

CORPORATE SOCIAL RESPONSIBILITY

2013 REPORT



SUSTAINABILITY
AS A PRIORITY



SERVING
OUR COMMUNITIES



VALUING
OUR PEOPLE



OPERATING
RESPONSIBLY

BUILDING OUR GLOBAL STEWARDSHIP

Message from Grainger's Chairman, President and Chief Executive Officer

This is a company of 23,700 talented men and women who are dedicated to making a positive difference for our customers, communities and partners.



James T. Ryan

Chairman, President and
Chief Executive Officer

From maintenance supplies to safety equipment, customers count on Grainger to provide the products and services they need to keep their operations running and their people safe. By providing exceptional customer service and consistently delivering on our commitments, we create long-lasting relationships built on trust, integrity and reliability. These same attributes are at the core of our growing corporate social responsibility efforts.

With a focus on our business practices, people, communities and sustainability, Grainger views how we operate to be as important as the products and services we provide. In this report, we are proud to share our recent achievements, including a new Supplier Code of Ethics, an emerging global safety program and more about our innovative community programs and industry-leading sustainability initiatives.

As you read this report, I hope you will also sense the pride and commitment of Grainger's team members. This is a company of 23,700 engaged, hard-working and talented men and women. Our team members are dedicated to making a positive difference for our customers, communities and partners every day through resolute service and integrity.

Thank you for taking the time to learn more about the progress Grainger has made with our corporate social responsibility initiatives. We are proud of the work we have accomplished and energized by the opportunities ahead.

I invite you to follow our story online at www.graingercsr.com.

Sincerely,

A handwritten signature in black ink that reads "Jim Ryan". The signature is stylized with a large, looped "J" and a cursive "Ryan".

James T. Ryan

OUR PURPOSE

W.W. Grainger, Inc., with 2013 sales of \$9.4 billion, is North America's leading broad-line supplier of maintenance, repair and operating products, with operations in Asia, Europe and Latin America. Grainger's mission is to help professionals keep their operations running and their people safe while providing an environment where hard-working and talented team members thrive.

OUR PEOPLE

Every day Grainger's 23,700 team members get it done for suppliers, customers and communities. This global spirit of service fuels the company's commitment to making a positive difference everywhere Grainger operates.



OUR COMMITMENTS

Grainger's corporate social responsibility platform includes the company's commitments to operating responsibly, valuing our people, serving our communities and sustainability as a priority. These commitments shape the company's focus on corporate citizenship and its drive to continually expand its positive impact today and in the future.



OPERATING
RESPONSIBLY
PAGE 4



VALUING
OUR PEOPLE
PAGE 8

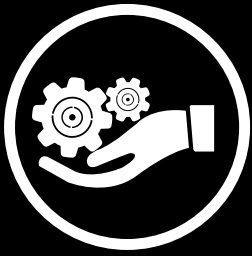


SERVING OUR
COMMUNITIES
PAGE 14



SUSTAINABILITY
AS A PRIORITY
PAGE 19

Grainger's corporate social responsibility efforts are led by a cross-functional working group with oversight by the CEO and executive leadership team. Periodic updates on the company's CSR efforts are also provided to the Board of Directors.



OPERATING RESPONSIBLY



Operating with the highest level of ethics and integrity is the foundation for the way Grainger does business everywhere, every day. It's a commitment that dates back to the company's founding and a commitment Grainger reinforces regularly through dialogue with team members, suppliers, customers and stakeholders. In 2013, Grainger worked closely with its 23,700 team members around the world to ensure compliance with the company's Business Conduct Guidelines. Grainger developed a Supplier Code of Ethics to help make sure the company's products are manufactured and delivered with the highest ethical standards. Grainger also worked proactively to provide a safe and fair workplace. No matter where Grainger operates around the world, the company is steadfast in its dedication to serving customers with the utmost integrity.

CORPORATE GOVERNANCE

Well-defined governance practices are the basis of operating responsibly. Grainger is committed to effective corporate governance as an integral component of the company's overall performance. Grainger continually reviews, evaluates and modifies the program to make certain the company exemplifies the highest possible standards. The company's **corporate governance practices** are publicly available and are designed to strengthen the ability of the Board of Directors to monitor and provide counsel to management thereby helping to ensure long-term shareholder value.

BUSINESS CONDUCT GUIDELINES

Laws and practices in different countries can vary greatly, but Grainger team members across the globe are expected to share a common understanding of ethical standards. To ensure this shared perspective, the company requires team members to annually certify compliance with Grainger's Business Conduct Guidelines. These principles guide how Grainger team members partner with suppliers and serve customers, colleagues and communities. At the core of the guidelines is the expectation for all team members to exercise good judgment and do the right thing. Over the past few years, Grainger has updated the **Business Conduct Guidelines** and its Equal Employment Opportunity Policy to include the explicit prohibition of discrimination on the basis of gender identity, gender expression, sexual orientation, domestic partnership and veteran status.

BENEFITING EVERYONE

After the Supreme Court found the Defense of Marriage Act (DOMA) unconstitutional in the summer of 2013, Grainger quickly implemented systems and training to support employees who wanted to change their status from domestic partnership to married. The company's Compensation and Benefits team also reached out to all U.S. team members who had identified themselves as domestic partners to let them know that Grainger would immediately change their status to married, if they qualified, so they would no longer have to pay the imputed income tax.



“Whether it is the equalization of benefits, training or the ability to be out in the workplace, Grainger encourages its employees to be themselves and support their LGBT friends and family.”

— Michael Gooding, President of the Equality Alliance Business Resource Group

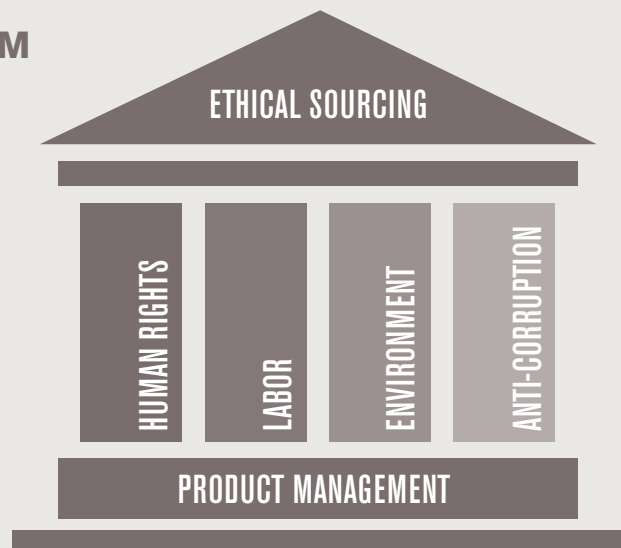
ETHICAL SOURCING

Grainger works closely with thousands of suppliers to provide the broad selection of products that customers need to get the job done. To help ensure these products are manufactured and delivered with the highest ethical standards, the company recently established a Supplier Code of Ethics focused on four areas of ethical sourcing — human rights, labor, the environment and anti-corruption. Starting in 2014, all U.S. and Grainger Global Sourcing suppliers and their sub-suppliers will be expected to comply with the standards set forth in [Grainger's Supplier Code of Ethics](#).

As a responsible company, Grainger supports the goal of preventing armed groups in the Democratic Republic of the Congo (DRC) and adjoining countries from benefiting from the sourcing of conflict minerals in that region. The company adopted a Conflicts Mineral Policy in 2013 for its U.S. and Global Sourcing suppliers to address concerns regarding mining tantalum, tin, tungsten and gold. [Grainger's Conflict Minerals Policy](#) reserves the company's right to cease sourcing from a supplier if the product is not DRC-conflict-free. Grainger expects all its suppliers to implement reasonable steps to transition to DRC-conflict-free resources.

ETHICAL SOURCING PLATFORM

The new Supplier Code of Ethics is a foundational component of Grainger's Ethical Sourcing platform, which helps ensure the company's products are manufactured and delivered to meet globally accepted ethical standards.



A STRONG AND DIVERSE SUPPLY CHAIN



20,000+

ITEMS AVAILABLE THROUGH GRAINGER'S U.S. SUPPLIER DIVERSITY PROGRAM



\$100 MILLION+

2013 SALES OF PRODUCTS SOLD THROUGH GRAINGER'S U.S. SUPPLIER DIVERSITY PROGRAM



130

NUMBER OF BUSINESSES IN GRAINGER'S U.S. SUPPLIER DIVERSITY PROGRAM



6,300

INDIVIDUALS EMPLOYED BY GRAINGER'S U.S. SUPPLIER DIVERSITY PROGRAM PARTNERS



SUPPLIER DIVERSITY

Grainger is invested in the success of its diverse suppliers. Since 1999, Grainger's U.S. **Supplier Diversity Program** has grown to 130 businesses owned by minorities, women and veterans who provide more than 20,000 products in the company's product offering. As sales from the Supplier Diversity Program continue to grow and surpass \$100 million annually, the company provides these suppliers with ongoing feedback, coaching and personalized support to ensure their long-term success. Grainger is also an active member of the Women's Business Enterprise National Council, the National Minority Supplier Development Council and the Canadian Council for Aboriginal Business, as well as a founding corporate member of the Diverse Manufacturing Supply Chain Alliance in the United States.



DONNA GRUENBERG

President
RAE Products & Chemicals Corp.
Women's Business Enterprise
Certified

SUPPLIER DIVERSITY SPOTLIGHT: RAE PRODUCTS

Donna Gruenberg started RAE Products & Chemicals Corp. in 1976 and joined Grainger's Supplier Diversity Program in 2008. She began with 27 RAE branded products in Grainger's offering and has doubled that number every year since then, up to about 1,500 items in 2013. "Because of Grainger, we were able to hire two more people just to keep up with the orders. I feel like I'm giving back and helping the economy," says Donna.



VALUING OUR PEOPLE



Grainger team members know they are part of something bigger than their job alone. Every day they serve the men and women who keep facilities running and the people in those facilities safe. Team members are motivated to bring their whole self – including their own ideas, experiences and differences – to work every day, and Grainger is dedicated to ensuring team member safety and well-being in return. In 2013, Grainger continued to invest in its team members by fostering an environment of empowerment, inclusion and professional development, while keeping workplace safety in the forefront.

SAFETY FIRST

Products, equipment and team members are constantly in motion at Grainger branches and distribution centers. Ensuring a safe working environment requires a comprehensive approach that includes specialized training, regular safety drills, ongoing maintenance and specially designed equipment. Team members at Grainger's distribution centers participate in weekly safety trainings as well as longer monthly sessions. From daily stretching exercises to inspection of protective gear in the distribution centers, Grainger takes its role as North America's largest distributor of safety supplies seriously.

SAFETY AROUND THE WORLD

In 2013, Grainger introduced the ***Safety Around the World*** initiative which includes the roll-out of a new web-enabled Environmental, Health and Safety (EH&S) management system that harmonizes global implementation of the International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 requirements. The system will improve Grainger's ability to consistently communicate and manage EH&S principles on a global scale. In 2013, Grainger implemented the system in the United States, achieving 100 percent adoption by managers and supervisors at the company's distribution centers and branches.

Grainger has begun rolling out ***Safety Around the World*** in Canada. During the first quarter of 2014, 65 percent of distribution center managers in Canada had already registered to use the system. The multilingual system will be implemented throughout the businesses in Mexico and Europe in 2014.

Safety Around the World also includes a web-based program that teaches safety through fast and fun games to promote learning and retention. The functionality keeps players motivated and promotes healthy competition.

PAINTING IT SAFE

The Safety Committee at Grainger's Memphis Distribution Center hosted an art contest for team members' children to illustrate why they want their family members to come home safe from work every day. The artwork is posted next to photos of team members' families on a bulletin board labeled *The Reason I Stay Safe at Work*.



Visit graingercsr.com to view the full gallery of artwork.

“We are focused on building a culture where it is everyone’s responsibility to keep themselves and the folks around them safe. Safety is about going home at the end of the day to your loved ones in the same condition you came to work that morning.”

— Michael Fearing, Area EH&S Manager,
Jacksonville DC



Jason Frankovich works at Grainger's newest distribution center in Minooka, Ill. Worker safety and comfort was an important consideration in designing this state-of-the-art facility. By taking into account employee feedback and ergonomic best practices, the company created workstations that do not require any pushing or pulling of carts, reducing the risk of sprains and strains.

June is National Safety Month in the United States, an important opportunity to educate and raise awareness of safe behaviors around the leading causes of preventable injuries and deaths. In 2013, Grainger worked with the National Safety Council to sponsor the kickoff week of the National Safety Month campaign focused on **Preventing Slips, Trips and Falls** in the workplace.



CANADA'S SAFEST EMPLOYERS AWARD

Acklands – Grainger has 125 years of safety experience and is the largest safety distributor in Canada. The company is the National Founding Sponsor and Title Sponsor of **Canada's Safest Employers Award**, a nationwide competition to raise awareness about the importance of a safety culture in the workplace. The program has grown from five to 24 honorees since 2011, and awards a gold or silver recognition for honorees' outstanding achievements in workplace health and safety. Through forums such as the annual Acklands – Grainger customer show, winners have the opportunity to share their safety best practices with other businesses so everyone benefits.

TALENT EXCELLENCE

Grainger understands the importance of developing the talents of team members. Grainger introduced three global development programs in 2013 – the Grainger Emerging Leader Program, which brings together individuals who have demonstrated strong potential to become people leaders; the Inclusive Leader Program, a day-long session to discuss the importance of inclusion and diversity; and the Finance Leadership Development Program, a curriculum designed to advance the financial acumen of promising leaders. These programs join Grainger's First Time Manager Program, a 14-week curriculum for new people leaders.

Grainger team members are so proud of the company they work for that nearly one-quarter of all Grainger's U.S. hires are recruited through Grainger's Employee Referral Program.

In 2013, Grainger standardized its core talent management practices through a new system called the Global Talent Excellence Suite which offers the latest tools and technology. "Our talent management processes are a huge part of every team member's experience," said Roshny Archer, Senior Director, Global Talent and Team Member Experience. "To accelerate growth, the Global Talent Excellence Suite will capture and analyze team member information quickly and efficiently across geographies so we can identify development opportunities and match individual skill sets to these opportunities."

2013 WORKPLACE AWARDS



Chicago Tribune

**SUPER
EMPRESAS
EXPANSION
2013**

FABORY DRAGON'S DEN BRINGS INNOVATIVE IDEAS TO LIGHT

Fabory, Grainger's business in Europe, promotes a culture of innovation and talent excellence through an internal competition called the Dragon's Den. Team members present innovative ideas to be evaluated by business leaders based on relevance, effectiveness, feasibility and potential return on investment. The winning idea is implemented across Fabory worldwide. The 2013 winners presented "The Money Machine," a program capable of accounting for different costs and processes across countries to help determine cost-effective solutions to meet customer needs.



"It was great to meet people from other countries, share ideas and find ways to collaborate across borders."

— Sofie Amssoms, Key Account Sales Manager and winning team member from Antwerp, Belgium

INCLUSION AND DIVERSITY

Grainger's global philosophy of inclusion is centered on the importance of valuing all contributions, all differences and all team members. By creating an environment that embraces diverse styles and promotes awareness and understanding of those differences, Grainger brings great minds and talents together to better serve customers and each other. This inclusive culture directly contributes to positive team member engagement and helps the company attract diverse talent, leading to a broader perspective and increased innovation. When team members feel their voices are heard, the company unlocks the full potential of its business.

Grainger's executive leaders are committed to building an inclusive environment. To do this, they establish clear expectations and consistently reinforce the importance of inclusion with Grainger's people leaders. Through classroom and informal training, the company focuses on providing leaders and team members with practical skills and behaviors that can be used on the job to help build a more global, inclusive environment. In 2013, Grainger continued to grow its partnerships with diverse professional organizations to build a pipeline of top talent with diverse backgrounds, veteran/military status, skills and competencies. As Grainger continues to grow, the company is committed to fostering an environment where every team member can thrive.



DRAGON BOAT RACING

Dragon boat races, an ancient Chinese tradition, are a celebrated international watersport today. Grainger teams have been involved since 2007, and the support of Grainger's Asian Pacific Islander Business Resource Group has helped create a culture of collaboration and inclusion between four teams in Canada, California, Illinois and South Carolina.

“Dragon boat racing is truly a transformational experience for team members. Creating an inclusive experience that leverages our diverse talent has resulted in opportunities to learn something new about our team members, our company and ourselves.”

— Erwin Cruz, Vice President of the Asian Pacific Islander BRG and Dragon Boat Captain

BUSINESS RESOURCE GROUPS

More than 2,700 team members participate in Grainger's Business Resource Groups (BRGs) in the United States. These are employee-led organizations with the mission of supporting team members' experiences and business growth. Membership is voluntary and provides an opportunity for team members to develop leadership skills and expand networks while offering insights to the business on key talent issues. Grainger actively supports all BRGs and their chapters and brings together the leaders of each BRG for quarterly sessions to share stories and best practices with each other. In 2013, the BRGs began to collaborate at an enterprise-wide level, working to solve business issues as a collective team.

Two new BRGs were introduced in 2013 – Veterans and Military Supporters and Equality Alliance, which is focused on promoting a safe and inclusive environment for all team members regardless of sexual orientation or gender identification. These join six existing BRGs – Women's, African American, Latino, Asian Pacific Islander, Administrative Business Partners and Generational BRGs.



A HERO AT HOME

Shannon Bibbee has been at Grainger for eight years and in the U.S. Army Reserve for 15. He enlisted in the Army Reserve as a private in 1998 and was commissioned as an officer in 2004. Shannon has been called to active duty three times, including two combat tours to Iraq, during his tenure with the company. Grainger supported Shannon each time he was called to duty. In 2012, Shannon was awarded the General Douglas MacArthur Leadership Award, and the unit he commanded in Iraq in 2011 received the Army's Deployment Excellence Award. When Shannon returned to Grainger in 2012 after his duty in Iraq, he was instrumental in developing and introducing the new Veterans and Military Supporters BRG. Grainger thanks Shannon and the rest of our military and veteran team members for their service.

“You don’t know how great Grainger is until you’re away from it. It’s a terrific place and a really special company.”

— Capt. Shannon Bibbee, District Director, Customer Service, U.S. Army Reservist



SERVING OUR COMMUNITIES



Grainger's commitment to service extends into the local communities where team members live and work. From disaster preparedness and response to promoting technical education and the skilled trades, Grainger uses its resources and expertise to help build stronger communities. In 2013, the company donated more than \$22 million in cash and product to charitable organizations across the globe. Grainger's partnership with the American and Canadian Red Cross organizations evolved to expand their capacity to respond to disasters. In the United States and Europe, Grainger shared its expertise in technical education to raise awareness for opportunities in the trades and help prepare the skilled trade workforce of tomorrow. Globally, team members stepped up to volunteer, donate, mentor, teach, coach and build bright futures. When service is the core of a business, it inspires people to go above and beyond.

DISASTER PREPAREDNESS AND RESPONSE

Grainger's supply chain expertise and strong culture of service make the company a natural leader in disaster preparedness and response. Since 2001, Grainger has donated more than \$14 million in cash and product to the American Red Cross and is the National Founding Sponsor of the **Ready When the Time Comes®** program in Canada and the United States. More than 1,500 Grainger team members have been trained as Red Cross volunteers. In 2013, these volunteers were instrumental in helping the Red Cross respond to the historic floods in Alberta, Canada, flooding in the Midwest and Oklahoma and tornadoes in Illinois.

VOLUNTEER CONNECTION

In 2013, the American Red Cross launched **Volunteer Connection**, an online volunteer management system to better recruit and engage its 500,000 volunteers across the country. As National Launch Sponsor, Grainger donated \$3 million to support the initiative and worked closely with the American Red Cross to help ensure a smooth implementation. Since Volunteer Connection went live in March 2013, the Red Cross has already recruited more than 94,000 new volunteers through the system.

HOW TO GET INVOLVED

1. Visit redcross.org/support/volunteers.

2. View open opportunities.

3. Apply via Volunteer Connection.



Drive an emergency response vehicle



Man a first aid station at major events



Provide mental health services to those in disasters



Help our U.S. Armed Forces members, veterans and their families



American Red Cross

“Grainger’s investments in our Volunteer Connection and Ready When the Time Comes programs have transformed the way the Red Cross recruits, trains and engages local volunteers.”

— Gail McGovern, President and CEO, American Red Cross



CANADIAN
RED CROSS

Ready
when the time comes®

ACKLANDS – GRAINGER RECEIVES THE PARTNERS IN HUMANITY AWARD

The Canadian Red Cross named Acklands – Grainger as the recipient of its 2013 *Partners in Humanity Award*. The award recognized Acklands – Grainger for its contributions toward expanding the reach of the **Ready When the Time Comes** program and acknowledged the joint commitment to leverage companies like Grainger to train team members and create community-based volunteer forces to call on when disaster strikes. Since the program launched in Canada in 2010, Acklands – Grainger has trained more than 160 volunteers in five locations across the country. In 2013 the program expanded to Fort McMurray, Alberta and St. John's, Newfoundland.



HISTORIC FLOODING IN CANADA

In June 2013, Calgary and the surrounding southern Alberta region faced the worst flood in its history. More than 100,000 Calgary residents were evacuated from their homes within the first 48 hours of flooding and tens of thousands more were evacuated from the surrounding communities. Homes were swept away, and downtown Calgary was completely shut down with no power. The team at the Calgary branch worked around the clock to get emergency response supplies to the first responders, the city of Calgary, the surrounding municipal governments, the Canadian Red Cross and many local residents and businesses. Acklands – Grainger even helped procure a boat to help staff at the local zoo reach stranded animals. In addition, through the Ready When the Time Comes program, Acklands – Grainger team members volunteered to cover more than 35 shifts with the Canadian Red Cross, helping assign evacuated residents to emergency shelters and registering them in the Canadian Red Cross database which enabled loved ones to find evacuated family members.



“As a trained Ready When the Time Comes volunteer, I drove from Red Deer to Calgary to volunteer with the Red Cross when the floods hit,” said Mike Freed, District Sales Manager, Alberta South. “It was rewarding and humbling to be able to provide even a little bit of calm and comfort to those who had lost their homes. Seeing a disaster of this scale, you realize the massive amount of recovery work ahead, and I left thinking about if we could all give just one day to help, what a small price to pay and what a vast difference we would make.”

SKILLED TRADES

Grainger is investing in the future of the skilled trades workforce. In 2006, Grainger partnered with the American Association of Community Colleges to launch the **Grainger Tools for Tomorrow® scholarship program** which aims to increase the number of students pursuing degrees and careers in the skilled trades. Annually, the program offers 200 scholarships of \$2,000 each at nearly 100 community colleges across the United States. Approximately half of these scholarships are earmarked for veterans of the U.S. Armed Forces. Since 2006, Grainger has donated more than \$2 million to support technical education.

THE SKILLED TRADES PLAYBOOK

Grainger once again recognized October as Skilled Trades Awareness Month in 2013. Grainger partnered with the Aspen Institute's Skills for America's Future organization to create an interactive skilled trades playbook called "Dynamic Partnerships for a New Economy." The playbook is a comprehensive, practical guide for building workforce partnerships between businesses and community colleges that find, train and advance workers in the industrial skilled trades. See the complete playbook at www.skilledtradesplaybook.org.

ONWARD WITH WESTWARD®

Grainger provides incentives for the Grainger Tools for Tomorrow scholarship program recipients to complete their degrees. Upon graduation, scholarship recipients receive a custom Westward toolkit to help launch their careers.

GRAINGER TOOLS FOR TOMORROW SCHOLARSHIP PROGRAM



I AM READY FOR TOMORROW

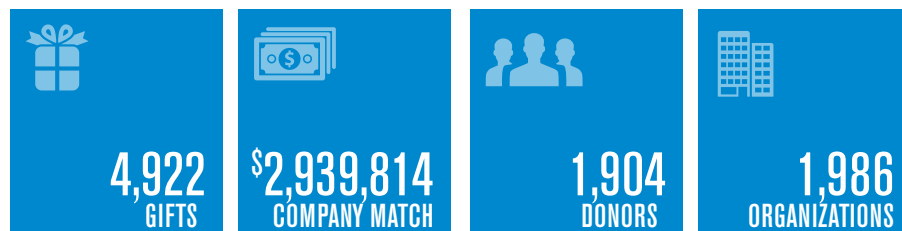
When his employer of more than two decades went out of business, John Nawrot realized he needed a skill set that met the demands of today's job market. He enrolled at Joliet Junior College in the fall of 2012 to pursue a degree in Applied Science and was awarded the Grainger Tools for Tomorrow scholarship.

"I was convinced that it was time for a career change and the only way to do this was to attend school full-time and learn a new trade. My career goal is to advance to a Level IV technician."

—John Nawrot, 2013 Grainger Tools for Tomorrow scholarship recipient

MATCHING CHARITABLE DONATIONS

The Grainger Matching Charitable Gifts Program is the hallmark of the company's philanthropy. Grainger offers a three-to-one match, up to \$7,500 per employee in the United States, and is proud to be among the less than one percent of companies matching contributions at this rate. More than 1,900 team members directed \$2.9 million to more than 1,900 charitable organizations in 2013. Through matching gifts, Grainger team members extend the company's culture of caring into their local communities.



"This program is extremely important to me. I use the Matching Gifts program to help my small donation become a large one. A program like this can really help a charity in need."

— Jovanna Conrad, Service Specialist

GRAINGER COMMUNITY GRANT PROGRAM

The company is proud to participate with The Grainger Foundation in the Grainger Community Grant Program to help address local community needs throughout the United States.

Under the Program, Grainger's market managers identify charitable organizations within their local communities and make recommendations to the Foundation for grants ranging from \$1,000 up to \$10,000. As a result of recommendations made in 2013, the Foundation made 900 grants totaling \$6.1 million to a wide variety of organizations in the areas of health and human services, food banks, disaster relief and technical education.

The Grainger Foundation is an independent, private foundation that was established in 1949 by William Wallace Grainger, the company's founder.

GIVING AROUND THE WORLD



CANADA

Acklands – Grainger raised more than \$400,000 for the United Way in 2013. Team members volunteered to paint, clean and maintain local United Way agency facilities during the annual Days of Caring. Acklands – Grainger also supports Children's Wish Foundation of Canada, Easter Seals and WIN House.



MEXICO

Team members from Grainger Mexico raised money for the annual Centro de Rehabilitación Infantil Teletón campaign to support children with cancer and autism.



EUROPE

Fabory started teaching fastener technology at Delft University in the Netherlands four years ago and expanded their fastener education program to the University of Coimbra in Portugal in 2013.

Instead of receiving company Christmas gifts, Fabory team members made a €5,000 donation to the Ronald McDonald House Charities.



SUSTAINABILITY AS A PRIORITY



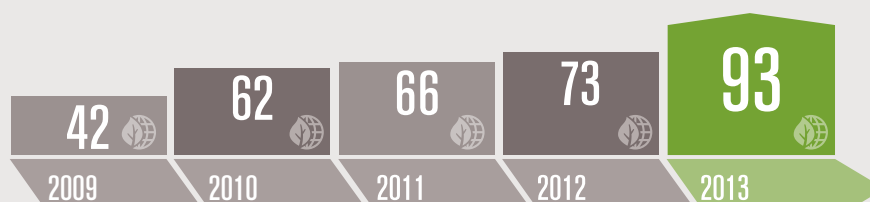
Sustainability for Grainger means doing business the right way. The company applies a continuous improvement mind-set to its sustainability efforts – consistently identifying and executing opportunities across the business to reduce energy use, minimize waste and increase recycling. Grainger's sustainability efforts are championed by a cross-functional team that is responsible for tracking key environmental metrics and prioritizing opportunities based on both materiality and feasibility. Grainger's goal is to ensure that the business runs efficiently while contributing to a healthy environment.

CLIMATE CHANGE

Grainger recognizes that climate change is a global issue and the company has put a priority on effectively managing the company's energy use and providing customers with a growing number of environmentally preferable products. To report and monitor the company's environmental footprint, Grainger participates in the Carbon Disclosure Project (CDP). CDP is an international nonprofit organization providing the only global system for companies and cities to measure, disclose and share vital environmental information. In 2012, Grainger became the first industrial distributor to publicly disclose its carbon footprint through the CDP.

In 2013, Grainger expanded its **CDP disclosure** to include operations in Canada and Mexico in addition to its core business in the United States. Grainger's 2013 CDP disclosure score, which is based on the comprehensiveness of a company's survey responses, increased from a 73 in 2012 to a 93 in 2013. Grainger's performance score, which is based on a company's contributions to climate change mitigation, increased from a rating of C in 2012 to B in 2013. Grainger's initial public disclosure in 2012 established a baseline and the company is in the process of developing intensity targets to help guide efforts into the future. These targets will take into account business growth plans along with a continuing focus on efficiency in operations.

CARBON DISCLOSURE PROJECT: GRAINGER'S DISCLOSURE SCORES



GREENHOUSE GAS (GHG) EMISSIONS INTENSITY (METRIC TONS OF CO₂ EQUIVALENT/\$1 MILLION REVENUE)



2012
17.1
GHG/Revenue

2013
16.9
GHG/Revenue

Data includes Grainger's core business operations in the United States, Canada and Mexico.

ENERGY USE

Energy use is a key component of Grainger's sustainability strategy, and the company's primary focus is improving energy efficiency at its largest facilities including its distribution centers and corporate offices.

Grainger's newest distribution centers in Illinois, California and Monterrey, Mexico have building management systems that coordinate and manage mechanical and electrical equipment for maximum efficiency and productivity. The company is also investing in retrofitting its other distribution centers with these energy-saving systems. Building management systems have already been installed at the company's distribution centers in Memphis and Cleveland and retrofit projects are currently underway at distribution centers in Los Angeles and Jacksonville. On average, Grainger has realized a 10 to 15 percent reduction in energy consumption at its distribution centers after installing the building management systems.

When Grainger determined the need to build a new data center at its corporate headquarters, the company installed a free air cooling system that takes advantage of outside air when at the appropriate temperature to help cool the facility. Throughout the project, Grainger partnered with the U.S. Green Building Council to help determine criteria for a new Leadership in Energy and Environmental Design (LEED) certification specifically for data centers. When fully operational in 2014, Grainger expects the new data center to consume up to 50 percent less energy for cooling than similar data centers.

RENEWABLE ENERGY

As part of the company's emphasis on sustainability investments at its largest facilities, Grainger installed a one-megawatt solar panel system at the San Francisco Distribution Center in 2013, which generates more than 30 percent of the facility's electrical load. When combined with the three-megawatt solar panel system installed at the New Jersey Distribution Center in 2011, Grainger now has four megawatts of solar capacity.

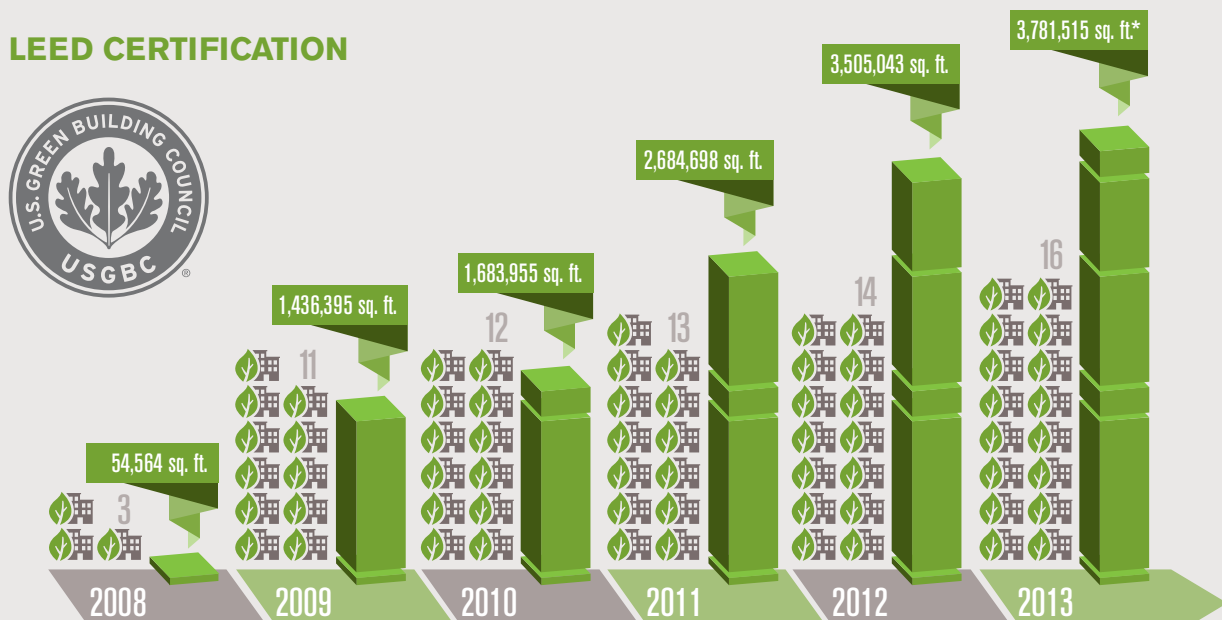


GROWING EFFICIENTLY: LEED CERTIFIED FACILITIES

Grainger's commitment to growing efficiently includes a focus on building its major new construction projects to LEED standards. In 2008, Grainger became the first industrial distributor to have a LEED certified facility. Today the company operates 16 LEED certified buildings in the United States, Canada and Mexico. Construction is currently underway for the company's newest distribution center in Toronto, Canada which is being built to LEED specifications.

By sharing best practices across facilities, almost all Grainger buildings have adapted some components of LEED certification requirements in areas such as recycling, waste disposal, lighting and cleaning. For example, the company has retrofitted 168 facilities in Canada and the United States with energy efficient lighting, decreasing annual energy consumption by an average of 15 percent per facility.

LEED CERTIFICATION



Cumulative number of LEED Certified Buildings, one-to-one Cumulative square-footage

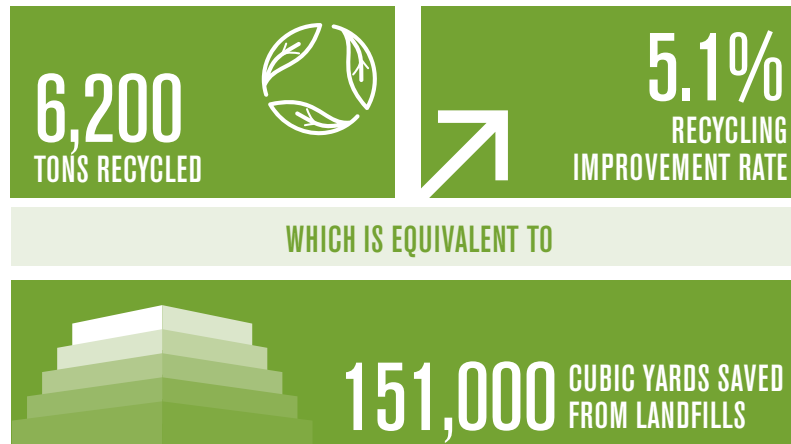
* Represents 16 percent of total square footage of Grainger's core business operations in the United States, Canada and Mexico

WATER AND ENERGY CONSERVATION IN MEXICO

Grainger's LEED certified distribution center in Mexico conserves water and saves money by using low-flow plumbing fixtures as well as a gray water and HVAC water recovery system. The system filters water for non-potable use in and around the facility. The distribution center was built with skylights throughout the warehouse, providing a more pleasant workspace and returning significant savings from reduced lighting costs. Grainger Mexico was recognized by the Nuevo León Government for its socially responsible use of treated wastewater in 2013.

WASTE AND RECYCLING

In 2013, Grainger worked to standardize recycling processes across the company's largest facilities. Grainger's distribution centers in the United States recycled more than 2,500 tons of cardboard, plastic wrap and metal in 2013, resulting in a 5.1 percent annual improvement in the company's U.S. distribution center recycling rate.



Grainger also continues to focus on reusing and recycling its information technology (IT) equipment. For example, Grainger recycles all of its obsolete IT equipment in the United States. In 2013, the company sent more than 76 tons of IT equipment to Arrow Value Recovery to be reused or recycled. Since 2002, Grainger's partnership with Arrow Value Recovery has resulted in more than 1,400 tons of the company's IT equipment being reused or recycled.

SMALL CHANGE ADDS UP

In 2013, Grainger collected and evaluated energy usage data from the appliances in its branches and found that certain small appliances used a significant amount of energy. Team members were asked to install a timer on each small appliance in their facility so the appliances would shut off automatically when the facility closed at night and on weekends.



ENVIRONMENTALLY PREFERABLE PRODUCTS

Grainger extends its commitment to sustainability to customers by offering products to support the maintenance and operation of sustainable facilities through efficient energy management, water conservation, waste reduction and air-quality improvement. More than 33,000 products, representing almost \$600 million in sales in 2013, qualify as environmentally preferable products and are designated by an icon on Grainger.com[®]. These products are classified by maintaining one or more environmentally preferable certifications or attributes. To provide an additional measure of confidence to customers, Grainger works with experts to help the company verify the accuracy of suppliers' sustainability product data.



VEOLIA HONORED AS GRAINGER'S "SUSTAINABLE SUPPLIER OF THE YEAR"

Each year Grainger recognizes a Sustainable Supplier of the Year. The winner must demonstrate exemplary overall performance as a Grainger supplier, provide a strong environmentally preferable product offering and exemplify environmental stewardship and responsibility within their own supply chain. In 2013, Grainger honored Veolia as its Sustainable Supplier of the Year. Veolia, one of the largest waste services companies in the world, helps customers in the industrial, commercial and government sectors safely manage waste, ensure compliance and maintain efficient operating processes.



RESPONSIBLE DISTRIBUTION

Grainger is the only industrial supplier to be recognized by the Environmental Protection Agency as a U.S. SmartWay partner. The program is market-driven, and it is aimed at helping businesses move goods in the cleanest, most efficient way possible. In addition, since 2009, Grainger boxes used to distribute products in the United States have been made of paper products certified by the Sustainable Forestry Initiative. Boxes are 100 percent recyclable.

GREEN AMBASSADORS

Team members have the opportunity to participate in Grainger's commitment to sustainability by joining the Green Ambassador Program, which is sponsored by the Global Sustainability Team. The goal is to have at least one Green Ambassador in every Grainger facility; so far, more than 450 Grainger team members have volunteered. The role of a Green Ambassador is to implement greener ways to operate that can be shared with the rest of the facility.

“The Green Ambassador program is a great addition to the Grainger community. It gives our team members the resources and tools needed to make every Grainger facility a more sustainable, cost-efficient and community-oriented workplace.”

— Tyler Kirsh, Corporate Sustainability Analyst and Green Ambassador



ALL HANDS ON DECK WITH LIVING LANDS & WATERS

Living Lands & Waters is recognized as the only “industrial strength” river clean-up organization in the world. Since 2010, Grainger team members have volunteered in river clean-ups in communities along the Mississippi River, including St. Louis, Mo., Paducah, Ky. and Memphis, Tenn.



“We are very grateful for the partnerships we have built with Grainger. Not only for the financial contributions and safety equipment donations, but also the muscle power from all the employees. This is the perfect example of what a great partnership is.”

— Chad Pregracke, Founder of Living Lands & Waters



BUILDING OUR GLOBAL STEWARDSHIP

Thank you to the Grainger team members, suppliers, charitable organizations and partners who are featured throughout this report. Your support is vital to Grainger's progress, and the company is grateful for your dedication and service.

Grainger invites you to visit www.graingercsr.com to read new stories and features about our corporate social responsibility efforts throughout the year. Please share your thoughts and experiences at csr@grainger.com. Your input will help the company make a positive difference in the community where team members and customers live and work.

Grainger is proud of our progress and looks forward to the journey ahead.



OPERATING
RESPONSIBLY



VALUING
OUR PEOPLE



SERVING OUR
COMMUNITIES



SUSTAINABILITY
AS A PRIORITY

