

2020

# Environmental, Health, Safety & Sustainability Annual Report 2020

ENVIRONMENT | HEALTH | SAFETY | SUSTAINABILITY



# EHS & Sustainability Annual Report 2020

## Fastenal Company Environmental, Health, Safety & Sustainability Policy

Fastenal Company is committed to environmental protection and to providing a safe and healthy workplace for all employees. We strive to integrate EHS & Sustainability considerations into all our business decisions, plans, and operations.

As part of our commitment to the protection of the environment, we shall strive to prevent pollution and reduce our carbon footprint, to reduce waste and minimize the consumption of resources, to use resources responsibly and to seek opportunities for increased energy efficiency. As part of our commitment to ensuring a safe and healthy workplace, we strive to prevent work-related injuries and ill health by controlling risks using a hierarchy of controls.

In order to enhance our EHS & Sustainability performance, Fastenal Company shall identify EHS & Sustainable objectives to be attained in order to continually improve our EHS Management System. Fastenal Company is committed to the fulfillment of all EHS compliance obligations, including all legal and other requirements.

We believe that participation and involvement from employees and other interested parties in EHS Management System decision-making processes will help us to achieve our intended outcomes. An important objective of EHS Management System is the satisfaction of our stakeholders, which include:

- Our customers,
- Our employees,
- Our shareholders,
- Our suppliers,
- The communities in which we operate, and
- The environment.

This policy shall be communicated to all employees, and will be made available to our customers and other interested parties upon request.



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CEO, Dan Florness

January 1, 2021

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Date

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## Newsorthy Highlights



In October 2020, Fastenal was ranked #26 among the TOP 50 Companies for Environmental, Social, Governance Values by Investor's Business Daily. ([Article Link](#))



In April 2020, Fastenal achieved a 'AA' ESG leader ranking by MSCI Ratings Agency among the top 22 companies in our peer group – driven by improvements and health & safety programs. ([Article Link](#))



In April 2020, Bloomberg publishes an article outlining Fastenal's pandemic response and its relation to ESG Performance (Environmental, Social, and Governance) ([Article Link](#))



In November 2020, Fastenal Company was approved as a voting member to TC283 ISO 45001 Occupational Health & Safety Management Technical Committee.



May 2018, Fastenal receives the Minnesota Governor's Safety Award for Performance in multiple facilities. ([Article Link](#))



Fastenal achieved an award as a result of our workplace conditions audit thru third party audit Intertek.

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## Health & Safety

Health and Safety continues to be a cornerstone of our business. Our 20,365 employees visit thousands of customers annually. These customers span industries from mining, and construction, manufacturing, agriculture, aerospace, healthcare, and many others. During the Covid-19 pandemic our employees stood ready to serve our customers and meet the changing demands. Not only did they help prevent the spread in their communities, they serviced critical organizations like hospitals and first responders.

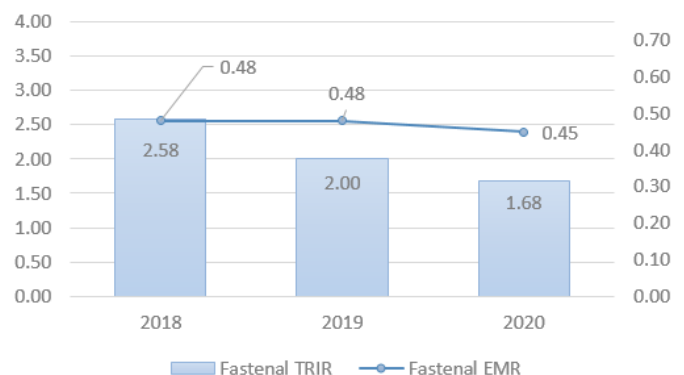
Our COVID-19 response consistently evolved to meet the turbulent environment including:

- The business continuity team implemented regular communication regarding impacts of the COVID-19 pandemic, including health and safety protocols and procedures.
- Fastenal improved their emergency response teams to facilitate COVID requirements.
- Implemented a hierarchy of controls to address hand washing, social distancing, cleaning areas and frequency, personal protective equipment and resources to stay up to date on the changing conditions.
- Deployment of face covers, dispensed through our vending technology, across the company for use in areas where they are required and recommended.
- Prohibiting all domestic and international non-essential travel for all employees.
- Providing additional days of leave for full- and part-time employees to cope with the illness.
- Restricting access to our non-public facilities such as corporate offices, distribution centers, sales offices, and manufacturing locations.
- Providing public branch access by appointment or pickup only in high risk areas.
- Implementation of risk assessments in critical operating facilities.
- Implementing protocols to address actual and suspected COVID-19 cases and potential exposure.
- Worked closely with customers to meet their specific COVID-19 requirements and maintain service.

During the pandemic Fastenal continued to sustain safe operations. In 2020, our branch network of 3,268 locations and over 6,607 vehicles improved their recordable incident rate by 16% to 1.68 between 2020 and 2019. Fastenal's DART rate also fell by 11% helping to improve our productivity during the most critical times. In addition, Fastenal's EMR improved by 6% to .45 which is 55% better than our peer industry average.

This improvement in reduced days away and restricted working days helped to increase our productivity to better service our critical customers.

Fastenal Branch TRIR and EMR Performance



- 0.48 EMR rate** outperforms peer group by **52%**. Scale: 0.0 (Excellent) to 1.0 (Poor).
- 350K** Increased Productivity while preventing **2,400** Workplace Injuries.
- ISO Certification** for ISO 45001 Occupational Health & Safety Management System.
- 96,350** Completed Trainings.
- 33,500** Safety Audits & Inspections.
- 12,000** 1-1 Coaching & Observation Opportunities.

0.48 EMR rate outperforms peer group by 52%.

Prevented 2,400 workplace injuries while increasing 350,000 hours of productivity since 2010.

ISO 45001 Occupational Health & Safety Management System.

96,350 completed training modules in 2018.

33,500 safety audits & inspections.

12,000 1-1 coaching and observation opportunities.

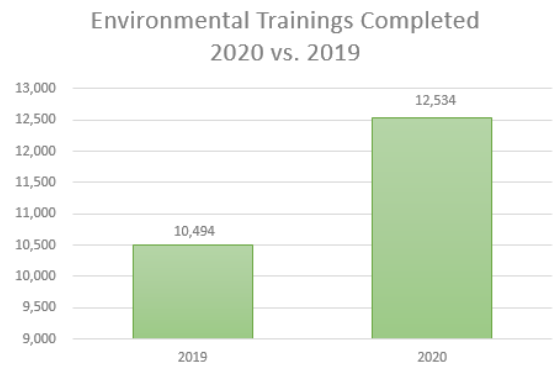
# EHS & Sustainability Annual Report 2020

## Environmental Sustainability

Fastenal understands the importance of sustainability and the impact we have on our communities and our customers. Our CEO has taken steps to improve our organizational efforts through a variety of internal initiatives. View the full article [here](#).

We are constantly looking for new approaches to make our own business -- and our customers' businesses -- more sustainable. Key areas of focus include greenhouse gas emissions, energy use and consumption, recycling and waste reduction, and efficient use of resources.

Fastenal works to understand opportunities to reduce our carbon footprint across our entire organization. Employees increased the number of environmental related trainings by over 19.4% between 2020 and 2019.



Business Division	Emissions (per ton CO2e)	
	Scope 1	Scope 2
Manufacturing	4,038.4	7,292.6
Fleet	78,209.9	
Distribution	4,179.9	22,301.3
Retail	24,402.7	43,073.1
<b>Distribution Center and Manufacturing Waste Diversion</b>	<b>lbs</b>	
Recycled Wood Pallets		1,436,840
Recycled and Reused Carboard		990,936
Recycled Metals		3,476,848
Recycled Composite Pallets		167,920
Recycled Plastic Wrap		59,508
<b>Waste Generated in Distribution Center and Manufacturing</b>	<b>lbs</b>	
Hazardous and Non Hazardous Wate Generated		161,069

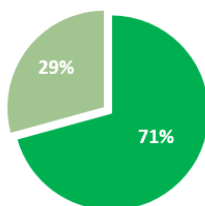
In addition, we focused on strategic areas to reduce the consumption of waste and also improve waste diversion efforts throughout our distribution center and manufacturing locations. In 2020, Fastenal recycled **over 6.1 million pounds** of material such as metal, plastic, and cardboard. We continue to seek out opportunities for waste diversion through a number of employee engagement programs including assessments, trainings, and strategic partnerships.

As an organization we disclose both Scope 1 and Scope 2 emissions for 100% of facilities and fleet vehicles. This emission information is included in our CDP for 2020. In addition, we share additional information surrounding aspects and opportunities we consider as an organization. This information can be found as part of our ISO 14001 Environmental Management System.

Due to COVID-19 we were limited in the impact we could make to implementing new programs across our branch network. However, we continue to find opportunities through a variety of environmental assessments. Since 2019, over 85% of our branches participated in 2,797 environmental sustainability assessments that focused on seven key areas. These include areas such as LED lighting, recycling plastics, recycling cardboard, use of programmable thermostats and others. In addition, we've deployed a number of tools to support our employees in making great strides to reduce our carbon footprint.

Branches Participating in at least 5 Key Sustainable Activities

More than 5 activities    Less than 5 activities



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To support our journey, Fastenal has established key partnerships to support identifying opportunities for improvement. These partnerships help to improve key areas of our business and help us better manage areas of opportunity.



Our SmartWay Certified fleet provides shipping services with a minimal carbon footprint. This allows us to ensure your supply chain is optimized for environmental emissions reduction.



Fastenal has partnered with Energy Star to help our 3,200+ facilities strategically reduce energy, water, and waste consumption. Energy Star evaluates and compares over 250,000 facilities nationwide.

## ISO 14000 FAMILY ENVIRONMENTAL MANAGEMENT

We are working towards third-party certification of our ISO14001:2015 Environmental Management System to help us continuously improve our performance.

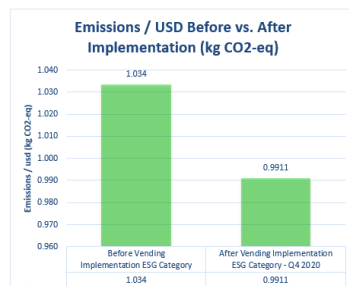


Fastenal formally discloses environmental sustainability efforts through the Carbon Disclosure Project as one way to track performance and uncover opportunities.

## Environmental Impact on our Customers

Fastenal is striving to understand how it can better meet our customer and community needs. Services such as vending, lean mapping, Industrial Services, third-party shipping, onsite locations, fleet and logistics along with environmentally certified products all provide various benefits from reduced consumption, reduced waste, lower emissions for both Fastenal and our customers. By measuring these Scope 3

Before Vending Implementation ESG Category	Total Emissions
Chemicals and Chemical Products	14,050.85
Leather and Leather Products	467,694.58
Rubber and Plastics	15,977,437.08
Textiles and Textile Related Products	2,668,187.37
Grand Total	19,127,369.88
After Vending Implementation ESG Category - Q4 2020	Total Emissions
Chemicals and Chemical Products	77,111.09
Leather and Leather Products	169,582.86
Not on Original Quote	246,832.72
Rubber and Plastics	575,051.50
Textiles and Textile Related Products	172,757.34
Grand Total	1,241,135.51
<b>Estimated Annual Emissions Savings using Vending (kg CO2-eq)</b>	<b>212,528.20</b>
<b>Estimated Annual Emissions (% Change)</b>	<b>-4.11%</b>



\*Developed in accordance with GHG Protocol Recommendations

Equivalent to 72.3 Metric Tons of Landfill Waste Diverted (390.6 Lbs per machine)  
<https://www.epa.gov/energy/greenhouse-gas-equivalencies-calculator>

### Estimated Waste Diverted for Customers in 2020 using our Industrial Services

ESG Category	Total Emissions 2020 (kg CO2)
Basic Metals And Fabricated Metals	6,919,771
Rubber and Plastics	53,878
Textiles and Textile Related Products	58
Grand Total Emissions	6,973,708
Metric Tons of Waste Diverted from Landfill	2,372
Waste Diverted from Landfill (lbs)	4,933,760

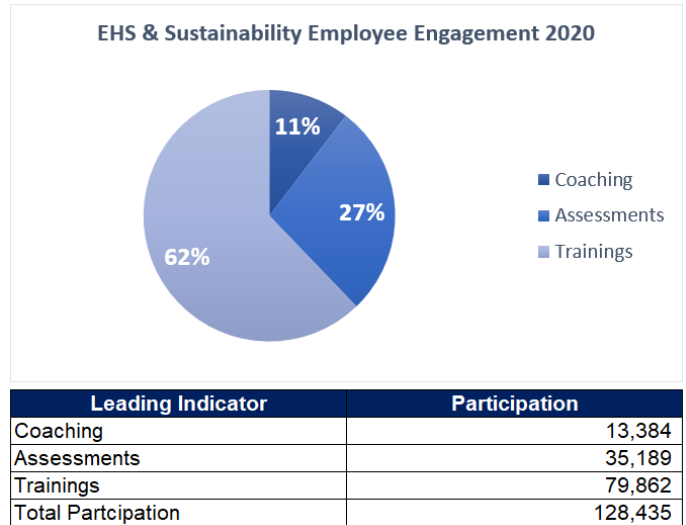
emissions we can understand the impact our service models have on our customers and communities. This innovative way of thinking allows Fastenal to improve their carbon footprint in the long run and remove both quantifiable emissions and waste from our customer's supply chain and help generate additional cost savings along with a stronger partnership. As we continue to grow we feel that this is one of the most meaningful ways our organization can contribute to the reduction in greenhouse gases while also reducing the consumption of resources.

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## Proactive Employee Engagement

Last year, employees participated in over 128,000 EHS & Sustainability activities. These leading indicators have proven to support continuous improvement by encouraging employees to participate in a number of activities on a consistent and frequent basis. The ability to consistently and frequently engage our employees helps to drive safe & sustainable behavior and encourage systemic culture change across the organization.

Locations participated in over 35,189 assessments last year to help identify everything from safety hazards, COVID-19 practices and sustainability opportunities. EHS Managers engage our team members one on one during facility visits.



Employees spent roughly 39,000 hours training covering 12 core topics spanning dozens of subtopics. This includes safety and environmental compliance, ergonomics, hazardous communication, environmental waste management, and many others. Managers and employees participated in over 13,284 behavior based observations throughout our distribution center, manufacturing, and transportation business units. This is an increase of nearly 4% between 2020 and 2019. Behavior based coaching and observation engagement is a key interaction between management and employees. Through this program, we are able to identify and improve operational efficiencies, facility process, and overall business unit performance by positively reinforcing best practices and getting feedback to improve our systems and processes.

## ISO 14001 & ISO 45001 Management Systems

Fastenal utilizes two Management Systems that follow the International Organization for Standardization. These programs provide a structured framework to manage both our environmental and health and safety programs. Increasing expectations by our customers and stakeholders influence our ISO committee meetings every year. Organizational members from a cross section of departments meet to help establish a holistic view of our business. In 2020, the organization met 100% of its primary ISO goals focusing on both safety and sustainability. In addition, our committee teams represent **over 6%** of our manufacturing and distribution center network team members. As we move forward into the future, our committee continues to drive improvement through goals and objectives for both ISO 14001 and ISO 45001.

EXTERNAL & INTERNAL ISSUES									
Context & Interested Parties									
Interested Parties are those stakeholders who receive your products or services, who may be impacted by them, or those parties who may otherwise have a significant impact on your organization. Use this template to document any external and internal issues relevant to your organization's operational purpose and strategic direction that may affect its ability to achieve the intended goal of its QMS management system.									
Also, use this table to map out and understand the expectations of relevant interested parties and how you plan to deal with their requirements through the quality management system. The interested party groups, although not exhaustive, are representative of many industries.									
This information should be reviewed as a strategic or tactical planning document to understand your organization's policies and to provide a road map to achieve future goals.									
IS#	External Issues	Internal Issues	Interested Party	Impact	Priority	Response	Control	Priority of Interested Party (High or Medium)	Priority of Interested Party (High or Medium)
								High	Medium
1	Customer perception	Impact on future business, declining revenue margins	Current customers and Potential Customers	4	4	High	Customer perception, quality, delivery, price, value, and customer service	High	High
2	Our Employees	Business Safety, Ethics and Compliance, Productivity, and long term career prospects	Employees	4	4	High	Measurement of OPE, health and safety, and ethical conduct, compliance with laws and ethical standards	High	High
3	Environmental, Health & Safety	Compliance, Productivity, Resources	Community, Regulatory Agencies	4	4	High	Measurement of performance in OPE, compliance related activities, ISO 14001 compliance, ISO 45001 compliance	High	High
4	Suppliers	Supplier quality and service on time/delivery performance	Suppliers	3	4	High	Measurement of Product and Service	High	High
5	Our Shareholders	Financial and environmental performance	Investment Community	3	3	High	Measurement of OPE, and Environmental, Health and Safety	High	High
6	Community	Compliance, Social and Environmental Impact	General Public, Regulatory Agencies, Employees and Customers	2	2	High	Compliance, Impact on community, impact on environment, diversity of the workforce	High	High