



**PRENTISS  
SMITH & CO**

Sustainable Investment Report for:

# MSC Industrial Supply

Melville, NY

Ticker: MSM US Equity

Website: [www.mscdirect.com](http://www.mscdirect.com)

Last Updated: 03-28-2023

## I. Exclusionary Screening

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Does MSC Industrial appear on any of the following lists? In our exclusionary screening, a single appearance disqualifies an investment.

### Fossil Fuels & Precious Metals Mining

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- BICS - Oil, Gas & Coal Industries<sup>1</sup>
- BICS - Precious Metals Mining<sup>1</sup>
- CDP/CAI Carbon Majors Database<sup>2</sup>

2

### Defense & Retail Gun Sales

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- BICS - Defense Primes<sup>1</sup>
- SIPRI Arms Industry Database<sup>5</sup>
- NRA Industry Allies/Gun Retailers<sup>6</sup>

7

### Plastics Production

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- Top 100 Plastic Polymer Producers<sup>3</sup>

### Private Prisons

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- BICS - Security Services<sup>1</sup>

### Agrochemicals & Animal Cruelty

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- BICS - Crop Chemicals & Fertilizers<sup>1</sup>
- Cruelty Free Investing Worst Companies for Animals<sup>4</sup>

### Pornography, Gambling & Tobacco

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- BICS - Casinos<sup>1</sup>
- BICS - Tobacco<sup>1</sup>
- BICS - Pornography<sup>1</sup>

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<sup>1</sup> BICS = [Bloomberg Industry Classification Systems](#)

<sup>2</sup> [CDP/CAI Carbon Majors](#)

<sup>3</sup> [Minderoo Foundation Top 100 Plastic Polymer Producers](#)

<sup>4</sup> [Cruelty Free Investing 10 Worst Companies for Animals](#)

<sup>5</sup> SIPRI = [Stockholm International Peace Research Institute](#)

<sup>6</sup> NRA = [National Rifle Association Top 10 Industry Allies](#)

<sup>7</sup> Prentiss Smith & Company Internal Research

## II. Recognition & Data

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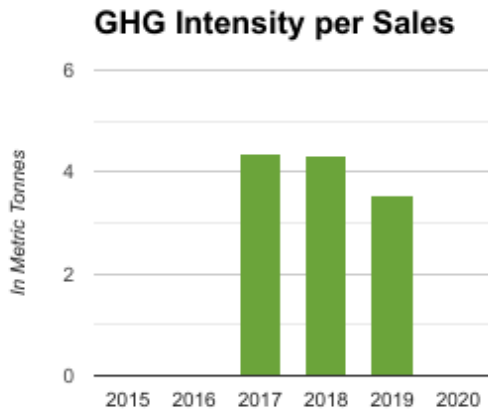
What quantifiable environmental, social and governance data, policies or recognition does MSC Industrial exhibit? Positive factors may help support a decision to invest.\*

### General

Just Capital Overall (1-954)

**544**

### Climate Change & Fossil Fuels



Initiatives and Policies in Place:

- **Climate Change Policy**

### Environmental Stewardship

Just Capital - Environment (1-954)

**581**

Publicly Disclosed Sustainable Supply Guidelines  
Encompassing ESG Area

**Yes**

Initiatives and Policies in Place:

- **Social Supply Chain Management**
- **Water Policy**
- **Waste Reduction**
- **Environmental Supply Management**
- **Emission Reduction**
- **Energy Efficiency Policy**

## Human Rights & Well-Being

As You Sow Racial Justice Score (-23 to 62)

**0.0**

Just Capital - Workers (1-954)

**536**

Just Capital - Communities (1-954)

**366**

Just Capital - Customers (1-954)

**629**

Initiatives and Policies in Place:

- **Anti-child Labor Policy**
- **Equal Opportunity Policy**

## Diversity, Equity, Inclusion and Justice

Women on the Board

**13%**

Number of Women on the Board

**1**

Women Executives

**22%**

Number of Women Executives

**2**

## Corporate Responsibility

Just Capital - Shareholders (1-954)

**597.0**

Independent Directors

**75%**

Shareholder vote on management remuneration

**97.86%**

Initiatives and Policies in Place:

- **Whistle Blower Employee Protection Policy**
- **Ethics Policy**

Employee CSR Training

**Yes**

\* Data sources may include:

- Corporate SEC filings
- Company sustainability and other reporting.
- Bloomberg LP ESG Data (via Data License).
- [As You Sow Clean 200](#)
- [As You Sow Racial Justice 1000 Scorecard](#)
- [Banktrack Human Rights Benchmark](#)
- [Barron's 100 Most Sustainable US Companies](#)
- [CDP A-List](#)
- [CDP Responses](#)
- [CEO Action for Diversity & Inclusion Pledge](#)
- Climate Group [EP100 Members](#), [EV100 Members](#)
- [Corporate Knights 100 Most Sustainable Corporations](#)
- [CPA-Zicklin Index](#) for Political Accountability
- [Digital Rights Corporate Accountability Index](#)
- [Diversity Inc's Top 50 Companies for Diversity](#)
- [Dow Jones Sustainability Indices \(DJSI\)](#)
- [EPA's Green Power Partners](#)
- [Equileap's Top 100 Companies for Gender Equality](#)
- Forbes [Best Large Employers](#), [Best Midsize Employers](#), [Best Employers for Diversity](#)
- Fortune [100 Best Employers](#), [Best Workplaces for Women](#), [Best Workplaces for Millennials](#)
- [Glassdoor Best Places to Work](#)
- Great Places to Work [World's Best Workplaces](#), [Best Workplaces for Parents](#)
- [HRC's Corporate Equality Index](#)
- [Institute for Clinical and Economic Review \(ICER\) Policy Leadership Forum Members](#)
- [JUST Capital Rankings](#)
- KnowTheChain [Food, Apparel and IT Benchmarks](#)
- [MSCI ESG Ratings](#)
- PEOPLE [Companies That Care](#)
- [Points of Light Civic 50 Honorees](#)
- [RE100 Member List](#)
- [Roundtable on Sustainable Palm Oil \(RSPO\) Supply Chain Certificate Holders](#)
- [S&P Global Sustainability Yearbook](#)
- [Science-Based Targets initiative \(SBTi\) Companies](#)
- [State Street Global Advisors' Gender Diversity Index](#)
- [Task Force on Climate-related Financial Disclosures \(TCFD\) Supporters](#)
- World Benchmarking Alliance [Corporate Human Rights Benchmark](#), [Social Transformation Benchmark](#), [Gender Benchmark](#), [Digital Inclusion Benchmark](#), [Food and Agriculture Benchmark](#), [Auto and Utilities Benchmark](#)

### III. Further Research

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What else has our research process told us about how MSC Industrial Supply conducts business, in terms of its products and services, its environmental impact, and its approach to governance?

#### Summary

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MSC Industrial distributes metalworking components and maintenance, repair and operations (MRO) products and services to manufacturers throughout North America. The company has over 2 million product SKUs and says it is increasing the share of its products with environmental certifications or attributes, of which it currently counts over 20,000. MSC Industrial also says its products and consultative services have helped customers save 100 million kWh of energy and 300 million cubic inches of waste over the past 6 years. The waste savings may come, in part, from a reuse and recrating initiative for the company's shipping. The company also has a good balance of women in leadership roles, a record of charitable giving and volunteerism, and a solid safety record.

While MSC Industrial has begun to measure its Scope 1 and 2 emissions, the process is incomplete and the company does not have emissions reductions targets. An existing initiative to create efficiencies in its transportation fleet and outsourcing seems less than ambitious; for a company whose emissions are largely in transportation, we would like to see a more far-reaching strategy for reductions there. We would also like to see better disclosure of workforce gender and racial diversity and pay equity, along with more racial diversity in leadership. Finally, while MSC Industrial says it has a prohibition on political contributions, OpenSecrets.org does report a small amount of political spending by the company (which could be mainly attributable to its employees).

## Products & Services

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### Background

- *Brief description of products/services:*  
North American distributor of metalworking and MRO products and services to manufacturing customers.<sup>1</sup>
- *Founding date:*  
The company was founded in 1941 by Sid Jacobson, initially under the name Sid Tool Co.<sup>2</sup>
- *Key historical changes to company structure (e.g. M&A):*  
In 2006, MSC acquired J&L Industrial and began a 3-year rebranding process as part of significantly growing its footprint. The company expanded into Canada in 2013 with its acquisition of Barnes Distribution North America, and into Mexico in 2019 when it completed a transaction with TAC Global Solutions. In 2021, MSC acquired Wm. F. Hurst Co. which has expertise in the aerospace industry.<sup>3</sup> In 2022, MSC additionally acquired Engman-Taylor Company and Tower Fasteners.<sup>4</sup>
- *Key historical changes to products:*  
The company has expanded from one to forty categories since its inception in 1946, and says it was an early adopter of computerized inventory management and same-day shipping.

### Product Detail

- *Current products/services detail, including social/environmental benefits:*  
MSC Industrial says it offers over 2 million active SKUs, 14% of which are private label brands. The rest of its products are purchased from more than 3,000 suppliers, with no single supplier accounting for more than 5% of its purchases. The company says its ability to offer generic, name brand and exclusive brand options, as well as “good-better-best” options, is a key way it adds value to its customers.

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1

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1003078/000100307822000127/msm-20220903x10k.htm#Business>

2 <https://www.mscdirect.com/corporate/company-timeline>

3 <https://www.mscdirect.com/corporate/company-timeline>

4

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1003078/000100307822000127/msm-20220903x10k.htm#Business>

- *Significant recent developments or new plans for products/services (in the context of industry developments if applicable):*

In 2021 acquired Wm. F. Hurst Co. which has expertise in the aerospace industry.<sup>5</sup>

## Landscape

- *Company size:*  
>6500 associates and >3000 suppliers<sup>6</sup>
- *Business segments and revenue:*  
For its North American industrial distribution of metalworking and MRO products and services, MSC reported \$3.7 billion revenue in 2022.<sup>7</sup>
- *Industry position/market share:*  
The total addressable market of the North American industrial distribution market is approximately \$215 billion in sales. MSC makes up \$3.7 billion of those sales in 2022.<sup>8</sup>

## Impact

- *Detail on additional social/environmental impacts of products:*  
MSC Industrial says its products contribute to environmental sustainability via energy savings and waste savings or avoidance; for instance, in the last 6 years, its metalworking specialists have saved customers more than 700,000 machine hours, which equates to over 100 million kWh of energy. The company estimates it has also saved customers more than 300 million cubic inches of waste over the same timespan. MSC Industrial also says it offers 20,000 products with environmental certifications or attributes.<sup>9</sup>

## Environment

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### Goals & Disclosure

- Environmental Commitments
  - *CDP reporting and score:*  
Submitted to the CDP for 2022 but the score is currently unavailable.
  - *Emissions target(s)? 1.5-degree SBTi target?*  
N/A

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<sup>5</sup> <https://www.mscdirect.com/corporate/company-timeline>

<sup>6</sup> <https://www.mscdirect.com/corporate/about-msc>

<sup>7</sup> [https://filecache.investorroom.com/ir1\\_mscdirect](https://filecache.investorroom.com/ir1_mscdirect) pg. 1

<sup>8</sup> file:MSCGeneralInvestorPresentationFiscal2023\_Q1.pdf

<sup>9</sup>

[https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf)



- *Scope 3 targets?*  
No
- *Water/waste/deforestation goals?*  
The company's waste goal is to manage disposal of waste in a compliant and environmentally sound manner, utilizing reliable vendors and industry best practices. The company also strives to minimize the carbon footprint of operations, and utilize pollution prevention to avert harm to the environment.<sup>10</sup>
- Environmental Disclosures and Progress
  - *Emissions:*  
From 2021 data, Scope 1 emissions from 3651 fleet vehicles and 11 North American facilities, plus Scope 2 emissions from 11 North American facilities, totaled 14,468 tCO<sub>2</sub>e. These account for 98% of recordable Scope 1 emissions. The 11 NA facilities account for 282 tCO<sub>2</sub>e or 2% of the total annual recordable Scope 2 emissions.<sup>11</sup>
  - *Water:*  
As a distributor, water consumption is "minimal" and through operations the company "doesn't produce wastewater discharges". Facilities are equipped with water-saving features including low-flush toilets, sensor sinks, and timer irrigation.<sup>12</sup>
  - *Waste, including use of recyclable materials:*  
In 2021 the Davidson CSC recycled 3320 pounds of materials. They also recycled 76,600 pounds of e-waste. Shipping waste has been greatly reduced through improvements of re-crating machines. Any hazardous waste is managed in accordance with state and federal regulations.<sup>13</sup>
  - *Deforestation:*  
N/A

## Product & Supply Chain Impacts

- *Further environmental benefits to using products:*  
See *Product Detail*.
- *Significant environmental commitments in supply chain:*  
No
- *Do products help customers reduce emissions? By how much?*  
Yes; see *Product Detail*.

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<sup>10</sup> [https://filecache.investorroom.com/ir1\\_mscdirect](https://filecache.investorroom.com/ir1_mscdirect) pg. 53

<sup>11</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 21

<sup>12</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 23

<sup>13</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 23

- *Intermediate scope 3 milestones and targets:*  
No
- *Significant environmental fines, remediation or controversy:*  
Our research did not identify any significant fines, remediation or controversy.

## Operational Initiatives

- *Are scope 1 and 2 commitments 1.5-aligned?*  
N/A
- *Intermediate scope 1/2 initiatives, milestones and targets:*  
The company has begun tracking Scope 1 and 2 emissions.
- *Specific initiatives that could help achieve scope 1/2 targets, or lower emissions if no targets:*  
Efficient, motion-sensor lighting at CFCs, working with the EPA-sponsored SmartWay Transport Partners to reduce emissions, and increasing environmentally preferred products.
- *Other specific, internal initiatives in service of water conservation, waste management, etc:*  
Recycling machine crates and re-crating, donating \$4.5 million in products to Waste to Charity and \$3.5 million to WIN Warehouse, both preventing these products from entering the waste stream and supporting charitable reuse programs. In 2021, the company also recycled more than 76,000 pounds of e-waste.<sup>14</sup>

## Management Integrity and Ethics

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### Leadership & Diversity

- *Brief profile of CEO and any other notable leaders:*  
Erik Gershwind (President & CEO): Began at MSC in sales and went to product management, marketing, ecommerce strategy, and COO before becoming President and CEO. Under his leadership MSC is at #721 on the Fortune 1000 list in 2020 and has been named a top place to work by Forbes and Computerworld.<sup>15</sup> Gershwind is the grandson of founder Sid Jacobson.
- Leadership Composition
  - *Executive team:*  
The company identifies 8 executive officers, of whom 4 are men and 4 women.<sup>16</sup> All are white.

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<sup>14</sup>

[https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf)

<sup>15</sup> <https://www.mscdirect.com/corporate/bios/erik-gershwind>

<sup>16</sup> <https://www.mscdirect.com/corporate/leadership>

- *Board:*  
The board has 8 members, of whom 3 are women and one is non-white. Board Chair Mitchell Jacobson is an insider, the son of Founder Sid Jacobson.
- Employee/Management Composition and Pay Equity
  - *Employees:*  
Not disclosed.
  - *Management:*  
Not disclosed.
  - *Pay equity:*  
Not disclosed.

## Human & Labor Rights

- *Are clear policies in place on forced labor and supply chain monitoring?*  
Yes. “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”<sup>17</sup>
- *What % of the supply chain is covered?*  
100%<sup>18</sup>
- *Supply chain enforcement mechanisms:*  
MSC provides risk training to relevant staff on modern slavery and human trafficking. The company requires suppliers to sign a supplier agreement including its Anti-Trafficking and Anti-Slavery policy.<sup>19</sup>
- *Employee safety metrics:*  
Total Recordable Rate: 1.09, industry avg: 2.2  
Lost Workday Cases: 0.62, industry avg: 0.9  
Restricted Workday Cases: 0.26, industry avg: 0.5<sup>20</sup>
- *Labor relations disputes or successful agreements:*  
Our research did not identify any significant labor disputes or agreements.
- *Employee satisfaction metrics:*  
In 2022, MSC Industrial was given “Top Workplaces” awards for its Davidson, North Carolina and Melville, New York offices.
- *Programs requiring diverse hiring practices, professional training in underserved communities, or other equity-focused initiatives:*

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<sup>17</sup> <https://www.mscdirect.com/customer-service/human-rights>

<sup>18</sup> <https://www.mscdirect.com/customer-service/human-rights>

<sup>19</sup> <https://www.mscdirect.com/customer-service/human-rights>

<sup>20</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 11

Partnered with recruitment organizations including: Hiring our Heroes, minority-owned organizations, women-owned organizations, vocational rehab centers, and local/state Workforce Services. The company also launched early career programs, women in leadership programs, Allyship at Work, and more.<sup>21</sup>

## Political & Charitable Activity

- *Does the company have a policy not to spend anything on lobbying or political contributions?*

“No contributions of Company funds will be permitted in connection with any federal, state or local election. This prohibition includes performance of services or providing anything of value by an Associate as part of his or her duties for the Company. Certain expenditures of Company funds in connection with proper lobbying activity are permissible, but only with the written approval of the Chief Executive Officer.”<sup>22</sup>

- *Federal lobbying expenditures and political donations:*  
Opensecrets.org reports MSC Industrial made just over \$13K in campaign donations, to candidates of both parties, in 2022, with no lobbying expenses.

- *Is lobbying data voluntarily disclosed, including state and local contributions, trade association memberships, and PACs?*

No

- *How much is spent annually on charitable contributions?*

“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 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.”<sup>23</sup>

- *How much volunteer time do employees give annually?*

“Since MSC began tracking volunteer hours in 2015, our associates have donated nearly 10,000 hours of their time.”<sup>24</sup>

- *Major charitable or volunteer projects with meaningful long-term impact:*

MSC has a volunteer program called Helping Heroes which is a campaign helping veterans and their families by mentoring them to help them obtain employment.<sup>25</sup>

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<sup>21</sup> [https://jobs.mscdirect.com/content/Inclusion/?locale=en\\_US](https://jobs.mscdirect.com/content/Inclusion/?locale=en_US)

<sup>22</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/598/Code\\_of\\_Business\\_Conduct%20120622.pdf](https://filecache.investorroom.com/ir1_mscdirect/598/Code_of_Business_Conduct%20120622.pdf) pg. 14

<sup>23</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 10

<sup>24</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 35

<sup>25</sup> [https://filecache.investorroom.com/ir1\\_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf](https://filecache.investorroom.com/ir1_mscdirect/596/2022-MSC%20Industrial%20Supply%20Inc%20ESG%20Report.pdf) pg. 35

## Legal

- *Outstanding legal disputes with significant reputational and/or financial stakes (including shareholder lawsuits):*  
Our research did not identify any significant legal disputes.
- *Significant fines paid or in dispute:*  
Our research did not identify any significant fines.
- *Current or recent headline controversies involving the company or its management:*  
Our research did not identify any significant controversies.

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