# Welcome to your CDP Climate Change Questionnaire 2019

# C0. Introduction

## C0.1

**(C0.1) Give a general description and introduction to your organization.**

W.W. Grainger, Inc. is a broad line, business-to-business distributor of maintenance, repair and operating (MRO) supplies and other related products and services. More than 3.5 million businesses and institutions worldwide rely on Grainger for products in categories such as safety, material handling and metalworking, along with services like inventory management and technical support. These customers represent a broad collection of industries, including commercial, government, healthcare and manufacturing. They place orders online, on mobile devices, through sales representatives, over the phone and at local branches. Approximately 5,000 suppliers provide Grainger with 1.7 million products stocked in the company's distribution centers (DCs) and branches worldwide. Grainger employs 25,000 team members across the globe. For more information on Grainger, visit www.grainger.com/investor.

## C0.2

**(C0.2) State the start and end date of the year for which you are reporting data.**

| | Start date | End date | Indicate if you are providing emissions data for past reporting years |
|---|---|---|---|
| Row 1 | January 1, 2018 | December 31, 2018 | No |

## C0.3

**(C0.3) Select the countries/regions for which you will be supplying data.**

Belgium
Canada

China
Czechia
Dominican Republic
France
Germany
Hungary
India
Indonesia
Ireland
Japan
Malaysia
Mexico
Netherlands
Panama
Peru
Poland
Portugal
Puerto Rico
Romania
South Africa
Thailand
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United States of America

## C0.4

**(C0.4) Select the currency used for all financial information disclosed throughout your response.**

USD

## C0.5

**(C0.5) Select the option that describes the reporting boundary for which climate-related impacts on your business are being reported. Note that this option should align with your consolidation approach to your Scope 1 and Scope 2 greenhouse gas inventory.**

Operational control

# C1. Governance

## C1.1

**(C1.1) Is there board-level oversight of climate-related issues within your organization?**

Yes

## C1.1a

**(C1.1a) Identify the position(s) (do not include any names) of the individual(s) on the board with responsibility for climate-related issues.**

| Position of individual(s) | Please explain |
|---|---|
| Board-level committee | The Charter for the Board Affairs and Nominating Committee (BANC) of our Board of Directors. The BANC also has oversight responsibility for the Company's Corporate Social Responsibility activities to advance the interest of shareholders, including the Company's involvement with the communities it serves and the Company's promotion of a sustainable environment. The BANC conducts a review on an annual basis, as well as receives reports and updates on ESG matters on an as needed basis. In 2017 and 2018, the Lead Director of Grainger's Board of Directors, along with members of management, including a Grainger CSR representative, met with major institutional investors about our corporate governance practices and policies, including our ESG initiatives. With the addition of an outside Board member who is the Chief Sustainability Officer at a Fortune 100 company, Grainger's Board has increased its CSR expertise. |

# C1.1b

**(C1.1b) Provide further details on the board's oversight of climate-related issues.**

| Frequency with which climate-related issues are a scheduled agenda item | Governance mechanisms into which climate-related issues are integrated | Please explain |
|---|---|---|
| Scheduled – some meetings | Monitoring implementation and performance of objectives<br>Overseeing major capital expenditures, acquisitions and divestitures<br>Monitoring and overseeing progress against goals and targets for addressing climate-related issues | The Charter for the Board Affairs and Nominating Committee of our Board of Directors provides that the Committee oversees our CSR activities to advance the interests of shareholders including the company's promotion of a sustainable environment. The Committee conducts this review on an annual basis with information provided by the CSR Working Group. The information shared and evaluated for approval typically includes recommended targets on GHGs reduction, programmatic success and structure. |

# C1.2

**(C1.2) Provide the highest management-level position(s) or committee(s) with responsibility for climate-related issues.**

| Name of the position(s) and/or committee(s) | Responsibility | Frequency of reporting to the board on climate-related issues |
|---|---|---|
| Chief Executive Officer (CEO) | Both assessing and managing climate-related risks and opportunities | Annually |
| Other C-Suite Officer, please specify<br>VP, Pres. Merchandising & Supplier Mgmt | Both assessing and managing climate-related risks and opportunities | Annually |

# C1.2a

**(C1.2a) Describe where in the organizational structure this/these position(s) and/or committees lie, what their associated responsibilities are, and how climate-related issues are monitored (do not include the names of individuals).**

Grainger’s CSR Advisory Council, a small group of senior-level team members who frequently interact with customers, investors, suppliers, or have direct line-of-sight to the revenue-generating parts of the business. The group is composed of eight senior-level executives, many of whom report directly to our CEO’s Leadership Team. The group represents the following departments: External Affairs/Communications, Human Resources, Legal, Compliance & Data Privacy/Security, Finance, National Sales & Service and Merchandising and Supplier Management.

The group’s primary objectives are to provide strategic awareness to the program and to encourage developments in transparency throughout the organization. Ensuring representation in risk management, data privacy, corporate governance, and large contract sales and marketing strategy, the Council works to enhance our unique value for customers, while supporting Grainger as responsible stewards of our business. The Advisory Council represents a meaningful step forward in our CSR and corporate citizenship efforts in a way that is authentic to our organization.

The CSR Advisory Council meets quarterly to discuss pertinent CSR and ESG issues and objectives. The primary focus of the December 2018 meeting was regarding climate-related issues. Grainger’s General Counsel was also in attendance and an update was provided to Grainger’s CFO following the conversation.

# C1.3

**(C1.3) Do you provide incentives for the management of climate-related issues, including the attainment of targets?**

Yes

# C1.3a

**(C1.3a) Provide further details on the incentives provided for the management of climate-related issues (do not include the names of individuals).**

**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Energy reduction project

**Comment**

Employees of Grainger’s U.S. business are eligible for profit sharing based on the company's annual financial performance. Grainger’s energy reduction and efficiency projects reduce the company’s utility expenses, which make up about 1% of Grainger's total operating expenses in the U.S., and therefore do have some impact on the monetary profit sharing award provided to employees.

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**Who is entitled to benefit from these incentives?**

All employees

**Types of incentives**

Monetary reward

**Activity incentivized**

Other, please specify

All Sustainability Projects

**Comment**

Team members receive annual salary increases and/or bonuses based on the performance relative to their goals set each year. All listed team members have goals that relate in some way to the profitability portion of sustainability, some significantly, for example to energy efficiency. The Senior Manager of Global Sustainability had a goal to reduce Grainger's Carbon Intensity 33% by 2020. This manager was rewarded based on accomplishing this key performance indicator early, with Scope 1 and Scope 2 GHG emissions divided by total revenue of North American business operations, and several factors contributing to this success.

# C2. Risks and opportunities

## C2.1

**(C2.1) Describe what your organization considers to be short-, medium- and long-term horizons.**

| | From (years) | To (years) | Comment |
|---|---|---|---|
| Short-term | 0 | 3 | |
| Medium-term | 3 | 10 | |
| Long-term | 10 | 30 | |

## C2.2

**(C2.2) Select the option that best describes how your organization's processes for identifying, assessing, and managing climate-related issues are integrated into your overall risk management.**

Integrated into multi-disciplinary company-wide risk identification, assessment, and management processes

## C2.2a

**(C2.2a) Select the options that best describe your organization's frequency and time horizon for identifying and assessing climate-related risks.**

| | Frequency of monitoring | How far into the future are risks considered? | Comment |
|---|---|---|---|
| Row 1 | Six-monthly or more frequently | >6 years | Risks are routinely monitored directly by the sustainability team, with an emphasis on any potentially substantive financial impact risks associated with climate risk, for example natural disasters posing a risk of 1% or greater than revenue. A formal review of risks is delivered to our CSR Advisory Council on a bi-annual basis and any key findings can be shared with the Board of Directors annually. |

# C2.2b

**(C2.2b) Provide further details on your organization's process(es) for identifying and assessing climate-related risks.**

Grainger's process for identifying and assessing climate related risks includes having its sustainability team designed in a way that requires cross-functional work and information sharing.  Throughout the year, the team works with operational business partners to understand their processes and prioritize risks with substantive financial impact .  Partnering with risk management, the team identifies remediation plans and prioritizes execution. Grainger generally defines a risk that could cause substantive financial impact as those risk factors relevant to the Company's business that could adversely affect its financial condition (e.g. at 1% or greater than revenue), results of operations and cash flows.

A combination of qualitative and quantitative considerations is evaluated when assessing materiality.  Materiality thresholds may vary based on the net financial impact, reputational risk, type/nature of an event and its impact, etc. An example of an identified climate related risk is disruptions in Grainger's supply chain could result in an adverse impact on results of operations.  A disruption within Grainger's logistics or supply chain network, including damage, destruction, extreme weather and other events, which could cause one or more of Grainger's distribution centers to become non-operational, could adversely affect Grainger's ability to obtain or deliver inventory in a timely manner, impair Grainger's ability to meet customer demand for products and result in lost sales or damage to Grainger's reputation. Grainger's ability to provide same-day shipping and next-day delivery is an integral component of Grainger's business strategy and any such disruption could adversely impact results of operations.

# C2.2c

**(C2.2c) Which of the following risk types are considered in your organization's climate-related risk assessments?**

| | Relevance & inclusion | Please explain |
|---|---|---|
| Current regulation | Relevant, always included | i: Current regulatory risks reviewed during Grainger's risk assessment in conjunction with our Sustainability Team, Risk Management, Global Ethics and Compliance and Legal, include those that support (or oppose) renewable energy, such as federal and state incentive programs or solar taxes, since the change in solar incentives due to regulation is a key component of our renewable energy strategy and GHG reduction targets. ii: Investments are prioritized based on our findings and a decision may be made to move forward or not if the investment helps our organization achieve business and climate goals or not.  For instance, Solar Energy Industries Association reports that, "There is a federal investment tax credit (ITC) for solar energy systems in place until December 31st, 2023. Both residential and commercial customers can |

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| | | take advantage of this tax credit, and it applies to all three major types of solar technology; photovoltaic, solar heating & cooling, and concentrating solar technology.” |
| Emerging regulation | Relevant, always included | i: Emerging regulatory risks reviewed during Grainger's risk assessment in conjunction with our Sustainability Team, Risk Management, Global Ethics and Compliance and Legal, include those that would impact the price of materials utilized in the manufacturing process of goods purchased &/or sold, such as international trade tariffs on imported photovoltaic cells, as another key component of our renewable energy strategy and GHG reduction targets. ii: Vetting these risks allows for the development of mitigation strategies should legislation pass. For example, an energy specialist for Bloomberg New Energy Finance depicted a situation on economic sanctions with China as follows in early 2018 related to solar imports: “Currently, PV cells and modules originating in China are subject to two sets of tariffs: antidumping and countervailing duties that originally started in 2012 and experienced some amendments since then, and 30% tariffs under Section 201 commencing in February 2018.” |
| Technology | Relevant, always included | i: New technologies are consistently evaluated in conjunction with our Sustainability Team, Indirect Procurement, Risk Management, Global Ethics and Compliance and Legal, in terms of relevance in supporting our GHG reduction goals. Once implemented, some are assessed within the context of latest industry technological advancements, and reported on back to leadership monthly. ii: Low cost buildings controls have, in the past, been too costly to implement, however, newer applications have contributed to Grainger's emissions reduction efforts. |
| Legal | Relevant, always included | i: Legal risks, such as those affecting environmentally preferable products (EPP) sold, are assessed routinely at Grainger from an interdisciplinary group including the Sustainability Team, Supply Chain, Merchandising and Supplier Management, Risk Management, Global Ethics and Compliance and Legal, as this is a growing segment of Grainger’s business which represented $599 million in sales in 2018, and can contribute significantly to GHG reduction in the Scope 3 use phase. Grainger reviews the specific set of EPP attributes as new sustainable products are introduced to the product portfolio, and all values are assessed for relevancy annually. EPP attributes are evaluated with an external partner, UL Environmental, Inc., on the basis of the Federal Trade Commission’s “Green Guides” that specify the usage of product certifications and approvals. ii: Each product in Grainger’s EPP assortment is identified on Grainger.com®. with a specific set of certificates, or attributes that are found in the technical specifications section for each product. These products are grouped together in a Green filter on the left-hand navigation bar of Grainger.com®. EPP products fall into two categories – those that are certified by independent organizations and those that have “green environmental attributes”. A certification acts as a stamp of approval and indicates that a product has met certain environmental standards around attributes such as “energy |

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|---|---|---|
| | | efficient" (ENERGY STAR) or "low toxicity" (Green Seal). Certified products are designated with a green leaf icon, and explained in the compliance section for each product. The green leaf, green filter, and compliance information guides customers toward more environmentally preferable solutions. Grainger asks suppliers to provide these certifications or attributes, and UL Environmental Inc. verifies the viability of the attribute to the product before it is published to customers. |
| Market | Relevant, always included | i: Based on market assessments, Grainger has determined that a robust environmentally preferred product portfolio is a customer need. ii: We work collaboratively with the Sustainability Team, Supply Chain, Merchandising and Supplier Management, Risk Management, Global Ethics and Compliance and Legal to create a more sustainable workplace for our customers and our communities through our Environmentally Preferable Product (EPP) Portfolio, a key component of a growing sales segment for Grainger and potential to reduce our Scope 3 emissions. We offer our customers one of the largest green SKU counts in the industrial distribution market, providing more ways to reduce energy consumption, conserve water, reduce waste and improve indoor air quality. In addition the company offers data-driven EPP analytics to our customers helping them track, report and grow their green spend. Similarly, we equip our customer-facing team members with training, sales tools and marketing support so that they can help customers achieve meaningful progress towards their sustainability goals and initiatives. In 2018, the EPP Portfolio expanded 28 percent to more than 100,000 items that help customers maintain sustainable facilities. With sales of $599 million, it represented a 12.6% increase over 2017. |
| Reputation | Relevant, always included | i: Reputation: By aligning stakeholders such as suppliers and customers around sustainable operations and products, Grainger can positively impact sustainability overall and reduce emissions. ii: As such, Grainger is a leader in the MRO space in terms of our commitments to sustainability (first to set public targets such as a GHG reduction goal, first to build LEED certified facilities, first to become a EPA SmartWay Transport Partner). Grainger was also ranked as Barron's 8th Most Sustainable Company in the U.S. (ranking released early 2019). Grainger assesses reputation considerations through a collaborative group including the Sustainability Team, Risk Management, Global Ethics and Compliance, Legal and Corporate Communications. |
| Acute physical | Relevant, always included | i: Grainger working groups including the Sustainability Team, Risk Management, Global Ethics and Compliance, Legal and Security & Loss Prevention, have conducted an analysis to understand the potential acute physical impacts of climate change. ii: For Grainger, this risk type includes the risk of increased severity of extreme weather events, such as cyclones and floods, leading to reduced revenue from decreased production capacity (e.g., transport difficulties in adverse weather, |

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|---|---|---|
| | | and supply chain interruptions). Grainger has implemented a robust emergency response program to mitigate impacts from increased/more powerful natural disasters. |
| Chronic physical | Relevant, always included | i: Grainger working groups including the Sustainability Team, Risk Management, Global Ethics and Compliance, Legal and Security & Loss Prevention, have conducted an analysis to understand the potential chronic physical impacts of climate change. ii: Long term shifts in climate patterns have the potential to impact Grainger, either through increase frequency and severity of extreme weather events, disrupting global supply chains and logistics impacting Grainger's revenue, or through increasing temperatures, putting strain on our workforces and supply chains, increasing operational costs in our distribution centers and branches through additional air conditioning requirements. Grainger has implemented multiple projects to analyze and mitigate risk arising from long term shifts in climate patterns, such as heat waves induced by increasing average temperatures. |
| Upstream | Relevant, always included | As a distributor of approximately 1.7 million items, Grainger working groups including the Sustainability Team, Risk Management, Global Ethics and Compliance, Legal, Merchandising and Supplier Management, Supply Chain, and Security & Loss Prevention routinely work with our upstream supply chain partners to assess and mitigate risks. ii: Grainger participates in CDP Supply Chain as a way to understand potential upstream impacts of climate change by engaging with our top suppliers and understanding the issues that impact their businesses. For example, Grainger Global Sourcing (GGS) GGS is responsible for Private Brands overseas sourcing. GGS has a risk analysis tool to identify the supply risks, including environmental risks, of our top overseas purchasing categories and top suppliers. Included within this risk type is the risk of increased frequency and severity of extreme weather events, such as cyclones and floods, disrupting our supply chain, leading to reduced revenues through a decreased production capacity. Shortages of products within our DCs and branches have the potential to reduce revenues. Plans to mitigate risk and routinely monitor risk levels are ongoing. |
| Downstream | Relevant, always included | i: Grainger working groups including the Sustainability Team, Risk Management, Global Ethics and Compliance, Legal, Merchandising and Supplier Management, Supply Chain, Security & Loss Prevention and Sales, ensure customers and team members are factored into our overall risk assessment. Our emergency preparedness and response program is in place to help customers and team members affected by increased instances of natural disasters as the result of climate change. ii: Our climate related downstream risks are closely related to our reputational and market risks. Grainger is a leader in the MRO space in terms of commitments to sustainability. We offer our customers one of the largest green SKU counts in the industrial distribution market, providing more ways to reduce energy consumption, conserve water, reduce |

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|---|---|---|
| | | waste and improve indoor air quality. In addition the company offers data-driven EPP analytics to our customers helping them track, report and grow their green spend. Similarly, we equip our customer-facing team members with training, sales tools and marketing support so that they can help customers achieve meaningful progress towards their sustainability goals and initiatives. In 2018, the EPP Portfolio expanded 28 percent to more than 100,000 items that help customers maintain sustainable facilities. With sales of $599 million, it represented a 12.6% increase over 2017. |

# C2.2d

**(C2.2d) Describe your process(es) for managing climate-related risks and opportunities.**

i) Scope of the Process: Grainger's risk management process includes weather-related, people and cost impacts as well as (potential) regulatory requirements related to climate change and climate change mitigation.

ii) How risk/opportunities are prioritized at a company level: A formal review of risks is delivered to our CSR Advisory Council on a bi-annual basis and any key findings can be shared with the Board of Directors annually. Climate change topics are also prioritized at a GHG workshop once a year. Business partners from each area of the business that impacts Grainger's emissions and climate change strategy discuss our progress and develop the plan for the future. Specific projects, company level risks, and company level opportunities are discussed.

iii) An example of how Grainger assessed a potential physical risk was when the organization conducted a Business Impact (BI) analysis to analyze risks and quantify major exposures to Grainger facilities within its supply chain. The outcomes include prioritization of key facilities or processes by quantifying the significant impact of exposures facing the organization against specific threats (e.g. physical risks/loss). The process to identify priorities for physical risks is based upon locations that distribute the highest average monthly volume and the longest recovery period. The recovery period is defined as the time it would take to rebuild a large distribution center in the event of complete loss.

iv) An example of how Grainger assessed a potential transition risk was when the organization made the decision to set our first GHG reduction goal. At the time, no other MRO distributor had set a public target. The sustainability team worked cross-functionally to forecast emissions based on growth expectations through 2020 and paired that with revenue projections over the same time period. After factoring in project opportunities identified during risk/opportunity assessments (and making a company-wide commitment to annually re-assessing), Grainger became the first MRO distributor to publicly set an emissions reduction target.

## C2.3

**(C2.3) Have you identified any inherent climate-related risks with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.3a

**(C2.3a) Provide details of risks identified with the potential to have a substantive financial or strategic impact on your business.**

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**Identifier**

Risk 1

**Where in the value chain does the risk driver occur?**

Direct operations

**Risk type**

Physical risk

**Primary climate-related risk driver**

Acute: Increased severity of extreme weather events such as cyclones and floods

**Type of financial impact**

Reduced revenue from decreased production capacity (e.g., transport difficulties, supply chain interruptions)

**Company- specific description**

Grainger conducted a Business Impact (BI) analysis to analyze risks and quantify major exposures to Grainger facilities within its supply chain. The outcomes include prioritization of key facilities or processes by quantifying the significant impact of exposures facing the organization against specific threats (e.g. physical risks/loss). The process to identify priorities for physical risks is based upon locations that distribute the highest average monthly volume and the longest recovery period. The recovery period is defined as the time it would take to rebuild a large distribution center in the event of complete loss.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

High

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

50,000,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Financial Impacts due to the loss of sales and loss of inventory. Increased severity of precipitation has the potential to increase this small financial impact. In 2016, Grainger has calculated that complete loss a building in a flood/severe storm region would cost the business at least $50M and less than that in 99% of Grainger's buildings.

**Management method**

Continuous engagement with risk management and outside consultants to ensure structures and operations are sound. Additionally, dynamic models have been developed to re-route orders should one or multiple portions of our operations be affected. Grainger recognizes the importance of customers having access to products and services when and where they are needed. Grainger's business continuity and disaster recovery (BCDR) planning helps minimize the impact of unplanned events and outages affecting Grainger customers. To that end, BCDR efforts include developing, implementing and enhancing business continuity processes in alignment with the ISO/IEC 22301 framework for Grainger's Business Continuity Management Programs (BCMPs). This standard provides the strategic direction for BCMPs and guides the establishment of activities that align with the framework. Components of a BCMP include a Business Impact Analysis, Risk Assessment, and other mitigation methods and tools. For example, localized response procedures are designed to allow customers in need to obtain emergency response items at any time of the day or night, and local Grainger branches may remain open 24 hours a day during major emergencies and disasters. The cost of management for this risk is related to the cost of maintaining and improving Grainger Properties and other critical assets to sure they are resilient against extreme weather events. In 2017, Grainger spent approximately $60M maintenance and improvements.

**Cost of management**

60,000,000

**Comment**

Grainger conducted a Business Impact (BI) analysis to analyze risks and quantify major exposures to Grainger facilities within its supply chain. The outcomes include prioritization of key facilities or processes by quantifying the significant impact of exposures facing the organization against specific threats (e.g. physical risks/loss). The process to identify priorities for physical risks is based upon locations that distribute the highest average monthly volume and the longest recovery period. The recovery period is defined as the time it would take to rebuild a large distribution center in the event of complete loss.

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**Identifier**

Risk 2

**Where in the value chain does the risk driver occur?**

Supply chain

**Risk type**

Transition risk

**Primary climate-related risk driver**

Policy and legal: Other

**Type of financial impact**

Increased operating costs (e.g., higher compliance costs, increased insurance premiums)

**Company- specific description**

Regulations directed towards reducing greenhouse gas emissions may increase utility costs. Examples of this include the Clean Air Act, and the subsequent EPA New Source Performance Standards for any new power plant in the US. Increased utility costs would increase operational costs for Grainger’s facilities located in the United States.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

2,000,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

Regulation of GHG emissions has the potential to impact utility costs. Changes in legal and regulatory environments could increase the cost of doing business. Utility costs may increase in the future, but it will have a relatively small financial impact. Grainger has calculated that if regulations were to affect utility costs 10% there would be an estimated increase in operating expense of approximately 1%, equal to $2,000,000.

**Management method**

As regulations are proposed, Grainger investigates potential impacts and builds appropriate mitigation strategies. Grainger is conducting energy efficiency upgrades in existing facilities and building new facilities to energy efficient standards. Grainger has been a member of the U.S. Green Building Council since 2007, and remains committed to building Leadership in Energy and Environmental Design (LEED) certified facilities. Grainger currently maintains 6.7 million square feet of LEED certified space through 18 North American facilities, representing 27 percent of Grainger's total square feet in North America. Grainger's facilities account for about 94% of our annual energy use in North America. We focus our efforts on improving energy efficiency and embedding sustainability into our operations whenever feasible. For example, Grainger currently has 5.3MW of solar panels installed on the rooftops of our distribution centers (DCs). Current renewable energy projects have resulted in 6.73 million kilowatt hours of renewable energy produced in 2018. Additionally in 2018, Grainger implemented several building management systems, lighting, battery and HVAC upgrades, which will reduce the facilities future energy requirements. The cost of these energy efficiency projects totalled approximately $3M. The annual cost of management for this risk is equivalent to the annual spend on energy efficiency and plant upgrades to help drive down our energy consumption across our locations.

**Cost of management**

3,017,083

**Comment**

Regulations directed towards reducing greenhouse gas emissions may increase utility costs. Examples of this include the Clean Air Act, and the subsequent EPA New Source Performance Standards for any new power plant in the US. Increased utility costs would increase operational costs for Grainger's facilities located in the United States.

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**Identifier**

Risk 3

**Where in the value chain does the risk driver occur?**

Customer

**Risk type**

Transition risk

**Primary climate-related risk driver**

Reputation: Shifts in consumer preferences

**Type of financial impact**

Reduced revenue from decreased demand for goods/services

**Company- specific description**

Grainger sells environmentally preferred products (EPP), so we must maintain an environmentally responsible reputation or else we run the risk of reduced demand for our products. Our customers are also increasingly requesting EPP and services to help them manage energy costs, reduce waste, conserve water, promote indoor air quality, or offer utility rebate incentives. In 2018, Grainger’s EPP Portfolio expanded 28 percent to more than 100,000 items. Customers taking science-based climate action seek energy efficient products that reduce carbon emissions when compared to less efficient alternatives. Of new EPP products introduced last year, over 70% of sales were driven by customer interest in products that measure use, control effectiveness and output, and reduce consumption of energy. Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation.

**Time horizon**

Long-term

**Likelihood**

Unlikely

**Magnitude of impact**

Low

**Are you able to provide a potential financial impact figure?**

Yes, a single figure estimate

**Potential financial impact figure (currency)**

27,000,000

**Potential financial impact figure – minimum (currency)**

**Potential financial impact figure – maximum (currency)**

**Explanation of financial impact figure**

One of the reasons why customers choose to do business with Grainger and why employees choose Grainger as a place of employment is the reputation that Grainger has built over 85+ years. To be successful in the future, Grainger must continue to preserve, grow and leverage the value of its brand. Reputational value is based in large part on perceptions of subjective qualities. If Grainger's reputation was negatively impacted, it could lead to a reduction in customer demand which could negatively impact the company's revenue. The financial implication to a negative effect on Grainger's climate change reputation could be a decline in green product sales. If there was a 5% reduction in green product sales, it would result in a sales decline of approximately $27M.

**Management method**

Grainger has lead the MRO industry with its commitment to plan, execute and disclose climate change strategies and progress over time. Grainger was the first MRO distributor to publicly disclose our GHG footprint, set a public goal, build LEED certified facilities, and become an EPA SmartWay Transport Partner. More recently, in 2018, following the achievement of Grainger's current GHG reduction targets, Grainger have started to explore the methods and magnitude of carbon reduction required to align our GHG emission trajectory and targets to what is required by climate science. Grainger are actively pursuing the reduction required to align to 2.0, well below 2.0 and 2.5 carbon reduction pathways for our Scope 1 & 2 emissions. As exploring climate aligned targets and following environmental best practice is part of Grainger's everyday operation, there is no incremental cost to manage this risk. As a result, the cost of management has been calculated as $0 for this risk.

**Cost of management**

0

**Comment**

Grainger sells environmentally preferred products (EPP), so we must maintain an environmentally responsible reputation or else we run the risk of reduced demand for our products. Our customers are also increasingly requesting EPP and services to help them manage energy costs, reduce waste, conserve water, promote indoor air quality, or offer utility rebate incentives. In 2018, Grainger's EPP Portfolio expanded 28 percent to more than 100,000 items. Customers taking science-based climate action seek energy efficient products that reduce carbon emissions when compared to less efficient alternatives. Of new EPP products introduced last year, over 70% of sales were driven by customer interest in products that measure use, control effectiveness and output, and reduce consumption of energy. Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation.

## C2.4

**(C2.4) Have you identified any climate-related opportunities with the potential to have a substantive financial or strategic impact on your business?**

Yes

## C2.4a

**(C2.4a) Provide details of opportunities identified with the potential to have a substantive financial or strategic impact on your business.**

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**Identifier**

Opp1

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact**

Increased revenue through demand for lower emissions products and services

**Company-specific description**

As emerging environmental product standards take effect, new, more sustainable products and services are available to the marketplace through Grainger's product assortment. This could lead to an increased demand for new, environmentally preferable and sustainable products particularly in the lighting category such as LEDs and energy efficient bulbs. Product standards such as GREENGUARD, Green Seal Certified and Energy Star Rated items are important certifications to offer customers who want to select green and sustainable choices in the products they are purchasing for their companies.

**Time horizon**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

21,000,000

**Potential financial impact figure – maximum (currency)**

113,000,000

**Explanation of financial impact figure**

Grainger’s dedication to managing and verifying products with green or sustainable certifications and attributes allows our customers to make an informed choice when selecting products. As our capabilities in this space become more sophisticated there is a potential for increased revenue from the Government and Healthcare sectors – which increasingly demand a higher percentage of their purchased products to be certified green or sustainable. In a 2012 press release issued by Johnson and Johnson they referenced a 2012 study conducted by SK&A who surveyed key decision makers within Institutional Delivery Networks and hospitals on the importance of green/sustainability on their purchasing decisions. The survey found that nearly one-third of current requests for proposals for medical products include green attributes, while key decision makers expect nearly 40% of future requests for proposals to include green attributes.

**Strategy to realize opportunity**

In order to manage this opportunity, Grainger has implemented several category teams to address specific needs of customers. This includes energy reduction teams around lighting, marketing teams to communicate to customers, etc. i) We also have engaged a third party, EcoAct, in order to better understand the carbon impact of the products we sell from the point of distribution through the product end-of-life. This work will help us to prioritize where to align resources to improve our portfolio of products. ii) We also engage with UL, Inc. to review Environmentally Preferable Product certification and attributes as the demand for more sustainable products and services grow. iii) Additionally, the Merchandising and Supplier Management department conducts product reviews throughout the year to enable customers to quickly and confidently find the solution to their needs, including Environmentally Preferable Products. For example, the Merchandising Team incorporated Federal and State efficiency standards from Energy Star Certification to Department of Energy regional energy conservation standards during a review of HVAC products. This research and the resulting strategy ensures that customers can purchase efficient products both now, and as new sustainable products are developed over time. We estimate the combined related costs between EcoAct and UL fees to manage these opportunities at $60,300.

**Cost to realize opportunity**

60,300

**Comment**

Opportunity for our largest use phase category (lighting) only

---

**Identifier**

Opp2

**Where in the value chain does the opportunity occur?**

Direct operations

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Development and/or expansion of low emission goods and services

**Type of financial impact**

Increased revenue through demand for lower emissions products and services

**Company-specific description**

As emerging environmental product standards take effect, new, more sustainable products and services are available to the marketplace through Grainger's product assortment. This could lead to an increased demand for new, environmentally preferable and sustainable products. Product standards such as GREENGUARD, Green Seal Certified and Energy Star Rated items are important certifications to offer customers who want to select green and sustainable choices in the products they are purchasing for their companies. Whilst the lighting category offers our largest singular category opportunity in this space, our other product categories (e.g. HVAC & power tools, etc.) also present an opportunity.

**Time horizon**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

91,000,000

**Potential financial impact figure – maximum (currency)**

486,000,000

**Explanation of financial impact figure**

Grainger's dedication to managing and verifying products with green or sustainable certifications and attributes allows our customers to make an informed choice when selecting products. As our capabilities in this space become more sophisticated there is a potential for increased revenue from the Government and Healthcare sectors – which increasingly demand a higher percentage of their purchased products to be certified green or sustainable. In a 2012 press release issued by Johnson and Johnson they referenced a 2012 study conducted by SK&A who surveyed key decision makers within Institutional Delivery Networks and hospitals on the importance of green/sustainability on their purchasing decisions. The survey found that nearly one-third of current requests for proposals for medical products include green attributes, while key decision makers expect nearly 40% of future requests for proposals to include green attributes.

**Strategy to realize opportunity**

In order to manage this opportunity, Grainger has implemented several category teams to address specific needs of customers. This includes energy reduction teams around lighting, marketing teams to communicate to customers, etc. i) We also have engaged a third party, EcoAct, in order to better understand the carbon impact of the products we sell from the point of distribution through the product end-of-life. This work will help us to prioritize where to align resources to improve our portfolio of products. ii) We also engage with UL, Inc. to review Environmentally Preferable Product certification and attributes as the demand for more sustainable products and services grow. iii) Additionally, the Merchandising and Supplier Management department conducts product reviews throughout the year to enable customers to quickly and confidently find the solution to their needs, including Environmentally Preferable Products. For example, the Merchandising Team incorporated Federal and State efficiency standards from Energy Star Certification to Department of Energy regional energy conservation standards during a review of HVAC products. This research and the resulting strategy ensures that customers can purchase efficient products both now, and as new sustainable products are developed over time. We estimate the combined related costs between EcoAct and UL fees to manage these opportunities at $60,300.

**Cost to realize opportunity**

60,300

**Comment**

Opportunity for all use phase categories (minus lighting)

**Identifier**

Opp3

**Where in the value chain does the opportunity occur?**

Customer

**Opportunity type**

Products and services

**Primary climate-related opportunity driver**

Shift in consumer preferences

**Type of financial impact**

Better competitive position to reflect shifting consumer preferences, resulting in increased revenues

**Company-specific description**

As emerging environmental product standards take effect, new, more sustainable products and services are available to the marketplace through Grainger's product assortment. This could lead to an increased demand for new, environmentally preferable and sustainable products. Product standards such as GREENGUARD, Green Seal Certified and Energy Star Rated items are important certifications to offer customers who want to select green and sustainable choices in the products they are purchasing for their companies. Customers taking science-based climate action seek energy efficient products that reduce carbon emissions when compared to less efficient alternatives. Of new EPP products introduced last year, over 70% of sales were driven by customer interest in products that measure use, control effectiveness and output, and reduce consumption of energy. Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation.

**Time horizon**

Current

**Likelihood**

Very likely

**Magnitude of impact**

Medium

**Are you able to provide a potential financial impact figure?**

Yes, an estimated range

**Potential financial impact figure (currency)**

**Potential financial impact figure – minimum (currency)**

112,000,000

**Potential financial impact figure – maximum (currency)**

599,000,000

**Explanation of financial impact figure**

Grainger's dedication to managing and verifying products with green or sustainable certifications and attributes allows our customers to make an informed choice when selecting products. As our capabilities in this space become more sophisticated there is a potential for increased revenue from the Government and Healthcare sectors – which increasingly demand a higher percentage of their purchased products to be certified green or sustainable. In a 2012 press release issued by Johnson and Johnson they referenced a 2012 study conducted by SK&A who surveyed key decision makers within Institutional Delivery Networks and hospitals on the importance of green/sustainability on their purchasing decisions. The survey found that nearly one-third of current requests for proposals for medical products include green attributes, while key decision makers expect nearly 40% of future requests for proposals to include green attributes.

**Strategy to realize opportunity**

In order to manage this opportunity, Grainger has implemented several category teams to address specific needs of customers. This includes energy reduction teams around lighting, marketing teams to communicate to customers, etc. i) We also have engaged a third party, EcoAct, in order to better understand the carbon impact of the products we sell from the point of distribution through the product end-of-life. This work will help us to prioritize where to align resources to improve our portfolio of products. ii) We also engage with UL, Inc. to review Environmentally Preferable Product certification and attributes as the demand for more sustainable products and services grow. iii) Additionally, the Merchandising and Supplier Management department conducts product reviews throughout the year to enable customers to quickly and confidently find the solution to their needs, including Environmentally Preferable Products. For example, the Merchandising Team incorporated Federal and State efficiency standards from Energy Star Certification to Department of Energy regional energy conservation standards during a review of HVAC products. This research and the resulting strategy ensures that customers can purchase efficient products both now, and as new sustainable products are developed over time. We estimate the combined related costs between EcoAct and UL fees to manage these opportunities at $60,300.

**Cost to realize opportunity**

60,300

**Comment**

Reputation opportunity for expanding EPP portfolio

## C2.5

**(C2.5) Describe where and how the identified risks and opportunities have impacted your business.**

| | Impact | Description |
|---|---|---|
| Products and services | Impacted | i) New products are being identified to meet the needs of customers looking for more energy/water efficient choices as well as those that promote increased indoor air quality and help reduce waste. Complimentary services, primarily in the energy space have also been added to our offering in recent years. ii) In 2018, Grainger sold $599M in environmentally preferable products. iii) Grainger recognizes the impact on products and services is moderate. |
| Supply chain and/or value chain | Impacted | ) Grainger's engagement of suppliers around the topic of climate change has increased over the past several years resulting in efficiency opportunities and risk mitigation planning. Grainger recognizes that our supply/value chain may be moderately impacted. ii) In 2018, some of our largest vendors reduced more than 5 million metric tons of CO2 resulting in approximately $270 million in savings for their respective businesses. |
| Adaptation and mitigation activities | Impacted for some suppliers, facilities, or product lines | i) As risks are identified, Grainger's risk management and business continuity teams help develop mitigation strategies on a prioritized basis. ii) Grainger relies on a network of third-party carriers for its transportation needs. The company works closely with these providers to routinely identify opportunities to maximize efficiency and minimize fuel use. Grainger continues to be the only industrial supplier to be recognized by the U.S. |

| | | |
|---|---|---|
| | | Environmental Protection Agency (USEPA) as a SmartWay® partner. The program provides a forum for the USEPA and businesses to collaborate in order to improve the environmental efficiency of their supply chains' transport by reducing GHG emissions and other air pollution. Grainger recognizes that our transportation network may be moderately impacted in this area. |
| Investment in R&D | Impacted for some suppliers, facilities, or product lines | i) Sustainability products and services are one of many areas Grainger is pursuing to help better serve our customer needs. ii) In 2017 – 2018, in order to help benchmark and standardize opportunities across our network, we conducted deep dive energy audits on 4 of our 10 (in 2017) major DCs in North America. Grainger recognizes that investment here may be moderately impacted. We continued these initiatives in 2018 as additional DCs. We discovered commonalities among energy loads and batteries, HVAC systems, lighting, conveyor systems and air compressors, to name a few. All of these areas offered strategic opportunities for long-term efficiency gains. We then rolled out our discoveries to our branch network and corporate and administrative facilities, with similar success. Additionally, we found it to be very effective to implement comprehensive building management systems in key locations, update to LED lighting and other turn-key solutions with great return on investment timeframes, and various other initiatives. |
| Operations | Impacted for some suppliers, facilities, or product lines | i) Grainger has invested significantly in minimizing packaging through our "Ship Complete" initiative. Grainger recognizes that our operations may be moderately impacted. ii) Given our 90 years of experience and more than 100,000 transactions a day, we understand the purchasing habits and buying behaviors of our customers. We know how they purchase online at home is different than at work. While a general consumer shopping for personal products at home may be fine with a staggered approach to completing a multi-product order, that same person has a completely different mindset at work when all of the products need to be there together to complete a critical project. Grainger strives to ship all items in an order in one box and on the same or next day, depending on customer needs. Internally, we refer to this practice as "ship complete." This approach and commitment to serving customers in the most efficient way possible also has positive implications on the environment. Ship complete reduces the amount of boxes we need overall, thereby increasing energy efficiency and producing fewer emissions through our transportation partners. |
| Other, please specify | | |

# C2.6

**(C2.6) Describe where and how the identified risks and opportunities have been factored into your financial planning process.**

| | Relevance | Description |
|---|---|---|
| Revenues | Impacted for some suppliers, facilities, or product lines | New products and services will drive increased revenue ii) In January of 2015, Grainger established a new portfolio of sustainability related services. In 2017 we expanded this portfolio of value-added services, which largely leverages the experience and expertise of our Grainger Energy Services Team. We also work with our network of partners in some instances to help our customers achieve their sustainability goals. The range of services includes site audits, payback analysis, utility rebate assistance, and recycling of replaced product. For example, Grainger can help facilitate a free lighting audit for customers considering a large interior or exterior lighting project. The audit consists of a site walk-through, fixture count, energy audit, return on investment, payback analysis, utility rebate assistance and applications (photo metrics), if applicable. While all of this creates a strong foundation, the overarching benefit comes from how Grainger leverages its own CSR journey to better understand its customers approach to sustainability. In short, the company is working to package its sustainability offer more effectively, train sellers to best understand their customers' CSR commitments, and weave sustainability into its overall approach in an effort to expand contacts, and drive and document value. The company is uniquely positioned to serve its customers in this manner and views it as an opportunity moving forward. Grainger recognizes that revenues may be impacted at a low level for some suppliers, facilities, or product lines. |
| Operating costs | Impacted for some suppliers, facilities, or product lines | i) In addition to investing in energy efficiency and renewable energy, Grainger has also ensured that building management systems are being utilized to reduced energy consumption in our largest facilities.<br>ii) Our BMS are the primary means through which Grainger achieves its energy efficiency goals. When operating optimally, they allow facility managers to provide the proper working environment while minimizing Grainger's energy costs. Effective utilization allows us to extend the operational life of equipment and systems through reduced energy consumption and operating hours. As a result, maintenance and capital costs are reduced, and less embedded energy is consumed through equipment replacement and upgrades.<br><br>Currently, 14 of our largest facilities have either been built with or retrofitted with BMS. On average, Grainger |

| | | |
|---|---|---|
| | | has realized a 10 to 15 percent reduction in energy use and expenses at its facilities after installing BMS. Grainger recognizes that operating costs may be moderately impacted for some suppliers, facilities, or product lines. |
| Capital expenditures / capital allocation | Impacted for some suppliers, facilities, or product lines | i) Each year, the sustainability team partners with our real estate group and other influential business partners to plan for sustainable investments such as energy upgrades, waste and recycling solutions, renewable energy to name a few.<br>ii) In 2017, Grainger celebrated the grand opening of its new DC in Bordentown Township, N.J. (NEDC) The 1.4 million-square-foot facility stocks more than 300,000 items and allows the company to deliver more products by the next day to customers in the Northeast. The DC runs on state-of-the-art distribution technology enabling real-time order processing. A 4.3 megawatt solar panel system was installed on the facility's roof. This system included 13,000 high efficiency SunPower solar panels that generate on average about 40 percent of the DC's annual electricity requirements, which is equivalent to 1.6 percent of Grainger's North American carbon footprint. In early 2018, the U.S. Green Building Council (USGBC) approved LEED GOLD certification for the NEDC. This project will not only reduce annual operational expenditures significantly, but it will also play a key role in helping us meet our GHG reduction goals.<br><br>We consider investments in renewable energy on a case-by-case basis as part of new project plans. Our decisions to invest often occur in locations where we can offset energy use, improve operational efficiency and create a return on investment. Grainger recognizes that capital expenditures may be moderately impacted for some suppliers, facilities, or product lines. |
| Acquisitions and divestments | Not yet impacted | Risks and opportunities are evaluated on an ongoing basis by multidisciplinary teams including Risk Management, Global Ethics and Compliance, Legal, Merchandising and Supplier Management, Supply Chain, Security & Loss Prevention, Finance and the Integration Team. Grainger has determined that acquisitions and divestments have not yet been impacted by climate related risks and opportunities, but have the potential to have a high impact in the planning process. Grainger is currently assessing the feasibility to align Scope 1 & 2 emission targets to climate trajectories required for a 1.5C scenario. Once such a target is set, it is likely the carbon emission impact of any future acquisitions or divestments will be included within the assessment. |

| | | |
|---|---|---|
| Access to capital | Not yet impacted | Risks and opportunities are evaluated on an ongoing basis by multidisciplinary teams including Risk Management, Global Ethics and Compliance, Legal and Finance.  Grainger has determined that access to capital has not yet been impacted by climate related risks and opportunities but has the potential to have a moderate impact. Should the identified transitional risk of increased energy prices in the US, our largest energy consuming region, materialize over the short-medium term, Grainger's capital allocation for energy efficiency initiatives could be impacted. |
| Assets | Not yet impacted | Risks and opportunities are evaluated on an ongoing basis by multidisciplinary teams including Risk Management, Global Ethics and Compliance, Legal, Merchandising and Supplier Management, Supply Chain, Security & Loss Prevention, Finance and the Integration Team. Grainger has determined that assets have not yet been impacted by climate related risks and opportunities, but have the potential to have a moderate impact. The timescales of this impact are related to the location, frequency and severity of extreme weather events in relation to some key assets (distribution centers and branches). Due to the unpredictable nature of this risk, Grainger cannot allocate a timescale. |
| Liabilities | Not yet impacted | Risks and opportunities are evaluated on an ongoing basis by multidisciplinary teams including Risk Management, Global Ethics and Compliance, Legal, Merchandising and Supplier Management, Supply Chain, Security & Loss Prevention, Finance and the Integration Team. Grainger does not anticipate liabilities to be impacted in the long term as the risks and opportunities identified are unlikely to impact Grainger's legal responsibilities. Should this materialize, the impact is likely to be moderate. |
| Other | | |

# C3. Business Strategy

## C3.1

**(C3.1) Are climate-related issues integrated into your business strategy?**

Yes

# C3.1a

**(C3.1a) Does your organization use climate-related scenario analysis to inform your business strategy?**

Yes, quantitative

# C3.1c

**(C3.1c) Explain how climate-related issues are integrated into your business objectives and strategy.**

Internal process for influencing the strategy/How the business strategy has been influenced: Grainger’s climate change strategy has been influenced by several factors, including investor and other stakeholder interest, frequency and severity of weather related disasters, as well as federal and state regulation. To that end, a cross functional working group within the company has evaluated and led analysis on this strategic initiative. The team includes, but is not limited to the Corporate Social Responsibility team, community affairs, corporate facilities, environmental, health and safety, transportation, Merchandising and Supplier Management, legal and sustainability departments. The Sustainability department collects and monitors data around climate change on an ongoing basis to align current projects to the company’s GHG emissions reduction goal to reduce its GHG intensity by 33% by 2030 from a 2011 base year per USD($) value added. First, a project and it's benefits and impacts of a climate change strategy are presented by this team to leadership of the business unit to gain organizational alignment around investing in our climate change reduction strategy. Secondly, the business unit verifies the improvements. Then, the climate change mitigation project is either approved or denied based on the impact to climate change, and the financial value for the shareholders. One example of how this integrated internal process has shaped strategy for Grainger is the introduction of a GHG emission reduction target to reduce GHG intensity by 33% by 2020. A Second example is Grainger's efforts to increase recycling rates in our largest facilities which reduces GHG in our supply chain. Both examples provide a strategic advantage through cost reductions and efficiencies. ii) Substantial business decisions: Grainger's emission reduction goal to reduce GHG emissions intensity by 2020 was a driver in the decision to make and upgrade to the building management systems in Grainger’s Dallas distribution center location. Additionally, Grainger commenced work on a new solar photovoltaic project to increase renewable energy production at a distribution facility in 2016. iii) Aspects of Climate Change that influence long term strategy: The aspects of climate change that have influenced Grainger’s long term strategy are opportunities and risks associated with rising greenhouse gas emissions and rising energy expenses, as well as opportunities to meet customer demand for greener products that help customers reduce environmental impacts and costs while adapting to climate change. Additionally, Grainger has adopted energy efficiency strategies to help improve Grainger’s GHG intensity at its largest facilities to reach the reduction goal of 33% from 2011 to 2020. iv) Short-term strategy components (present to 1 year): The following are examples of how climate change has influenced Grainger’s short-term business strategies. Grainger is increasing the importance of building energy efficient facilities. Grainger is committed to building LEED-certified facilities and certified a new LEED facility in 2017: A LEED NC Gold distribution center in Bordentown, NJ. Additionally, Grainger is retrofitting its largest facilities with building management systems which reduce energy use by up to 15%. In 2016, Grainger completed a project for its Dallas distribution center. These strategies are currently active and all reduce energy consumption for the business, which affects Grainger's emissions intensity reduction goal. v) Long-term strategy components (More than one year): The following are examples of how climate change has influenced Grainger's long-term business strategies. Grainger is making renewable energy, energy efficiency, and green products a priority for the future. We have invested in clean energy (5.3 MW of solar capacity between two distribution centers in New Jersey and California), annually invest in energy efficiency projects (LED Lighting retrofits, retro-commissioning, etc.), manage midstream utility rebates for customers to install energy efficient lighting, and Grainger offers more than 100,000 environmentally preferred products. vi) Strategic Advantage: Grainger has a competitive edge because it has a robust energy efficient product offering, products such as efficient lighting, V-belts, energy efficient motors, and more. Additionally, Grainger set up processing utility rebates for the customer on energy efficient lighting. This combination of products and services increases Grainger's relevance to the customer aiding our ability to be the first choice provider for product and services in the MRO space. Also, reducing Grainger's energy use per square foot in our facilities reduces our expenses, allowing Grainger to create profits more efficiently.

## C3.1d

**(C3.1d) Provide details of your organization's use of climate-related scenario analysis.**

| Climate-related scenarios | Details |
|---|---|
| RCP 2.6<br>IEA B2DS<br>Other, please specify<br>IPCC SP15 | Grainger has used quantitative scenario analyses to assess the required emissions reductions from Grainger's own operations and value chain emissions to align with latest scientific consensus and the Science Based Targets Initiative's criteria as a guideline.<br><br>Grainger has used climate scenarios IEA B2DS and IPCC SP15 to assess the magnitude of the emissions reduction required to align with a well-below 2.0 Degrees Celsius emissions reduction trajectory and a 1.5 Degrees Celsius emissions reduction trajectory respectively. These scenarios have been chosen to align with latest scientific consensus and SBTi criteria version 4 as a guideline. Grainger has also used the RCP 2.0 scenario to assess the magnitude of reduction required for a 2.0 Degrees Celsius emissions reduction trajectory, the minimum ambition of the Paris Agreement.<br><br>In all cases, a 12 and 13 year time horizon was used, assessing the magnitude of reduction required by 2030 from a 2017 or 2018 emissions base year. This time horizon has been chosen to ensure that base year emissions are relevant and representative of current |

| | |
|---|---|
| | business activity and to demonstrate Grainger's commitment to emissions reductions over the long-term.<br><br>100% of Grainger's operations have been included within the assessment, to ensure all significant areas of Grainger's GHG emissions are included.<br><br>The results of the analysis show that Grainger is required to reduce absolute GHG emissions by 15% - 16% by 2030 to align with a 2.0 Degrees Celsius emission reduction trajectory, 30%-33% to align to a well-below 2.0 Degrees Celsius emission reduction trajectory, and 51%-55% to align with a 1.5 Degrees Celsius emission reduction trajectory. These targets have informed our decision to evaluate accredited Science Based Targets in the next two years for alignment. Using our MACC and carbon analytics tool, this target will be directly linked to our business strategy and support other initiatives such as solar generation. |

# C4. Targets and performance

## C4.1

**(C4.1) Did you have an emissions target that was active in the reporting year?**

Intensity target

## C4.1b

**(C4.1b) Provide details of your emissions intensity target(s) and progress made against those target(s).**

---

**Target reference number**

Int 1

**Scope**

Scope 1 +2 (market-based)

**% emissions in Scope**

100

**Targeted % reduction from base year**

33

**Metric**

Metric tons CO2e per USD($) value-added*

**Base year**

2011

**Start year**

2011

**Normalized base year emissions covered by target (metric tons CO2e)**

0.0000187

**Target year**

2020

**Is this a science-based target?**

No, but we anticipate setting one in the next 2 years

**% of target achieved**

100

**Target status**

Achieved

**Please explain**

We met our target in 2018, two years ahead of schedule.

**% change anticipated in absolute Scope 1+2 emissions**

-22

**% change anticipated in absolute Scope 3 emissions**

0

## C4.2

**(C4.2) Provide details of other key climate-related targets not already reported in question C4.1/a/b.**

## C4.3

**(C4.3) Did you have emissions reduction initiatives that were active within the reporting year? Note that this can include those in the planning and/or implementation phases.**

Yes

## C4.3a

**(C4.3a) Identify the total number of initiatives at each stage of development, and for those in the implementation stages, the estimated CO2e savings.**

| | Number of initiatives | Total estimated annual CO2e savings in metric tonnes CO2e (only for rows marked *) |
|---|---|---|
| Under investigation | 19 | |
| To be implemented* | 30 | 5,006 |
| Implementation commenced* | 3 | 1,645 |
| Implemented* | 11 | 2,138 |
| Not to be implemented | 1 | |

## C4.3b

**(C4.3b) Provide details on the initiatives implemented in the reporting year in the table below.**

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

249

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

121,277

**Investment required (unit currency – as specified in C0.4)**

650,541

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Retrofit to LED lighting at our California Distribution Centre

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

217

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

8,333

**Investment required (unit currency – as specified in C0.4)**

207,936

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Installation of LED fixtures in our Missouri Distribution Centre

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

68

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

10,000

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Installation of LED fixtures in our Ohio Distribution Centre

**Initiative type**

Process emissions reductions

**Description of initiative**

New equipment

**Estimated annual CO2e savings (metric tonnes CO2e)**

271

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

50,000

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

11-15 years

**Comment**

New battery chargers

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Building controls

**Estimated annual CO2e savings (metric tonnes CO2e)**

102

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

5,000

**Investment required (unit currency – as specified in C0.4)**

50,500

**Payback period**

1-3 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Pilot BMS project across 5 of our branches

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

149

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

26,250

**Investment required (unit currency – as specified in C0.4)**

230,566

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Installation of LED lamps across 43 of our branches

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

HVAC

**Estimated annual CO2e savings (metric tonnes CO2e)**

102

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

6,272

**Investment required (unit currency – as specified in C0.4)**

1,017,540

**Payback period**

>25 years

**Estimated lifetime of the initiative**

16-20 years

**Comment**

HVAC replacements across 37 of our branches

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Lighting

**Estimated annual CO2e savings (metric tonnes CO2e)**

454

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

50,000

**Investment required (unit currency – as specified in C0.4)**

760,000

**Payback period**

11-15 years

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Lighting retrofit at our HQ

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

HVAC

**Estimated annual CO2e savings (metric tonnes CO2e)**

378

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

5,000

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

16-20 years

**Comment**

HVAC control upgrades at our HQ

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

Building controls

**Estimated annual CO2e savings (metric tonnes CO2e)**

81

**Scope**

Scope 2 (market-based)

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

8,333

**Investment required (unit currency – as specified in C0.4)**

0

**Payback period**

<1 year

**Estimated lifetime of the initiative**

21-30 years

**Comment**

Installation of new BMS controls in Phoenix

---

**Initiative type**

Energy efficiency: Building services

**Description of initiative**

HVAC

**Estimated annual CO2e savings (metric tonnes CO2e)**

67

**Scope**

Scope 1

**Voluntary/Mandatory**

Voluntary

**Annual monetary savings (unit currency – as specified in C0.4)**

5,000

**Investment required (unit currency – as specified in C0.4)**

100,000

**Payback period**

4 - 10 years

**Estimated lifetime of the initiative**

11-15 years

**Comment**

Installation of new heating plant system at our South Carolina Distribution Centre

## C4.3c

**(C4.3c) What methods do you use to drive investment in emissions reduction activities?**

| Method | Comment |
|---|---|
| Dedicated budget for energy efficiency | Each year Grainger dedicates a portion of its capital and expense budget toward energy efficiency projects within its real estate portfolio. |

## C4.5

**(C4.5) Do you classify any of your existing goods and/or services as low-carbon products or do they enable a third party to avoid GHG emissions?**

No

# C5. Emissions methodology

## C5.1

**(C5.1) Provide your base year and base year emissions (Scopes 1 and 2).**

**Scope 1**

**Base year start**

January 1, 2011

**Base year end**

December 31, 2011

**Base year emissions (metric tons CO2e)**

40,275

**Comment**

**Scope 2 (location-based)**

**Base year start**

**Base year end**

**Base year emissions (metric tons CO2e)**

**Comment**

**Scope 2 (market-based)**

**Base year start**

January 1, 2011

**Base year end**

December 31, 2011

**Base year emissions (metric tons CO2e)**

102,031

**Comment**

## C5.2

**(C5.2) Select the name of the standard, protocol, or methodology you have used to collect activity data and calculate Scope 1 and Scope 2 emissions.**

The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)

# C6. Emissions data

## C6.1

**(C6.1) What were your organization's gross global Scope 1 emissions in metric tons CO2e?**

**Reporting year**

**Gross global Scope 1 emissions (metric tons CO2e)**

37,447

**Start date**

January 1, 2018

**End date**

December 31, 2018

**Comment**

## C6.2

**(C6.2) Describe your organization's approach to reporting Scope 2 emissions.**

**Row 1**

**Scope 2, location-based**

We are reporting a Scope 2, location-based figure

**Scope 2, market-based**

We are reporting a Scope 2, market-based figure

**Comment**

## C6.3

**(C6.3) What were your organization's gross global Scope 2 emissions in metric tons CO2e?**

**Reporting year**

**Scope 2, location-based**
90,805

**Scope 2, market-based (if applicable)**
86,548

**Start date**
January 1, 2018

**End date**
December 31, 2018

**Comment**

## C6.4

**(C6.4) Are there any sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within your selected reporting boundary which are not included in your disclosure?**
No

# C6.5

**(C6.5) Account for your organization's Scope 3 emissions, disclosing and explaining any exclusions.**

## Purchased goods and services

### Evaluation status
Relevant, calculated

### Metric tonnes CO2e
2,375,551

### Emissions calculation methodology
Direct Grainger spend for North American operations (excluding the operations of Zoro) was mapped to the CEDA 5.5 Database (Comprehensive Environmental Data Archive 5.5) using an economic input-output approach.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners
0

### Explanation

## Capital goods

### Evaluation status
Relevant, calculated

### Metric tonnes CO2e
353,259

### Emissions calculation methodology

Indirect Grainger spend for North American operations (excluding the operations of Zoro) was mapped to the CEDA 5.5 Database (Comprehensive Environmental Data Archive 5.5) using an economic input-output approach. Overseas emissions have been uplifted based on total revenues for 2018.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

0

**Explanation**

## Fuel-and-energy-related activities (not included in Scope 1 or 2)

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

25,017

**Emissions calculation methodology**

Description of the types and sources of data used to calculate emissions: The data to calculate these emissions comes from Grainger’s scope 1&2 emissions. This electricity and natural gas data comes from utility bills. The emissions factors used are the eGRID grid loss emission factors and the GWPs are from the IPCC AR5 ($CO_2$ = 1, $CH_4$ = 28, $N_2O$ = 265). ii) Description of the data quality of reported emission: The data quality of all sources for scope 3 emissions calculations is high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from electricity and natural gas used in Grainger North American operations were allocated to Grainger’s footprint.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

This category includes transmission losses from electricity and natural gas.

## Upstream transportation and distribution

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

142,421

### Emissions calculation methodology

Description of the types and sources of data used to calculate emissions: This figure comes from fuel charge in our transportation department's billing system and uses the US EPA Smartway's avg MPG, US Govt. Fuel Economy's avg diesel fuel cost in 2018. It then uses the emissions factors used are from the EPA’s climate Leaders program ($CO_2$: 10.21 kg/gal, $CH_4$: .015g/mile, $N_2O$: .013g/mile). Emissions factors and the GWPs are from the IPCC SAR ($CO_2$ = 1, $CH_4$ = 21, $N_2O$ = 310) ii) Description of the data quality of reported emission: The data quality is medium to high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from fuel expense used in upstream transportation and distribution were allocated to Grainger’s footprint in the US.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Explanation

This category includes transportation in the US from suppliers to Grainger's owned facilities and between Grainger owned facilities, and to customers.

## Waste generated in operations

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

2,259

### Emissions calculation methodology

Description of the types and sources of data used to calculate emissions: The data to calculate these emissions comes from waste and recycling tonnage for Grainger facilities. The emissions factors used are from the EPA's WARM model and the GWPs are from the IPCC AR5 (CO2 = 1, CH4 = 28, N2O = 265). These emissions come from waste sent to landfills (0.482912783828248 MT CO2e/ton). This data is compiled by Waste Management. The GWPs are from the IPCC AR5 (CO2 = 1, CH4 = 28, N2O = 265). ii) Description of the data quality of reported emission: The data quality of all sources for scope 3 emissions calculations is high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from waste generated were allocated to Grainger's footprint.

### Percentage of emissions calculated using data obtained from suppliers or value chain partners

100

### Explanation

Grainger's waste generated in operations includes all waste sent to landfill or incineration from Grainger buildings.

## Business travel

### Evaluation status

Relevant, calculated

### Metric tonnes CO2e

26,657

### Emissions calculation methodology

Description of the types and sources of data used to calculate emissions. The data to calculate these emissions comes from two sources. The commercial air travel data comes from our travel agency, Egencia, and it consists of flight length, type of flight, departure city, and arrival city. The emissions factors used are the DEFRA air travel emissions factors and the GWPs are from the IPCC AR5 (CO2 = 1, CH4 = 28, N2O = 265). The emissions from employee travel in other vehicles all come from fuel combustion in passenger cars. This fuel data is compiled by Grainger's third party vehicle management company. The emissions factors used are for gasoline consumption from the EPA (8.78 kg CO2/gal, .0173 g CH4/mile, .0036 g N2O/mile). the GWPs are from the IPCC AR5 (CO2 = 1, CH4 = 28, N2O = 265). ii) Description of the data quality of reported emissions The data quality of all sources for scope 3 emissions calculations is high. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions. The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. The assumptions and allocations for commercial air travel emissions that were used were based on DEFRA standards. 100% of the emissions from fuel used in employee travel in other vehicles were allocated to Grainger’s footprint.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

Grainger’s business travel emissions include commercial air travel as well as well as employees travelling in non-Grainger owned vehicles.

**Employee commuting**

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

41,734

**Emissions calculation methodology**

Description of the types and sources of data used to calculate emissions: The data to calculate these emissions comes from an employee transportation survey. Some of the data is estimated because it is extrapolated from this survey. The emissions factors used are from the EPA’s climate Leaders program ($CO_2$: 0.185 kg/mile, $CH_4$: .002/mile, $N_2O$: .001/mile). Emissions factors and the GWPs are from the IPCC AR5 ($CO_2$ = 1, $CH_4$ = 28, $N_2O$ = 265). The emissions from employee commuting come from fuel combustion in passenger cars. ii) Description of the data quality of reported emission: The data quality from the employee transportation survey is good. iii) Description of the methodologies, assumptions and allocation methods used to calculate emissions: The methodology used was GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard. 100% of the emissions from fuel used in employee commuting were allocated to Grainger’s footprint.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

This category includes emissions from employees commuting to work.

### Upstream leased assets

#### Evaluation status

Not relevant, explanation provided

#### Explanation

Grainger does not have upstream leased assets.

### Downstream transportation and distribution

#### Evaluation status

Not relevant, explanation provided

#### Explanation

Grainger customers use Grainger's shipping methods to receive products, they do not manage the shipments themselves. Emissions associated with transport and distribution are captured in upstream categories.

### Processing of sold products

#### Evaluation status

Not relevant, explanation provided

#### Explanation

Grainger sells finished products, not raw materials

### Use of sold products

#### Evaluation status

Relevant, calculated

#### Metric tonnes CO2e

22,810,068

**Emissions calculation methodology**

Using product level attributes for life expectancy, power usage and fuel use, emissions were calculated based on product total use phase emissions for Grainger North America's catalog. Please note this excludes the Use Phase Emissions originating from products sold by our Zoro business in the US due to emerging nature of this business and inaccessibility of data. We are continuously looking to increase the boundary of products and geographies included within our Use Phase model. Electricity emissions have been calculated using a US national average eGrid factor as Grainger is not able to track the location that the product is used. For products using fuel (diesel, gasoline, propane, natural gas) and/or refrigerants, emissions have been calculated using DEFRA 2018 emission factors.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

### End of life treatment of sold products

**Evaluation status**

Relevant, calculated

**Metric tonnes CO2e**

46,943

**Emissions calculation methodology**

Weight and material type of total North America sold products has been mapped to waste destinations based on the Environmental Protection Agency (EPA) waste treatment averages. DEFRA emission factors have been used to convert waste mass into emissions. Overseas emissions have been uplifted based on total revenues for 2018.

**Percentage of emissions calculated using data obtained from suppliers or value chain partners**

100

**Explanation**

## Downstream leased assets

### Evaluation status

Not relevant, explanation provided

### Explanation

Grainger has no leased assets.

## Franchises

### Evaluation status

Not relevant, explanation provided

### Explanation

Grainger has no franchises.

## Investments

### Evaluation status

Not relevant, explanation provided

### Explanation

Grainger makes no investments.

## Other (upstream)

### Evaluation status

### Explanation

## Other (downstream)

**Evaluation status**

**Explanation**

## C6.7

**(C6.7) Are carbon dioxide emissions from biologically sequestered carbon relevant to your organization?**

No

## C6.10

**(C6.10) Describe your gross global combined Scope 1 and 2 emissions for the reporting year in metric tons CO2e per unit currency total revenue and provide any additional intensity metrics that are appropriate to your business operations.**

---

**Intensity figure**

0.00001105

**Metric numerator (Gross global combined Scope 1 and 2 emissions)**

123,995

**Metric denominator**

unit total revenue

**Metric denominator: Unit total**

11,221,000,000

**Scope 2 figure used**

Market-based

**% change from previous year**

12

**Direction of change**

Decreased

**Reason for change**

This metric decreased by 12% because of an absolute emissions reduction largely driven by emissions reduction activities, such as LED lighting projects, HVAC and building management system installations, which amounted to 2,140 tCO2e. Changes in conversion factors year-over year, and an increase in revenue year-over-year also attributed to the decrease.

# C7. Emissions breakdowns

## C7.1

**(C7.1) Does your organization break down its Scope 1 emissions by greenhouse gas type?**

Yes

## C7.1a

**(C7.1a) Break down your total gross global Scope 1 emissions by greenhouse gas type and provide the source of each used greenhouse warming potential (GWP).**

| Greenhouse gas | Scope 1 emissions (metric tons of CO2e) | GWP Reference |
|---|---|---|
| CO2 | 37,326 | IPCC Fifth Assessment Report (AR5 – 100 year) |
| CH4 | 70 | IPCC Fifth Assessment Report (AR5 – 100 year) |
| N2O | 51 | IPCC Fifth Assessment Report (AR5 – 100 year) |

## C7.2

**(C7.2) Break down your total gross global Scope 1 emissions by country/region.**

| Country/Region | Scope 1 emissions (metric tons CO2e) |
| --- | --- |
| United States of America | 23,492 |
| Mexico | 16 |
| Panama | 0 |
| Canada | 9,650 |
| United Kingdom of Great Britain and Northern Ireland | 1,453 |
| Belgium | 219 |
| France | 73 |
| Netherlands | 936 |
| Romania | 5 |
| Portugal | 81 |
| India | 39 |
| United Arab Emirates | 1 |
| Japan | 980 |
| Ireland | 9 |
| China | 285 |
| Hungary | 27 |
| Poland | 23 |
| Dominican Republic | 13 |
| Indonesia | 14 |

| | |
|---|---|
| Malaysia | 16 |
| Thailand | 16 |
| Germany | 13 |
| Czechia | 47 |
| South Africa | 33 |
| Peru | 6 |

# C7.3

**(C7.3) Indicate which gross global Scope 1 emissions breakdowns you are able to provide.**

By business division

By activity

# C7.3a

**(C7.3a) Break down your total gross global Scope 1 emissions by business division.**

| Business division | Scope 1 emissions (metric ton CO2e) |
|---|---|
| Grainger Branch | 16,150 |
| Storage | 2,980 |
| Distribution Center | 9,384 |
| Corporate Office | 3,370 |
| Master Branch | 272 |
| Data Center | 2 |
| Warehouse | 294 |
| Mobile | 4,995 |

# C7.3c

**(C7.3c) Break down your total gross global Scope 1 emissions by business activity.**

| Activity | Scope 1 emissions (metric tons CO2e) |
|---|---|
| Stationary combustion | 32,452 |
| Mobile combustion | 4,995 |

# C7.5

**(C7.5) Break down your total gross global Scope 2 emissions by country/region.**

| Country/Region | Scope 2, location-based (metric tons CO2e) | Scope 2, market-based (metric tons CO2e) | Purchased and consumed electricity, heat, steam or cooling (MWh) | Purchased and consumed low-carbon electricity, heat, steam or cooling accounted in market-based approach (MWh) |
|---|---|---|---|---|
| United States of America | 70,112 | 65,854 | 142,816 | 7,500 |
| Canada | 5,967 | 5,967 | 18,665 | 0 |
| Mexico | 3,352 | 3,352 | 7,197 | 0 |
| Panama | 188 | 188 | 773 | 0 |
| United Kingdom of Great Britain and Northern Ireland | 1,707 | 1,707 | 6,034 | 0 |
| Belgium | 95 | 95 | 550 | 0 |
| France | 13 | 13 | 240 | 0 |
| Netherlands | 2,009 | 2,009 | 4,310 | 0 |
| Romania | 14 | 14 | 44 | 0 |
| Portugal | 73 | 73 | 252 | 0 |
| India | 115 | 115 | 157 | 0 |

| | | | | |
|---|---|---|---|---|
| United Arab Emirates | 7 | 7 | 10 | 0 |
| Japan | 5,317 | 5,317 | 9,743 | 0 |
| Ireland | 10 | 10 | 24 | 0 |
| China | 1,431 | 1,431 | 2,273 | 0 |
| Hungary | 19 | 19 | 70 | 0 |
| Poland | 43 | 43 | 60 | 0 |
| Dominican Republic | 0 | 0 | 0 | 0 |
| Indonesia | 28 | 28 | 38 | 0 |
| Malaysia | 27 | 27 | 41 | 0 |
| Thailand | 20 | 20 | 41 | 0 |
| Germany | 51 | 51 | 114 | 0 |
| Czechia | 127 | 127 | 238 | 0 |
| South Africa | 82 | 82 | 86 | 0 |
| Peru | 0 | 0 | 0 | 0 |

## C7.6

**(C7.6) Indicate which gross global Scope 2 emissions breakdowns you are able to provide.**

By business division

## C7.6a

**(C7.6a) Break down your total gross global Scope 2 emissions by business division.**

| Business division | Scope 2, location-based emissions (metric tons CO2e) | Scope 2, market-based emissions (metric tons CO2e) |
|---|---|---|
| Grainger Branch | 19,109 | 19,109 |

| | | |
|---|---|---|
| Storage | 3,793 | 3,793 |
| Distribution Center | 48,441 | 48,441 |
| Corporate Office | 18,048 | 13,791 |
| Master Branch | 815 | 815 |
| Data Center | 5 | 5 |
| Warehouse | 594 | 594 |

# C7.9

**(C7.9) How do your gross global emissions (Scope 1 and 2 combined) for the reporting year compare to those of the previous reporting year?**

Increased

# C7.9a

**(C7.9a) Identify the reasons for any change in your gross global emissions (Scope 1 and 2 combined) and for each of them specify how your emissions compare to the previous year.**

| | Change in emissions (metric tons CO2e) | Direction of change | Emissions value (percentage) | Please explain calculation |
|---|---|---|---|---|
| Change in renewable energy consumption | 142 | Decreased | 0.1 | In 2017, Grainger purchased 7250MWh of Green e-certified Wind renewable certificates. In 2018, 7500 MWh of green certificates were bought. With a local emissions factor of 1251 lb/MWh, this equates to 142 tCO2e of emissions reduction. (7500*1251)-(7250*1251) = 142 tCO2e. This is 0.1% change in emissions from last year (142/118442)*100 = 0.1% |

| | | | | |
|---|---|---|---|---|
| Other emissions reduction activities | 3,869 | Decreased | 3.3 | Grainger is routinely evaluating its assets to ensure the business can meet a growing customer demand. As a result of this growing demand on our facilities, Grainger invested approximately $3.0M on its branch, distribution center and administrative facilities on energy efficient projects and activities, such as the new building management controls systems, lighting projects, and property realignment at the branches, distribution centers, and data centers. Our energy efficiency projects have saved an estimated 2138 tCO2e in 2018. We have also decommissioned our jet, which has resulted in a decrease of 1,731 tCO2e in our Scope 1 emissions. This is a total reduction of 3869 MT of CO2e, or approximately 3.3% of Grainger GHG emissions in 2017. (3869 MT CO2e/118442 MT CO2e)*100 = 3.3%. Grainger's 2017 scope 1 and scope 2 emissions equals 118442) |
| Divestment | 4,714 | Decreased | 4 | In 2018 Grainger's Canadian operations restructured, resulting in the divestment of properties. This has reduced emissions from Canada by 4,714 tCO2e compared with 2017. This amounts to a 4% reduction (4714/118442)*100 = 4% |
| Acquisitions | 0 | No change | | |
| Mergers | 0 | No change | | |
| Change in output | 0 | No change | | |
| Change in methodology | 0 | No change | | |
| Change in boundary | 15,477 | Increased | 13.1 | In 2018, Grainger was able to capture scope 1 and 2 data across 24 countries, while in 2017 only the bulk of our operations were captured (USA, Canada, Mexico). This increased in boundary accounts for an additional 15477 tCO2e, or 13.1% of our total Scope 1 and 2 emissions in 2017 (15477/118442)=13.1% |
| Change in physical operating conditions | 0 | No change | | |

| | | | | |
|---|---|---|---|---|
| Unidentified | 1,199 | Decreased | 1 | Changes such as emissions factors have impacted our total emissions, the impact of which has not been calculated. The 1199 tCO2e figure identified is the remaining emissions change not accounted for by the above explanations (6752 (total of above changes)-5553 (total change in emissions)=1199. This is 1% (1199/118442)*100=1%. |
| Other | | | | |

## C7.9b

**(C7.9b) Are your emissions performance calculations in C7.9 and C7.9a based on a location-based Scope 2 emissions figure or a market-based Scope 2 emissions figure?**

Market-based

# C8. Energy

## C8.1

**(C8.1) What percentage of your total operational spend in the reporting year was on energy?**

More than 0% but less than or equal to 5%

## C8.2

**(C8.2) Select which energy-related activities your organization has undertaken.**

| | Indicate whether your organization undertakes this energy-related activity |
|---|---|
| Consumption of fuel (excluding feedstocks) | Yes |
| Consumption of purchased or acquired electricity | Yes |
| Consumption of purchased or acquired heat | No |
| Consumption of purchased or acquired steam | No |

| | |
|---|---|
| Consumption of purchased or acquired cooling | No |
| Generation of electricity, heat, steam, or cooling | Yes |

# C8.2a

**(C8.2a) Report your organization's energy consumption totals (excluding feedstocks) in MWh.**

| | Heating value | MWh from renewable sources | MWh from non-renewable sources | Total MWh |
|---|---|---|---|---|
| Consumption of fuel (excluding feedstock) | HHV (higher heating value) | 0 | 200,963 | 200,963 |
| Consumption of purchased or acquired electricity | | 7,500 | 179,547 | 187,047 |
| Consumption of self-generated non-fuel renewable energy | | 6,728 | | 6,728 |
| Total energy consumption | | 14,228 | 380,510 | 394,739 |

# C8.2b

**(C8.2b) Select the applications of your organization's consumption of fuel.**

| | Indicate whether your organization undertakes this fuel application |
|---|---|
| Consumption of fuel for the generation of electricity | No |
| Consumption of fuel for the generation of heat | Yes |
| Consumption of fuel for the generation of steam | No |
| Consumption of fuel for the generation of cooling | No |
| Consumption of fuel for co-generation or tri-generation | No |

# C8.2c

**(C8.2c) State how much fuel in MWh your organization has consumed (excluding feedstocks) by fuel type.**

**Fuels (excluding feedstocks)**

Natural Gas

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

176,150

**Comment**

**Fuels (excluding feedstocks)**

Motor Gasoline

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

16,655

**Comment**

**Fuels (excluding feedstocks)**

Other, please specify

Misc. (including e85)

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

36.23

**Comment**

---

**Fuels (excluding feedstocks)**

Propane Liquid

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

7

**Comment**

---

**Fuels (excluding feedstocks)**

Fuel Oil Number 2

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

848

**Comment**

---

**Fuels (excluding feedstocks)**

Diesel

**Heating value**

HHV (higher heating value)

**Total fuel MWh consumed by the organization**

7,266

**Comment**

## C8.2d

**(C8.2d) List the average emission factors of the fuels reported in C8.2c.**

**Diesel**

---

**Emission factor**

0.00225

**Unit**

metric tons CO2e per liter

**Emission factor source**

https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf

**Comment**

### Fuel Oil Number 2

**Emission factor**

0.2572

**Unit**

metric tons CO2e per MWh

**Emission factor source**

https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf

**Comment**

### Motor Gasoline

**Emission factor**

0.00232

**Unit**

metric tons CO2e per liter

**Emission factor source**

http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf

**Comment**

### Natural Gas

**Emission factor**

0.15595

**Unit**

metric tons CO2e per liter

**Emission factor source**

https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf

**Comment**

### Propane Liquid

**Emission factor**

0.0015

**Unit**

metric tons CO2e per liter

**Emission factor source**

https://www.epa.gov/sites/production/files/2018-03/documents/emission-factors_mar_2018_0.pdf

**Comment**

### Other

**Emission factor**

0.00232

**Unit**

metric tons CO2e per liter

**Emission factor source**

http://www.epa.gov/sites/production/files/2015-12/documents/emission-factors_nov_2015.pdf

**Comment**

## C8.2e

**(C8.2e) Provide details on the electricity, heat, steam, and cooling your organization has generated and consumed in the reporting year.**

| | Total Gross generation (MWh) | Generation that is consumed by the organization (MWh) | Gross generation from renewable sources (MWh) | Generation from renewable sources that is consumed by the organization (MWh) |
|---|---|---|---|---|
| Electricity | 6,728 | 0 | 6,728 | 0 |
| Heat | 177,005 | 177,005 | 0 | 0 |
| Steam | 0 | 0 | 0 | 0 |
| Cooling | 0 | 0 | 0 | 0 |

## C8.2f

**(C8.2f) Provide details on the electricity, heat, steam and/or cooling amounts that were accounted for at a low-carbon emission factor in the market-based Scope 2 figure reported in C6.3.**

**Basis for applying a low-carbon emission factor**

Energy attribute certificates, Renewable Energy Certificates (RECs)

**Low-carbon technology type**

Wind

**Region of consumption of low-carbon electricity, heat, steam or cooling**

North America

**MWh consumed associated with low-carbon electricity, heat, steam or cooling**

7,500

**Emission factor (in units of metric tons CO2e per MWh)**

0

**Comment**

Grainger purchased 7,500 MWh of Green-e certified Wind Renewable Energy Certificates in 2018. Grainger also produced 6,728 MWh of rooftop solar RECs at it's Bordentown, NJ and Patterson, CA distribution centers. These solar RECs were sold to utility entities.

# C9. Additional metrics

## C9.1

**(C9.1) Provide any additional climate-related metrics relevant to your business.**

# C10. Verification

## C10.1

**(C10.1) Indicate the verification/assurance status that applies to your reported emissions.**

| | Verification/assurance status |
|---|---|

| | |
|---|---|
| Scope 1 | Third-party verification or assurance process in place |
| Scope 2 (location-based or market-based) | Third-party verification or assurance process in place |
| Scope 3 | Third-party verification or assurance process in place |

## C10.1a

**(C10.1a) Provide further details of the verification/assurance undertaken for your Scope 1 and/or Scope 2 emissions and attach the relevant statements.**

---

**Scope**

Scope 1

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

Grainger 2018 GHG Verification statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

89

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**Scope**

Scope 2 location-based

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Type of verification or assurance**

Limited assurance

**Attach the statement**

Grainger 2018 GHG Verification statement.pdf

**Page/ section reference**

1-3

**Relevant standard**

ISO14064-3

**Proportion of reported emissions verified (%)**

88

# C10.1b

**(C10.1b) Provide further details of the verification/assurance undertaken for your Scope 3 emissions and attach the relevant statements.**

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**Scope**

Scope 3- at least one applicable category

**Verification or assurance cycle in place**

Annual process

**Status in the current reporting year**

Complete

**Attach the statement**

Grainger 2018 GHG Verification statement.pdf

**Page/section reference**

1-3

**Relevant standard**

ISO14064-3

# C10.2

**(C10.2) Do you verify any climate-related information reported in your CDP disclosure other than the emissions figures reported in C6.1, C6.3, and C6.5?**

No, but we are actively considering verifying within the next two years

# C11. Carbon pricing

## C11.1

**(C11.1) Are any of your operations or activities regulated by a carbon pricing system (i.e. ETS, Cap & Trade or Carbon Tax)?**

No, and we do not anticipate being regulated in the next three years

## C11.2

**(C11.2) Has your organization originated or purchased any project-based carbon credits within the reporting period?**

No

## C11.3

**(C11.3) Does your organization use an internal price on carbon?**

No, but we anticipate doing so in the next two years

# C12. Engagement

## C12.1

**(C12.1) Do you engage with your value chain on climate-related issues?**

Yes, our suppliers

Yes, our customers

Yes, other partners in the value chain

## C12.1a

**(C12.1a) Provide details of your climate-related supplier engagement strategy.**

**Type of engagement**

Compliance & onboarding

**Details of engagement**

Code of conduct featuring climate change KPIs

**% of suppliers by number**

100

**% total procurement spend (direct and indirect)**

100

**% Scope 3 emissions as reported in C6.5**

10

**Rationale for the coverage of your engagement**

Grainger views our suppliers and vendors as our allies in improving our and their emissions and materials management. We work with more approximately 5,000 suppliers to offer 1.7 million products used by customers to maintain, repair and operate their facilities. We strive to ensure all the products we distribute are manufactured and delivered with high ethical standards, through inclusion of our Supplier Code of Ethics, which focuses on four main areas of ethical sourcing: human rights, labor, environment (including environmental compliance) and anti-corruption. % Scope 3 contained herein accounts for purchased goods and services and upstream transportation.

**Impact of engagement, including measures of success**

100% of Grainger suppliers and their sub-suppliers with dealings in the U.S., Canada and Mexico are expected to comply with the Supplier Code of Ethics by signing a Supplier Agreement Letter. Prior to onboarding, a new supplier must agree to abide by the Supplier Handbook, which includes applicable Grainger policies, transportation requirements and the Supplier Code of Ethics. Grainger also relies on a network of third-party carriers for its transportation needs. The company works closely with these providers to routinely identify opportunities to maximize efficiency and minimize fuel use. Grainger continues to be the only industrial supplier to be recognized by the U.S. Environmental Protection Agency (USEPA) as a SmartWay® partner. The program provides a forum for the USEPA and businesses to collaborate in order to improve the environmental efficiency of their supply chains' transport by reducing GHG emissions and other air pollution. Grainger prioritizes which transportation vendors to encourage to partake in SmartWay based on % spend with that vendor, and success is measured based on Grainger's ability to be SmartWay Certified as a Transportation Partner. We furthermore worked with our largest suppliers to innovate and improve our distribution packaging. In 2015, the company introduced Supplier Packaging Guidelines to its U.S. and GGS suppliers to encourage suppliers to take sustainability into account when making packaging decisions. The guideline included best practices to help reduce damage and waste while maximizing recyclable materials. Grainger prioritized engagement by identifying its largest suppliers, and directly working with them to identify packaging hot spots. Grainger began researching additional sustainable packaging opportunities through Sustainability and its Supply Chain organization in 2017 and developed a framework in 2018 that is currently being tested. Success is measured by the reduction of Grainger's own waste stream and an increase in recycling, and surveying inbound packaging from suppliers. We also collect data and share best practices in sustainability across our value chain by engaging our suppliers through the CDP Supply Chain Program. In 2018, some of our largest vendors reduced more than 5 million metric tons of $CO_2$ resulting in approximately $270 million in savings for their respective businesses.

**Comment**

## C12.1b

**(C12.1b) Give details of your climate-related engagement strategy with your customers.**

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**Type of engagement**

Education/information sharing

**Details of engagement**

Share information about your products and relevant certification schemes (i.e. Energy STAR)

**% of customers by number**

100

**% Scope 3 emissions as reported in C6.5**

88

**Please explain the rationale for selecting this group of customers and scope of engagement**

We work to create a more sustainable workplace for our customers and our communities through our Environmentally Preferable Product (EPP) Portfolio. Customers taking science-based climate action seek energy efficient products that reduce carbon emissions when compared to less efficient alternatives. Of new EPP products introduced last year, over 70% of sales were driven by customer interest in products that measure use, control effectiveness and output, and reduce consumption of energy. Grainger's continued success is substantially dependent on positive perceptions of Grainger's reputation. We offer our customers one of the largest green SKU counts in the industrial distribution market, providing more ways to reduce energy consumption, conserve water, reduce waste and improve indoor air quality. In addition the company offers data-driven EPP analytics to our customers helping them track, report and grow their green spend. Similarly, we equip our customer-facing team members with training, sales tools and marketing support so that they can help customers achieve meaningful progress towards their sustainability goals and initiatives. The % Scope 3 Emissions attributable to this group includes the emissions associated with product use phase.

**Impact of engagement, including measures of success**

We routinely review our EPP for opportunities to provide tailored solutions to customers with sustainability and EPP procurement goals. Our EPP Portfolio offers more than 100,000 SKUs. In 2018, sales of environmentally preferable products totaled $599 million, which represents approximately five percent of our revenue, and a 12.6% growth in EPP sales year over year.

## C12.1c

**(C12.1c) Give details of your climate-related engagement strategy with other partners in the value chain.**

In 2017, we launched a new module in our First Time Manager leadership development program for employees. Our objectives were to drive engagement and understanding in our sustainability initiatives across the business, bring awareness to the effect CSR has on our operations and gain insight from our team members on how they plan to tailor the CSR message to meet their daily business needs. 434 team members learned about our value chain, environmental performance and the ways we serve our community.

As a distributor of approximately 1.7 million items, Grainger is furthermore routinely working with our upstream supply chain partners to mitigate risks. ii: Grainger participates in CDP Supply Chain as a way to understand potential upstream impacts of climate change by engaging with our top suppliers and understanding the issues that impact their businesses. For example, Grainger Global Sourcing (GGS) GGS is responsible for Private Brands overseas sourcing. GGS is adopting a risk analysis tool to identify the supply risks, including environmental risks, of our top overseas purchasing categories and top suppliers. Plans to mitigate the risk and routinely monitoring risk levels will be ongoing.

# C12.3

**(C12.3) Do you engage in activities that could either directly or indirectly influence public policy on climate-related issues through any of the following?**

Trade associations

# C12.3b

**(C12.3b) Are you on the board of any trade associations or do you provide funding beyond membership?**

No

# C12.3f

**(C12.3f) What processes do you have in place to ensure that all of your direct and indirect activities that influence policy are consistent with your overall climate change strategy?**

Grainger's Code of Business Ethics prohibits the use of Company funds or assets for political purposes, including for contributions to any political party, candidate or committee. In accordance with this policy, we do not maintain a political action committee ("PACs"), nor do we contribute to any third-party PACs or other political entities organized under Section 527 of the Internal Revenue Code. As a government contractor, we believe it prudent to understand the legislative and regulatory environment. We have, on occasion, engaged advisors to assist us. Grainger, and those it retains, comport with all disclosure obligations. Grainger participates in a limited number of trade organizations and industry groups, including membership in the U.S. Chamber of Commerce and National Association of Wholesaler-Distributors.

# C12.4

**(C12.4) Have you published information about your organization's response to climate change and GHG emissions performance for this reporting year in places other than in your CDP response? If so, please attach the publication(s).**

**Publication**

In voluntary communications

**Status**

Complete

**Attach the document**

Grainger_2019_Corporate_Responsibility_Update.pdf

**Page/Section reference**

1-27

**Content elements**

Other, please specify

Grainger 2019 CSR Update

**Comment**

# C14. Signoff

## C-FI

**(C-FI) Use this field to provide any additional information or context that you feel is relevant to your organization's response. Please note that this field is optional and is not scored.**

## C14.1

**(C14.1) Provide details for the person that has signed off (approved) your CDP climate change response.**

| | Job title | Corresponding job category |
|---|---|---|
| Row 1 | Chairman and Chief Executive Officer | Board chair |