep current all required environmental permits and registrations necessary to conduct our business. We will follow their operations and reporting requirements.
- **Pollution Prevention and Resource Reduction** — We strive to reduce or eliminate waste at its source by means of process modifications, maintenance and facility processes, material substitution, conservation and the recycling and reuse of materials.
- **Hazardous Substances** — Chemical and other materials posing a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, recycling or reuse and disposal.
- **Product Content Restrictions** — We will not knowingly sell non-compliant products to our customers. We will maintain an Environmental Compliance & Sustainability Department to review products and evaluate their compliance with all applicable environmental laws and regulations regarding prohibition or restriction of specific substances, including labeling laws and regulations for recycling and disposal.
- **Promoting the Development and Sale of Environmentally Friendly Products** — We will strive to identify and provide items to our customers that will help protect the environment using less toxic or harmful ingredients and/or items that will help to reduce consumption of natural resources. These may include, but will not be limited to, products that help to reduce energy consumption, provide water conservation, have been made with or from recyclable materials, or can be recycled after use.

Please refer to the appendix to review the MSC Environmental and Sustainability Policy Statement.

### Environmental Risk

The risks associated with climate change present numerous challenges and opportunities for MSC and our stakeholders. External environmental risks include resource availability and pricing, physical changes to the natural environment, natural disaster events, market shifts, consumer behavior, and changes in regulation and taxation.

MSC continually works toward reducing environmental and climate impact by pursuing improvement opportunities throughout our operations and supply chain. MSC has implemented risk-analysis processes and risk-prevention techniques to identify and eliminate potential hazards to human health and the environment.

## **Environmental Health and Safety Training**

Associates are required to complete environmental health and safety awareness training as part of associate onboarding. Additional training is implemented dependent on job-function and regulatory requirements. Examples of internal training available in environmental, health and safety topics include, but are not limited to, hazardous waste management, lithium battery safety and awareness, and handling and transportation of dangerous goods. MSC utilizes additional consultants and third parties to provide specialized training in environmental health and safety topics.

## **Environmental Compliance**

MSC performs required environmental due diligence when leasing, acquiring or selling commercial property. We also utilize third-party consulting firms to audit our facilities and prepare required regulatory plans. Environmental, health and safety compliance audits help ensure that the company meets or exceeds regulatory requirements, reinforcing MSC's commitment to protecting human health and the environment. In calendar 2021, MSC had zero environmental compliance related fines or penalties.

## **Compliance with Health & Safety and Environmental Protection Laws**

Our operations are subject to and affected by a variety of federal, state, local and non-U.S. health and safety and environmental laws and regulations relating to the discharge, treatment, storage, disposal, investigation and remediation of certain materials, substances and wastes. We continually assess our compliance status and management of environmental matters to ensure that our operations are compliant with all applicable environmental laws and regulations.

Operating and maintenance costs, associated with environmental compliance and management of sites, are a normal and recurring part of our operations. With respect to all other matters that may currently be pending, in the opinion of management, based on our analysis of relevant facts and circumstances, compliance with applicable environmental laws is not likely to have a material adverse effect upon our capital expenditures, earnings or competitive position.

## **Energy**

MSC strives to improve its energy efficiency across our CFCs and offices. 83% of our CFCs utilize both motion-sensor lighting and LED lighting, as do our CSCs in Melville, New York, and Davidson, North Carolina. LED lights are more durable and up to 80% more efficient than traditional lighting, such as fluorescent and incandescent lamps. Our Atlanta, Georgia, facility has been replacing old traditional bulbs with more efficient LED bulbs. This is an ongoing project as our traditional bulbs expire. When fluorescent bulbs reach the end of their lifecycle, they typically are replaced with LED lighting.

Motion-sensor technology significantly reduces the operating time and energy consumption of each light fixture and extends the lifespan of the lightbulbs. More than 90% of the lighting at our Reno, Nevada, CFC, and most of the fixtures in our Harrisburg, Pennsylvania, CFC are controlled by motion-sensor technology.

The SmartWay Program is a partnership between the U.S. Environmental Protection Agency ("EPA"), freight shippers, carriers and logistics companies. The program helps businesses identify and select more efficient freight carriers and operational strategies. By measuring, benchmarking and improving logistics operations and promoting fuel-saving technologies and practices, SmartWay helps enhance

supply chain sustainability and reduces greenhouse gas emissions. More than 80% of MSC's selected carriers are SmartWay Transport Partners.

MSC is actively researching and pursuing projects at our CFCs aimed at improving resource efficiency. We incorporated an environmental module in our compliance management program software, enabling us to more effectively track waste generation, emissions and energy usage across our company. We recognize our responsibility as a distributor to address climate change issues by implementing new technologies, driving innovation and improving operational efficiency.

Additional energy efficiency and reduction programs at MSC include:

- Installing new multi-functional printers and copiers that carry Energy Star ratings, replacing standalone copiers, printers and fax machines. These efficient devices use 50% less energy and reduce paper and toner consumption.
- Implementing a routing application in calendar 2021 for our approximately 462 service representatives, who drive fleet or personal vehicles. Drive time has been reduced by 4%. With our associates driving more efficient routes, we expect to achieve a significant reduction in fuel consumption and greenhouse gas emissions.
- Continually reducing our reliance on paper transactions and documentation to embrace efficient digital and electronic recordkeeping processes.
- Imposing limitations on business travel and increasing use of digital resources such as video conferencing and software solutions that help associates collaborate virtually.
- Maintaining Workplace Flexibility and Telework Policies and resources that provide associates the flexibility to balance business and personal needs, while reducing reliance on commuting.

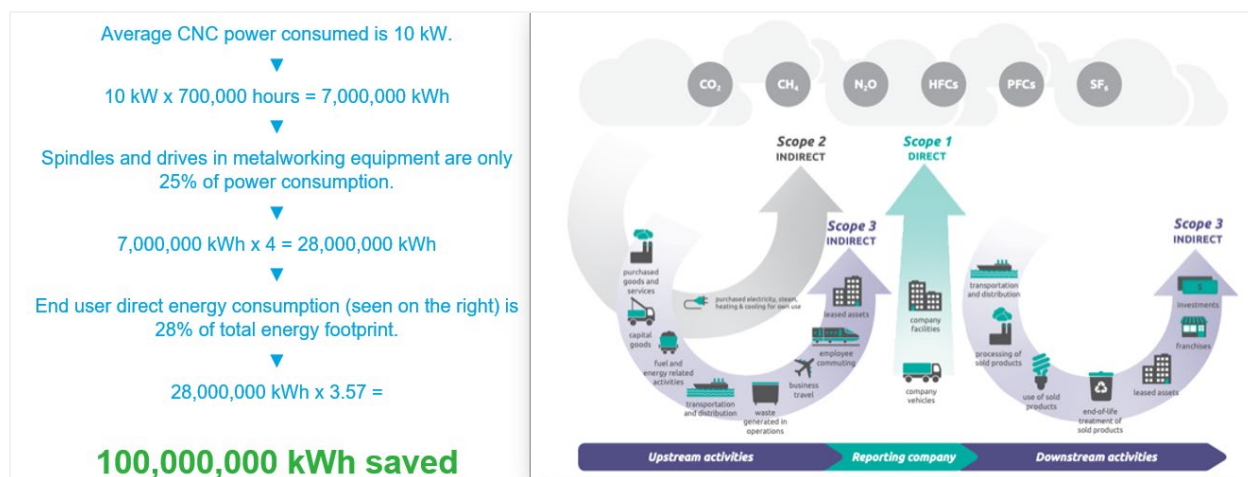
## **Energy Savings in Manufacturing Businesses**

Within the durable goods manufacturing marketplace (aerospace, automotive, general machining, fabrication, medical parts, etc.), there are two primary ways MSC contributes towards environmental sustainability, which is energy savings and waste savings or avoidance.

These benefits can be significant and are gained because of the successful introduction and testing of manufacturing tools, technologies, and strategies from MSC's team of Metalworking Specialists, as well as MSC's supplier partner network.

Achieving energy savings is a common result of MSC's testing when we prove there is a faster and more productive way to manufacture metal, or metal-like products. Commonly referred to as cycle times, our testing in many instances will show our customers it is possible to operate their tools at faster, stable speeds. When successful, this cycle time reduction is multiplied by the number of parts the end user needs to make. The sum total equals the amount of time saved. That time savings becomes the basis for kilowatts and/or kilowatt hours saved.

Figure 1:



In the past six years, MSC metalworking specialists' work has resulted in more than 700,000 hours of machine hours saved. These 700,000 hours ultimately equate to over 100,000,000 kilowatt hours saved during that time (see Figure 1 above).

With waste savings or avoidance, our same group of Metalworking Specialists sometimes show our customers how to use less tools or products when they manufacture their parts. Tool life, as it's often referred to, is a function of how long a tool (or other product) lasts before it needs to be exchanged for a new one, or resharpened. Sometimes these tool life improvements are simply an educated recommendation to operate a more stable operating speed, and other times tool life is enhanced through a better product suggestion.

In the same time span as noted above (in the past six years), MSC helped customers reduce consumption by approximately 1.8 million product units (e.g., reduction in the consumption of the number of carbide cutting tools used in metalworking applications). Although some of the products can be recycled (carbide, steel, etc.), many are thrown away along with the product packaging and the order packaging (cardboard box, shrink wrap, skids, plastic tubes, etc.). Based on packaging three items in the most common size shipping box/container, plus assuming none of the items and materials are recycled, it would save more than 300 million cubic inches of waste. This is the equivalent of filling nine Goodyear blimps.

## GHG Emissions

MSC is in the process of developing the methodology for collecting and analyzing enterprise-wide emission data from all sources around the world. Currently we have scope 1 emissions from data from 3,651 fleet vehicles and 11 North America facilities and scope 2 emission data from 11 North America facilities. MSC's total from these sources in tCO<sub>2</sub>e for 2021 calendar year was 14,468.

Our 11 North America facilities account for 282 tCO<sub>2</sub>e, or 2% of our presently recordable total annual scope 2 emissions for calendar year 2021. These facilities account for 80% of our square footage of office space. The following smaller facilities have not yet been included in our scope 1 and 2 emissions calculation or have been excluded because they were not utilized/closed during the prior calendar year: Melville – CSC, Southfield – CSC, Shanghai Offices, Mississauga Office, Wednesbury Facility, 7 Regional Inventory Centers (RICs), 4 Small Light Manufacturing Facilities (Blade Shop, Vending Refurbishment,

Grind Shop), 7 Deco Facilities, 8 AIS Facilities and Offices, 4 Onsite Customer Support Facilities, 3 WM F Hurst Facilities, 5 Engman-Taylor Facilities, and any newly acquired Tower facilities.

Our 3,651 fleet vehicles account for 14,186 tCO<sub>2</sub>e, or 98% of our presently recordable scope 1 emissions for calendar year 2021. These vehicles account for approximately 90% of our U.S. and Canada fleet. Our vehicle fleet information includes all our U.S. and Canada vehicles managed by our Fleet Provider Donlen except the following vehicles: those used by WM F. Hurst, Engman-Tyler, Tower, AIS owned vehicles, and any vehicles outside the U.S. and Canada. A few associates use their personal vehicles for business and such vehicles are not included among the fleet vehicles used to calculate our presently recordable emissions.

## **Preventing and Managing Waste**

MSC continually strives to prevent unsaleable products from becoming waste and regularly donates usable goods to be consumed, repurposed or recycled.

We partner with Waste to Charity, an inventory donation reverse logistics service. MSC's partnership with Waste to Charity rests on the triple bottom line, People, Planet, and Profit, and together are dedicated to sustainable practices. Waste to Charity's reuse and recycling programs help manage returned, damaged and excess products. Usable products are donated to reputable charity or not-for-profit organizations, and qualified products are recycled or repurposed to avoid entering materials into the waste stream.

This triple-bottom-line approach supports cost reduction, creating societal opportunity, and minimizing environmental impact. In calendar 2021, MSC donated more than \$4.5 million worth of products.

Along with the donations to Waste to Charity, we also partnered with WIN Warehouse and donated more than \$3.5 million worth of products in calendar 2021. WIN Warehouse connects nonprofits with corporations with excess inventory. WIN can provide the excess inventory at greatly discounted rate to the nonprofits while the corporations can keep the inventory out of the waste stream.

Additional reduce-reuse-recycle programs in place at MSC facilities include:

- Reusing and recycling toner cartridges.
- Purchasing pallets made of recycled materials and repairing them when damaged.
- Carbide recycling program
- Donating dated or unsellable products to organizations that put them to use.

## **Materials**

MSC continually strives to reduce material usage at our CFCs through new technologies that reduce environmental impact. For example, our Harrisburg, Pennsylvania, CFC deploys a packing optimization system that enables our products to be packaged with fewer materials. Boxes are cut to a custom fit, reducing the use of fill material while ensuring stability while shipping. Using cut-to-fit boxes also results in more efficient use of space in trucks.

The corrugated packaging products used across our CFCs are SFI-certified and contain post-consumer, recycled content ranging from 43% to 52%. In addition, our facilities have replaced Styrofoam peanuts in outbound product shipments with paper and plastic air pillow fill that is recyclable.



## Nonhazardous Solid Waste

At MSC's CFCs, corrugated cardboard, paper, plastic, glass, electronic waste, scrap metal and pallets are reused or sent to recycling facilities. In calendar 2021, our Davidson CSC recycled 3,320 pounds of recycled materials.

MSC recycles electronic waste, or e-waste, such as computers, printers, fax machines and phones. In calendar 2021 alone, we recycled more than 76,600 pounds of electronic equipment.

MSC's vending solutions and programs are managed in an environmentally responsible manner. Machine crates are recycled, and changes in operating procedures have led to significant reduction in machine scrap. Shipping damage and associated waste has been greatly reduced through process improvements for re-crating machines. Since transitioning to a larger vending refurbishment center, there has been an increase in refurbishing units that may have previously been scrapped. We remove reusable parts and peripherals for all machines taken out of service. Our vending recycling program initiatives have led to cost savings for MSC and our customers. In fiscal year 2022 alone, MSC refurbished and shipped 587 vending units and 521 PC units, reused 872 wooden crates, and recycled 346,360 lbs. of metal from units that could not be refurbished.

We continually enhance our recycling initiatives. In 2018, MSC implemented the Call2Recycle Battery Recycling takeback program in our New York and California facilities. Additionally in 2019 MSC implemented the program in our Atlanta, Georgia, CFC. This voluntary program allows customers and associates to recycle hazardous batteries in a responsible manner at zero cost to them. Since 2018, we have recycled 280 lbs. of recyclable batteries.

## Hazardous Waste Management

Hazardous wastes, including universal wastes, which may be generated at MSC locations, are managed in accordance with applicable state and federal regulatory requirements. MSC has developed and implemented standard operating procedures and associate training programs for the management of various types of hazardous wastes. As part of these procedures, MSC also utilizes operational controls to address waste minimization regulatory requirements that reduce and or eliminate the generation of hazardous waste.

In terms of disposing of hazardous waste, MSC utilizes nationally recognized and reputable third-party Treatment, Storage, and Disposal Facilities (TSDFs) to treat and properly dispose of hazardous waste.

## Water

As a distributor, MSC's water consumption is minimal and, in the ordinary course of its operations, the company does not produce wastewater discharges. Many of our facilities are equipped with water-saving fixtures and features, including low-flush toilets, sensor-controlled sinks, and landscape irrigation systems with timers and zone-control capabilities.

As an industrial supply distributor, MSC recognizes that many customers operate in areas with significant water stress and drought. We offer water-efficient product solutions, such as low-flow plumbing fixtures, timers, meters and flow controls. Of these products, several are EPA WaterSense Certified or qualify for Leadership in Energy and Environmental Design (LEED) green building points.

MSC actively monitors water usage at our major fulfillment centers and corporate offices in North America.



## **SOCIAL: ASSOCIATES, COMMUNITY RELATIONS, SAFETY, SUPPLY CHAIN**

### **ASSOCIATES**

MSC employs nearly 7,000 associates in the United States, Canada, Mexico and United Kingdom.

#### [Our Associate Value Proposition](#)

Our goal is to attract, develop and retain a talented team of associates inspired by our greater purpose of fueling the potential of our stakeholders. Our Associate Value Proposition outlines what our associates will achieve and receive individually when we succeed as a team. A career at MSC includes:

- Purpose – MSC helps to fuel the industrial economy, propel our stakeholders' success and contribute to our customers' growth.
- People & Respect – MSC cares about people. We offer a positive work environment; with people you like and leaders you can respect.
- Health & Well-being – MSC offers many available options for our associates and their families to be healthy and plan for the future.
- Rewards & Recognition – Appreciation for our associates' contributions and the opportunity to share financially and intrinsically in MSC's success.
- Growth – The opportunity to learn, take risks and develop a career.

#### [Expectations of All Associates](#)

At MSC we are all “associates,” not employees, in that we have a stake in our success. We rely on each other to be as dedicated to MSC as MSC is dedicated to each associate. This is a critical part of our expectations of our associates and a unique part of our culture. We ask that our associates:

- Make the choice to believe in MSC's purpose.
- Live MSC's values every day.
- Do the right thing for our stakeholders.
- Communicate openly and be transparent in all that you do.
- Strive to win but show humility in the process.

#### [MSC Promotes a Respectful, Productive and Safe Workplace](#)

MSC is committed to creating and maintaining a positive working environment that is free of harassment or discrimination, in which the individual rights of the associate are protected, and management is responsive to the needs and concerns of all associates. Our associates should expect to be treated fairly and with respect. Likewise, our associates are responsible for sharing any concerns directly with their respective supervisor/manager, department leadership, Human Resources Business Partner or Associate Relations. At the same time, MSC expects that our associates will conduct themselves according to the MSC values, Associate Code of Conduct, Code of Business Conduct, and the policies and procedures of the company.

#### [Equal Employment and Affirmative Action](#)

We strive to provide equal opportunity employment in all employment-related matters, including recruitment, hiring, training, promotions, compensation, benefits, treatment during employment, transfers and other personnel actions, without regard to race, creed, citizenship, religion, color, sex,

national origin, ancestry, childbirth, child rearing, sickle cell trait, height, weight, status with respect to public assistance, age, disability, present or past history of mental disorder, sexual orientation or gender identity, gender expression, genetic information, marital status, military discharge status, protected veteran status or any other characteristic protected by federal, state or local law.

#### [Pay Transparency Nondiscrimination Provision](#)

MSC will not retaliate or discriminate against associates or applicants because they have inquired about, discussed and disclosed their own pay information or engaged in a discussion with another associate about their pay.

Associates who have access to the compensation information of other associates or applicants as a part of the essential job functions are prohibited from disclosing the pay of other associates or applicants to individuals who do not otherwise have access to compensation information, unless the disclosure is (a) in response to a formal complaint or charge, (b) in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by MSC, or consistent with MSC's legal duty to furnish information.

#### [Harassment Free](#)

MSC promotes a respectful, productive and safe workplace free from any form of harassment. Unlawful harassment will not be tolerated in the workplace by any of our associates, applicants, suppliers, competitors or customers. For the purposes of this policy, "workplace" includes, but is not limited to, company worksites, customer locations, company-sponsored events, and work-related travel. Prohibited harassment (including Sexual Harassment) includes, but is not limited to, the following behavior:

- Verbal/written conduct such as epithets, derogatory jokes or comments, or slurs based on a person's sex, race, age, disability, national origin, or any other protected characteristic.
- Unwanted sexual advances, invitations or comments.
- Visual conduct such as derogatory, racially charged and/or sexually oriented posters or pictures, artifacts, emails or gestures.
- Physical conduct such as assault, unwanted touching, blocking normal movement or interfering with work because of sex or gender, race or any other protected basis.
- Threats and demands to submit to sexual requests as a condition of employment or to avoid some other loss.

Sexual Harassment is harassment based on sex or gender. Sexual Harassment may take the forms of sexual advances, requests for sexual favors and verbal or physical conduct of a sexual nature when:

- Submission to or rejection of such advances, requests or conduct is made either explicitly or implicitly a term or condition of employment or as a basis for employment decisions; or
- Such advances, requests or conduct have the purpose or effect of unreasonably interfering with an individual's work performance by creating an intimidating, hostile, humiliating or sexually offensive work environment.

Any associate may meet with or contact a member of senior management or Human Resources at any time to ask questions, and seek help to resolve problems, or contact the open board hotline.

## Ethical Standards

MSC strives to hold our associates accountable to the highest ethical standards when conducting business at the workplace. MSC requires all U.S. and Canada based associates to complete the Business Code of Conduct and harassment trainings regularly.

## Open-Door Policy & Dispute Resolution

MSC is committed to creating and maintaining a positive working environment in which the individual rights of the associate are protected, and management is responsive to the needs and concerns of all associates. Our “Open-Door Policy” promotes open, two-way channels of communication between associates and management. It ensures associate concerns are resolved fairly, efficiently and in a timely manner without fear of retaliation.

MSC expects that each associate shall do his or her part to resolve concerns/issues or dissatisfaction through good communication, common sense, initiative and sound judgment and will be given fair and honest treatment in all aspects of employment.

## Non-Retaliation

The company is dedicated to strict compliance with all provisions of applicable law that prohibit retaliation against any associate because of a lawful act taken by such associate in reporting suspected violations in good faith to your supervisor or to any other associate with authority to investigate misconduct.

Accordingly, the Company’s policy prohibits retaliation against any associate who reports a concern in good faith to MSC regarding any conduct which the associate reasonably believes constitutes a violation of law.

## Total Rewards

To compete effectively in our markets, we offer a total compensation package that is competitive with those offered by our key competitors in the businesses and markets where we operate. Just as importantly, we need to balance business needs and profitability with our desire to help our associates succeed financially. Cash compensation, whether delivered as a base salary or bonus, is an important part of the compensation package and serves to:

- Link pay to individual performance and our company’s strategic initiatives and financial targets
- Provide career-growth and pay-increase opportunities
- Be openly communicated, to enhance associates’ understanding
- Balance business-unit flexibility with company-wide consistency
- Provide opportunities to recognize individual and business unit performance
- Balance the needs of associates, the organization and the shareholder

The total compensation package is much more than base pay. It includes the total cash compensation (base salary and any incentive or bonus payments) that our associates see on their pay vouchers, plus company contributions toward additional benefits like health and disability plans, retirement plans and paid time off. It also includes the opportunity to become a shareholder of MSC through the Associate Stock Purchase Plan, 401(k), and/or Equity Incentive Plan.

## Leave Programs

MSC offers associates several types of leave programs.

### Medical & Personal Leave

MSC provides various leaves of absence for medical or personal circumstances. The policies provide eligible associates time away from work to accommodate qualifying needs. As part of our leave policies, the Company complies with all applicable federal and state laws relating to various forms of protected absences. All approved leaves of absence will run concurrently and are not an extension of one another unless otherwise required by law.

### FMLA Leave

MSC provides all eligible associates with leave under Family Medical Leave Act (FMLA). Associates are expected to provide 30 days' advance notice of the need to take FMLA leave when the need is foreseeable. When 30 days is not possible or the need for leave is not foreseeable, associates are expected to provide as much notice as practicable.

### Military Service Leave

At MSC, we take pride in our support of veterans and our associates with military obligations. We abide by all the provisions of the Uniformed Services Employment and Reemployment Rights Act (USERRA) and applicable state laws. If an associate is called to active duty or enlists in the uniformed services of the United States, he or she will retain their legal rights for continued employment under existing state and federal laws.

### Other Protected Absences

In addition to the leaves described herein, the Company complies with all applicable federal and state laws relating to various forms of protected absences.

### Paid Parental Leave Policy

MSC provides up to two weeks of paid parental leave in order to assist and support new parents with balancing work and family matters and to bond with their newborn child, recently adopted child or recently placed foster child.

### Bereavement Leave

Associates are eligible for up to three days of paid bereavement leave following the death of an immediate family member, unless otherwise provided by state law. For purposes of this policy, an immediate family member includes a spouse, registered domestic partner, registered civil union partner, child, parent, brother, sister, grandparent or grandchild of the associate. Also included are members of the same family group through in-law, registered domestic partnership, registered civil union partnership, step, foster or adopted relationships.

### Jury Duty Leave

If an associate is summoned for jury duty, MSC will pay regular pay for a maximum of 10 business days per year, or as required by law.

## Americans With Disabilities Act

MSC is firmly committed to compliance with the Americans with Disabilities Act. To comply with applicable laws ensuring equal employment opportunities for individuals with disabilities, MSC will make reasonable accommodations for the known physical or mental limitations of an otherwise qualified individual with a disability who is an associate or applicant for employment, unless undue hardship and/or a direct threat to the health and/or safety of the individual or others would result.

The company will not discriminate against qualified individuals with disabilities who can perform the essential functions of the job with or without reasonable accommodation as required by law. A reasonable accommodation may include an action which enables a qualified individual with a disability to perform the essential functions of his or her position.

## Lactation Accommodation

MSC supports breastfeeding by accommodating mothers who wish to express breast milk during the workday. For up to one year following the birth of the child (or longer if required under applicable state law), any associate who is breastfeeding will be provided reasonable break periods to express breast milk. Associates also may use any paid break or mealtime each day for purposes of expressing milk. The Company will work with an associate to identify a private area in which to express milk. Retaliation, harassment and discrimination in any way against an associate who chooses to express breast milk in the workplace is strictly prohibited.

## Top Workplace



**MSC Industrial Supply Co. is a 2022 Top Workplace!**

The Charlotte Observer  
charlotteobserver.com

**Newsday**

In 2022, MSC received a [Top Workplaces award](#) for our organization's culture in both our Davidson, North Carolina and Melville, New York, offices. A select number of associates in these locations were voluntarily surveyed, providing their feedback about what it's like to work at MSC.

MSC was recognized in the top 25% of participating companies for three cultural attributes: supportive managers, open-minded and work-life balance.



According to the Top Workplaces survey, 92% of associates think MSC operates by strong values and 90% of associates feel included at MSC.

Associates' feedback also identified organizational strengths:

- Clued-in associates: associates feel informed about important decisions.
- Open-mindedness: associates feel encouraged to share different points of view.
- Development: associates feel their managers help them learn and grow.

### [Learning & Organizational Development \(MSC University\)](#)

In support of the personal and professional development of associates, MSC offers a variety of formal and informal learning sessions through MSC University. Our learning philosophy is centered on the industry-standard 70/20/10 methodology. This learning model suggests that effective development for associates should be approximately 70% from on-the-job experiences—working on tasks and problems; 20% through coaching, mentoring, and feedback; and 10% from formal training.

Some of the learning components offered through MSC University include General Offering Sessions, Core Learning Programs for Leaders, Mentoring, Coaching, and a variety of Organizational Effectiveness Solutions. MSC University directly supports our company's Talent Management Strategy.

### [College Tuition and Certification Reimbursement Program](#)

MSC offers a competitive Tuition Reimbursement Program that supports the growth and development of our associates by providing financial assistance to eligible associates who are working toward an undergraduate degree, graduate degree or completing a certificate program. We invest in our associates to provide them with an opportunity to further develop their skills and knowledge, creating a positive impact on their personal and professional growth.

In February 2021, MSC engaged in a partnership with the University of Arizona Global Campus (UAGC). MSC's partnership with an accredited online university has doubled associate participation in fiscal 2021 by offering a full tuition grant when combined with the tuition assistance program. Currently, there are 39 MSC associates actively enrolled and four who just graduated from the UAGC program.

### [Mentoring Program](#)

Our formal Mentoring Program is a developmental program that fosters the inclusion and engagement of our diverse workforce while strengthening our talent development and building leaders within the organization. This structured experience is designed to stimulate a journey of self-discovery and professional development.

### [Women in Leadership](#)

In calendar 2021, MSC proudly piloted a new program dedicated to our women in leadership roles. MSC's Women in Leadership Program utilizes an integrated approach that allows participants to identify their strengths, clarify how they are viewed by others, and develop a personal leader brand statement using a behavior-based approach.

A cohort of 13 manager- to director-level leaders completed the program in 2022 and a third cohort is planned for fiscal year 2023.

### [Job-Specific Training](#)

MSC University provides learning and development opportunities tailored to the knowledge, skills, and abilities required for specific jobs. For example, job-specific training may include

Challenger Skills, Coaching Skills, CFC Leadership Development Program, ToolingU, and IT/Systems training. Training may be proactively assigned to associates through MyLearning based on their role, business objectives, or by their manager.

Within departments, there are learning and development opportunities specific to the knowledge, skills, and abilities required for the job. Examples of job-specific training include selling skills, product training, Tooling U-SME, and IT/systems training. The Metalworking Sales Training Program in Tooling U-SME helps build the metalworking expertise of MSC associates so they can deliver value to customers through application and product support.

### [CFC Leadership Development Program](#)

The CFC Leadership Development Program provides associates the opportunity to increase self-awareness, provide exposure to all areas of the CFC and build leadership skills to prepare for the shift from leading self to leading others in the future.

### [Supervisor First](#)

The Supervisor First Program for existing or newly hired CFC supervisors focuses on strengthening the leadership skills, knowledge, and abilities to lead others, manage performance, and communicate effectively.

### [Launch Program](#)

MSC provides career-launching opportunities for students and recent graduates in the form of internships and our rotational program. Our programs are designed to drive professional growth within an inclusive environment and provide real-world experience across functions like Finance, IT, Human Resources, Legal, Marketing, Sales, Solutions Operations and Supply Chain.

### [Internship Program](#)

MSC's internship program provides a fulfilling development opportunity for talented, high-performing students looking to launch their careers. Interns are assigned to a specific department for a 10-week assignment and provided an opportunity to develop leadership skills and interact with associates across all levels of the company.

### [Rotational Program](#)

MSC's rotational program is designed for recent graduates looking to explore career opportunities through rewarding and challenging work. During the 2.5-year program, participants are rotated through three teams. This unique experience, which is customized to each participant's interests, provides an opportunity to work directly with executives.

### [Diversity & Inclusion](#)

MSC's commitment to diversity and inclusion is brought to life through our Expand Your Circle initiative and we define it as follows:





## **EXPAND YOUR CIRCLE**

We seek to foster mutual respect and collaboration among all associates of different cultures, ethnicities, religions, sexual orientations, ages, national origins, socioeconomic backgrounds and abilities.

We drive the potential of our associates, customers, suppliers and shareholders by attracting, developing and retaining a workforce of diverse backgrounds and perspectives who bring a variety of talents, experiences and contexts. We believe MSC should be a stimulating environment where all associates see differences as opportunities to expand their circle by learning about themselves, each other, and the communities in which we live and serve.

As part of the 2022 Expand Your Circle activities, MSC launched three new business resource groups, known as Inclusion Circles—Pride, DisABLEd and HOLA (Hispanic Organization for Leadership and Advancement)—adding to those previously introduced in calendar 2021—WIN (Women's Inclusion Network), Veterans, and BIG (Black Inclusion Group).

Membership of the Inclusion Circles has grown by over 850% over the last year to more than 900 members combined, and each is sponsored by an MSC executive.

Inclusion Circles provide our associates with the opportunity to connect to our purpose, promote understanding through a learning culture, and aid in increasing our diverse representation.

We are committed to promoting a respectful workplace, constructive collaboration, innovative creativity and genuine leadership. We will intentionally recognize the dignity and value of every person.

MSC operates a Diversity Council of senior leaders, representing all functions across the organization. This advisory council, which reports to our Chief Executive Officer and Chief People Officer, provides strategic oversight of our commitment to diversity and inclusion. In addition to ensuring that all diverse candidates are considered for open positions, company-sponsored activities have included Annual Diversity Day and Intentional Candid Conversations across the organization.

### **Diversity/Equal Opportunity/Non-Discrimination**

MSC prohibits discrimination against qualified suppliers or individuals based on their status as protected veterans or individuals with disabilities. Additionally, MSC prohibits discrimination against individuals based on race, ethnicity, color, religion, sexual orientation, gender or gender identity, or national origin. MSC is committed to its Equal Employment Opportunity Policy and ensures compliance with this policy through our Affirmative Action Program. MSC is firmly committed to compliance with the Americans with Disabilities Act. MSC is an equal opportunity employer and federal contractor. MSC utilizes numerous suppliers and sub-contractors that are certified to the requirements of minority owned, women-owned, veteran-owned, and disadvantaged small businesses. Conducting business in diverse markets shows MSC's commitment to economic growth, inclusion, and innovation. MSC is continually analyzing its supply chain and vendor database to identify qualified small and diverse businesses that can supply quality products to better suit customer needs.

### **Diversity & Inclusion Training and Awareness**

In order to build and sustain an inclusive culture, there must be a willingness to learn, a desire to understand, and mutual respect for different perspectives. In February 2021, leadership



announced company-wide enhancements to diversity and inclusion training and course offerings for MSC associates. These new course offerings are interactive, engaging, and designed to reflect MSC's values.

The new course offerings are deployed in the following ways:

- Enhanced new hire D&I onboarding requirements
- New required associate training, including an assessment and acknowledgment of MSC's commitment to D&I, and additional compliance training rollouts, and
- Additional optional D&I course offerings for associates through MSC University.

In addition to the new training and awareness offerings, MSC also announced the opportunity for associates to be part of MSC Inclusion Circle Resource Groups. Inclusion Circles are grassroots groups formed by associates across all demographics- race, national origin, gender, sexual orientation, disability, education, geography, military status, occupation, etc. Membership is open to all associates who either identify with the group's focus or wish to advocate and support the Inclusion Circle's mission.

### Diversity & Inclusion Community Impact

MSC is making an impact in the Davidson, North Carolina, area by helping local non-profit organizations that serve women, children, minority and disabled populations through grants, sponsorship funds, volunteer hours and other donations. Examples include grant support to organizations like Ada Jenkins Center, Mooresville Soup Kitchen, Safe Alliance and Second Harvest Food Bank and volunteer and financial support to the IGNITE Center, assisting young adults on the autism spectrum and Time Out Youth, an organization serving LGBTQ children.

MSC awarded 2 scholarships to deserving students at a Historically Black College or University (HBCU) near the Davidson, North Carolina, corporate office.

MSC was recognized as a 2020 Top Employer by Diversity Jobs for our commitment to diversity and inclusion in our workplace. We received designation as a Military Friendly and Supplier Diversity organization. We're proud to have a culture that supports diversity by celebrating and embracing differences. MSC intends to continue expanding our inclusive workforce programs.

MSC's workforce diversity and inclusion efforts have led to several vocational and non-profit agency partnerships to place individuals in part-time and full-time roles at our facilities. Our inclusive workforce program provides workplace opportunities to people with disabilities

Beginning in 2017, the Harrisburg, Pennsylvania, CFC partnered with Keystone Human Services, a local nonprofit focused on supporting adults with autism, to find job opportunities that fit individual skillsets. The relationship with Keystone has developed into a rewarding partnership for the Harrisburg team, and more than 20 disabled associates are employed across the MSC CFC footprint. The organization offers individualized, flexible programs designed to meet the needs of each person, so they can pursue their goals and live full, meaningful lives at home, school, work and in the community. MSC is also proud to partner with the Autism Society's IGNITE Program to support adults with Autism and Asperger's syndrome.

### CEO Diversity & Inclusion Pledge



In 2022, MSC celebrated one year with CEO Action. MSC joined a group of over 2,300 CEOs committed to advancing diversity and inclusion in the workplace when MSC President & Chief Executive Officer, Erik Gershwind, signed the CEO Action for Diversity & Inclusion™ Pledge in calendar 2021.

The pledge is about encouraging and cultivating challenging conversations in the workplace to advance change through the following commitments:

- We will continue to cultivate our workplace to support open dialogue on complex and sometimes difficult conversations about diversity and inclusion.
- We will make unconscious-bias education available to everyone.
- We will share best known -and unsuccessful- actions.
- We will create and share strategic inclusion and diversity plans with our Board of Directors to prioritize diversity and inclusion and drive accountability in our organization.

### [Military Spouse Employer Partnership \(MSEP\)](#)

We are proud to announce that MSC Industrial Supply has joined the Military Spouse Employer Partnership, a commitment to supporting our military spouses.

By signing our Statement of Support, we pledged:

- To increase employment opportunities for military spouses that sustain a talented workforce for Corporate America while maintaining employment status for military spouses as they relocate to new locations across the nation and around the world.
- To provide career promotion opportunities for military spouses who are helping their employers meet key business goals and objectives.
- To ensure pay equity for military spouses commensurate with their level of training, work experience, accomplishments, and credentials.
- To make know this Statement of Support throughout the Armed Forces, our Corporation and Corporate America.

### [Employer Support of the Guard & Reserve \(ESGR\)](#)

We're proud to announce that MSC Industrial Supply has joined the Employer Support of the Guard and Reserve (ESGR)'s Statement of Support program, a commitment to supporting our past and current Guard and Reserve associates.

By signing our Statement of Support, we pledged:

- Fully recognize, honor, and comply with the Uniformed Services Employment and Reemployment Rights Act.
- Provide our managers and supervisors with the tools they need to effectively manage employees who serve in the Guard and Reserve.
- Appreciate the values, leadership, and unique skills Service members bring to the workforce and will encourage opportunities to hire Guardsmen, Reservists, and Veterans.
- Continually recognize and support our country's Service members and their families, in peace, in crises, and in war.

## COMMUNITY RELATIONS

MSC has given back to the community since the founding of the company in 1941. Our formal Community Relations efforts are aimed at making a measurable impact in the communities where we live and work by promoting MSC's unique culture of teamwork, delivering positive results, sharing and diversity.

We seek to build strong partnerships with non-profit organizations and our communities at large through charitable contributions, in-kind donations, and volunteering across three key impact areas.

MSC Community Relations Impact Areas	
1.	<b>Building Healthy Communities</b> through partnerships with organizations committed to improving the mental, physical and environmental well-being of others in the communities where our associates live and work.
2.	<b>Alleviating Poverty and Advancing Economic Empowerment</b> through partnerships with organizations committed to supporting underserved people.
3.	<b>Fueling Education, Training and Skills Development</b> through partnerships with organizations and institutions that stimulate education, job training and career development.

### Community Relations Teams

MSC operates Community Relations Teams comprising associates at each of our major U.S. locations, including our CSCs and CFCs. These teams of volunteers help guide MSC's charitable and volunteer activities and advocate for the company's community relations efforts. Associates in our smaller warehouses also make charitable contributions and participate in volunteer activities. Associates in locations in Canada, the United Kingdom and China participate on teams that support their communities.

### Charitable Contributions & In-Kind Donations

Over the years, MSC has supported dozens of local and national nonprofit organizations through charitable contributions and in-kind donations. Over the past five calendar years, MSC has made total charitable and in-kind contributions of approximately \$43 million.

In fiscal 2022, MSC made charitable contributions or awarded grants to over 50 national and local nonprofit organizations, including organizations such as The Leukemia and Lymphoma Society, The Make-A-Wish Foundation, The Autism Society, The Guide Dog Foundation, Strive, United Way of Long Island, United Way Central Carolinas, The Family Service League of Long Island, Ronald McDonald House, and The LGBT Network.

In addition to financial contributions, MSC annually donates surplus products to nonprofit organizations totaling approximately \$8 million annually. Nonprofit organizations that MSC has made in-kind donations to over the past several years include Waste to Charity, Worldwide Inventory Network, Americares and The Salvation Army, and before Direct Relief.

### Disaster Preparedness & Response

MSC regularly makes charitable contributions and product donations to organizations supporting relief efforts in the wake of devastating events. During fiscal 2022, MSC partnered with Americares to bring relief to the areas impacted by the tornadoes that moved through the South and Midwest United States in December 2021. MSC made charitable contributions to local foodbanks throughout the United States to

help combat food insecurities still being felt in the wake of the COVID crisis. MSC also worked with Direct Relief and Americares to support those affected by the dire situation in Ukraine.

## **MSC Helping Heroes**

In 2017, MSC launched *MSC Helping Heroes*, a companywide program focused on supporting military veterans and their families. One of the cornerstone programs is our partnership with American Corporate Partners (ACP). ACP is a national nonprofit organization that assists veterans through one-on-one mentoring, networking, and career advice. Since the inception of the program, 113 MSC associates throughout the company have mentored over 130 veterans and five active-duty spouses. Since 2017, 73 veterans have obtained employment during their MSC mentorship.

The MSC Helping Heroes program has also included several events and partnerships with other trusted Military and Veteran Service Organizations. Those organizations include America's VetDogs, The Mission Continues, Children of Fallen Patriots, and Soldiers' Angels to name a few.

## **Volunteer Programs**

MSC associates regularly volunteer for company sponsored projects that support nonprofit organizations in our communities. Since MSC began tracking volunteer hours in 2015, our associates have donated nearly 10,000 hours of their time. While the COVID-19 pandemic resulted in a suspension of in-person volunteer activities, MSC continued to engage associates through virtual events with our non-profit partners, on-line fundraising, and virtual giving programs. With the reopening of MSC locations in April 2022, we are reengaging with MSC associates to participate in volunteer opportunities.

An example of a virtual volunteer opportunity that associates participated in was MSC working with MeckEd, a local Davidson, North Carolina, organization, to hold virtual mock interviews. These mock interviews helped students understand what to expect in a real interview, help them improve their self-presentation and offer valuable feedback once the interviews are over. The mission of MeckEd is to ensure that all students in Mecklenburg County have access to the knowledge, skills and experiences necessary to lead productive, successful lives.

In calendar 2022, MSC associates volunteered in-person at the Carolina Raptor Center's Science, Technology, Engineering and Math (STEM) Day in Huntersville, North Carolina. The April 2nd event, sponsored by MSC, brought in nearly 900 visitors to the Raptor Center free of charge. The Carolina Raptor Center is dedicated to environmental stewardship and the conservation of birds of prey, through education, research, and the rehabilitation of injured and orphaned raptors.

## **SAFETY**

Since 2017, MSC has employed a "Safety Leadership System" (SLS) which dictates that every leader in MSC is responsible for the safety of every associate. Our SLS was first introduced and installed by our Executive Vice President & Chief Supply Chain Officer in our Supply Chain Operations group. This included our Customer Fulfillment Centers in the U.S. and Canada, our Class C Solutions Group operations (includes Hanover Park, Illinois; Shelbyville, Kentucky; and four Canadian locations) as well as other supporting functions including engineering, quality assurance and inventory, and human resources. Since the inception of the program, we have expanded our Leadership System into our field solutions operations, our in-plant solutions team and sales organization.

## Safety Leadership System

Every MSC leader engages in the 10 principles of our Safety Leadership System.

- [All incidents and injuries are preventable](#)

Every associate at MSC has the expectation to report an incident or injury upon occurrence to a leader. Every reported occurrence is investigated thoroughly by our leadership to identify a Root Cause of the incident. Occurrences are shared throughout the MSC network as “Lessons Learned” to identify what has happened to a fellow associate and to generate discussions with every group of associates on not only what has already happened, but to raise awareness and avoid potential reoccurrence.

- [Everyone is responsible for safety](#)

Every associate has an equal responsibility for their and their fellow associate’s safety. Associates are empowered to stop their work, or the work of another, if they witness an at-risk condition or behavior. Work will remain stopped until the opportunity can be addressed, and safe work can continue.

MSC Safety Leadership System	
1.	All incidents and injuries are preventable.
2.	Everyone is responsible for safety.
3.	Leaders are responsible for preventing injuries.
4.	Training associates to work safely is imperative.
5.	Safety is a condition of employment.
6.	Associate involvement is vital to a safe working environment.
7.	All operational exposures can be safeguarded.
8.	We will openly share safety best practices and learning opportunities.
9.	We will promote off-the-job safety.
10.	Working safely is good business.

- [Leaders are responsible for preventing injuries](#)

Every leader within MSC is trained to identify at-risk conditions, address at-risk behaviors and conduct thorough investigations into all levels of incidents. Leadership performance goals are identified and employed annually to continually drive improvement to the local safety culture.

- [Training associates to work safely is imperative](#)

All associates are trained in core safety topics from Day One at MSC through our comprehensive New Hire Orientation. New associates in Supply Chain positions also go through a 90-day orientation which covers 12 specific safety topics through the first three months of employment. Monthly, our Global Safety Team creates and distributes Safety Calendars to our associates. Our calendars are designed by target audience for our warehouse associates, Canadian associates and our corporate functions. Global Safety also updates and distributes Toolbox Talks for our leaders to review with their associates weekly.

Throughout the year, associates also receive additional training dependent on their job positions. Our Standard Operating Procedures, which were created and infused with safety considerations, are covered at least annually with associates. Maintenance associates receive annual Lockout/Tagout training. Lockout/Tagout Training is maintenance specific training conducted annually which describes the practices and procedures necessary to shut down and start up equipment that prevents the release of hazardous energy.

Associates in a physical MSC location will participate in at least two Emergency Action Plan drills; one for evacuation of the facility and one for shelter-in-place events (severe weather). Operators of our Powered Industrial Trucks will participate in annual training and retraining events as well as annual Fall Protection Training and inspection of their personalized equipment.

Drivers of our fleet vehicles participate in monthly Defensive Driver Trainings delivered by our Fleet Management partner and can sign up and participate in more modules at their discretion.

- [Safety is a condition of employment](#)

Associates have the responsibility to work safely at MSC. We have incorporated safety goals into all levels of associate performance reviews, finding creative ways for all associates to be engaged in their local safety culture.

Leadership positions have goals built around driving the culture such as, but not limited to, attending safety meetings, presenting at safety meetings, performing monthly audits of their facility, coaching and training associates, finding creative ways to address at-risk conditions or behaviors and following up on their ideas, participating in ISO 45001 planning events, and many more.

Associates have goals built around engaging and participating in their local safety culture. They include, but are not limited to: Safety Team involvement through projects or initiatives, presenting safety topics to their peers, identifying and addressing (with their Leaders) at-risk conditions of their work area, sharing best practices with their peers, etc.

- [Associate involvement is vital to a safe working environment](#)

Our associates have found countless ways to be involved and create safety awareness for their peers. Our associates participate in the Lean/Kaizen Methodology which at MSC includes making at least two safety-related improvements during an event. Our Safety Teams are championed by leaders in our locations and run by hourly associates. Associates conduct safety audits of their work areas and their tasks, identifying recommendations to implement with their local leadership. Local teams conduct monthly facility safety audits identifying compliance of the work areas as well as associate behaviors in carrying out their daily tasks. Associates have participated in roundtable discussions and engagement meetings assessing the local safety culture and offering ideas for improvements.

For our associates who operate remotely or are visiting Customer locations, associates share "Close Calls" with each other through a Salesforce™ Chatter page. Our associates in the Field have also driven changes in Personal Protective Equipment (PPE) upgrades for their peers and created awareness programs regarding "real world" challenges such as slippery driving conditions, ice/snow pedestrian safety, hot/humid weather reminders, and the enforcement of customer-related PPE requirements, etc.

- [All operational exposures can be safeguarded](#)

Our Facility Maintenance Teams are highly trained in our operational equipment. We have partnered with some of our equipment suppliers for additional training on things such as: Powered Industrial Truck Fleet maintenance, Conveyor training, electronics and related equipment training, Fire Suppression System Training, and other additional trainings.

Furthermore, our Safety Specialists conduct full facility audits annually of each of our operations to ensure compliance to Federal, State and local requirements, to MSC policies and procedures, to Property Insurance requirements and industry best practices. Through the pandemic, travel was curtailed, and our Safety team trained each facility to conduct their own audits. With pandemic restrictions easing in most areas of the U.S., our Safety team is again conducting these annual audits.

MSC Fleet operators are required to adhere to regularly scheduled vehicle maintenance appointments with our network of dealerships and repair facilities.

- [We will openly share safety best practices and learning opportunities](#)

Each operation of MSC shares pertinent best practices and recent events with their peer groups in two ways. Our first sharing occurs within 24 hours of a reported incident across MSC. The incident is investigated, logged and communicated to all applicable audiences within MSC.



Leadership will take the information provided and engage their associates in dialogue at their scheduled shift start up meetings.

If an associate across MSC is involved in a severe event such as a recordable injury or an incident which had or could have had severe consequences (as determined by local leadership and/or our Safety specialists), the entire event is investigated to determine a root cause of the incident and a presentation is delivered by our directors to the entire MSC Team. The presentation is then shared with every facility or functional area of the company that could be affected and introduced as additional training material for future associates. These types of events have led to new equipment being added to the operation, policy and procedural changes, awareness events, vendor and/or supplier engagement, etc.

- [We will promote off-the-job safety](#)

The safety culture at MSC extends beyond our “four walls,” and we encourage associates to practice safety at home and with their families. Each month, with our corporate safety communications, our Global Safety team creates and covers at least one “at home topic” for all associates. Topics in the past have included: Holiday Decorating and Safety, Halloween Safety, Springtime reminders, Summertime Safety, Fireworks Safety, Fall home preparatory tips, etc.

- [Working safely is good business](#)

MSC has always considered “walking and talking” safety a sound business practice. This was highlighted in our 2022 Engagement Survey conducted companywide. The highest valued “Driver” identified across our associate population was “I have a safe working environment,” with 88% of respondents strongly agreeing or agreeing with that statement. \* That Driver was a combination of two specific questions: “I am physically safe at work,” and “If I identify a safety issue, I am confident that my manager will handle it accordingly.” We know that when our associates feel safe, they drive overall company performance leading to increased revenues and decreased overall operating costs.

We also know that external to MSC, safety is good business as we support and partner with our customers. MSC shares key safety statistics, programs, policies and best practices with our customers to form a strong working relationship. Those relationships are evident in every aspect of our performance, anywhere from Sales support, order processing and fulfillment, onsite Inventory solutions, and including our own team of sales-oriented Safety professionals on the shop floor finding solutions for customers.

## MSC Safety Principles

There are 12 fundamental elements of the MSC Safety Program.

- [Visible Leadership Commitment](#)

Our Leaders are responsible for the success of our Safety Culture. Every leader must set an example and provide leadership, support and resources to the safety and health system.

- [Incident Investigation](#)

Our associates collaborate on investigating every incident reported from a “near miss,” to a more serious occurrence. We work to identify the root cause and take measurable actions to reduce risk to our associates and operations.

MSC Safety Principles	
1.	Visible Leadership Commitment
2.	Incident Investigation
3.	Integrated Organizational Structure
4.	Policies and Procedures
5.	Leadership Accountability and Responsibility
6.	Goals, Objectives and Plans
7.	Motivation and Awareness
8.	Procedures and Performance Standards
9.	Effective Communication
10.	Training and Development
11.	Observations and Audits
12.	Safety Personnel

- [Integrated Organizational Structure](#)  
Every associate is responsible for safety, not only our Safety Professionals. Our engineered designs reduce risk, our business leaders account for safety in their decision-making processes, etc.
- [Policies and Procedures](#)  
Our policies and procedures are designed for today, with flexibility for tomorrow. Our associates help design them, they know them, and they live them.
- [Leadership Accountability & Responsibility](#)  
Our leaders hold themselves and each other accountable for the success of our Safety Culture. Leaders from across MSC – Supply Chain, Solutions, Sales, etc. – have monthly safety review meetings with senior level leadership to discuss performance, evaluate trends and collaborate on best practices.
- [Goals, Objectives & Plans](#)  
Every associate in MSC holds safety as a core value. Safety is part of our annual goals and performance reviews, part of our incentive programs, and part of our customer success.
- [Motivation & Awareness](#)  
Our associates engage with each other sharing Lessons Learned, close calls, and best practices through their experiences with the encouragement, support and recognition from their leaders.
- [Procedures & Performance Standards](#)  
Our Standard Operating Procedures are built on the foundation of doing every job safely first. We have engineered standards identifying the proper motions and behaviors to perform safely, we employ route optimization tools to ensure safe travel in our fleet, and we encourage our associates to help us design and improve these standards periodically.
- [Effective Communication](#)  
We start every meeting with safety at MSC. To meet this objective, we provide monthly Safety Calendars companywide, Lessons Learned by business unit, weekly Toolbox Talks and open forums for associates at every level to talk safety.
- [Training & Development](#)  
As our business and operations continue to grow, so does the training and development of our associates. When starting their journey with MSC, associates follow a 90-day roadmap, building a solid foundation in how to carry out their daily routine safely and effectively.
- [Observations & Audits](#)  
Associates throughout MSC perform observations and audits pertinent to their job duties. In the field, leaders assess customer compliance and fleet safety while performing ride-alongs with associates. In our locations, we conduct weekly and monthly audits of our work areas to ensure we are providing a safe and healthy workplace. Annually, our Safety Professionals complete an in-depth audit of our facilities to ensure compliance with regulatory standards and MSC policies.
- [Safety Personnel](#)  
The Safety Personnel at MSC are talented safety professionals. Our associates are highly trained individuals who work within MSC to support and enhance the safety culture as well as work with customers outside of MSC to provide state-of-the-art safety equipment, practices, facility audits and more. Our team consists of varying levels of certifications from Certified Safety Professionals



(CSP), Graduate Safety Practitioner (GSP), Associate Safety Professional (ASP) and Qualified Safety Sales Professionals (QSSP).

## **Safety Policies and Best Practices**

MSC has a robust internal Global Safety Policy Manual including the following topics listed below. All our topics are applicable to U.S. and Canadian regulations and many policies go beyond compliance standards to meet or exceed industry best practices.

- Arc Hazard and Flash
- Confined Space
- Contractor Safety
- Conveyor and Related Equipment
- Electrical Safety
- Elevated Work
- Emergency Action Plan
- Fire Protection
- First Aid and Exposure Prevention
- Global Safety Communication
- Hazard Communication
- Hearing Conservation
- Hot Work
- Incident and Injury
- Job Safety Assessment
- Lockout/Tagout
- Machinery and Power Tool
- Manual Material Handling
- Personal Protective Equipment
- Powered Industrial Trucks
- Regulatory Inspections and Abatement
- Respiratory Protection
- Safety Training and New Hire Training
- Toolbox Talk and Global Safety Bulletins
- Visitor Safety
- Workplace Audit and Abatement
- Working Alone

MSC also has designed applicable best practices or procedures for the following topics:

- Regional Inventory Center (RIC) and other small locations
- Customer Fulfillment Safety (Building specific)
- Ergonomics
- Fleet Safety (passenger vehicles only)
- ISO 45001
- Professional Development
- Regulatory Standards
- Safety Team and Associate Participation
- Security

MSC also partners with our customers on-site to address specific safety policies or procedures on a case-by-case basis. Our associates in the field serve many different industries and customers, from light and heavy manufacturing, aerospace, medical, food and drug, mining, government agencies, emergency response, etc., and along with meeting their supply needs, MSC associates adhere to varying site-specific safety policies and procedures from location to location and from industry to industry. We collaborate with our customers to understand their additional requirements, train and prepare our associates to meet those requirements and follow up to identify changes or enhancements to meet new or emerging risks.

## **Overall Safety & Health Management System – ISO 45001**

On January 3, 2020, MSC received our first certification to the ISO 45001:2018 Standard in our Columbus, Ohio, CFC. The certification was conducted by Orion Registrar, Inc. and the American Society of Safety Professionals (ASSP). MSC and Orion have conducted two surveillance audits since certification and identified a few minor non-conformities and opportunities for improvement during each

audit. Our local Leadership, Safety associates and a few other key stakeholders acted to address and implement ongoing programs for each of those minor findings.

Following the three-year certification cycle, MSC's Columbus, Ohio, CFC recertification of the Safety Management System is due in December 2022. Our present certification directly covers <2% of our associate population at MSC, but it has had direct impacts on just over 50% of our associates. Direct impacts include updated Global Safety Policies applicable to all associates, new programs such as Lessons Learned, Safety Alerts, Safety Calendars, and other forms of communication we developed from this program for associates across MSC.

This 50% impacted represents the components of the Safety Management System that are applied within the other CFCs and Field Solutions associates' business practices. MSC is taking the elements of the ISO program and introducing them throughout our Supply Chain (i.e., CFCs to our Field Solutions efforts) and other CFCs are underway in their ISO certification process, which in turn puts these processes into practice and shapes how every associate's safety is viewed and considered with high priority.

With this initial certification complete, MSC developed incremental plans in the next 3 years (2022 – 2025) to conduct certification audits to the ISO 45001 Standard in three of our five remaining U.S. CFCs. Our Pennsylvania, Indiana, and Nevada CFCs are currently underway in their Planning stages which includes identifying and assessing Risk to our associates and operations. This process is in depth, requiring the identification of Risk to associates and the operation, enacting and measuring action plans to address "High Risks," and reassessing to evaluate the effectiveness of those plans over three to six months.

Even without certification in all our locations, MSC has implemented varying aspects of the risks identified by our Columbus Ohio, team throughout our network. Topics include Associate training and retraining, Contractor and Visitor Management, Job Safety Analysis (JSA) and Security.

MSC partners with contractors for a variety of needs, supplying support and services in various areas of our operations. We partner with contractors for such tasks as janitorial work, food service, equipment service, equipment installation, construction and related activities, project management, consultation, etc. Part of collaborating with our contractors is collecting baseline "risk" data, such as Insurance information and Regulatory Agency statistics, as contractors apply to open bids. Once contractors are selected by MSC, we perform an in-depth review of their overall Safety Program.

At MSC we require our contractors to at least meet our policy expectations. We verify applicable Safety and Risk policies exist, Contractors and their employees are well trained in applicable safety regulations, applicable Trade/Craft Training or certification is up to date, etc., as well as each contractor has identified an individual(s) who is responsible for the Safety of their employees and will be present for all work. We require contractors to inform us of any incident or injury upon occurrence and will assist them in investigations if necessary.

During contracted work activities, MSC leaders and/or Project Managers meet with our contractors at planned intervals to review work activities as well as safety and health performance, review any audits conducted along with audit findings, policy compliance, applicable safety training conducted, etc.

## **Driver Safety**

Some MSC associates may have job duties that include driving on behalf of the company in a personal vehicle or the operation of a company or customer vehicle.

MSC uses CEI, an innovative, web-based driver risk management program, to train associates with fleet vehicles. The company's Driver Safety training program covers three components: Fleet Handbook policy training, hazard perception evaluation, and targeted training. Since fiscal 2020, MSC's preventable accident rate has increased slightly from 1.844 accidents (per million miles driven) to 1.895 in fiscal 2021.

The increased accident rate in fiscal 2021 is attributed to an increase in fleet activity from the previous fiscal year as a result of COVID-19 restrictions being lifted.

### **Safety Performance Data**

MSC rigorously tracks and measures safety performance. We report total recordables per year, recordable case rate, lost workday cases per year, lost workday case rate, restricted workday cases per year, restricted workday case rate, other recordables per year, and Days Away/Restricted Time (DART) case frequency rate per year.

MSC compares consistently well below industry averages in three measurable criteria:

<b>Metric</b>	<b>Industry Average</b>	<b>MSC Performance</b>
Total Recordable Rate	2.2	1.09
Lost Workday Cases	0.9	0.62
Restricted Workday Cases	0.5	0.26

Please refer to the Appendix (page 55) for a graphical display of the past five years' worth of safety data, source for the Industry Average, and definitions of each metric.

### **SUPPLY CHAIN**

MSC purchases substantially all our products directly from approximately 3,000 suppliers. No single supplier accounted for more than 5% of our total purchases in fiscal years 2021, 2020 or 2019.

We offer approximately 2.1 million active, saleable stock keeping units (SKUs) through our catalogs; brochures; eCommerce channels, including our website, [mscdirect.com](http://mscdirect.com); our inventory management solutions; and call centers. We carry many of the products we sell in our inventory, so that orders for these in-stock products are processed and fulfilled the day the order is received. We offer next-day delivery nationwide for qualifying orders placed by 8 p.m. Eastern Time. Our customers can choose among many convenient ways to place orders: [mscdirect.com](http://mscdirect.com), eProcurement platforms, call centers or direct communication with our outside sales associates.

We endeavor to save our customers' money when they partner with us for their MRO and metalworking product needs. We focus on building stronger partnerships with our customers to help them improve their productivity and growth. We do this in several ways:

- Our experienced team includes customer care team members, metalworking specialists, safety specialists, inventory management specialists, technical support teams and experienced sales associates focused on driving our customers' success by reducing their operational costs.
- Our robust systems and transactional data enable us to provide insights to our customers to help them take cost out of their supply chains and operations.
- Our extensive product inventory enables customers to deal with fewer suppliers, streamlining their purchasing work and reducing their administrative costs.
- Our timely shipping enables our customers to reduce their inventory investment and carrying costs.

- Our purchasing process consolidates multiple purchases into a single order, providing a single invoice for multiple purchases over time, and offering direct shipments to specific departments and personnel at one or more facilities. This reduces our customers' administrative costs.
- Our extensive eCommerce capabilities provide sophisticated search and transaction capabilities, access to real-time inventory, customer-specific pricing, workflow management tools, customized reporting and other features. We can also interface directly with many purchasing portals.
- Our inventory management solutions enable our customers to carry less inventory and still dramatically reduce situations when a critical item is out of stock.
- Our proprietary software solution, called ApOp (Application Optimization), enables our metalworking specialists to document productivity savings for customers for a range of applications, including grinding, milling, turning, threading, sawing, hole-making, metalworking fluids and other manufacturing process improvements.
- Our value-added solutions approach to driving our customers' success serves to differentiate MSC from traditional transaction-focused distributors.

We improve purchasing efficiency and reduce costs for our customers because our offerings enable our customers to consolidate suppliers, purchase orders and invoices, and reduce inventory tracking, stocking decisions, purchases and out-of-stock situations. In addition, through Vendor Managed Inventory, Customer Managed Inventory and vending solutions, we empower our customers to utilize sophisticated inventory management solutions.

MSC's companywide goal is to drive results for customer business needs by providing the industry's leading MRO resources, rethinking, retooling, and continuously optimizing the supply chain for a more productive tomorrow.

We serve individual machine shops, Fortune 100 companies, government agencies and diverse manufacturers of all sizes. Our national account program includes Fortune 100 companies, large privately held companies, and international companies doing business in the United States.

Federal government customers include large and small military bases, Veterans Affairs hospitals, federal correctional facilities, the U.S. Postal Service and the Department of Defense. We have individual state contracts but also are engaged in several state cooperatives.

Our sales representatives are highly trained individuals who build relationships with customers, assist customers in reducing costs, provide technical support, coordinate special orders and shipments with vendors and update customer account profiles in our information systems databases. Our approach is based on the ability of the sales representative, armed with our comprehensive databases as a resource, to respond effectively to the customer's needs. When a customer places a call to MSC, the sales representative on the other end of the line has immediate access to that customer's company and specific buyer profile, which includes billing and purchasing track records and plant and industry information. Meanwhile, the sales representative has access to inventory levels on every SKU we carry.

Our in-bound sales representatives at our customer care centers undergo an intensive seven-week training course, followed up by regular on-site training seminars and workshops. We monitor and evaluate our sales associates at regular intervals and provide our sales associates with technical training by our in-house specialists and product vendors. We maintain a separate technical support group dedicated to answering customer inquiries and assisting our customers with product operation information and finding the most efficient solutions to manufacturing problems.

## **Virtual Customer Care Hubs**

As part of our enhanced customer support model implemented in fiscal year 2021, we transitioned from our branch office network to virtual customer care hubs. Our virtual customer care hubs continue to play an integral role in obtaining new accounts and penetrating existing ones.

## **Customer Service**

One of our goals is to make purchasing our products as convenient as possible. Customers submit more than 60% of their orders digitally through our technology platform (website, vending machines, and eProcurement). The remaining orders are placed via telephone, fax and mail. The efficient handling of orders is a critical aspect of our business. Order entry occurs at our main customer care centers and virtual customer care hubs with fulfillment occurs at mostly our customer fulfillment centers. Customer care phone representatives enter non-digital orders into computerized order processing systems. In the event of a local or regional breakdown, a call can usually be re-routed to an alternative location. When an order enters the system, a credit check is performed; if the credit is approved, the order is usually transmitted to the customer fulfillment center closest to the customer. Customers are invoiced for merchandise, shipping and handling promptly after shipment.

## **Business Needs Analysis**

MSC's unique three-step Application Optimization process allows our metalworking specialists to survey machining operations, recommend improvements and document results. We get to know our customer's business, understand their goals, analyze areas where they can drive efficiencies, and document recommended changes through a range of solutions to address their specific needs.

MSC's Better MRO platform offers metalworking technical resources, such as a productivity calculator and machining calculator that help customers maximize throughput and part quality.

## **Vending Services**

MSC's Inventory Management (IM) vending solutions are modular, configurable, flexible, and offer a web-based dashboard view of production inventory. This solution set is built on the latest touchscreen and cloud-computing technology and is powered by robust software that includes comprehensive reporting. Inventory Management Solutions will play an increasingly critical role in helping our customers solve their mission-critical problems on the plant floor.

## **Quality Assurance**

Whether searching for the right product, offering technical expertise or fulfilling an order, MSC is committed to quality. MSC has built reliable, measurable processes to ensure that products and services offer exceptional value and help customers drive greater productivity, profitability and growth.

MSC achieved ISO 9001:2015 certification as another way to extend the value we deliver to our customers. Certification under this global standard means customers can trust that products purchased from MSC are handled, packaged and shipped properly.

## How We Deliver

ISO 9001-2008 is based on several quality management principles, including a strong customer focus, commitment from top management, utilization of a process-focused approach, and continual improvement. MSC uses the following quality processes:

- **Statistical Quality Control and Reporting:** We constantly monitor quality metrics. Internal measures include inbound item accuracy, inventory, stocking location, and outbound package accuracy. External, customer-reported measures include customer comment cards and on-time delivery.
- **Packing and Shipping:** All orders flow through a validation process in which individual items are scanned to ensure orders are complete and accurate. Orders are prepared using proper and/or protective packaging and labeling, and are checked for item accuracy, quantity, packaging, and documentation.
- **Product Inspections:** MSC associates perform multiple inbound and outbound inspections to verify that items are free of defect or damage.
- **Corrective Action Systems:** MSC maintains documented processes for formal corrective actions, if needed, internally and with our suppliers.

## Products

Product compliance is a key aspect of our sustainability efforts. As an industrial supply company, we work directly with our many product suppliers to ensure that Safety Data Sheets, labels and other product information meets the requirements of the OSHA Hazard Communication Standard and the Globally Harmonized System of classification and labeling. Customers can quickly and easily obtain Safety Data Sheets and other important product information online at our website at [www.mscdirect.com](http://www.mscdirect.com) and other platforms. In addition, MSC's Environmental Compliance & Sustainability Department directly assists customers and associates with product stewardship inquiries.

Customers can request customized Safety Data Sheet delivery preferences in the form of electronic submission or hard copy delivery with every order.

MSC regularly works with suppliers to obtain certificates of compliance for customers that require such documentation. MSC maintains a database of product certifications, including those for international regulations, such as European Union Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and the Restriction of Hazardous Substances Directive (ROHS). Product quality must be in accordance with generally accepted manufacturing standards (e.g., ANSI, UL, CSA, CE) to ensure reliability and safety. Supplier identification of chemical ingredients and compliance with applicable safety and environmental regulations is required to reduce or eliminate toxic substances, minimize environmental impact, and protect consumer health. MSC maintains a list of substances that are prohibited due to their potential negative impact on health or the environment, including polychlorinated biphenyls (PCBs), asbestos or mercury (except, in the case of mercury, to the extent mercury is required for the product to operate properly).

We are proud to partner with key suppliers that have robust sustainability programs and environmental protection initiatives. Supplier efforts to achieve sustainability objectives are provided to MSC upon request. This includes, but is not limited to, supplier manufacturing, purchasing and distribution processes, packaging, natural resource conservation, and energy consumption. Suppliers are subject to evaluation based on objective factors such as product quality, pricing, reliability and commitment to environmental and social performance.

## Eco-Friendly Products

MSC enables customers to “go green” by providing innovative, eco-friendly solutions and products that reduce costs and environmental impact. We offer thousands of environmentally friendly products to help customers meet their sustainability goals through improved efficiency and greenhouse gas and waste reduction.

MSC offers 20,000 products that carry environmentally preferred certifications or contain environmentally preferable attributes, including Green Seal, Safer Choice, ECOLOGO, GREENGUARD, EnergyStar, WaterSense and USDA Bio-preferred. MSC also offers items that are certified as responsibly sourced by organizations such as Forest Stewardship Council and the Sustainable Forestry Initiative. In addition to third-party certified products, MSC works with suppliers to identify other products with favorable green attributes. These products can reduce water and energy consumption, are made from pre- or post-consumer recycled content, contain biodegradable properties, and exhibit other preferable characteristics.

MSC's extensive inventory of green products helps customers achieve requirements for Environmentally Preferable Products (EPP) purchasing standards. On our website ([www.mscdirect.com](http://www.mscdirect.com)), we provide dropdown menus and filters to make it easy for customers to search eco-friendly product categories and products, including lighting, paints and adhesives, motors, safety, janitorial, HVAC, and lubricants, coolants and fluids. In our ongoing effort to expand green product offerings, we have a dedicated team of associates that review items with green attributes. As EPP demand grows, MSC will continue to work with suppliers to identify and market these products.

## Customer Safety

MSC helps keep customers safe by providing high-quality Personal Protective Equipment (PPE) and Facility Safety products. MSC is dedicated to showcasing innovative products spanning more than 30 product categories from leading safety manufacturers, including safety glasses, gloves, ear and eye protection, matting, sorbents, signs and identification.

MSC's internal safety experts often work with customers on the production floor and in the office to source safety solutions and products, provide technical expertise, and recommend solutions to streamline processes. Additionally, MSC offers a broad selection of safety training and education resources from its industry-leading partners, including the Center for Safety and Environmental Management.

## Conflict Minerals Policy

MSC is committed to responsible corporate citizenship and condemns the atrocities perpetrated by militants in the Democratic Republic of the Congo (DRC) and its adjoining countries. MSC is also committed to complying fully with the applicable law. As part of this effort, MSC will continue to:

- Identify the sources of any conflict minerals in the products we manufacture or contract to manufacture.
- Improve, year-over-year, our ability to track conflict minerals in our supply chain and report on their countries of origin.
- Eliminate any conflict minerals that are not DRC conflict-free from the products we manufacture or contract to manufacture; and
- Support industrywide initiatives to audit smelters and refiners of conflict minerals.

In addition, MSC expects that its suppliers will:



- Not knowingly supply MSC with products containing conflict minerals that are not DRC conflict-free; and
- Support MSC's efforts to identify the smelters and refiners that process conflict minerals used in our products and the countries and mines of origin of such conflict minerals.

### Efforts to Prohibit Slavery and Human Trafficking in our Supply Chain

MSC is committed to responsible corporate citizenship and to eliminating all forms of human trafficking and modern slavery from our primary supply chain. We expect our suppliers to operate their businesses with the utmost integrity and in compliance with all applicable laws and regulations, including those addressing human trafficking and modern slavery, collectively "Laws".

MSC requires its suppliers to agree to comply with this Policy and with Applicable Laws through either a Supplier Agreement, MSC's Supplier Terms and Conditions, and/or [MSC's annual supplier requirements letter](#). Each of these requires that suppliers: (1) if required, agree to the requirements of Federal Acquisition Regulations ("FARS") 52.222-50 and 52.222-56; and (2) warrant and represent that no products furnished to MSC will have been laundered or produced by sweatshop labor, forced labor, convict labor, indentured labor under penal sanction, abusive forms of child labor, exploitation of children, or any other form of human trafficking. When any supplier non-conformance with MSC's modern slavery and human trafficking policies is found, MSC requires each such supplier to perform corrective actions, and if the non-conformance persists, MSC will cease to do business with the supplier.

For more information and links to related policies, see [MSC's Anti-Trafficking and Anti-Slavery Policy at www.mscdirect.com](#).

### Supplier Recognition

MSC received a **BAE Systems Partner2Win Gold Award** for achieving outstanding results in supporting repair and modernization projects aboard more than 30 naval and commercial vessels last year.

BAE Systems' Partner2Win is a global program designed to achieve operational excellence and eliminate defects in its supply chain by raising the bar of performance expectations to meet the demand of current and future customers.

## GOVERNANCE

MSC strives to make advances within all areas of ESG. MSC has two Executive Level Sponsors that are directly responsible for ESG: Neal Dongre (Vice President, General Counsel and Corporate Secretary) and Kristen Actis-Grande (Executive Vice President and Chief Financial Officer).

All MSC Associates collectively support the respective E, S, and G captains with both planned and unplanned projects every fiscal year. On an ongoing basis, and at a minimum annually, the Executive Level Sponsors, Neal Dongre and Kristen Actis-Grande, update the Nominating & Corporate Governance Committee comprised of the members of the Board of Directors and other key internal stakeholders who are ultimately responsible for all MSC's ESG Initiatives.

### Business Continuity Management Program

The MSC Business Continuity Management Plan (BCMP) ensures continuous business operations of critical business functions in the event of a disruption of business. The BCMP is comprised of 4



components: (1) Crisis Management Plans; (2) Emergency Action Plans; (3) IT Disaster Recovery Solutions; and (4) Business Continuity Plans.

While Crisis Management Plans involve procedures dedicated to incident identification, evaluation, declaration, plan activation and deactivation, Emergency Action plans are established for each location providing emergency response information including life safety and evacuation instructions on how to react in the event of on-site emergency incidents.

The IT Disaster Recovery function is centered at a location geographically separate from both its CSCs and its primary data center where MSC IT partners with functional business owners on a periodic basis to perform disaster recovery plan testing.

Business Continuity Plans address the recovery and continuity of critical business functions required to maintain an acceptable level of operation during an incident. On an annual basis, MSC's Risk Management department will reach out to the various functional Business Continuity leaders for maintenance.

### Business Continuity Plans

MSC Business Continuity Plans address the recovery and continuity of the critical business functions required to maintain an acceptable level of operation during an incident. A Business Impact Analysis ("BIA") workshop was performed with Executive Management to identify MSC's critical business functions (those functions needing to be recovered within one week of a declared crisis).

The 15 critical business functions as identified by the BIA include: MSC Customer Care Centers (U.S.), Goods Out (U.S./U.K.), Logistics Operations, Logistics Support, E-Commerce, Credit and Collections, Goods In (U.S./U.K.), Cash Management, Payroll/HR Admin, Inventory Management/Purchasing, A/P, A/R, Helpdesk, SEC Reporting and Corporate Marketing. Each of the 15 critical business functions have their own Business Continuity Plans that address solutions to a declared crisis.

### Crisis Management Plans

MSC's approach to Crisis Management includes the creation of Crisis Management Teams and Plans to ensure direction and coordination during an operational disruption. MSC utilizes a multi-team approach and has created the following Crisis Management Team Structure: Corporate Crisis Management Team ("Corporate CMT"), Incident Support and Escalation Team ("ISET"), and a CFC Crisis Management Team ("CFC CMT"). First, the Corporate CMT consists primarily of senior executives, responsible for overall management of a crisis and coordination and facilitation of activities aimed at managing the crisis.

Next, the ISET provides guidance and support to the Individual CFC Crisis Management Teams and makes the determination whether an incident should be escalated as a crisis to the Corporate CMT. Lastly, the CFC CMT involves site-specific crisis management teams responsible for managing problems and issues that occur at their respective sites. MSC regularly conducts tests (including structure walk-through table-top tests, component tests and simulation tests) to ensure our ability to respond to and manage necessary communications and logistics during crisis events. MSC internally stores our Crisis Management Plans and does not release them for security reasons.

## Emergency Preparedness

### [IT Disaster Recovery Plan](#)

MSC's Disaster Recovery Plan establishes alternative means of operation in advance to provide smooth and rapid restoration of service while also training personnel on MSC's established emergency procedures. The Plan consists of a 2-Class System designation: Class 1 Systems are required for MSC to take and process orders and accept payments; Class 2 Systems are all other production systems not vital to support one of the Class 1 business activities. As part of an annual audit process, MSC's IT Disaster Recovery tracks major test processes and test cases. On a periodic basis, the IT team partners with the functional business owners to perform disaster recovery plan testing.

### [Emergency Action Plans](#)

For each MSC location, MSC has instituted Emergency Action Plans (EAPs) which provide emergency response information including life safety, evacuation, and shelter in place instructions on how to react in the event of an on-site emergency. Examples of types of emergencies that can affect MSC facilities include fire, explosion, medical emergency, chemical spill, power loss, bomb threat, workplace violence, gas, suspicious package, tornado, hurricane, blizzard, flood, and earthquakes. MSC's EAPs are intended to ensure that all MSC Associates, visitors, and vendors have safe procedures that are in accordance with local, state, and federal regulations, to follow in the event of an emergency.

### [IT Security Incident Response Plan](#)

MSC's Information Security Team has established an IT Security Incident Response Plan (IRP) with guidelines and standard processes to manage its response to a security incident. The IRP is a 4-phased model: (1) Preparation; (2) Detection and Analysis; (3) Containment, Eradication and Recovery; and (4) Post-Incident Review. First, the Preparation phase prepares MSC's systems and staff to efficiently respond to security incidents by working with various departments to define scenarios that require formal incident response and determine how an incident is reported.

Next, the Detection and Analysis phase identifies, classifies, and initiates a response to understand and determine the incident's full scope and impact. Phase 3, or the Containment, Eradication and Recovery phase, works to reduce the impact and/or risk consequences from an incident and ensures the Cyber Incident Response Team (CIRT) restores MSC's network to normal operation. Finally, the Post-Incident Review phase focuses on incident closure, process improvement, investigations, and metrics. Bi-annual meetings are held by the Incident Manager and appropriate members from the CIRT to ensure the continued development of MSC's incident response readiness.

## Ethics and Integrity

Throughout its history, MSC has been guided by a value system that emphasizes integrity and trust at all levels of the organization. The company maintains long-standing policies and practices to ensure that MSC is managed with integrity and in our shareholders' best interests. In addition, MSC is committed to upholding the sound principles of corporate governance, meeting the requirements of federal and state law, and the rules of the New York Stock Exchange and U.S. Securities and Exchange Commission.

In November 2003, The Board of Directors created a standing Nominating/Corporate Governance Committee and affirmed the Company's Corporate Governance Principles which, along with the charters of the Board Committees and the Company's Code of Business Conduct for associates, provide the framework for the governance of the Company.

#### [Corporate Governance Guidelines](#)

The Company's Corporate Governance Guidelines address matters such as the composition and size of the Board, director qualifications, independence of directors, director responsibilities, frequency of Board meetings (including meetings to be held without the presence of management), the Board's access to members of management and outside experts, and ways for shareholders or others to communicate their concerns to the Board.

#### [Whistleblower Hotline/Program](#)

MSC is governed by the highest standards of business conduct and ethics. MSC has designated two confidential and anonymous hotlines for reporting information regarding questionable accounting or auditing, fraud, abuse and/or waste. The Fraud, Abuse and Waste (FAW) hotline is relayed to either the Chairman of the Audit Committee or to the Director of Internal Audit, and the Whistleblower hotline is directed solely to the Chairman of the Audit Committee. MSC policies encourage all associates to communicate directly with their supervisor/manager when they have knowledge of any questionable instances. Accordingly, MSC's policy prohibits retaliation against any associate who reports a concern in good faith to MSC regarding any conduct which the associate reasonably believes constitutes a violation of law. The log of all reports made to the Whistleblower hotline, and their resolution, are presented to the Audit Committee on a regular basis.

#### [Code of Business Conduct](#)

The MSC Code of Business Conduct articulates the standards of business and professional ethics that are expected to be followed by all MSC associates in dealings on behalf of the company. The code includes, but is not limited to, confidentiality of corporate information, non-solicitation, conflicts of interest, integrity and falsification of records, entertainment and gifts, stock trading, government procurement, and others. MSC associates must complete a Code of Business Conduct Assessment on an annual basis and the training results and adherence to this process are reviewed by the MSC Internal Audit team.

#### [Code of Ethics](#)

MSC's Code of Business Ethics sets forth additional guiding principles of ethics and certain legal requirements applicable to the Principal Executive Officer and Senior Financial Officers including the Chief Financial Officer (CFO), Controller, Finance Directors and Senior Managers of MSC Industrial Direct.

#### [Shareholder Communications Policy](#)

Shareholders and other interested parties can communicate directly with any of the Company's directors by sending a written communication to a director at MSC Industrial Direct Co., Inc., c/o Corporate Secretary, 515 Broadhollow Road, Suite 1000, Melville, New York 11747. Shareholders and other interested parties wishing to communicate with our Non-Executive Chairman of the Board, Lead Director or non-management members of the Board may do so by sending a written communication to Philip Peller, our Lead Director, at the above address. Communications may be addressed to the Non-Executive Chairman of the Board, the Lead Director, an individual director,

a Board committee, the non-management directors, or the full Board. All communications received in accordance with these procedures will be promptly reviewed by the Company's General Counsel & Corporate Secretary before being forwarded to the appropriate director or directors. The Company generally will not forward to directors a communication that the Assistant Corporate Secretary determines to be primarily commercial in nature, relates to an improper or irrelevant topic or requests general information about the Company.

For guidance regarding shareholder nomination to the Company's Board of Directors, please refer to the [Policy Regarding Shareholder Nominations for Director](#).

## **Customer Privacy**

MSC takes its customers' privacy very seriously. To that effect, MSC has instituted numerous IT programs and safeguards to protect any customer information that MSC obtains or accesses.

## **Information Security**

MSC has an information security program that references several security frameworks, including PCI-DSS, NIST 800, and ITIL, to guide our security practices and manage the information security risk to our Associates, Customers, Owners, and Suppliers.

We have implemented many advanced technologies and industry best practices to safeguard our data and information systems. A robust cybersecurity training and awareness program is in place, with over 90% of our associates completing data privacy and information security coursework annually. Finally, our entire information security program is governed by a senior executive review committee with Board-level oversight.

## APPENDIX

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<b>MSC Environment and Sustainability Policy Statement</b>	<b>53</b>
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## ENVIRONMENTAL & SUSTAINABILITY POLICY STATEMENT

MSC is committed to incorporating sustainability and environmental responsibility into its business operations and decisions. Environmental responsibility is an integral aspect of our business mission, as stated in our Business Code of Conduct. MSC strives to be a responsible corporate citizen with all our stakeholders in mind, including our associates, customers, owners, suppliers and neighboring communities. Our awareness and concern for the environment aligns directly with our culture, core values and guiding principle of “Do the right thing.” MSC is committed to achieving the following objectives:

### Responsibilities

Senior Leadership and Management will:

- Maintain an Environmental Compliance & Sustainability (EC&S) Department that will provide technical assistance, training and guidance for environmental and sustainability programs throughout the organization.
- Identify and review environmental and sustainability objectives, including the cross-functional assessment of current and future needs, performance and goals.
- Continue to employ qualified environmental, sustainability, product stewardship, and risk management professionals to ensure the protection of health, safety and the environment.
- Engage with investors, employees, governmental agencies and other stakeholders to explain and improve environmental and sustainability initiatives.
- Periodically review this policy statement and update as applicable to reflect new sustainability targets, disclosures, procedures and performance metrics.
- Make this policy statement publicly available to all associates and interested parties.

Associates and all other workers will:

- Follow company environmental and sustainability policies and procedures to comply with all applicable environmental laws and regulations.
- Participate in projects that contribute to sustainable stewardship by way of societal, economic and environmental benefits.
- Drive company culture that encourages corporate sustainability and environmental-awareness activities.
- Continue to foster associate engagement through various programs and activities, including volunteer and educational opportunities.

### Policy Objectives

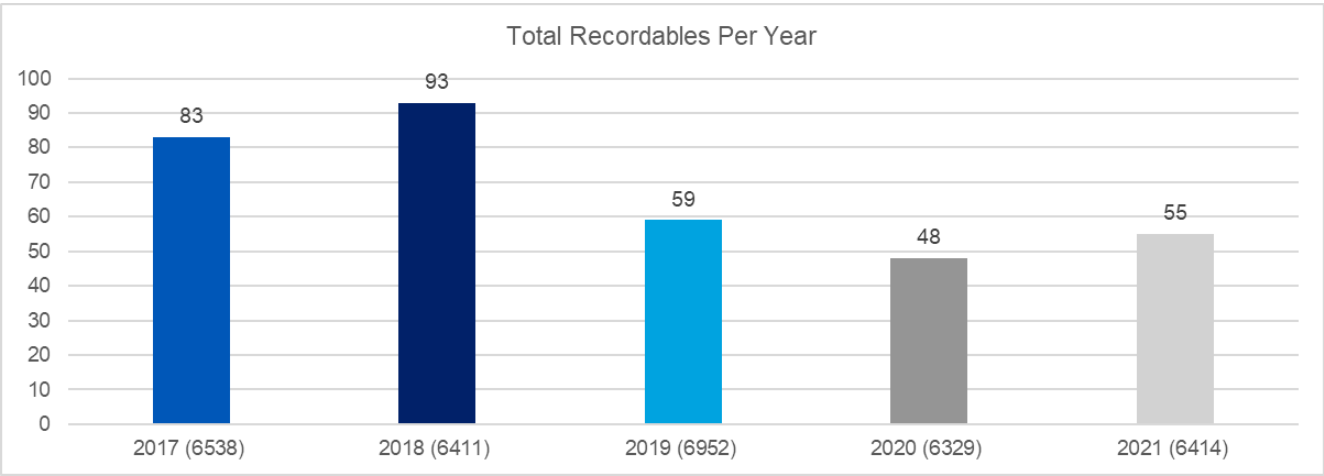
MSC will:

- Strive to minimize the carbon footprint and other environmental impacts of our operations. It is MSC's goal to handle, use, distribute, sell, service, transport and dispose of all products in an environmentally sound manner.
- Continue to monitor and improve environmental performance in our facilities in the areas of energy efficiency, utility performance and natural resource consumption.
- Manage disposal of waste in a compliant and environmentally sound manner, utilizing reliable vendors and industry best management practices.
- Continue specialized recycling programs for qualified materials, including but not limited to, electronic waste, universal waste, batteries, printer ink and toner, paper, cardboard, pallets, etc.
- Maintain product-donation programs to reduce waste and enhance communities by providing viable products to local municipalities, schools and non-profit organizations.

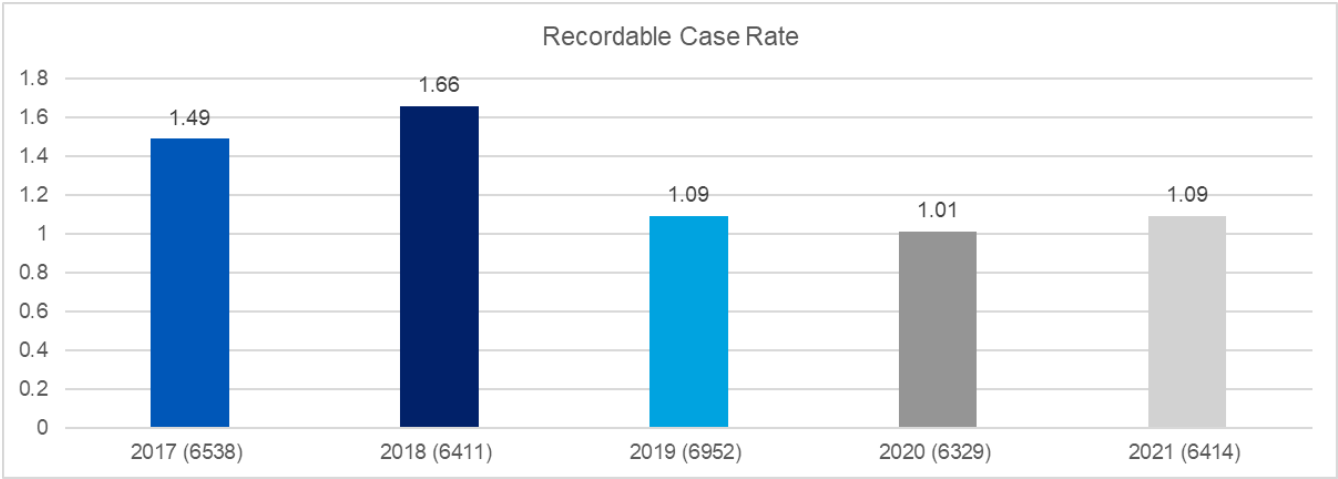
- Continue to provide environmentally preferable product (EPP) solutions for our customers.
- Continually evaluate supplier product compliance with all applicable laws and regulations, including prohibition or restriction of specific substances, labeling, recycling and disposal under the leadership of the EC&S Department.
- Promote continual improvement through regular environmental compliance assessments and reviews.
- Utilize pollution-prevention measures to avert unintended releases or harm to the environment.

**SAFETY PERFORMANCE DATA (Calendar Year Data)**

**Recordable Incidents**



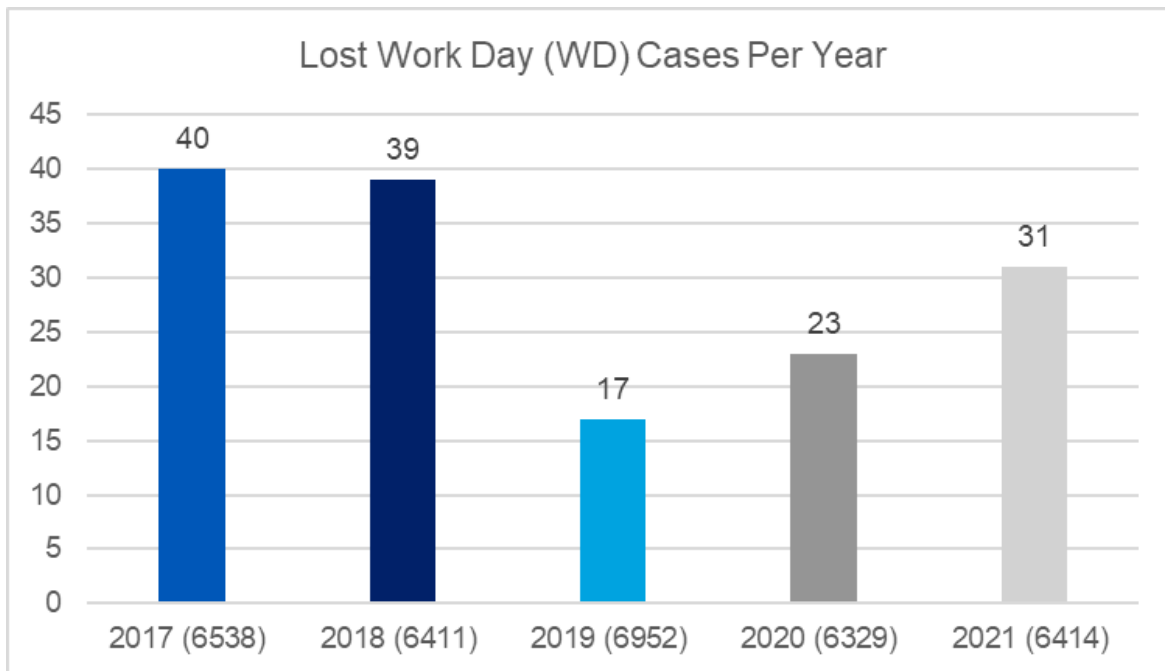
Total Recordables Per Year: This is the total number of recordable injuries across MSC in the United States annually reported to OSHA. According to OSHA, a recordable injury is “any work-related injury or illness that results in loss of consciousness, days away from work, restricted work, or transfer to another job. Any work-related injury or illness requiring medical treatment beyond first aid.”



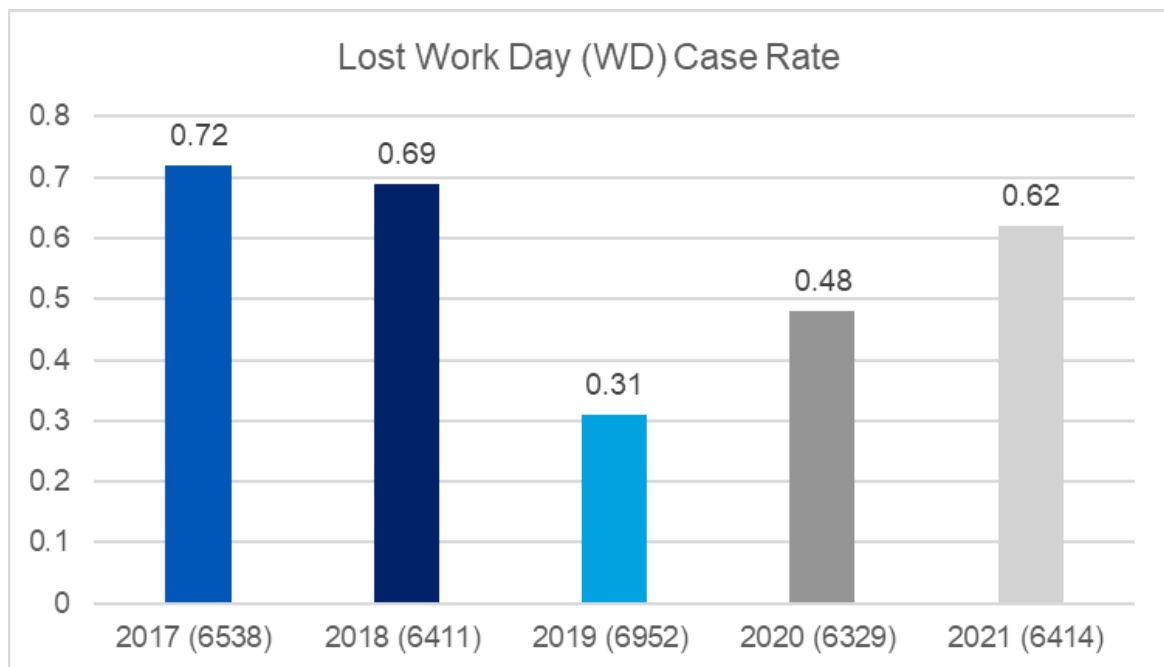
Recordable Case Rate: Recordable Case Rate is a frequency rate comparing recordable injuries to 100 full time associates.  $(\text{total recordable incidents} \times 200,000 \text{ hours}) / (\text{actual hours worked})$



## Lost Workdays

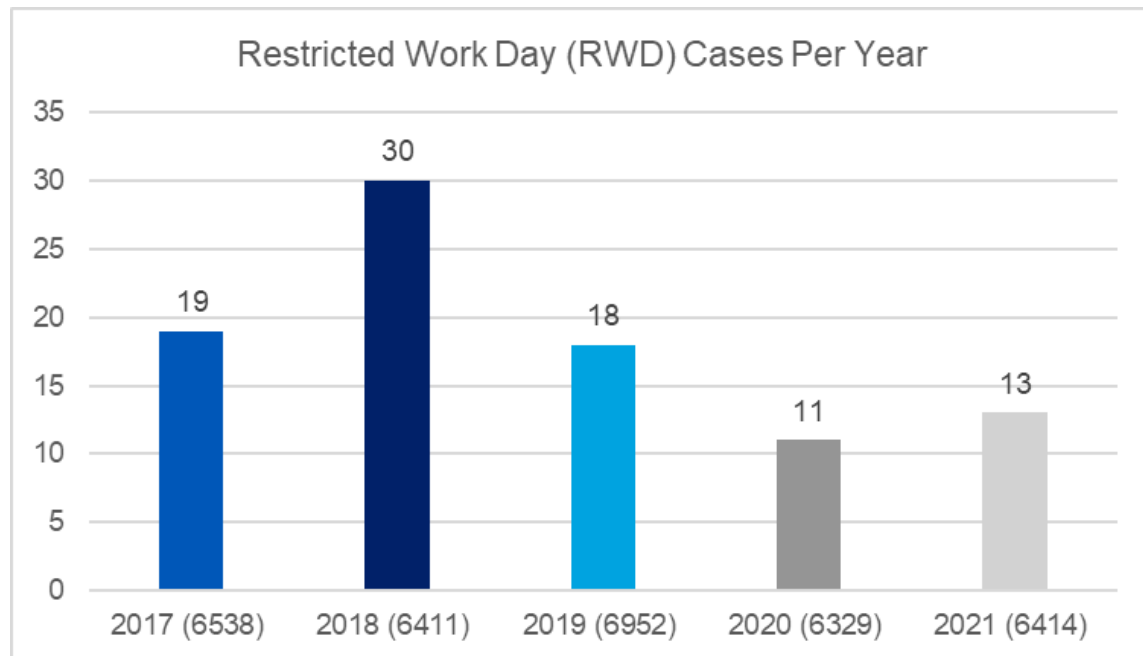


Lost Workday Cases Per Year: Lost Workday Cases Per Year is the number of recordable injuries where an associate missed work due to a work-related injury or illness.

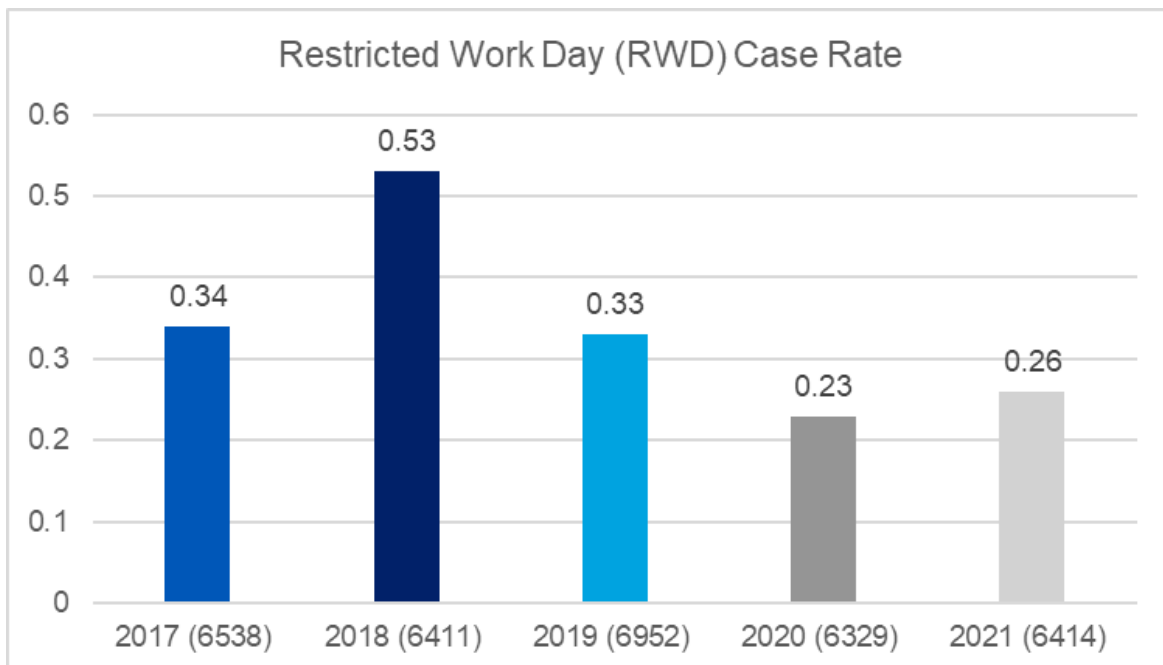


Lost Workday Case Rate: Lost Workday Case Rate is a frequency rate comparing Lost Workday cases to 100 full time associates.

## Restricted Workdays

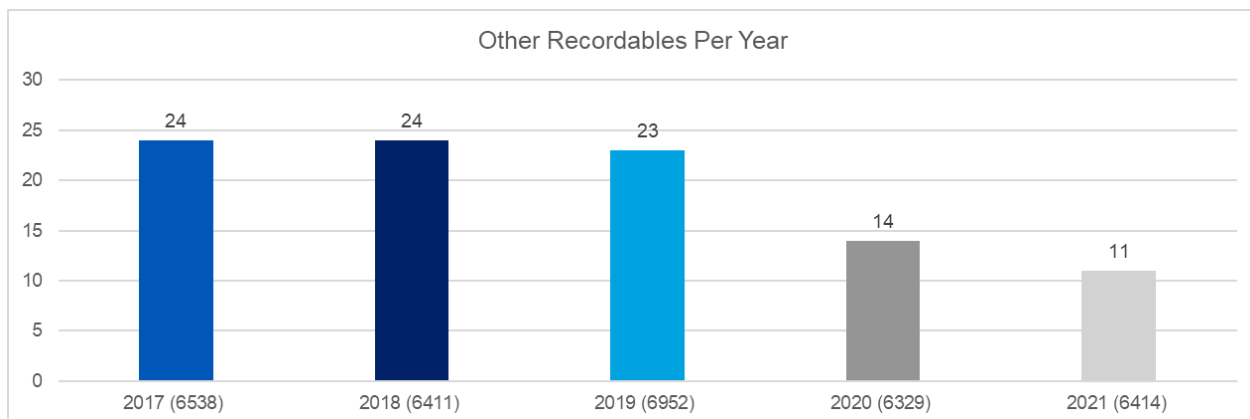


Restricted Workday Cases Per Year: Restricted Workday Cases Per Year is the number of recordable injuries where an associate could work but could not report to their normal work duty or needed work modifications due to a work-related injury or illness.



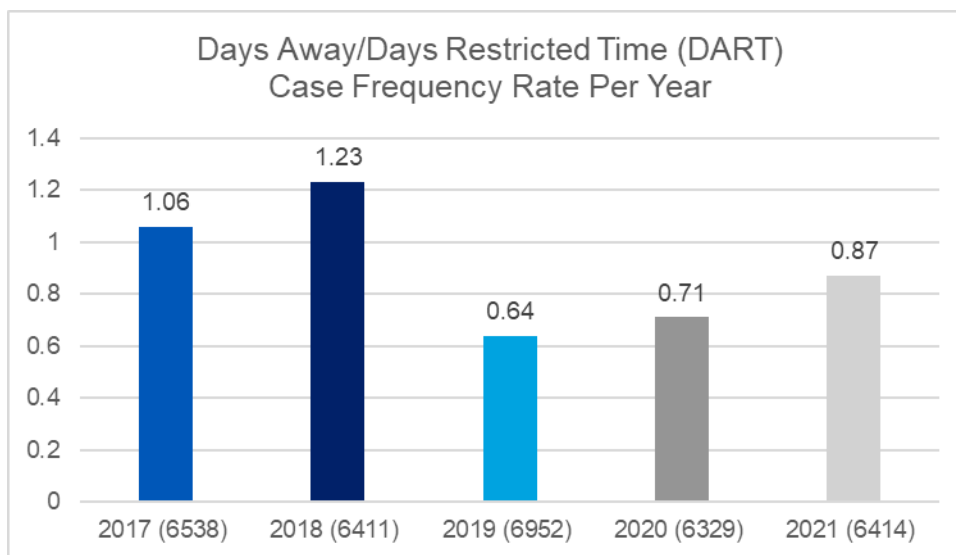
Restricted Workday Case Rate: Restricted Workday Case Rate is a frequency rate comparing Restricted Workday cases to 100 full time associates.

## Other Recordable Incidents



Other Recordables Per Year: Other Recordables Per Year is the measure of the recordable injuries not captured as a Lost Workday or Restricted Workday injury in a year.

## Days Away/Days Restricted Time (DART)



Days Away/Days Restricted Time Case Frequency Per Year: Days Away/Days Restricted Time Case Frequency Per Year is the number of recordable injuries with Restricted Time or Lost Workdays compared to 100 full time associates.

Source for Industry Averages in Highlights on page 11.

Industry Average Charts – [https://www.bls.gov/web/osh/summ1\\_00.htm](https://www.bls.gov/web/osh/summ1_00.htm)

MSC's NCAIS Code is 423840, which is our specific code and identifies us to the US Government for data purposes.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this report may constitute "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. The words "will," "may," "believes," "anticipates," "thinks," "expects," "estimates," "plans," "intends," and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those anticipated by these forward-looking statements. In addition, any statements which refer to expectations, projections or other characterizations of future events or circumstances, statements involving a discussion of strategy, plans or intentions, statements about management's assumptions, projections or predictions of future events or market outlook and any other statement other than a statement of present or historical fact are forward-looking statements. The inclusion of any statement in this report does not constitute an admission by MSC or any other person that the events or circumstances described in such statement are material. In addition, new risks may emerge from time to time and it is not possible for management to predict such risks or to assess the impact of such risks on our business or financial results. Accordingly, future results may differ materially from historical results or from those discussed or implied by these forward-looking statements. Given these risks and uncertainties, the reader should not place undue reliance on these forward-looking statements. Additional information concerning risks affecting the forward-looking statements made in this report are described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual and Quarterly Reports on Forms 10-K and 10-Q, respectively, and in the other reports and documents that we file with the United States Securities and Exchange Commission. We expressly disclaim any obligation to update any of these forward-looking statements, except to the extent required by applicable law.



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