



**MAKING A POSITIVE DIFFERENCE
EVERYWHERE WE OPERATE**



2015 **CORPORATE SOCIAL RESPONSIBILITY** REPORT

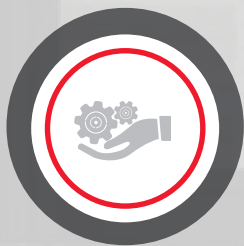


GRAINGER CSR AT A GLANCE

Grainger's Corporate Social Responsibility (CSR) platform includes the company's commitments to operating responsibly, valuing our people, serving our communities and sustaining our environment. These commitments shape the company's focus on corporate citizenship and fuel its determination to make a positive difference today and in the future.



Below is a snapshot of Grainger's CSR progress. Please visit www.graingercsr.com to learn more.



Operating Responsibly

100%

of Grainger team members annually pledge to uphold the company's Business Conduct Guidelines

32,000

products offered by Grainger are provided by small businesses in Grainger's U.S. Supplier Diversity Program

7,000

individuals are employed by Grainger's U.S. Supplier Diversity Program partners



Valuing Our People

6,400

team members at Grainger's branches and distribution centers participated in safety training in 2014

21,000

hours spent by Grainger team members at U.S. branches and distribution centers in safety training in 2014

3,500

team members participate in Grainger's employee-led Business Resource Groups



Serving Our Communities

\$28M

donated by Grainger in cash and product to charitable organizations in 2014

1,982

charitable organizations supported through the Grainger Matching Charitable Gifts program in 2014

780

students have received Grainger Tools for Tomorrow scholarships since 2006



Sustaining Our Environment

91B

Grainger's score on the 2014 CDP

15.7

Scope 1 and Scope 2 greenhouse gas emissions (GHG) per unit revenue in 2014

18

LEED certified locations in the United States, Canada and Mexico

MESSAGE FROM GRAINGER'S CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER

Grainger's commitment to corporate social responsibility is an extension of who we serve and how we operate.



As a business, the reason we exist is to help keep economies strong by serving the hardworking men and women who keep operations running and people safe. Every day, Grainger's 23,000 dedicated team members deliver this trusted service to our customers.

Grainger's commitment to corporate social responsibility is an extension of who we serve and how we operate. Our team members take great pride in the service they provide to customers, to the communities where they live and work and to one another. I hope you will sense that pride as you read this report.

Over the past year, we have continued to make meaningful progress in our four pillars of corporate social responsibility—our business practices, people, communities and sustainability. We know by furthering our efforts in these areas today we strengthen the impact we make over the long term. For example, in this report you will learn more about Grainger's target to reduce its North American Scope 1 and Scope 2 GHG emissions per unit revenue by 33 percent from 2011 to 2020.

At Grainger, the work we do is guided by what is best for our customers, communities and team members, now and in the future. We are committed to managing the company for the long term so we can continue to make a positive difference in our industry and for those we serve.

A handwritten signature in black ink that reads "Jim Ryan".

JAMES T. RYAN
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
W.W. GRAINGER, INC.



**Operating
Responsibly**
page 3



**Valuing Our
People**
page 6



**Serving Our
Communities**
page 10



**Sustaining Our
Environment**
page 15



OPERATING RESPONSIBLY

Operating with a high level of ethics and integrity is the foundation for the way Grainger does business.

CORPORATE GOVERNANCE

Effective corporate governance is vital to Grainger's overall performance. Grainger's [corporate governance policies](#) 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. Grainger regularly reviews, evaluates and modifies its corporate governance program to make certain Grainger exemplifies high ethical standards.

Grainger requires all team members around the world to demonstrate their personal commitment to the company's high operating standards by annually renewing their responsibility to uphold the Business Conduct Guidelines. These guidelines define a common understanding of ethical principles that guide the way Grainger works with customers, suppliers and colleagues. Grainger also works with a third party to maintain a secure hotline for team members to report concerns or complaints regarding company practices.

CORPORATE SOCIAL RESPONSIBILITY GOVERNANCE

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

“Grainger's commitment to doing the right thing is part of what makes this a great company. We operate with a sense of responsibility to our customers, our colleagues and our communities. This responsibility is also what drives us to look for ways to continually improve Grainger's positive impact on the world around us.”

DG MACPHERSON

EXECUTIVE SPONSOR OF GRAINGER'S CSR WORKING GROUP
SENIOR VICE PRESIDENT AND GROUP PRESIDENT, GLOBAL SUPPLY CHAIN AND INTERNATIONAL

Corporate Governance Policies

Grainger's governance policies are publicly available on Grainger's [Investor Relations](#) site. These include:

- [Corporate Governance Fact Sheet](#)
- [Compensation Practices Fact Sheet](#)
- [Business Conduct Guidelines](#)
- [Human Rights Principles](#)
- [Conflict Minerals Policy](#)
- [Supplier Code of Ethics](#)
- [Global Environmental, Health and Safety Policy](#)



ETHICAL SOURCING

Grainger works with thousands of suppliers to offer 1.4 million products used by customers to maintain and repair their facilities and business operations. To help ensure the products Grainger distributes are manufactured and delivered with high ethical standards, the company developed a [Supplier Code of Ethics](#) focused on four main areas of ethical sourcing—human rights, labor, the environment and anti-corruption. In 2014, Grainger expanded these standards to prohibit discrimination based on gender identity and expression.

All U.S. and Grainger Global Sourcing product suppliers and their sub-suppliers are expected to comply with the company's Supplier Code of Ethics, which was also introduced to suppliers of Acklands – Grainger in Canada and Grainger Mexico in 2014. Additionally, Grainger addresses concerns regarding human rights issues associated with sourcing various minerals from the Democratic Republic of the Congo and adjoining countries through its [Conflict Minerals Policy](#).

Components of Grainger's Ethical Sourcing



As part of Grainger's commitment to ethical sourcing, the company works closely with its suppliers to identify potential opportunities to minimize unnecessary packaging while reducing the risk of damage to the contents of packages. In July 2014, the company convened a diverse group of industry leaders and supplier partners for Grainger's first Sustainable Packaging Summit. Participants shared best practices to help identify right-size, right-fit packaging and provided input on opportunities to advance sustainability across Grainger's supply chain.



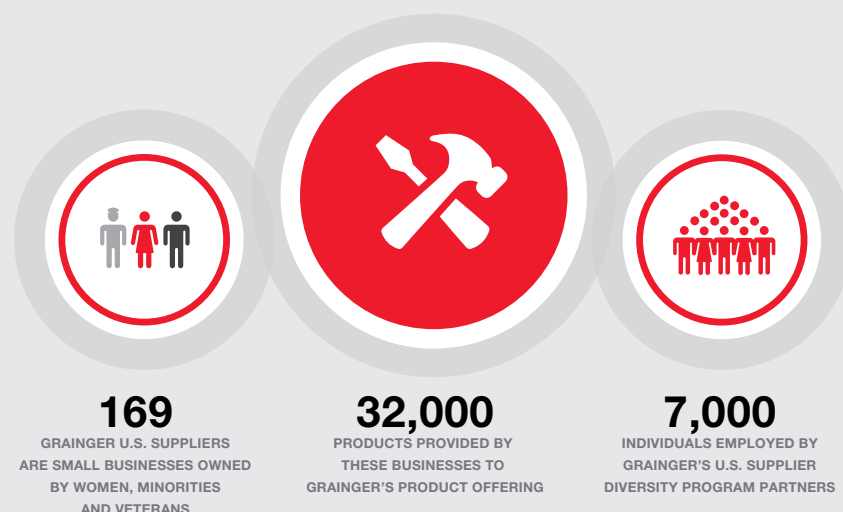
Tyler Kirsh from Grainger's sustainability team facilitates an exchange of industry best practices at Grainger's 2014 Sustainable Packaging Summit.

SUPPLIER DIVERSITY

An inclusive supply chain is a strong supply chain and Grainger is invested in the success of its diverse suppliers. The company's U.S. Supplier Diversity Program was founded in 1999 and now includes 169 small businesses owned by women, minorities and veterans. These businesses provide more than 32,000 products to Grainger's offering, and the yearly sales of these products grew by 38 percent in 2014. Grainger commits extra resources, coaching and ongoing support to help these suppliers meet the company's supplier guidelines and grow their business opportunities.



The Economic Impact of Grainger's Supplier Diversity Program



“ I served two tours in Vietnam and now own a small business called Anti-Seize Technology. We manufacture sealants and lubricants and we have been a business partner of Grainger's for more than 36 years. Grainger has always provided opportunities to us as a supplier, which has helped provide a platform for us to create new jobs and sales opportunities. ”

JOHN H. HEYDT
PRESIDENT AND GENERAL MANAGER, ANTI-SEIZE TECHNOLOGY

Grainger is a member of the National Minority Supplier Development Council, the Women's Business Enterprise National Council, the Canadian Aboriginal and Minority Supplier Council and the Canadian Council for Aboriginal Business. In 2014, Grainger became a member of the National Gay and Lesbian Chamber of Commerce in an effort to grow its Supplier Diversity Program to include LGBT-owned businesses. Grainger is also a founding member of the Diverse Manufacturing Supply Chain Alliance, which mentors and develops diverse manufacturers.

In addition, Grainger supports small and diverse businesses through the goods and services purchased to support the company's own operations. Grainger spent more than \$40 million with 80 certified indirect minority-owned suppliers in 2014.



VALUING OUR PEOPLE

Grainger's purpose is to help professionals keep their operations running and their people safe while creating a company where dedicated, talented people can thrive.

SAFETY

Grainger is committed to providing a safe working environment for its team members. The company's [Global Environmental, Health and Safety Policy](#) requires team members to understand and comply with Environmental, Health and Safety (EHS) regulations related to facility safety, personal protection and emergency response. Grainger's safety program uses behavior-based principles to drive engagement including frequent safety training, pre-shift stretching and injury prevention. Approximately 6,400 team members at Grainger's branches and distribution centers in the United States collectively spent more than 21,000 hours in safety training in 2014.

Grainger's focus on safety led the company's distribution centers in Kansas City, Missouri, and Dallas, Texas, to pass the one-million-hours-worked mark without a lost time incident in 2014 and helped keep Grainger's U.S. Total Operational Recordable Case Rate well below the average in the wholesale industry.

Grainger U.S. Safety Performance

	2014	2013	2012	2011	2010
Grainger U.S. Total Operational Recordable Case Rate¹	1.9	1.8	2.3	2.6	2.7
U.S. Wholesale Industry Average Recordable Case Rate ²	3.1³	3.1	3.2	3.2	3.4
Grainger U.S. Total Operational Lost Time Case Rate¹	0.3	0.4	0.3	0.5	0.6
U.S. Wholesale Industry Average Lost Time Case Rate ²	1.0³	1.0	1.1	1.1	1.1

¹ Data includes all recordable injury events and hours worked by U.S.-based hourly team members in Grainger branches and distribution centers.

² Wholesale industry averages are according to the U.S. Bureau of Labor Statistics.

³ The 2014 U.S. Wholesale Industry Average Case Rates are estimated based on 2013 data. The U.S. Bureau of Labor Statistics has not yet released a 2014 industry average as of this report's print date.

“ I choose to put safety first during the workday because I can't wait to go home to my family at night. My team helps drive safe practices by leading daily stretching exercises, recognizing peers for demonstrating best practices and encouraging regular conversations about how to promote our safety culture to create an injury-free workplace. ”

DONNA KACZMAREK
AREA EHS MANAGER

Grainger's *Safety Around the World* initiative continues to help align and standardize safety programs across the company's operations. Grainger uses a web-based EHS management system that turns complex, global compliance requirements into multilingual, actionable processes and connects Grainger globally to better identify safety risks and trends in different geographies. The system aligns with the International Organization for Standardization (ISO) 14001 and the Occupational Health and Safety Assessment Series (OHSAS) 18001 requirements. The digitized injury and illness reporting module of the system has been fully implemented in the United States, Canada and Mexico, and the company began implementation in Europe in 2014.

Grainger's commitment to safety extends to customers too. The company is the National Founding Sponsor of the National Safety Council's Journey to Safety Excellence® campaign, which offers measurement tools and easy-to-access resources to help keep an organization's employees safe and healthy. Additionally, Grainger continues to expand its field safety specialist team to work with customers nationwide. These experts are OSHA 30-Hour General Industry trained and certified as Qualified Safety Sales Professionals (QSSP) who help customers solve safety challenges and recommend program standardization strategies.



Acklands – Grainger is the largest distributor of safety products in Canada and has more than 125 years of experience in safety. 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 safety in the workplace.



Fabory, Grainger's business in Europe, brought together team members from 11 countries for its 2014 Environmental, Health and Safety Summit, which prepared attendees to support safety initiatives in their local markets.



Team members are proud to work for Grainger. Approximately 35 percent of all Grainger's U.S. hires are recruited through the company's Employee Referral Program, and the average tenure of U.S. team members is more than eight years, almost double the average tenure of workers, according to the U.S. Department of Labor.

GREAT PLACE TO WORK

Grainger's commitment to inclusion and diversity starts with a focus on building a culture where every team member feels included as part of something meaningful, regardless of age, gender, race, ethnicity, sexual orientation, veteran status, disabilities or experiences.

The importance of embracing new perspectives and accommodating different styles of thinking is embodied by the company's leadership and embedded in its professional development programs. Global development programs are the hallmark of Grainger's talent excellence strategy. These include the Grainger Emerging Leader Program, which brings together individuals who have demonstrated strong potential to become people leaders; the Grainger Experienced Manager Program, focused on strengthening core leadership skills; the First Time Manager Program, a 14-week curriculum for new people leaders and the Inclusive Leader Program, which promotes the importance of inclusion and diversity.

The company offers more than 15 Grainger-developed courses and workshops covering important business skills, including continuous improvement, effective communication and change management. Grainger also works with professional learning providers to offer technology training and language courses for team members engaged in international projects.

Developing the talents of team members is an important focus at Grainger. In 2013, Grainger launched its Global Talent Excellence Suite, which standardized core talent management practices and made it easier for Grainger to match each team member's individual skill sets to development opportunities. This tool is also used by many team members to partner with their managers to create an individual development plan designed to help identify opportunities for team members to actively develop skills for both future and current roles.

“Grainger really takes care of its employees. I was promoted after just two years and my manager continues to prioritize my individual development. My younger brother graduates in May, and I didn't have to think twice when he asked me to refer him to Grainger!”

BRIEN ROONEY
COMMERCIAL ACCOUNT MANAGER

Workplace Commitment and Awards

■ 2015 Corporate Equality Index

Grainger is proud to have earned a perfect score on the 2015 Corporate Equality Index (CEI), a national benchmarking report administered by the Human Rights Campaign Foundation. The report evaluates corporate policies and practices related to lesbian, gay, bisexual and transgender (LGBT) workplace equality, including nondiscrimination workplace protections, equal benefits for married same and opposite gender spouses and domestic partners and transgender-inclusive healthcare coverage.

■ Employment Non-Discrimination Act

In April 2014, Grainger signed its public support to the Employment Non-Discrimination Act, proposed legislation that would prohibit employers from discrimination on the basis of sexual orientation or gender identity.

■ 2015 *FORTUNE* World's Most Admired Companies

Grainger earned the number one ranking on *FORTUNE* magazine's List of the World's Most Admired Companies in the Wholesalers: Diversified category for the second year in a row.

■ 2014 *Chicago Tribune* Top Workplaces

Grainger was recognized as a top local workplace by the *Chicago Tribune* for the fifth consecutive year. Of the more than 23,000 team members who work for Grainger, nearly 4,000 are in the Chicago area.

■ Canada's 10 Most Admired Cultures

Acklands – Grainger has been recognized by Waterstone Human Capital as one of Canada's 10 Most Admired Cultures since 2009.

■ Mexico's Súper Empresas 2014

Grainger Mexico has been recognized as a top workplace for three years in a row. In 2014, CNN Expansión ranked the company 11th in its list of top workplaces with 501 to 3,000 employees.

BUSINESS RESOURCE GROUPS

Approximately 3,500 U.S. team members participate in Grainger's eight Business Resource Groups (BRGs). These employee-led groups provide mentorship opportunities, support professional development, share different perspectives with the rest of the organization through workshops and presentations and help Grainger attract and retain diverse talent. Every BRG has an executive sponsor who works hands-on with team members to solve enterprise-wide business issues.

Business Resource Groups

- Administrative Business Partner BRG
- African American BRG
- Asian Pacific Islander BRG
- Equality Alliance BRG
- Generational BRG
- Latino BRG
- Veterans and Military Supporters BRG
- Women's BRG



Shown, clockwise from top: Team members from the Asian Pacific Islander BRG talk with Grainger's Senior Vice President and Group President of the Americas Court Carruthers; team members from the Equality Alliance BRG celebrate Pride Day in Los Angeles; team members from the Veterans and Military Supporters BRG participate in the Color Guard and kick off the opening ceremonies every year at the Grainger Show.

In 2014, Grainger's BRGs hosted external industry leaders, celebrated the return of deployed team members from overseas and volunteered in local communities. For example, the Veterans and Military Supporters BRG developed a training course about understanding the transferable skills of veteran hires for Grainger's human resources team. The Generational BRG helped expand the company's mentoring program by identifying millennials to pair with senior leaders for reverse mentoring on topics such as talent management, inclusion and technology. The Women's BRG partnered with the YWCA of Metropolitan Chicago to host the organization's annual Evening of Empowerment, at which the Women's BRG President Gail Edgar spoke about female empowerment in the workplace. All of Grainger's BRGs are closely aligned to the company's mission and helped move the business forward in 2014.



SERVING OUR COMMUNITIES

Grainger's spirit of service extends to the local communities where team members live and work. In 2014, Grainger donated \$28 million in cash and product to charitable organizations around the world.

DISASTER PREPAREDNESS AND RESPONSE

Grainger's supply chain expertise and pride in service make it a natural leader in disaster preparedness and response, and the company has been a long-time partner of the Red Cross in the United States and Canada. The company has donated more than \$15.5 million in cash and product to the American Red Cross since 2001. In 2014, Grainger became a member of the American Red Cross Annual Disaster Giving Program, which enables the Red Cross to immediately respond to the needs of individuals and families affected by disaster. Grainger helped the American Red Cross open its largest disaster supplies warehouse in the country in 2014 by donating more than \$600,000 worth of racking to help store supplies that are necessary to shelter and feed massive groups of people displaced due to a disaster.



Grainger donated \$600,000 worth of racking to help the American Red Cross open its largest disaster supplies warehouse, located in Texas, in August 2014.

Home fires are the most common disaster threat in the United States, and the American Red Cross responds to one every eight minutes. In 2014, the American Red Cross launched a nationwide campaign aimed at reducing the number of home fire deaths and injuries by 25 percent in the next five years. Grainger helped kick off the program with a donation of 22,000 smoke alarms, which are being installed across the country by volunteers and local fire departments in at-risk communities. The campaign is already making a difference in local communities, and the donated smoke alarms have kept several residents safe after fires broke out in their homes.

“ Grainger’s donation of smoke alarms to support the Red Cross home fire prevention campaign has helped the Red Cross protect thousands of families across America, and the company’s generous gift of racking and pallet materials for our Dallas disaster supply warehouse was instrumental in the development of that facility and enables us to maintain much-needed disaster response materials. We are very grateful for these impactful contributions in support of our lifesaving work. ”

GAIL MCGOVERN
PRESIDENT AND CEO, AMERICAN RED CROSS



**American
Red Cross**

Grainger is the National Founding Sponsor of the Red Cross Ready When the Time Comes® corporate volunteer program in the United States and Canada. More than 1,550 Grainger and Acklands – Grainger team members have been trained as Ready When the Times Comes volunteers across more than 50 cities and have responded to more than 50 disasters.

Grainger is also the National Launch Sponsor of the American Red Cross Volunteer Connection, an online volunteer management system used to recruit and engage volunteers. Since Volunteer Connection launched in 2013, the Red Cross has processed more than 296,000 new volunteer registrations through the site.

American Red Cross Volunteer Connection



SKILLED TRADES

Grainger invests in the future of the skilled trade workforce through the Grainger Tools for Tomorrow® scholarship program. Each year, the company works with the American Association of Community Colleges to offer 250 scholarships of \$2,000 each at 125 community colleges in the United States. They are awarded to students in skilled trade programs such as plumbing, welding, automotive and construction. Half of the scholarships offered are earmarked for veterans of the U.S. Armed Forces. In 2014, Grainger expanded the scholarship to 25 new schools and added public safety as an eligible field of study. In addition to the scholarship, Grainger provides custom Westward® toolkits to program recipients who complete their degrees, a meaningful incentive for students to finish school. Many employers require skilled workers to bring their own tools to work, so the toolkits help prepare graduates to launch a successful career in their chosen field. Since 2006, Grainger has donated more than \$2.7 million to support technical education.



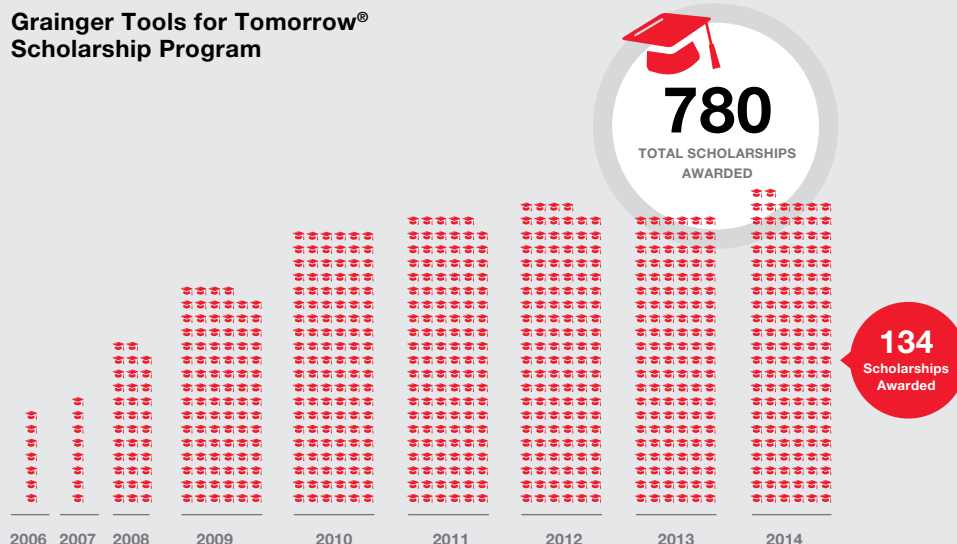
Andrew Heiler of Salem, Wisconsin, was awarded a Grainger Tools for Tomorrow scholarship to support his study of fire protection technology and emergency medical service.

“ Growing up, I always connected members of the military and those in public service with superheroes. I was fascinated by their sense of duty and their call to make a difference. I always rooted for the good guys. Now I’m doing just that. I’m no hero, but I love helping others as a firefighter and EMT. ”

ANDREW HEILER
FIREFIGHTER AND EMT

Andrew Heiler volunteers and works part-time as a firefighter for the Town of Salem Fire Rescue in Wisconsin. He is a 2014 graduate of Gateway Community College and was awarded a Grainger Tools for Tomorrow scholarship to support his study of fire protection technology and emergency medical service. Andrew aspires to earn a bachelor’s degree and become a full-time firefighter.

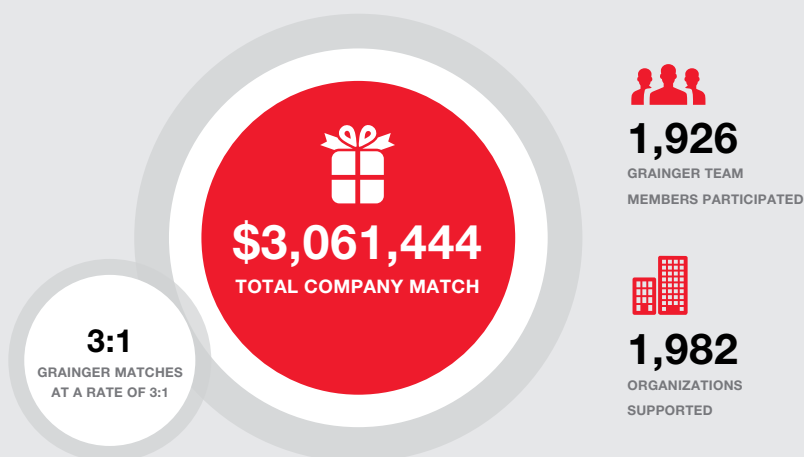
Grainger Tools for Tomorrow® Scholarship Program



LOCAL GIVING

Grainger matches team member contributions in the United States three-to-one through its Charitable Matching Gifts Program and is proud to be among the less than one percent of companies to match employee contributions at this rate. More than 1,900 team members directed more than \$3 million to nearly 2,000 organizations through the Charitable Matching Gifts Program in 2014.

Grainger's Charitable Matching Gifts Program



“ I use Grainger's matching gifts program to support the Make-a-Wish Foundation of Mississippi, which turns my donation into something that can really make a difference. It is one of Grainger's most generous programs. ”

PATRICK WERNE
COMMERCIAL ACCOUNT MANAGER

GRAINGER COMMUNITY GRANT PROGRAM

The company is proud to participate in the Grainger Community Grant Program, an innovative program sponsored by The Grainger Foundation, an independent, private foundation that was established in 1949 by William Wallace Grainger, the company's founder.

The Grainger Community Grant Program helps address local community needs throughout the United States by engaging the company's Market Managers and Distribution Center Directors to identify charitable organizations within their local communities and make recommendations to the Foundation to fund grants. Grants through this program normally range from \$1,000 to \$10,000. As a result of recommendations made in 2014, the Foundation made grants totaling \$6.3 million to a wide variety of organizations in the areas of health and human services, food banks, disaster relief and technical education.

Giving Around the World

- **Canada:** For the 28th consecutive year, Acklands – Grainger participated in the Annual Easter Seals 24-Hour Relay in British Columbia. Team members raised more than CA\$17,000 for the relay in 2014, which brought the company's total fundraising for Easter Seals to more than CA\$300,000. Additionally, Acklands – Grainger matched CA\$169,000 of team member donations to the United Way in 2014.
- **Europe:** Fabory supports the European chapters of the Red Cross by giving team members the option to make a donation in their names rather than receive a company Christmas gift.
- **Mexico:** Grainger Mexico raises money for Centro de Rehabilitación Infantil Teletón, which supports children with cancer and autism.

The Business Resource Group Community Fund

Grainger empowers its BRGs to support local charitable organizations that align with their missions through the BRG Community Fund, which in 2014 awarded 17 grants worth a total of \$47,000 to organizations such as the Indo-American Center, Mission Continues, Youth Job Center and the National Latino Education Institute.

VOLUNTEERISM

Grainger team members volunteer their time to build stronger communities. In 2014, Grainger introduced team-based volunteer guidelines and a toolkit for leaders to use when planning volunteer events. Team members across the business regularly volunteer their time to provide grassroots support to charitable organizations, and below are a few highlights.

In 2014, Grainger account managers and customer service representatives in Pittsburgh, Pennsylvania, worked with the United Way as well as the Family Home Services of Western Pennsylvania to complete a training course in how to conduct safety inspections and visited local homes to provide emergency preparedness supplies to seniors living independently.

“ I am so proud of how Grainger gives back to the community—it’s my favorite thing about working here. It was rewarding to help seniors in our community be safe in their own homes so they may continue to live independently. ”

JANE WIELAND
MARKET MANAGER



Nicola McGovern not only leads Grainger’s Canadian Red Cross Ready When the Time Comes program, she also volunteers her time outside of work with Special Olympics. Nicola has been the Head Coach of a Special Olympics golf team in her community since 2011, and she will take five Team Canada athletes to compete in the 2015 World Games.

“ These athletes give so much and ask for so little in return. It’s been an incredible journey to coach the golf athletes for the World Games and I’m so grateful to be amongst people so passionate about life and giving back. ”

NICOLA MCGOVERN
MANAGER OF LEGAL AFFAIRS, ACKLANDS – GRAINGER



Grainger’s Supply Chain organization plans annual team-building events around volunteering. In 2014, the team visited five charities in the Chicago area, including Bernie’s Book Bank, Dress for Success and the Heartland Animal Shelter, resulting in nearly 950 volunteer hours.

“ It’s great to see so many of my colleagues stepping up together. The days I spend volunteering are a reminder of what a great company Grainger is. ”

BRAD VOSS
PROCESS MANAGEMENT ANALYST





SUSTAINING OUR ENVIRONMENT

Grainger applies a continuous improvement mindset to its sustainability efforts—identifying and executing opportunities across the business to reduce energy use and minimize waste.

CLIMATE CHANGE

Grainger recognizes that climate change is a global issue and the company is taking steps to more effectively manage its energy use and greenhouse gas (GHG) emissions. Grainger has participated in the [CDP](#) since 2009 and became the first industrial distributor to publicly disclose its carbon footprint in 2012. In 2014, the company earned 91 out of 100 for its disclosure score, which is determined by the company's transparency, and a B rating for its performance score, which is a reflection of the company's progress to mitigate climate change. The score was determined by Grainger's most recent CDP submission, which included additional environmental data from the company's operations in the United States, Canada and Mexico for the full year of 2013, including four categories of the company's Scope 3 emissions.

Grainger CDP Scores

	2009	2010	2011	2012	2013	2014
Disclosure Score	42	62	66	73	93	91
Performance Score	N/A	C	E	C	B	B

Newsweek's Greenest Companies

Grainger earned a spot on *Newsweek's* 2014 list of America's Greenest Companies, coming in at No. 104 out of more than 400 of the world's largest companies. *Newsweek* ranks companies according to their corporate sustainability efforts and environmental footprint.



GREENHOUSE GAS EMISSIONS INTENSITY

(Metric tons of CO₂ equivalent/\$1 million revenue)

Grainger has set a target to reduce its North American Scope 1 and Scope 2 GHG emissions per unit revenue by 33 percent from 2011 to 2020.



Data includes Grainger's core business operations in Canada, Mexico and the United States (excluding acquisitions, Specialty Brands and the single channel online model). These operations accounted for 85 percent of total company revenue in 2014.

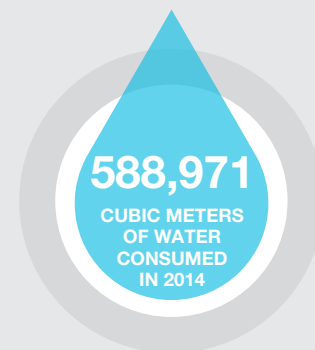
ENERGY USE

One of Grainger's primary sustainability focus areas is improving energy efficiency at its largest facilities, including its corporate offices and distribution centers. Eleven of Grainger's largest facilities have either been built or retrofitted to include building management systems that coordinate and manage mechanical and electrical equipment for maximum efficiency and productivity. This includes the three distribution centers the company retrofitted with building management systems in 2014 in Los Angeles, California; Jacksonville, Florida and Janesville, Wisconsin. On average, Grainger has realized a 10 to 15 percent reduction in energy use and energy expenses at its facilities after installing the building management systems.

In addition to building management systems, Grainger continued other energy-saving projects in 2014, such as lighting retrofits. Grainger also currently operates four megawatts of solar capacity between its distribution centers in New Jersey and California, which represents 3.1 percent of the company's annual electricity consumption in the United States. Grainger typically sees a four to five year payback period on its solar investments.

WATER USAGE

Because Grainger is a distributor and does not directly manufacture the products it sells, the company's water consumption is minimal. However, Grainger does measure its water footprint and looks for opportunities to reduce usage, such as installing water efficient fixtures and evaluating the landscaping irrigation programs at its largest facilities. Grainger's total water consumption in the United States, Canada and Mexico in 2014 was 588,971 cubic meters.

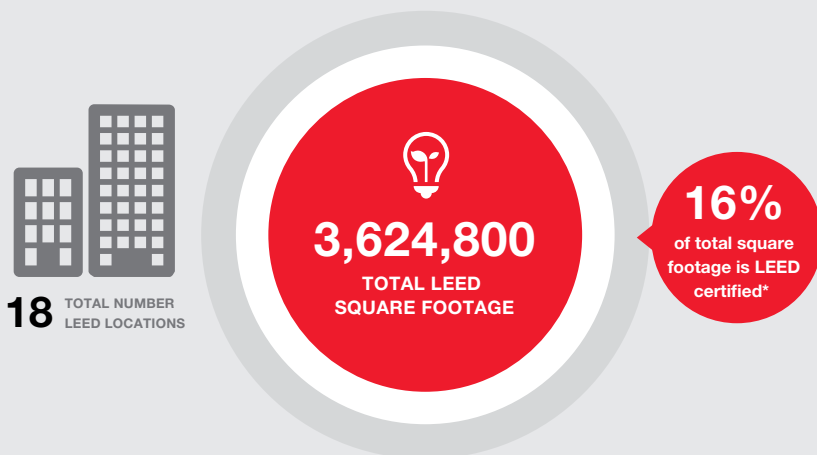


LEED CERTIFIED LOCATIONS

Grainger remains committed to building its largest facilities to Leadership in Energy and Environmental Design (LEED) standards. The company currently operates 18 LEED certified locations across North America. In 2014, Grainger achieved the world's first data center certified by the new LEED v4 standard, earning a Gold rating. As a result, the Illinois Chapter of the U.S. Green Building Council presented Grainger with The Emerald Award—Green Innovation. The data center features an advanced cooling system that uses temperate, outside air to cool the interior of the building, which is expected to help the data center consume 50 percent less energy annually than similar facilities. Grainger estimates that its LEED certified corporate offices, distribution centers and branches use about 10 to 15 percent less energy than similar buildings.



Grainger's 2014 LEED Footprint



* Total square footage includes Grainger's core operations in Canada, Mexico and the United States (excluding acquisitions, Specialty Brands and the single channel online model). These operations accounted for 85 percent of total company revenue in 2014.

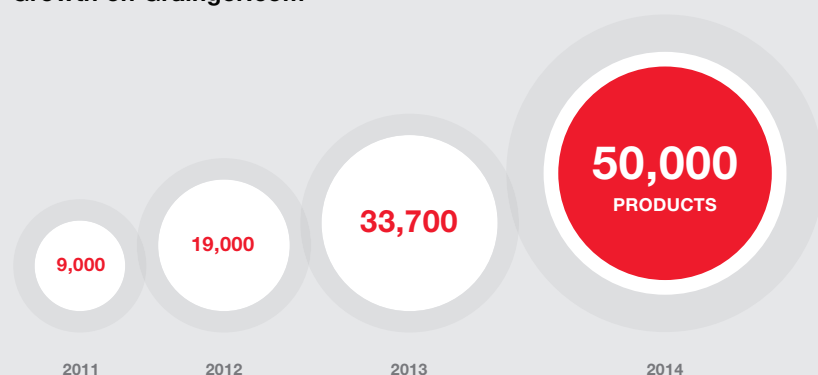


Grainger's commitment to LEED certified locations includes opening the world's first LEED v4 certified data center (left) and recertifying its corporate headquarters at the Gold level in 2014 (above).

SUSTAINABLE SUPPLY CHAIN

Grainger's product offering includes more than 50,000 products that help customers maintain sustainable locations through efficient energy management, water conservation, waste reduction and air-quality improvement. 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 outside experts to help verify the accuracy of suppliers' sustainability product data. These environmentally preferable products are clearly designated on Grainger.com® by a green leaf and totaled more than \$700 million in sales in 2014.

Environmentally Preferable Product Growth on Grainger.com



Grainger's transportation team also continually looks for ways to ship products in a manner that minimizes fuel usage. This includes evaluating the size of orders to determine the most efficient delivery route for outbound packages and receiving product by rail rather than road whenever possible. The company has also worked with some of Grainger's largest suppliers to conserve space when loading product to help minimize the overall number of trailers used. These efforts reduced Grainger's carbon footprint by more than 1,500 metric tons of carbon dioxide equivalent (CO₂e) in 2014. In addition to sustainable transportation, the company is also working with suppliers to identify opportunities to use more sustainable packaging. Please see the Ethical Sourcing section of this report for more information.

“ When I first started working in Grainger's operations department last year, I knew I wanted to be involved in helping the business find opportunities to be more sustainable. I'm excited about our initiatives to help further reduce Grainger's fuel emissions, such as outbound order optimization, intermodal conversion and better trailer utilization. ”

AUDREY EARLESON
TRANSPORTATION ANALYST



SUSTAINING OUR ENVIRONMENT

Grainger is the only industrial supplier to be recognized by the U.S. Environmental Protection Agency (EPA) as a SmartWay® Transport partner. The program provides a forum for the EPA and businesses to collaborate in order to improve the environmental efficiency of their supply chains by reducing GHG emissions and air pollution. In addition, the Grainger boxes used to distribute products in the United States are made of paper products certified by the Sustainable Forestry Initiative and are 100 percent recyclable.

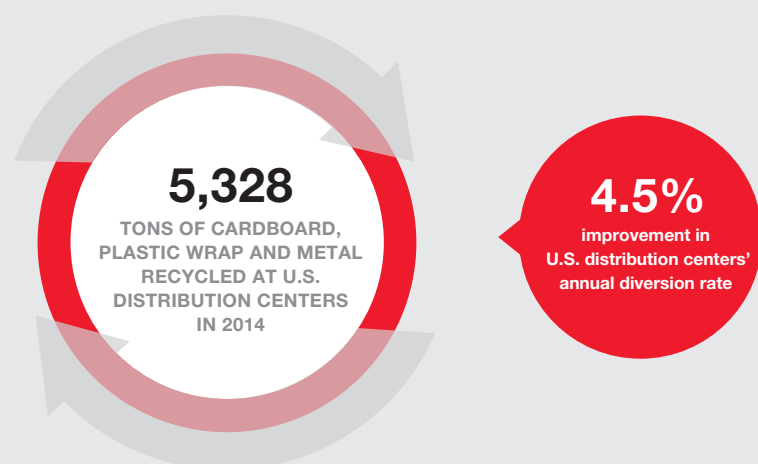


RECYCLING

In 2014, Grainger standardized its recycling program across its distribution centers in the United States in order to maximize effectiveness and improve its recycling rates. Distribution center operations teams are trained to use a color-coded system to separate and bale materials to be recycled. Grainger recycled more than 5,328 tons of cardboard, plastic wrap and metal in 2014, resulting in a 4.5 percent annual improvement in the company's U.S. distribution center recycling rate.

The company also recycles its obsolete information technology (IT) equipment in the United States, sending more than 35 tons of IT equipment to Arrow Value Recovery in 2014. 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.

Recycling at Distribution Centers



GREEN AMBASSADORS

More than 700 Grainger team members across the United States volunteer as members of the Green Ambassadors. The group encourages team members to share sustainable business practices that can be implemented across Grainger's network.

In 2014, the Green Ambassadors organized a tree-planting event on Earth Day, planting more than 5,000 trees at Grainger's Illinois headquarters and in state parks. They also donated trees to the Green Ribbon Foundation to be planted in the community of Washington, Illinois, which lost hundreds of trees during a tornado in 2013.



Grainger team members around the world actively look for opportunities to engage in sustainability activities. In 2014, team members volunteered to plant trees in cities including Chicago, Illinois, and Shanghai, China.

Thank you to the Grainger team members, suppliers, charitable organizations and partners who are featured throughout this report. Your support is important to the success of our corporate social responsibility initiatives and the company is grateful for your contributions.

Grainger invites you to visit www.graingercsr.com and subscribe to our corporate social responsibility blog for our most up-to-date news. We welcome your feedback at csr@grainger.com.



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Thank you to Amy O'Brien, Grainger, who took the cover photo as well as several other photos in this report.