

**MSC Industrial Supply Co.
2018 Corporate Social Responsibility Report**

Dear MSC Stakeholders,

I believe corporate social responsibility is all about an organization's purpose and core values. At MSC, our purpose and values go back to when our founder, Sid Jacobson, began selling tools from the trunk of his car 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. Putting the customer first and treating everyone with respect were the fundamental principles that drove his success in the early years.

Today, we are a Fortune 1,000 company with more than \$3 billion in annual revenue, but those early values remain at our core despite the incredible changes the distribution industry and MSC have undergone over the years. Our purpose is to provide greater value to our stakeholders, which include our associates, customers, owners, suppliers and communities, by helping them achieve their potential and greater success. We express that purpose through our "Built to Make You Better" brand promise, and we sum up our values and guiding principle in four simple words: ***Do the right thing.***

Although MSC has been a responsible corporate citizen for more than 75 years, this represents our first formal corporate social responsibility (CSR) report. We don't view CSR as marketing, so you won't find graphics and photos in this report — just straightforward information (in an environmentally friendly, digital format) about our sustained effort to "do the right thing" for all of our stakeholders at all times.

Sincerely,



Erik Gershwind
President and Chief Executive Officer

BUSINESS OVERVIEW

MSC is a leading North American distributor of metalworking and maintenance, repair and operations (MRO) products and services. With more than a 75-year history of driving innovation in industrial product distribution, 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 of 6,500-plus associates keep our customers' manufacturing operations up and running and improve their efficiency, productivity and profitability.

Corporate Social Responsibility at MSC

Our mission is to be the best industrial distributor in the world as measured by our associates, customers, owners and suppliers. Since we take a stakeholder-centric approach to everything we do, this report is focused on stakeholder categories frequently used by investors and other organizations to evaluate CSR commitment and performance:

- 1. Environment**
- 2. Community & Society**
- 3. Associates**
- 4. Suppliers**
- 5. Customers**
- 6. Shareholders**

1. ENVIRONMENT

Environmental Standards & Compliance

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 strive to minimize the environmental impact of our operations in the communities in which we operate and 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 and 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 re-use 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 through the use of 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.

Materials

MSC continually strives to reduce material usage at our Customer Fulfillment Centers (distribution centers) through new technologies that reduce environmental impact. For example, our Harrisburg, Pennsylvania Customer Fulfillment Center (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 percent to 52 percent. In addition, our facilities have replaced Styrofoam peanuts in outbound product shipments with paper and plastic air pillow fill that is recyclable.

Energy

MSC strives to improve its energy efficiency across our CFCs and offices. Seventy-five percent of our CFCs utilize both motion-sensor lighting and LED lighting, as do our Customer Support Centers (CSCs) in Melville, New York and Davidson, North Carolina. LED lights are more durable and up to 80 percent more efficient than traditional lighting, such as fluorescent and incandescent lamps. We have upgraded more than 50 percent of the lighting at our Elkhart, Indiana CFC location and approximately 20 percent at our Atlanta, Georgia facility. 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 percent 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 50 percent of MSC’s selected carriers are SmartWay Transport Partners.

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 percent less energy and reduce paper and toner consumption.
- Initiating a server-consolidation program to reduce computer hardware and power consumption, while delivering similar or improved application availability. Thus far, MSC has saved approximately 165,000 Kilowatt/hours with the removal

of 25 servers, equivalent to planting 500 new trees or reducing carbon dioxide emissions by 222,000 lbs.

- Implementing a routing application in 2018 for our approximate 530 service representatives, who drive fleet or personal vehicles. With our associates driving more efficient routes, we expect to achieve a significant reduction in fuel consumption and greenhouse gas emissions.

Water

As a distributor, MSC's water consumption is minimal. 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.

Waste

MSC continually strives to divert waste from entering landfills and regularly donates useable goods to be consumed, repurposed or recycled.

At MSC's CFCs, corrugated cardboard, paper, plastic, glass, electronic waste, scrap metal and pallets are reused or sent to recycling facilities.

Since 2015, MSC's two CSCs have recycled a combined 65,000 pounds of cardboard, paper and plastic.

MSC recycles electronic waste, or e-waste, such as computers, printers, fax machines and phones. We have recycled more than 100 tons of electronic equipment since beginning this program in 2008.

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.
- Donating dated or unsellable products to organizations that put them to use.

To continually improve our sustainability practices, we are working to improve our measurement of material, energy and water consumption across all of our facilities.

2. COMMUNITY & SOCIETY

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:

1. ***Building Healthy Communities*** 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. ***Alleviating Poverty and Advancing Economic Empowerment*** through partnerships with organizations committed to supporting underserved people.
3. ***Fueling Education, Training and Skills Development*** 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 branch offices also make charitable contributions and participate in volunteer activities. Associates in our locations outside of the United States (Canada, the United Kingdom and China) also participate on teams that support their communities.

Charitable Contributions & In-Kind Donations

Over the years, MSC has supported dozens of local and national non-profit organizations through charitable contributions and in-kind donations. Over the past five years, MSC has made total charitable and in-kind contributions of approximately \$36 million.

In fiscal 2018, MSC made charitable contributions or grants to more than two dozen non-profit organizations, including the Association for Children with Down Syndrome, Ada Jenkins Center, Alzheimer's Association, American Cancer Society, American Corporate Partners, The Autism Society, Carolina Raptor Center, Classroom Central, Davidson Lands Conservancy, Family Service League, Fisher House Foundation, Homes for Our Troops, Huntington YMCA, Island Harvest, John Theissen Children's Foundation, Juvenile Diabetes Research Foundation, LGBT Network of Long Island, Literacy Nassau, The Make-A-Wish Foundation, Mooresville Soup Kitchen, Pat's Place,

Safe Alliance, Stony Brook Children's Hospital, Time Out Youth and United Way of Long Island.

In addition to financial contributions, MSC annually donates surplus products to non-profit organizations totaling approximately \$8 million. Non-profit 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.

Ronald McDonald House

MSC supports Ronald McDonald House Charities, which helps keep families with sick children together and near the medical care they need. MSC donates two dollars from the sale of each pair of MSC-branded mechanics gloves to the organization. Since starting the program in 1995, MSC has donated more than \$400,000 to Ronald McDonald House.

Disaster Preparedness & Response

MSC regularly makes charitable contributions and product donations to organizations supporting relief efforts in the wake of devastating events. Following hurricanes Harvey and Irma in 2017, MSC teamed up with the American Red Cross to launch a special fundraising campaign involving our associates. MSC matched associate contributions for a total combined contribution of approximately \$44,000. In September 2018 after Hurricane Florence pounded the Carolinas and neighboring states, MSC donated \$25,000 to Americares, a long-time non-profit partner of MSC that provides disaster relief and immediate response to emergency medical needs.

MSC Helping Heroes

In late 2017, MSC launched "Helping Heroes," a companywide program focused on supporting military veterans and their families. The MSC Helping Heroes program has included the following events over the past year:

- Associates from our CSCs in Melville, New York and Davidson, North Carolina observed the Veterans Day holiday by assisting nonprofit organizations that serve military veterans and members of the armed services. In New York, associates spent a day visiting residents of the Long Island State Veterans Home, assisting residents in making floral arrangements to decorate their rooms. In North Carolina, associates conducted warehouse inventory for the Purple Heart Homes, which builds custom homes for wounded warriors. The organization moved into a new facility and needed an updated inventory of donated construction materials used for homebuilding projects.
- MSC continued to sponsor the New York Islanders' "Welcome Home Veterans" program, which honors one veteran at each home game.
- MSC supported the Jobs for Veterans program through USA Cares by providing in-kind donations of tools. The program reduces the jobless rate among veterans by providing financial assistance, employment and training.

- The Community Relations Team in Elkhart, Indiana celebrated Valentine's Day by surprising veterans at a new local United States Department of Veterans Affairs clinic on Valentine's Day with cards and boxes of candy.
- MSC's Wood Dale, Illinois facility sponsored a fundraiser held by Salute, Inc., an organization that delivers short-term financial assistance to bridge the temporary income gaps and meet the basic needs of post 9/11 veterans.
- Associates at MSC's CFC in Elkhart, Indiana provided a much-needed helping hand to local veterans by raising more than \$1,300 and collecting 600 pounds of cereal for Miller's Vets, a shelter for homeless veterans. The team also helped a disabled veteran with some home improvement projects.
- Our associates annually conduct a Candy for the Troops drive through Operation Gratitude. This program has shipped more than one million care packages to military families, U.S. service members deployed overseas, and wounded warriors recovering in transition units. Our associates write personal notes of gratitude to accompany the candy they donate.
- Associates in our Davidson, North Carolina CSC partnered with the Soldiers Angels organization to adopt the families of four wounded military veterans for the holidays. Associates provided the families \$4,000 in gift cards and 150 gifts.
- In March 2018, MSC entered into a partnership with RallyPoint, the nation's largest online military network for service members and veterans. MSC's membership enables us to create an online community to connect associates who are veterans with other veterans inside and outside of MSC. RallyPoint members discuss a wide variety of topics ranging from military life to career transitions, education and personal interests.
- In May 2018, our Southfield, Michigan Customer Care Center sponsored a luncheon to pay tribute to military veterans. The event honored 30 veterans, some of whom are members of the Disabled American Veterans Detroit Chapter #1 and Michigan Paralyzed Veterans of America. Disabled American Veterans and Michigan Paralyzed Veterans of America were each presented with a \$1,000 donation.
- A team of MSC associates in the Davidson, North Carolina CSC assisted a local family of military veterans with home repairs and helped create a final resting place for a decorated war hero.
- In June 2018, MSC hosted a "Helping Heroes Day" focused on providing veterans with information and tools critical to a smooth transition from military to civilian life. Break-out sessions focused on resume building, networking and interview skills.

- MSC partners with American Corporate Partners (ACP), a national non-profit organization that assists veterans through one-on-one mentoring, networking and career advice. In September 2018, MSC Chairman Mitchell Jacobson and associate Rob Mallon were recognized as "Mentors of the Month" by their veteran protégés. ACP celebrates the outstanding work of individual mentors based on nominations by veteran protégés.

Volunteer Programs

MSC associates regularly volunteer for formal community relations projects that support nonprofit organizations in our communities. Since MSC began tracking volunteer hours in 2015, our associates have donated nearly 6,000 hours of their time. In fiscal 2018, MSC associates donated 1,750 hours of their time for company-sponsored volunteer activities. In fiscal 2019, we plan to expand the tracking of the time volunteered by our associates.

Volunteer programs that took place over the past year included:

- Associates in MSC's Shelbyville, Kentucky packaging center held their eighth annual fundraiser for the Metro United Way, raising nearly \$4,000 to benefit local agencies.
- A group of associates from our Davidson, North Carolina CSC and their families and friends participated in the 2017 Walk to End Alzheimer's in Charlotte. More than 4,000 people participated in the annual event to create awareness and raise more than \$500,000 for Alzheimer's care, support and research. MSC served as the water station sponsor for the event, with associates and family volunteers handing out water along the walk route.
- In December 2017, associates from MSC's St. Louis, Missouri branch held a pool tournament and raised more than \$1,100 to support the local chapter of the St. Jude Children's Research Hospital, which provides research and treatment for catastrophic pediatric diseases and does not deny treatment to any child.
- In December 2017, Associates across MSC volunteered their time and contributed toys, food and other items to children and families during the holidays. Associates in Baltimore, Maryland volunteered at a local Toys for Tots warehouse, helping to sort and pack more than 1,000 bags of toys for underprivileged children. In Alabama, associates in our Birmingham and Madison branches joined forces to grant the holiday wishes of 10 children through the local Salvation Army's "Adopt an Angel" tree. Across Canada, 18 teams of associates participated in an annual food drive challenge to help others in need during the holiday season. In total, our Canadian associates donated more than 2,600 pounds of food and household goods to help others.

- Associates in our CSCs in Melville, New York and Davidson, North Carolina contributed more than 1,500 pounds of clothing and accessories in a spring clothing drive for organizations that help individuals and families in financial crisis achieve economic stability.
- During Earth Month in April 2018, a group of 10 associates from our Melville, New York CSC volunteered with the North Shore Land Alliance to create new garden beds for a local community garden. A team of 15 associates from the Davidson, North Carolina CSC volunteered at the Carolina Raptor Center, a nonprofit organization dedicated to the rehabilitation and release of injured birds of prey and to educating community members about important environmental issues. Our associates constructed a new holding pen for a turkey vulture and helped clear flooring for a new aviary.
- Associates in MSC's Elkhart, Indiana CFC raised \$6,000 for the local Make-A-Wish Foundation to fulfill the request of a young wish recipient to visit Disney World with his family.
- More than a dozen associates from our Melville, New York CSC were among 500 volunteers who helped Help Island Harvest "Stamp Out Hunger." Volunteers helped pack and sort food and other items at the annual food drive.
- A team of associates from MSC's Davidson, North Carolina CSC volunteered at the Mooresville Soup Kitchen by repainting the facility to create a more welcoming space for community members. The soup kitchen hosts approximately 1,000 guests each week.
- Our Baltimore, Maryland branch office supported the Baltimore Animal Rescue and Care Shelter by collecting pet items such as food, bowls, toys, treats, litter, collars and leashes.
- In July 2018, approximately two dozen associates from the Melville, New York CSC participated in the 13th annual Marcum Workplace Challenge at Jones Beach State Park on Long Island. The 3.5-mile run attracted more than 12,000 participants from 200 corporate teams to raise funds for The Long Island Children's Museum, Long Island Cares and Children's Medical Fund of New York.
- In August 2018, associates in our CSCs in Melville, New York and Davidson, North Carolina participated in bowling event fundraisers to support local nonprofit organizations. New York associates raised more than \$1,100 to support the Long Island chapter of the National Ovarian Cancer Coalition's and North Carolina associates donated more than \$1,300 to the Hope House Foundation, which provides emergency housing and support services for women and children in financial crisis.

- To help students in need, associates in our Beamsville, Ontario CFC in Canada partnered with Community Care of West Niagara to raise funds for backpacks filled with school supplies to be delivered to children in economically challenged communities. Similarly, associates in our Melville, New York and Davidson, North Carolina CSCs collected nearly 400 pounds of school supplies.
- In August 2018, associates in our Melville, New York CSC assisted Literacy Nassau in preparing its new learning center for grand opening by refinishing chalkboards in the classrooms.
- In September 2018, associates in our Melville, New York and Davidson, North Carolina CSCs conducted food drives to support the fight against hunger during National Hunger Action Month. Associates in the two locations collected approximately 900 pounds of food for the Mary Brennan INN Soup Kitchen on Long Island and the Mooresville Soup Kitchen in North Carolina. Approximately 20 associates in these locations also continued MSC's tradition of observing the 9/11 anniversary with a day of volunteer service at both soup kitchens.

MSC Breakfast of Champions

MSC annually recognizes local nonprofit partners in our Melville, New York and Davidson, North Carolina CSCs. In December 2017, MSC recognized nearly 40 organizations. The event celebrates organizations that enrich the quality of life in the communities where we live and work.

The nonprofits in attendance contribute to the three focus areas of MSC's Community Relations program: Building Healthy Communities; Alleviating Poverty and Advancing Economic Empowerment; and Fueling Education, Skills Development and Training. The December 2017 event included veterans and veteran organizations for the first time.

3. ASSOCIATES

Associates

MSC employs more than 6,500 associates in the United States, Canada and United Kingdom. No associate is represented by a labor union. We consider our relationships with associates to be good and have experienced no work stoppages.

Our Values

Our values are a 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 and suppliers.
- **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 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 exists 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 they 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 all of 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, child birth, 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 discharge or in any other manner discriminate against associates or applicants because they have inquired about, discussed, or disclosed their own pay or the pay of another associate or applicant. However, associates who have access to the compensation information of other associates or applicants as a part of the essential job functions cannot disclose 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 (c) consistent with MSC's legal duty to furnish information. MSC is committed to its Equal Employment Opportunity Policy and will take affirmative steps to ensure compliance with this policy through our Affirmative Action Program.

Associates wishing to self-identify as a Veteran or an Individual with a Disability, or would like to request a workplace accommodation, including a religious accommodation, are encouraged to contact their manager or HR Business Partner.

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 worksites, 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.

Direct or implied requests by a supervisor/manager of MSC for sexual favors in exchange for actual or promised job benefits, such as favorable performance reviews, salary increases, promotions, increased benefits, favorable work assignments or continued employment, constitutes Sexual Harassment under this policy and is prohibited. Additionally, any sexually oriented conduct by a supervisor/manager or other associate, whether intended or not, that is unwelcome and has the effect of creating a hostile, offensive, intimidating or humiliating environment for male or female associates also violates this policy.

Associates must immediately report harassment to the Company if it occurs. All complaints of harassment will be taken seriously, and will be promptly and thoroughly investigated. To the extent possible under the circumstances, confidentiality will be maintained. Investigations may include an interview with the individual(s) filing the complaint as well as any witness(es). The individual(s) who allegedly committed the harassment will also be interviewed. Where it is determined that inappropriate conduct has occurred, MSC will act promptly to eliminate the conduct and impose such corrective action as is necessary, up to and including termination. Retaliation or adverse action for having reported or threatened to report in good faith any type of harassment or participating in any such investigation is prohibited. Results of the investigation and any action taken as a result of the investigation will be communicated to the complainant as the Company deems appropriate. All complaints of harassment under this policy should be reported to the associate's supervisor/manager. We encourage you to speak honestly and openly with your supervisor/manager.

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.

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. The 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 judgement and will be given fair and honest treatment in all aspects of employment.

1. Open-Door Policy

If an associate has a concern or a question, he or she is encouraged to initially discuss it with their respective supervisor/manager. An associate and his/her supervisor/manager work closely on a day-to-day basis and experience has shown that most concerns/issues can be settled at this level. We encourage associates to speak honestly and openly with their supervisor/manager.

If an associate still feels that her/his concerns/issues have not been dealt with fully, or if for some reason the associate does not wish to discuss this matter with the supervisor/manager, the associate is encouraged to discuss the situation with the supervisor's manager. Any associate may meet with or contact a member of senior management or Human Resources at any time to ask questions, offer suggestions, discuss improvement opportunities and seek help to resolve problems.

2. Human Resources Support

If the Open Door Process does not resolve an associate's concern, associates are encouraged to bring unresolved concerns to their HR Business Partner (HRBP). The HRBP will review the issues presented by the associate and may conduct further review and/or investigation of the situation. The HRBP will respond in a timely manner to the associate with a finding based upon his/her review and/or investigation. If the associate remains dissatisfied with the findings, he/she may request a formal review under the Dispute Resolution Process by Associate Relations.

3. Associate Relations Review

Should an associate request an Associate Relations review, the associate should articulate in writing the reason for the request, including any additional information that may not have been considered during the HRBP review. Associate Relations will respond in a timely manner to the associate with a finding based upon the Associate Relations review and/or investigation. If an associate remains dissatisfied after the review by Associate Relations, the associate may request a review by the Director, Employment and Labor Relations. After exhausting all previous steps, the associate may request a final review by the Chief People Officer. This review will be considered final, and no further review will be undertaken on the matters presented.

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.

Associate Safety

MSC's safety vision is to build a culture in which safety is a top priority across all levels of the organization and that every associate has the right and responsibility to continually seek to prevent injuries and build a safe environment for everyone.

Our dedicated eight-person team of safety and risk professionals has more than 65 years of combined safety experience. Many hold professionally recognized certifications, including Certified Safety Professional. MSC's Operations Supply Chain Team is highly trained in investigation techniques, driving down recurrence of incidents and sharing best practices throughout our internal network. All of our Safety associates are practicing American Society of Safety Engineers Professionals, which include Past Chapter Presidents and current Chapter Board members. Our leadership team is highly engaged in identifying trends in our incidents throughout the network and working collaboratively with our Safety Professionals to effectively reduce incidents to our team and to make MSC one of the safest places to work.

MSC Safety Principles:

- All incidents and injuries are preventable
- Everyone is responsible for safety
- Leadership is responsible for preventing injuries
- Training associates to work safely is imperative
- Safety is a condition of employment
- Associate engagement is vital to a safe working environment
- We will actively care for each other's safety
- We will work with an unrelenting attitude to identify and correct risks promptly
- We will openly share safety best practices and learning opportunities
- We will promote off-the-job safety through risk awareness
- Working safely is good business

Safety Measurement

The OSHA Recordable Incident Rate is determined by multiplying the number of recordable cases by 200,000, and then dividing that number by the number of labor hours. MSC's OSHA Incident Rate for 2017 was 1.49, nearly half of the distribution industry average of 2.9. MSC's Lost Time Case Rate, which measures the number of cases involving lost work days per 100 full-time associates, was 0.72 in 2017, below the industry average of 0.9.

In addition, MSC's Experience Modification Rate, a standard worker's compensation insurance metric and measure of a company's safety record, has improved significantly. A 1.0 measure reflects an average safety record, with scores below that level better with 0.45 being the best possible score. Over the past three years, MSC's Experience Modification Rate has improved from 0.99 in 2015 to 0.85 in 2017.

Safety Awards

Strategic Safety Associates recognized MSC as a Project Excellence winner in the firm's first-ever MoveSMART® Awards in 2017. MSC's Atlanta CFC was recognized for improved injury/illness rates, innovative training and solutions, and ingenious and effective implementation of MoveSMART, a system that provides associates mental and physical tools needed to dramatically reduce injuries and to take personal control of their own safety.

The Atlanta CFC, like many distribution centers, was experiencing a high number of soft-tissue injuries, including strains and sprains. In February 2015, the Atlanta team implemented MoveSMART and reduced material-handling injuries by 57 percent for warehouse associates over the past two years. The injury rate in Atlanta is now only 62 percent of the industry average.

The Atlanta team's initiatives included floor conversations with associates in which they discussed smarter, safer ways to perform their jobs. The team also created training videos and posters and conducted promotions, such as holding a MoveSMART "selfie" contest in which associates shared photos of themselves using ergonomic techniques outside the workplace. Supervisors also were instrumental in improving safety as each department identified a persistent safety problem or issue, developed a project plan and spearheaded the project through its resolution, leading to increased safety on a day-to-day basis.

MSC and other award winners were featured in the January 2017 issues of *Professional Safety* and *Occupational Safety and Health* magazines.

The Atlanta CFC also was recognized by the Georgia Department of Labor with an Award of Excellence in 2015 for its low lost-time injury rate.

ISO 45001 Implementation

ISO 45001 is a global standard for occupational health and safety management systems. It provides a foundation for worker safety and inspections, and practical solutions for preventing workplace injuries, illnesses, and fatalities. MSC is working to achieve ISO 45001 certification. The Columbus, Ohio CFC currently is working toward compliance with the standard and seeking certification in 2019. Certification of our other CFCs will follow.

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 AlertDriving, an innovative, web-based driver risk management program, to train associates with fleet vehicles. The company's Driver's Safety training program covers three components: Fleet Handbook policy training, hazard perception evaluation, and targeted training. Since fiscal 2016, MSC's preventable accident rate has declined from 3.41 accidents (per million miles driven) to 2.62 in fiscal 2018, a 23 percent decline.

Training and Education

MSC provides associates with diverse learning solutions to develop performance-based competencies and leadership, and to foster MSC's culture. MSC's specialized programs are designed to drive engagement and leader effectiveness through traditional and cutting-edge learning and career development resources.

MSC encourages associates to expand their work knowledge by supporting external training opportunities that allow associates to grow and advance in their career. Many training opportunities allow associates to pursue or obtain professional certifications that enhance associate growth and subject matter knowledge.

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 Human Performance Technology-HPT (Gilbert Six Box Model) and 70/20/10 (Development through experiences, others and instruction) methodologies. The HPT Model is a process improvement methodology similar to Lean and Six Sigma which focuses on methods and processes for solving problems or realizing opportunities related to the performance of people. The 70/20/10 methodology states that the odds of effective development for associates will be about 70% from on the job experiences- working on tasks and problems; about 20% from feedback and working on building collaborative relationships with others; and 10% from courses and readings.

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 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 your skills and knowledge, creating a positive impact on your personal and professional growth.

Job-Specific Training

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.

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 overall 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, 401k, and/or Equity Incentive Plan.

Milestone Anniversary Program

The Milestone Anniversary Program recognizes associates for their long-term service and commitment to MSC. Associates will receive a recognition gift starting with their five-year anniversary and will continue to receive a gift for every five years completed thereafter.

Holidays

For U.S.-based associates, MSC offers the following paid holidays: New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, day after Thanksgiving, and Christmas Day. When a holiday falls on a Saturday, the preceding Friday will be observed as the paid holiday. When a holiday falls on a Sunday, the following Monday will be observed as the paid holiday.

Paid Time Away

Balancing work, personal and family needs is an important value at MSC. In recognition of this, MSC offers regular, full-time and part-time associates paid time away in the form of vacation time and sick time that may be used for time away for needs such as vacation, a personal or family member's illness, health care appointments, personal

business, or other needs. Using time away requires cooperation and coordination between the associate and manager/supervisor to ensure that time off is balanced with business needs. Associates accrue vacation and sick time based on years of service. The accrual rate is calculated by dividing the total annual vacation time and sick time amount by 26 pay periods. Accruals for associates with an anniversary falling July 1 or after will increase as of July 1 of the milestone anniversary year. Accruals/paid time away may vary due to state and local laws.

Workplace Flexibility

At MSC, we strive to provide a positive work environment that balances the needs of the business with our associates' personal needs. Workplace flexibility includes the ability to modify a standard work schedule (flexible work schedule), request schedule flexibility to accommodate a personal need (flextime), or work a compressed work week.

Certain jobs require a set schedule and may not be eligible for workplace flexibility. Any changes to standard work hours or work schedule are granted based on business need and must be approved in advance by an associate's manager or director of the department. Granting flexibility is always at the discretion of the manager or director of the department and may be modified or changed for any reason with reasonable notice as practicable.

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 the 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 your 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 are capable of performing the essential functions of the job with or without a 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 meal time 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 are strictly prohibited.

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:

We seek to foster mutual respect and collaboration among all associates of different cultures, ethnicities, religions, sexual orientation, ages, national origins, socio-economic 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, experience and contents. 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. 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 Disability Awareness Month and lunch-and-learn sessions.

Diversity/Equal Opportunity/Non-Discrimination

MSC is committed to responsible corporate citizenship and to eliminating all forms of human trafficking and modern slavery from the company's supply chain. MSC has implemented an ongoing program for our suppliers in the Asia-Pacific region to ensure that their business practices do not include or support human trafficking or modern slavery. This program includes a comprehensive process for vetting new suppliers. Suppliers that are selected are required to comply with our supplier agreements and Supplier Manual. These agreements require suppliers to certify that the products provided to MSC comply with laws prohibiting slavery and human trafficking. In addition, suppliers shall certify that convict labor, forced labor, and human trafficking are not employed in the manufacture of their products.

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 showcases 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 Recognition

The Lake Norman (North Carolina) Chamber of Commerce recognized MSC in late 2016 with its Champion of Diversity Award, which recognizes companies that embrace diversity in their everyday business practices. The group also recognized MSC's impact in the Davidson, N.C. 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 LGBT children.

Top-Employer Recognition

MSC is often recognized as a top employer by third-party organizations and publications. Examples include *Forbes* magazine's America's Best Large Employers in 2017, *Computerworld* magazine's 100 Best Places to Work in IT in 2017 and 2018, and "One Star" accreditation in 2018 from Best Companies in the United Kingdom, among others.

4. SUPPLIERS

MSC's broad range of MRO products includes cutting tools, measuring instruments, tooling components, metalworking products, fasteners, flat stock, raw materials, abrasives, machinery hand and power tools, safety and janitorial supplies, plumbing supplies, materials handling products, power transmission components, and electrical supplies. MSC manages more than 1.5 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 brand, exclusive brand, and generic products; depth in our core product lines; and competitive pricing. MSC purchases its products directly from approximately 3,000 suppliers. No single supplier accounted for more than 6 percent of our total purchases in fiscal 2018, 2017, 2016 or 2015.

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 Web site at 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 hardcopy 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).

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 thousands of 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), 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 reviews items with green attributes. As EPP demand grows, MSC will continue to work with suppliers to identify and market these products.

Supplier Recognition

MSC endeavors to partner with suppliers to help grow their businesses and contribute to their success. In 2018, DuPont presented its annual Growth & Partnership award to MSC's Safety Product team. MSC was among a highly select group of distribution partners to receive the award, and was recognized for overall sales growth, corporate partnership and strong support of DuPont in 2017.

5. CUSTOMERS

MSC serves a broad range of customers throughout the United States, Canada 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 12 customer fulfillment centers (eight in the United States, three in Canada and one in the U.K.) and 100 branch offices (99 in the United States and one in the U.K.). Our primary customer fulfillment centers are located in or near Harrisburg, Pennsylvania; Atlanta, Georgia; Elkhart, Indiana; Reno, Nevada; and Columbus, Ohio in the United States. In addition, we operate seven smaller customer fulfillment centers in or near Hanover Park, Illinois; Dallas, Texas; Shelbyville, Kentucky (repackaging and replenishment center); Wednesbury, England; Edmonton, Canada; Beamsville, Canada; and Moncton, Canada.

With a history of driving innovation in industrial product distribution for more than 75 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 of 6,500-plus associates keeps our customers' manufacturing operations up and running and improve their efficiency, productivity and profitability.

We offer approximately 1.6 million active, saleable stock keeping units (SKUs) through our catalogs; brochures; eCommerce channels, including our website, mscdirect.com; our inventory management solutions; and call centers and branches. 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, 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 manufacturers of all sizes. We focus on relatively higher-margin, lower-volume products. With the acquisition of Barnes Distribution North America in fiscal 2013, we have increased our presence in the fastener and Class C ("Consumables") product categories and significantly increased our presence in the VMI space. VMI involves not only the selling of the maintenance consumables by our associates, but also the

management of appropriate stock levels for the customer, writing the necessary replenishment orders, putting away the stock, and maintaining a clean and organized inventory area.

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 national account program includes Fortune 100 companies, large privately held companies, and international companies doing business in the United States. We have identified hundreds of additional national account prospects and have given our sales team tools to ensure we are targeting prospective customers that best fit the MSC model.

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.

Branch Offices

To better serve our customers, MSC maintains 99 branch offices within the United States located in 42 states and one branch office located in the U.K.

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 and fulfillment occurs at each of our branches and our main customer care centers, mostly located at 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 your business, understand your goals, analyze areas where you can drive efficiencies, and document recommended changes through a range of solutions to address your 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 touch-screen 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 (International Organization for Standardization) 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.

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 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.

Customer Awards

- In 2017, Verint Systems Inc. named MSC the top winner of its 2017 Engage Global Customer Awards Program in the "Enriching Interactions" category, an honor that recognizes exceptional work in improving the customer experience.
- The Massachusetts Higher Education Consortium (MHEC) has recognized MSC with its annual customer service award for as the supply partner with "the best customer service record going above and beyond for members." MHEC is a nonprofit purchasing consortium representing higher education, K-12 schools and other educational organizations throughout New England.

6. SHAREHOLDERS

Corporate Governance

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.

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.

Code of Business Conduct

MSC is a company governed by the highest standards of business conduct and ethics. Our success is defined not just by our commitment to superior customer service, but also by our reputation for integrity and fair dealing. While meeting our business objectives is important, we insist that these objectives can be accomplished while adhering to our core values of honesty and fair dealing, even when circumstances make that difficult.

The Code of Business Conduct (the Code) articulates standards of business and professional ethics that we expect you to follow in your 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 respects your rights to make financial investments, to engage in outside activities, and have personal relationships with the understanding that they do not conflict with your official duties and are not contrary to the best interests of MSC. You are expected to avoid situations that might involve a conflict or give the appearance of a conflict between your personal interests and the interests of the company. Any situation that may be, or appears to be, a conflict of interest must be disclosed to your supervisor/manager. When in doubt, it is best to disclose.

The Code applies to all directors, executive officers and associates of MSC in the United States and in the other countries where MSC does business. Adherence to these

standards will not only avoid potential civil and criminal exposures, but by avoiding even the appearance of impropriety, we ensure that our reputation for fair dealing and ethical business conduct remains intact.

As an associate, director or executive officer of MSC, you are expected to become familiar with the provisions of this Code and comply with its requirements. The Code of Business Conduct available on mscdirect.com under the About MSC/ Investor Relations/Corporate Governance.

Fraud, Abuse & Waste and Open Board Hotlines

Our reputation, integrity and profitability ultimately depend on each associate's commitment to the highest standards of business conduct and ethics. Our first line of defense is to encourage all associates to communicate directly with your supervisor/manager when you have knowledge of any instance of questionable accounting or auditing, fraud, abuse or waste. Any knowledge of these abuses should be reported to the Chairman of the Audit Committee as soon as possible by either the supervisor/manager of the associate discovering the fraud or the associate directly if reporting it to a supervisor/manager is not possible.

In 2002, Congress enacted the Sarbanes-Oxley Act of 2002 (the "Act"). Section 301 of the Act requires that Publicly Traded Companies establish procedures for reporting allegations of questionable accounting or auditing activity. In accordance with the Act, MSC has designated two hotlines for reporting information and allegations.

The Fraud, Abuse and Waste (F.A.W.) independent confidential hotline has been designated as the MSC (and its subsidiaries) anonymous hotline for anyone to report information regarding questionable accounting or auditing matters as well as fraud, abuse and waste. Information reported goes directly to the Chairman of the MSC Audit Committee, an independent, non-management member of the Board of Directors. Open Board/ Shareholder.com, is a second option for associates and others to use to report unusual or questionable activities. It is an independent hotline service provider available via a toll-free number, website or email.

MSC has established the above procedures for associates to report any allegations of questionable accounting or auditing activities or suspected fraud, abuse or waste. Complaints made to these hotlines will be relayed to the company's Audit Committee. The Director of Internal Audit will respond to any concerns where the caller's identity is made known and in any event, will investigate complaints received, as appropriate.

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.

Shareholder Communications Policy

Any shareholder or other interested party who desires to communicate with the Company's Chairman of the Board of Directors or any of the other members of the Board of Directors may do so by writing to: Board of Directors, c/o Mitchell Jacobson, Chairman of the Board of Directors, MSC Industrial Direct Co., Inc., 75 Maxess Road, Melville, NY 11747, or to one of the non-management directors at the address indicated in the Company's annual proxy statement. Communications may be addressed to the Chairman of the Board, an individual director, a Board Committee, the non-management directors or the full Board.

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

Code of Ethics

The Company's Code of 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.

The aforementioned policies and principles can be found under the Investor Relations/Corporate Governance section on MSC's website at mscdirect.com