

Labor Practices and Workforce Diversity Summary

Fastenal's success is defined by our people. As such, our hiring is the gateway to the current and future success of everyone within the organization and the organization as a whole. Our cultural values – *Ambition, Integrity, Innovation* and *Teamwork* – are woven into the fabric of our human resources processes and protocols, starting with our employment process. The systems we have created, and the oversight provided by our Diversity and Compliance team to ensure these systems are followed, have helped to assist and guide hiring managers during one of the most important decisions they will make as leaders. They are selecting the next employees who will be interfacing with our customers and mentoring others in the future.

Fastenal's values were integral to the creation of our employment process and serve as guideposts for leadership as they administer and adhere to the system and processes. The ultimate goal of this process is straightforward: hire the candidate who is the best match for the position based on their skills and abilities. This may mean we need to post an opening multiple times to find the best match, but it is always worth the extra effort. In light of our promote-from-within philosophy, we know we are hiring a potential future leader with every new hire. The investment we make in our hiring process today will determine the success we achieve in the future.

In accordance with our decentralized leadership structure, all hiring managers complete their own personal interviews and make local hiring decisions. In August 2015, enhancements were made to our hiring system to bring additional structure and consistency to the process. The cornerstone of these enhancements is our Applicant Tracking System, which was developed internally by our Diversity and Compliance team. Thereafter, our training and development team, the Fastenal School of Business (FSB), updated both our classroom and online courses dedicated to the employment process to reflect these changes and enhancements. The system improvements facilitated better data collection and storage while also streamlining a multi-step process – efficiencies embraced by our leadership team.

The Diversity and Compliance team facilitates all steps within our hiring processes. Simply stated, this team reviews and readies the openings for posting via our internal intranet site, our external websites, and the many post-secondary schools we work with across the country. To further diversify our outreach efforts, we partner with Circa (formerly Local Job Network), which shares the job postings from the Fastenal.com Careers page each day with over 600 diversity and partner sites within the Circa network. This partnership allows us to expand our outreach and improve our employee diversity.

After the job openings are posted, the Diversity and Compliance team completes all initial application screening and phone interviews for interested candidates. After these two screenings are completed, the qualified candidate pool is sent to the hiring manager for first and second interviews. During these interviews, candidates are asked standardized questions based on the requirements of the position. The candidate's responses to questions are noted by the hiring manager, and all interview questions and responses are sent to the Diversity and Compliance team when interviews have been completed. All records are reviewed by the team, and dispositions for the candidate pool are entered and finalized. It's a thorough process – this team reviews the results of each pool and is responsible for managing all recordkeeping.

While the process may appear rigid, it ensures consistency while still allowing the hiring decisions to be made locally. We believe the person best suited to make this decision is the leader who is trying to fill the opening. Not only is this process followed for all new hires, we replicate the same procedures for any internal transfers and promotions. We have always been a promote-from-within organization – we believe it's the best way to reward hard work, performance, and the modeling of our values.

We are committed to ensuring our cultural values are demonstrated by leadership, and this commitment is reflected in the experience needed to advance to a leadership role. Based on the timelines required to achieve certain leadership positions, it can typically take eight to ten years to be considered for a vice president role. For example, in the sales area, it may take a minimum of one to two years to achieve the position of general manager after being hired. It is required that a general manager (or equivalent role) has at least three years of experience in the position before becoming a district manager. A district manager would then need to have at least five years of experience before being promoted to a vice president position. These tenure requirements are part of the current job postings requirements for these roles and have been set by our executive vice presidents to ensure our leaders are well trained and prepared for their roles.

We have created a standardized framework for posting jobs and interviewing for positions, supplemented with training through FSB. The integrity of this process is ensured through our Diversity and Compliance team, which is heavily involved in oversight. We have broad guidelines that inform the time it takes for employees to advance through the organization in order to ensure sufficient experience and continuation of our principles at each level of leadership. Advancement within the organization is based on hard work and execution of performance expectations. Our internal promotion pathway is a great incentive for those with the determination and motivation to be successful, to develop and mentor co-workers, and to model our cultural values. It is also transparent, fair, and consistent; if it weren't, our leadership wouldn't be respected.

Our EEO-1 data¹ shows steady improvement over time in terms of Fastenal's proportion of female and minority employees.

| U.S. Data (2012–2019) | | | | | | |
|-----------------------|--------|--------|----------|---------|--------|----------|
| Year | Males | White | Minority | Females | White | Minority |
| 2012 | 82.30% | 72.38% | 9.92% | 17.70% | 15.50% | 2.20% |
| 2013 | 81.24% | 70.41% | 10.82% | 18.76% | 15.91% | 2.85% |
| 2014 | 80.17% | 68.60% | 11.57% | 19.83% | 16.40% | 3.43% |
| 2015 | 78.93% | 66.30% | 12.63% | 21.07% | 17.24% | 3.82% |
| 2016 | 78.04% | 64.48% | 13.56% | 21.96% | 17.68% | 4.27% |
| 2017 | 77.28% | 63.12% | 14.16% | 22.72% | 18.08% | 4.64% |
| 2018 | 76.14% | 61.25% | 14.89% | 23.86% | 18.64% | 5.22% |
| 2019 | 75.46% | 60.30% | 15.17% | 24.53% | 18.80% | 5.73% |

Based on this progress and our above-described timeframes for internal career advancement, we anticipate seeing a similar diversification of our leadership at all levels in the coming years. Thank you for taking time to read this letter and better understand Fastenal's employment philosophy and practices. As always, we are committed to hiring great people, investing in their success, and providing opportunities for them to grow as leaders of our organization.

Reyne Wisecup
 Senior Executive Vice President – Human Resources

¹ The EEO-1 report is the product of an annual survey required by United States Department of Labor that categorizes a company's employment data by race/ethnicity, gender, and job category. As of the August 2020 publishing of this letter, the 2019 data has not yet been requested by the federal government.