

**MSC INDUSTRIAL DIRECT CO., INC.**  
**Corporate Governance Guidelines**

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1.0 Board of Directors

1.1 Board Membership. A majority of the members of the board shall be independent (as defined in the NYSE Listing Standards). The board shall determine that each independent Director has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Material relationships can include commercial, industrial, banking, consulting, legal, accounting, charitable and familial relationships. As the primary concern is independence from management, even significant stock ownership, by itself is not a bar to a determination of independence. Notwithstanding the foregoing:

- No Director who is an employee, or whose immediate family member is an executive officer, of the Company can be “independent” until three years after the end of such employment.
- No Director who is affiliated with or employed by, or whose immediate family member is affiliated with or employed in a professional capacity by, a present or former internal or external auditor of the Company (or of an affiliate) can be “independent” until three years after the end of the affiliation or the employment or auditing relationship.
- No Director who is employed, or whose immediate family member is employed, as an executive officer of another company where any of the Company’s present executives serve on that Company’s compensation committee can be “independent” until three years after the end of such service or the employment relationship.
- No Director can be “independent” if he or she receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the Company, other than Director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) until three years after he or she ceases to receive more than \$100,000 per year in such compensation. Dividends in respect of stock ownership do not constitute compensation.
- No Director can be “independent” who is an executive officer or an employee, or whose immediate family member is an executive officer, of a company that makes payments to, or receives payments from, the Company for property and services in an amount which, in any single fiscal year, exceeds the greater of \$1 million, or 2% of such other Company’s consolidated gross revenues, until three years after falling below such threshold.

No Director will be considered “independent” for audit committee membership if he or she:

- receives any consulting, advisory or other compensatory fee other than in his or her capacity as a member of the board or any board committee; or
- is an affiliated person of the Company or any subsidiary.

The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the appropriate skills and characteristics required of Board members in the context of the current make-up of the Board. This assessment should include issues of judgment, diversity, age, skills, other board memberships – all in the context of an assessment of the perceived needs of the Board at that point in time. The Nominating and Corporate Governance Committee shall establish a new Director orientation program and a continuing education program for all Directors, consistent with NYSE Listing Standards. In collaboration with the Nominating and Corporate Governance Committee, the Board shall propose to the shareholders annually the nominees for election to the Board.

## 1.2 Board of Directors Meetings/Executive Session

Meetings shall be held of the Board and the Audit Committee at least quarterly and of the Compensation Committee and the Nominating and Corporate Governance Committee at least annually. Non-management Directors shall meet in executive sessions without management in conjunction with each regularly scheduled quarterly meeting of the Board. The independent Directors shall designate, and publicly disclose the name of, the Director who will preside at executive sessions.

## 1.3 Directors Who Change Their Present Job Responsibility

When a Director’s principal occupation or business association changes substantially from the position he or she held when originally invited to join the Board, the Director shall tender a letter of notification to the Nominating and Corporate Governance Committee. Such Committee will review whether the new occupation, or retirement, of the Director is consistent with the specific rationale for originally selecting that individual and the guidelines for board membership. The Board does not believe that Directors who retire or change from the position he or she held when originally invited to join the Board should necessarily leave the Board. There should, however, be an opportunity for the Board, via the Nominating and Corporate Governance Committee, to review the continued appropriateness of Board membership under these circumstances.

Independent Directors are encouraged to limit the number of other boards

(excluding non-profit) on which they serve, taking into account potential board attendance, participation and effectiveness on these boards. Independent Directors should also advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another board.

The members of the Audit Committee cannot serve as members of the Audit Committee for more than three (3) public companies, including the Company's Audit Committee.

#### 1.4 Term Limits

The Board does not believe it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of Directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole.

As an alternative to term limits, the Nominating and Governance Committee, in conjunction with the President and Chief Executive Officer, will formally review each Director's continuation on the Board every five years. This will also allow each Director the opportunity to conveniently confirm his/her desire to continue as a member of the Board.

#### 2.0 Agenda

To allow for proper staff work, proposals to be discussed at a Board Meeting should be limited to those proposals listed on the agenda, although flexibility to deal with new matters as they arise is encouraged.

The Corporate Secretary shall prepare the agenda with the President and Chief Executive Officer's approval. Each member of the Board may suggest items to be included on the agenda with at least ten days notice before the meeting is to be held.

Information and data that is important to the Board's understanding of the business will be distributed in writing to the Board before the Board meets.

As a general rule, presentations on specific subjects should be sent to the Board members or discussed with them in advance so that Board meeting time may be conserved and discussion time focused on questions that the Board has about the material. On those occasions in which the subject matter is too sensitive to put on paper, the presentation will be discussed at the meeting.

#### 3.0 Reports

The President and Chief Executive Officer shall provide information to each member of the Board between meetings when important events occur. A financial summary presentation shall be made at each meeting.

#### 4.0 Responsibilities

##### 4.1 General Responsibilities

Each Director shall support and help the Company achieve its objectives by being available for consultation to the Company's executives, maintaining a positive public attitude toward the Company, attending as many meetings as possible and carrying out the functions of the Director as prescribed in the By-Laws and applicable Committee charters.

##### 4.2 Specific Duties and Responsibilities of MSC Industrial Direct Co., Inc. Board of Directors and Committees:

- 4.2.1 Shareholders. Represent all the shareholders as fiduciaries with respect to their investment in MSC. Advise generally on shareholder relationships.
- 4.2.2 Policies. Establish broad corporate policies, including upon recommendation of the President and Chief Executive Officer.
- 4.2.3 Chairman of the Board. Elect the Chairman of the Board who shall preside at all meetings of the shareholders and Directors.
- 4.2.4 President and Chief Executive Officer. Elect the President and Chief Executive Officer and delegate to him or her management responsibility and authority. With the advice of the Compensation Committee and Nominating and Corporate Governance Committee, appraise the President and Chief Executive Officer's effectiveness and establish his or her compensation. With the advice of the Nominating and Corporate Governance Committee, review succession plans including those plans for emergency succession in cases of the unexpected disability of the President and Chief Executive Officer of the Company.
- 4.2.5 Other Officers. Upon recommendation of the President and Chief Executive Officer, elect other corporate officers, and with the advice of the Compensation Committee, approve their compensation, and generally appraise their performance.
- 4.2.6 Company Committees. Upon recommendation of the Nominating and Corporate Governance Committee, appoint, define the powers

of, and dissolve committees of the Board.

4.2.7 Additional Company Committees. It is the practice of the Company to appoint key management people to committees formed for the purpose of receiving and discussing various operational and project reports in order to better communicate, gain commitment and interpret results.

#### 4.3 Board Committees

##### 4.3.1 Number, Structure and Independence of Committees

From time to time, the Board may want to form a new committee or disband a current Committee depending upon the circumstances. Committee membership of the Audit, Compensation and Nominating and Corporate Governance Committees will consist only of independent Directors (as defined in the NYSE Listing Standards).

Following are the current Committees and their purposes:

##### 4.3.2 Compensation Committee – MSC Industrial Direct Co., Inc.

The Compensation Committee has the purposes, functions, and responsibilities set forth in the Compensation Committee Charter, as well as any additional purposes, functions, and responsibilities that may be required by NYSE Listing Standards, federal securities laws, or other applicable laws.

##### 4.3.3 Audit Committee - MSC Industrial Direct Co., Inc.

The Audit Committee has the purposes, functions, and responsibilities set forth in the Audit Committee Charter, as well as any additional purposes, functions, and responsibilities that may be required by NYSE Listing Standards, federal securities laws, or other applicable laws.

##### 4.3.4 Nominating and Corporate Governance Committee – MSC Industrial Direct Co., Inc.

The Nominating and Corporate Governance Committee has the purposes, functions, and responsibilities set forth in the Nominating and Corporate Governance Committee Charter, as well as any additional purposes, functions, and responsibilities that may be required by NYSE Listing Standards, federal securities laws, or other applicable laws.

##### 4.3.5 Assignment and Rotation of Committee Members

The Nominating and Corporate Governance Committee is responsible, after consultation with the Chairman of the Board and with consideration of the desires of individual Board members, for the assignment of Board members to various committees.

It is the sense of the Board that consideration should be given to rotating Committee members periodically at about a five year interval, but the Board does not feel that such a rotation should be mandated as a policy since there may be reasons at a given point in time to maintain an individual Director's committee membership for a longer period.

#### 4.3.6 Frequency and Length of Committee Meetings

The Committee Chairman, in consultation with committee members, will determine the frequency and length of the meetings of the Committee, subject to any requirements in such Committee's Charter.

#### 4.3.7 Committee Agenda

The Chairman of the Committee, in consultation with the appropriate members of the Committee and management, will develop the Committee's agenda.

Each Committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year to the degree these can be foreseen. This forward agenda will also be shared with the Board.

#### 4.3.8 Committee Meetings

Only members of a Committee and other persons specifically invited by a member of such Committee may attend a Committee meeting.

- 4.4 Dividends. The Board shall establish the dividend policy and take dividend actions.
- 4.5 Financing. The Board shall approve overall financing programs, subject to authorization by shareholders when necessary. The Board shall authorize appropriate officers to take actions as may be required to implement such programs.
- 4.6 Acquisitions and Mergers. The Board shall approve acquisitions and mergers, subject to authorization by shareholders when necessary. The Board shall suggest acquisition possibilities.
- 4.7 Capital Investments. The Board shall review and approve portfolio legal

compliance including investment acquisitions and disposals annually. The Board shall approve individual capital projects exceeding \$5,000,000 excluding portfolio changes.

- 4.8 Company Stock Repurchase. The Board shall adopt and obtain periodic reports concerning the Company's stock repurchase programs.
- 4.9 Planning. The Board shall annually review and adopt and periodically evaluate the long and short-range plans of the Company. The Board shall quarterly evaluate progress against such plans.
- 4.10 Corporate Relations. The Board shall review and make suggestions to assist in building and maintaining constructive financial, trade, associate and public relations resulting in a favorable corporate image.
- 4.11 Ethical and Professional Standards. The Board shall assure, through continuing review, that Directors, officers, and other associates act in accordance with established and accepted ethical professional and legally required standards.
- 4.12 Knowledge of Company and Industry. The Board shall keep informed of the Company's business and to the extent feasible of the industries in which the Company operates.
- 4.13 Exercise of Due Care. The exercise of due care is a prerequisite to the applicability of the business judgment rule. Directors must act solely in the interest of the Company and must exercise in the management of corporate affairs the degree of care which prudent people, prompted by self interest, would exercise in the management of their own affairs. In connection with the exercise of due care, each Director shall have complete access to, and may make inquiries of, the President and Chief Executive Officer and other corporate officers. It is assumed that Board members will use judgment to be sure that this contact is not distracting to the business operation of the Company and that such contact, if in writing, be copied to the Chairman or President and Chief Executive Officer, as appropriate.
- 4.14 Meetings. Attend board meetings and meetings of Company committees to which appointed.
- 4.15 Auditors. The Audit Committee shall retain an outside auditing firm. This action is generally taken at the first fiscal year meeting of the Audit Committee.
- 4.16 By-Laws. Establish and approve changes to By-Laws.



4.17 Annual Performance Review. The Board shall develop and conduct, at least annually, a self-assessment of the Board's performance on a continuing basis. This assessment should be of the Board's contribution as a whole and specifically review areas in which the Board and/or the management believes a better contribution could be made. The purpose of the assessment is to increase the effectiveness of the Board, not to target individual Board members.

#### 4.18 Special Contributions Expected of Directors

4.18.1 Experience. Bring to the Board objectivity and breadth of specialized and other relevant experience.

4.18.2 Consultation. Serve as consultants to the Chairman, President and Chief Executive Officer, and, with their knowledge, to others in the Company.

4.18.3 Advice and Criticism. Offer constructive advice and criticism and promote actions which are in the best interests of the Company.

4.18.4 Independent Forum. As an informal group, provide an independent forum to which management should demonstrate continuous accountability for overall policies and actions.

#### 4.19 Cautions for Directors

4.19.1 Interference. Having delegated responsibility and authority to corporate officers, avoid interference with actual operations. Individual Directors may make inquiries of corporate officers; however, Directors may not direct assignments or the work of corporate officers.

4.19.2 Confidential Information. Avoid disclosing confidential information about the Company to unauthorized persons.

4.19.3 Continuation of Service. Periodically initiate individual discussion with the Chairman, President and Chief Executive Officer concerning own contributions as a Board member.

### 5.0 Director Compensation

#### 5.1 Compensation

Directors and Committee membership fees (including options) are the only compensation a non-management Director may receive from the Company. It is appropriate for the staff of the Company

to report once a year to the Nominating and Corporate Governance Committee the status of Board compensation in relation to other comparable U.S. companies. As part of a Director's total compensation and to create a direct linkage with corporate performance, the Board believes that a meaningful portion of a Director's compensation should be provided and held in or based upon the common stock of the Company.

Changes in Board compensation, if any, should come at the suggestion of the Nominating and Corporate Governance Committee, but with full discussion and concurrence by the Board.

## 6.0 Leadership Development

### 6.1 Formal Evaluation of the President and Chief Executive Officer

The independent Directors should make this evaluation annually, and it should be communicated to the President and Chief Executive Officer by the Chairman of the Nominating and Corporate Governance Committee. The evaluation should be based on objective criteria including performance of the business, accomplishment of longterm strategic objectives, development of management, etc. The evaluation will be used by the Compensation Committee in the course of its deliberations when considering the compensation of the President and Chief Executive Officer.

### 6.2 Succession Planning

There should be an annual report by the President and Chief Executive Officer to the Board on succession planning.

There should also be available, on a continuing basis, the Chairman's and the President and Chief Executive Officer's recommendation as a successor should he/she be unexpectedly disabled.

### 6.3 Management Development

There should be an annual report to the Board by the President and Chief Executive Officer on the Company's program for management development.

This report should be given to the Board at the same time as the succession planning report noted previously.

#### 6.4 Director Orientation and Continuing Education

The Nominating and Corporate Governance Committee should establish an orientation program for new Directors of the Company.

The Nominating and Corporate Governance Committee should establish a continuing education program for all Directors of the Company.

#### 6.5 Shareholder Matters

The Nominating and Corporate Governance Committee should establish a policy for shareholder communications with the Board of Directors, and a policy for shareholders to make nominations to the Board of Directors.