



2017 Corporate Social Responsibility Report

<http://www.graingercsr.com>

GRAINGER

FOR THE ONES WHO GET IT DONE

TABLE OF CONTENTS

A Letter From Our CEO

A Letter From Our Executive Sponsor

Grainger At A Glance

Our Business

Our Brands

Our Value Chain

About This Report



Operating Responsibly

Commitment to Ethics and Integrity

Business Conduct Guidelines

Ethics Training

Human Rights

Anti-Bribery and Corruption

Stewardship in the Supply Chain

Supplier Code of Ethics

Supplier Diversity

Ethical Sourcing

Corporate Governance

Governance at Grainger

CSR Governance



Valuing Our People

Workplace Safety

Safety Performance

Safety Culture

Systems and Partnerships

A Place to Thrive

Team Member Experience

Team Member Well-Being

Inclusion and Diversity



Sustaining Our Environment

Our Approach

Our Operations

Our Products

Our Supply Chain

Our Operations

Greenhouse Gas Emissions

Recycling and Waste

Water Conservation

Anatomy of a Sustainable Distribution Center

Our Products

Environmentally Preferable Product Offering

Easy Search and Select for Greener Products

Our Supply Chain

Supply Chain Stewardship

Transportation



Serving Our Communities

Disaster Preparedness and Response

Giving

Team Member Engagement

Education and Workforce Development

Giving

Team Member Engagement

Local Civic and Community Engagement

Matching Gifts Program

Community Grant Program

Grainger Around the Globe

Report Content Index



A Letter From Our CEO

This marks Grainger's fifth annual Corporate Social Responsibility (CSR) report, and my first as CEO of Grainger. I was honored to serve as Grainger's CSR executive sponsor for two years and I am excited that Matt Fortin, Vice President and President of Global Product Management, will continue to build on our foundation of good works as the new executive sponsor. As in year's past, our goal with this report is to provide interested stakeholders with important updates and information on Grainger's key CSR-related initiatives. There are new elements to this year's report that are outlined below, but first, it's important to set context on where we are as a company.

"Grainger was founded on the principles of an equal focus on team members, community and customers. While these principles were important 90 years ago, I believe they are even more important today."

As we all know and have experienced, technology has led businesses to evolve at an unprecedented pace, and Grainger is no exception. Increasingly, our customers have shifted from ordering through the more traditional channels of phone and branch visits to online and onsite channels including Grainger.com, electronic

purchasing platforms (EDI/ePro) and inventory management systems. Grainger anticipated these changes in customer buying behavior, and has invested and evolved to stay ahead of many key trends in an effort to provide unique value for different customers and an effortless experience for all. As a result, in 2016, more than 65 percent of Grainger orders originated through a digital channel and more than 85 percent of orders were shipped directly to the customer or made immediately available through onsite services.

This spirit of ingenuity and anticipating needs permeates the entire company, including our efforts around CSR. You'll see in this report that we've added new and different elements, including:

- A report content index referencing the Global Reporting Initiative's (GRI) Standards
- A letter from our CSR Executive Sponsor, outlining our pathway to a more stakeholder-responsive program aligned with Grainger's business strategy
- A graphical representation of our business across our value chain
- New quantitative and qualitative information about each of our pillars including our corporate governance practices, our CSR program governance, our environmental stewardship and our approach to team member wellness

These should give you a better idea of who we are as a company and where we are headed.

In 2017, Grainger turns 90. It's a great milestone and certainly shows sustainability in an ever-changing world. It also shows that despite all of the change, keeping true to core values can make all of the difference. Grainger was founded on the principles of an equal focus on team members, community and customers. While these principles were important 90 years ago, I believe they are even more important today.

The ability for us to stay true to who we are as an organization against the backdrop of a rapidly evolving world will allow us to complement technology with empathy, innovation with appreciation and the latest solutions with an unwavering commitment to service.

I wish you the very best.

A handwritten signature in black ink that reads "DG Macpherson". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

DG Macpherson
Chief Executive Officer

A Letter From Our Executive Sponsor

Matt Fortin Vice President, President Global Product Management, Executive Sponsor of the CSR Working Group



The release of this report marks the beginning of my term as executive sponsor of Grainger's CSR Working Group. I'm thrilled to join such a dynamic, cross-functional team dedicated to the long-term sustainability of our business. My intention is to actively support our CSR Working Group as they drive awareness

about our program at Grainger and execute on our commitments. My goal as executive sponsor is to continue to take practical steps to integrate our corporate responsibility practices into the core operations of our business.

Grainger has a strong track record of being a responsible steward, and that shows in this report. Persistent, hard work within our carbon footprint and safety targets is showing great signs of progress; our work with the American Red Cross to help prevent fires is saving lives; and the goal to reduce our emissions intensity by 33 percent is an industry-leading commitment.

We made headway in 2016 and look forward to enriching our program further in 2017. An important next step in our journey is to examine how our CSR reporting practices meet the needs of our stakeholders and align with Grainger's overall strategy. We are accountable to a variety of stakeholders, each with distinct expectations of our business. In the months ahead, we plan to deepen our dialogue with both internal and external stakeholders, to confirm that our approach to CSR aligns with our stakeholders' needs, and to the most material

"As leaders in our industry, we believe we have the responsibility to lead by example. Our stakeholder engagement process is designed to provide fresh momentum, further integrating sustainability into Grainger's DNA."

aspects of our business. While we don't anticipate significant changes, we do believe this process will result in a more focused and strategic program.

As leaders in our industry, we believe we have the responsibility to lead by example. Our stakeholder engagement process is designed to provide fresh momentum, further integrating sustainability into Grainger's DNA. We have the products and expertise to help create unique value for our customers with their business and sustainability goals, and we hope to inspire new customers along the way.

I know that we cannot do this alone, and I am thankful for all of the support we receive from those that have helped us thus far. Grainger has a unique opportunity to be a force for good in our industry. If we keep that in mind, we will achieve great things together.

Grainger At A Glance

Grainger works to create unique value for customers, regardless of size, and ensure an effortless experience along the way. The result: customers get what they need, when they need it, which means less time spent looking for and ordering products, and more time spent on the task at hand. After 90 years of serving customers, Grainger has seen its fair share of challenges right along with them, and the company has the experience and knowhow of a superior team to serve them best. When a customer comes to Grainger, they know we have them covered, regardless of challenge.

3.2+ 
million
Active Customers

1.6 **million**
Products Offered

25k+
Team Members

\$10.1
billion
2016 Revenue



Approximately
5,000
Key Product Suppliers



IN THIS SECTION

OUR BUSINESS

OUR BRANDS

OUR VALUE CHAIN

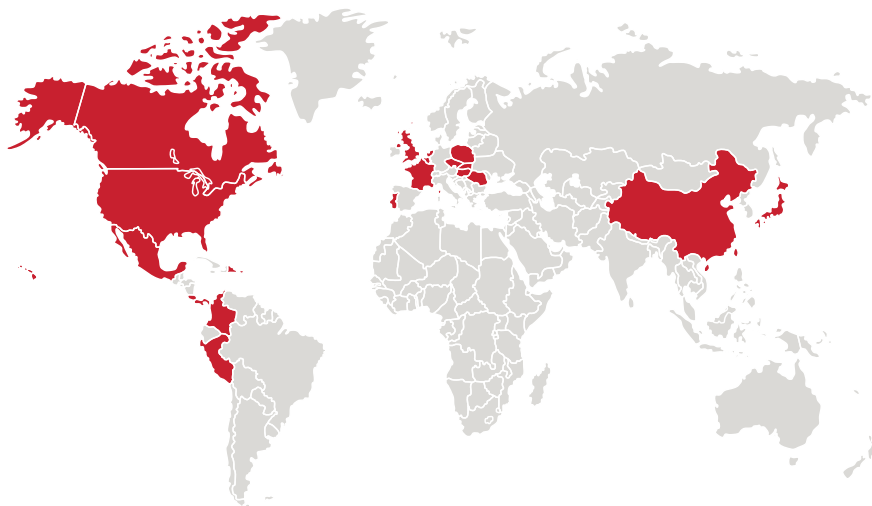
ABOUT THIS REPORT

About Grainger

OUR BUSINESS

Grainger is a primarily business-to-business distributor of products used to maintain, repair and operate facilities. Approximately three million businesses and institutions worldwide rely on Grainger for products such as safety gloves, ladders, motors and janitorial supplies, along with services like inventory management and technical support. These customers represent a broad collection of industries including healthcare, manufacturing, government and hospitality. They place orders through our sales force, online, over the phone and at local branches. Approximately 5,000 key manufacturers supply Grainger with 1.6 million products stocked in Grainger's distribution centers and branches.

OUR REACH



OUR BRANDS

Grainger takes great pride in bringing our customers top quality products. Items that are designated with a Grainger Choice Badge (such as Dayton, Westward, and Condor) are part of a broad selection of our private brand products that deliver high quality at a competitive price.



OUR BUSINESS

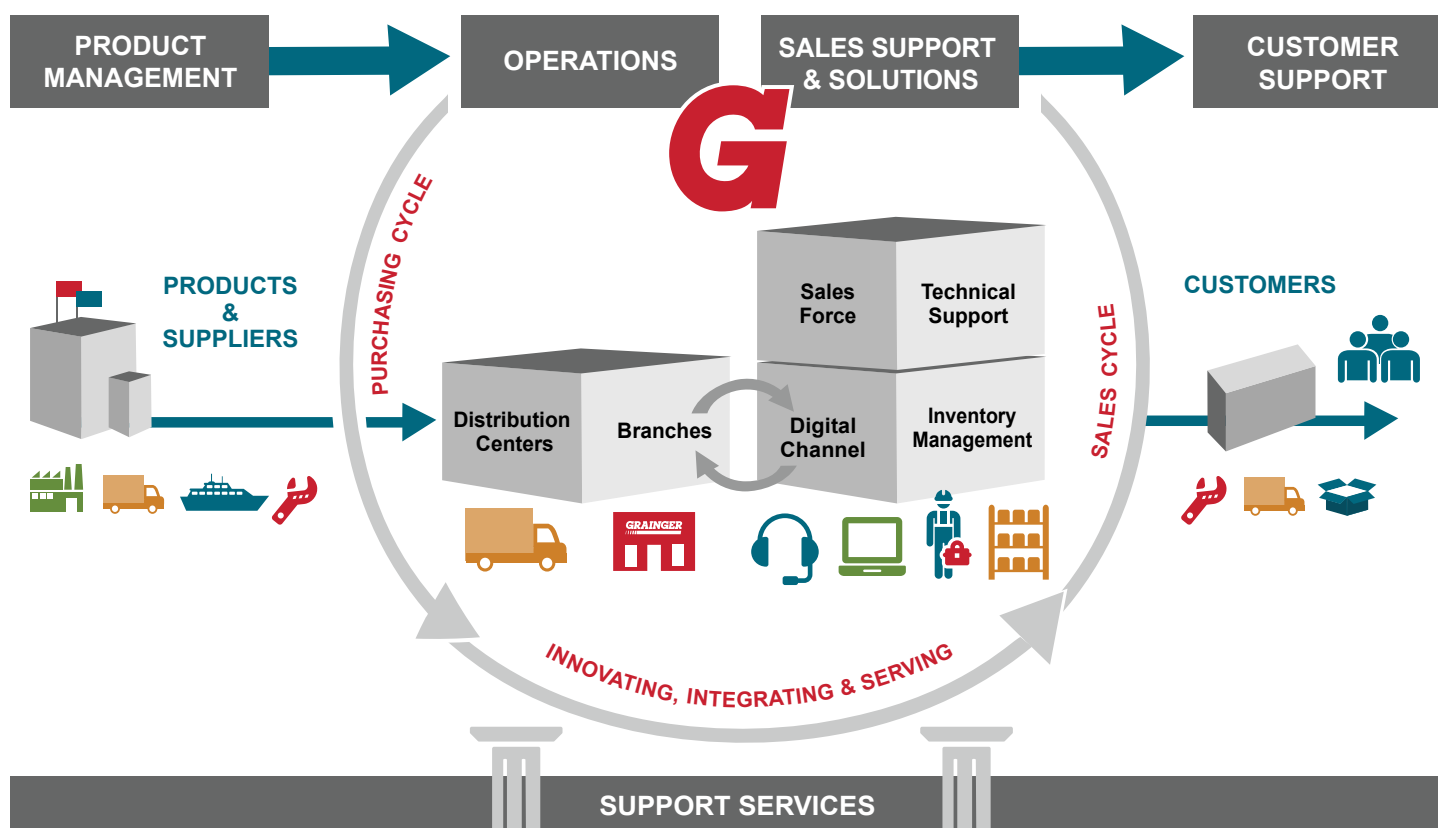
OUR BRANDS

OUR VALUE CHAIN

ABOUT THIS REPORT

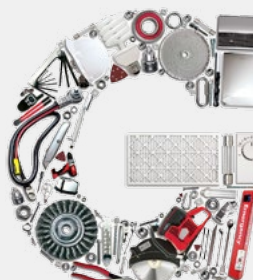
OUR VALUE CHAIN

Where are the opportunities for shared value in our network?

**ABOUT THIS REPORT (SCOPE)**

While Grainger's CSR commitments are global, this report is primarily focused on the company's operations in North America. These operations currently represent the majority of Grainger's business based on percentage of revenue, scope of operations and number of team members. Where applicable, the specific geography is noted in the relevant footnotes to that data.

Grainger seeks validation of its greenhouse gas emissions, energy consumption, waste generation and water consumption data from Bureau Veritas, an independent third party. In addition, Grainger's Environmental Health and Safety team received validation from Environ International Corporation for their safety reporting process in 2014.

**Listening to the Voice of the Customer to Improve Product Quality**

Product engineer specialists from Grainger Global Sourcing (GGS) work to improve products and/or processes by capturing the Voice of the Customer when Grainger Choice products are returned. When returns happen, this team contacts those customers to gain an understanding of the reason for the purchase and subsequent return. By capturing the Voice of the Customer in this way, the GGS engineering team identifies opportunities to improve products and/or product information, helping Grainger maintain a proactive focus on enhancing the integrity of our products.

Operating Responsibly

Grainger is evolving with the marketplace, while continuing to value the same sound business practices that helped shape us 90 years ago. Ethics and integrity define our culture, and we embrace the interests of our stakeholders across the value chain through a detailed set of business policies and procedures.



IN THIS SECTION

COMMITMENT TO ETHICS AND INTEGRITY

- [Business Conduct Guidelines](#)
- [Ethics Training](#)
- [Human Rights](#)
- [Anti-Bribery and Corruption](#)

STEWARDSHIP IN THE SUPPLY CHAIN

- [Supplier Code of Ethics](#)
- [Supplier Diversity](#)
- [Ethical Sourcing](#)

CORPORATE GOVERNANCE

- [Governance at Grainger](#)
- [CSR Governance](#)

COMMITMENT TO ETHICS AND INTEGRITY

At Grainger, ethics and integrity guide how we work and serve our communities. The nature and scope of our operations place a significant trust in our team members, and they consistently display a commitment to exemplary conduct. The philosophies outlined in our Business Conduct Guidelines, Corporate Governance Principles, Supplier Code of Ethics and our work in supplier diversity are brought to life in our collaborative and inclusive culture that fosters a positive and productive work environment.

Business Conduct Guidelines

Our Business Conduct Guidelines apply to all areas of Grainger's business, both domestic and international. These guidelines define a common understanding of ethical principles that guide the way Grainger works with customers, suppliers and colleagues. In addition to our primary guidelines, guidelines specific to customer segments (such as our healthcare and public sector segments) and geography may be required for operations.



100% Completed

100% of Grainger team members complete training for the Business Conduct Guidelines each year

Ethics Training

All Grainger team members are expected to demonstrate their personal commitment to the company's high operating standards by certifying to their compliance with the guidelines annually. In addition, each new U.S. team member joining Grainger is required to complete training and certification within five days of hire. New international team members are required to complete training and certification within 35 days. Team members also complete training every three years to fully understand the expectation of legal and ethical behaviors defined by the Business Conduct Guidelines.



Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Human Rights
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Ethical Sourcing

CORPORATE GOVERNANCE

Governance at Grainger
CSR Governance

TRAINING & DEVELOPMENT ON GRAINGER GLOBAL POLICIES



**Business Conduct
Guidelines**



**Human Rights
Principles**



**Gift
Policy**



**Anti-Bribery &
Anti-Corruption**



**Supplier
Code of Ethics**



**Conflict Minerals
Policy**

Human Rights

At Grainger, the way we conduct business is as important as the products and services we provide. Grainger's [Human Rights Principles](#) reflect our philosophy on how we will conduct business on a global basis, including the company's commitment to providing a safe and fair workplace that upholds and respects international human rights standards. These principles are applicable to all Grainger team members, and are approved and monitored regularly by Grainger's senior leadership.

Our Human Rights Principles create the foundation upon which we build a respectful, inclusive and ethically sound workplace. Harassment, exclusion, discrimination, child or forced labor, and violation of any applicable laws or regulations are explicitly prohibited and excluded from Grainger's workforce as part of these principles.

Anti-Bribery and Corruption

Grainger places the highest value on integrity in its business dealings and the ethical conduct of its directors, officers, team members, agents, shareholders, customers and suppliers. As set forth in our Business Conduct Guidelines, Grainger is committed to business practices that are consistent with the highest ethical and legal standards. Grainger expects the

same ethical and legal commitment from all third parties (business partners, brokers, consultants and agents) acting on Grainger's behalf, and others with whom Grainger conducts business. Grainger team members in certain roles are required to complete biannual Anti-Corruption and Anti-Bribery training and certification to reinforce the requirements of this policy. For more information regarding our assessment of risk please [review our 10-K](#).

Encouraging Reporting Practices Grainger engages a third party to maintain a helpline for anyone (inside or outside the company) to report ethical concerns or complaints regarding company practices. Those within North America can call a secure, 24-hour hotline at 888-873-3731. A global website is also available at www.tnwgrc.com/grainger. The company takes all reports seriously and does not tolerate retaliation against team members or others for asking questions or voicing legal or ethical concerns in good faith.



Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Human Rights
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Ethical Sourcing

CORPORATE GOVERNANCE

Governance at Grainger
CSR Governance

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics

Grainger works with thousands of suppliers to offer more than 1.6 million products used by customers to maintain, repair and operate their facilities. To help ensure the products we distribute are manufactured and delivered with high ethical standards, our Supplier Code of Ethics focuses on four main areas of ethical sourcing: human rights, labor, environment and anti-corruption.

All 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. This also will be introduced to Cromwell suppliers in 2017. These suppliers must acknowledge our Code of Ethics and agree to the expectations within as a condition of doing business with Grainger. Prior to onboarding, a new supplier must agree to abide by the Supplier Handbook. This handbook includes Grainger processes, transportation and our Code of Ethics agreement. All suppliers must agree to abide by these rules and confirm this by the signing of their Supplier Agreement Letter.

ETHICS AND COMPLIANCE APPROVAL PROCESS FOR NEW AND EXISTING SUPPLIERS





Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Human Rights
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Ethical Sourcing

CORPORATE GOVERNANCE

Governance at Grainger
CSR Governance



Supplier Diversity

Grainger has more than 20 years of successful experience offering small and diverse companies opportunities through two core programs. Started in 1999,

Grainger's Supplier Diversity Program is designed to grow this sector of the economy while helping customers get their jobs done with quality products made by women, minority, disabled, veteran and LGBTQ-owned businesses. This year, 170 Certified Supplier Diversity businesses offered more than 38,000 items to Grainger's U.S. customers. In 2016, Grainger customers spent approximately \$157 million on products supplied by these organizations.



Distributor Alliance Program

Since 2006, the Distributor Alliance (DA) Program has helped customers support Diverse Business Enterprises while consolidating maintenance, repair and operating purchases. Over 60 DA members

resell the full 1.6 million products offered by Grainger and provide services to customers with mandated procurement goals to support small businesses and provide employment opportunities to women, minority and veteran-owned businesses. The DA member is one of the many points of contact for the customer, including regional business managers who mentor the diverse DA members and act as a liaison between Grainger, the end customer and the DA.

As with all of our catalog suppliers, we monitor each partner's performance with a monthly balanced scorecard. We provide feedback and offer assistance in performance areas where improvement is needed. We seek to provide meaningful focus in pragmatic areas where efficiency can be gained and effectiveness can be improved.



\$157M+
Total supplier
diversity spend



60 Partners
In the Distributor Alliance Program



Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Human Rights
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Ethical Sourcing

CORPORATE GOVERNANCE

Governance at Grainger
CSR Governance

GRAINGER'S ETHICAL SOURCING PLATFORM



Human Rights



Labor



Environment



Anti-Corruption

Ethical Sourcing

Conflict Minerals As a distributor of hundreds of thousands of branded and private label products manufactured by thousands of other companies located around the world, Grainger is invariably many levels away from the beginning of the supply chain for the products it distributes. Even so, Grainger is committed to acting in a socially and environmentally responsible manner and we take our responsibility within the supply chain seriously. Grainger supports the goal of the Dodd-Frank Act of preventing armed groups in the Democratic Republic of the Congo and adjoining countries from benefiting from the sourcing of certain minerals from that region.

Sustainable Packaging As part of Grainger's commitment to ethical sourcing, we work closely with suppliers to identify potential opportunities to minimize unnecessary packaging while reducing the risk of damage to the products we offer. 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 guidelines include best practices to help reduce damage and waste while maximizing recyclable materials.



A Bright Idea

In 2016, all U.S. Grainger distribution centers transitioned packaging materials for light bulbs from foam to kraft paper made with 100 percent recycled raw materials. The paper is produced at a paper mill certified by the Sustainable Forestry Initiative with a closed water system that produces no municipal wastewater. The transition was a win-win-win: a cost savings for Grainger, easy to recycle for our customers and better at protecting our light bulbs.



Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Human Rights
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Ethical Sourcing

CORPORATE GOVERNANCE

Governance at Grainger
CSR Governance

CORPORATE GOVERNANCE

Governance at Grainger is built around the long-term interest of our shareholders and is supported by the commitment of our Board of Directors to monitor and provide counsel to our executive leaders in their efforts to maximize our overall performance.

Governance at Grainger

Our commitment to Corporate Social Responsibility begins with our Board of Directors. Our board, guided by the [Operating Principles for the Board of Directors](#), is responsible for the overall stewardship, governance and performance of Grainger. The board oversees the company's business affairs and integrity, works with management to determine the company's mission and long-term strategy, establishes internal control over financial reporting and assesses company risks and strategies for risk mitigation.

In accordance with the Operating Principles for the Board of Directors, the board maintains three committees: [Audit Committee](#), [Compensation Committee](#) and [Board Affairs and Nominating Committee](#). The board has delegated authority to each committee through individual charters that establish the roles and responsibilities of the committees in accordance with Grainger's [Bylaws](#) and the Operating Principles. Only independent directors serve on these committees.

Among the responsibilities of the [Board Affairs and Nominating Committee](#) is reviewing and providing guidance to management on our Corporate Social Responsibility policies and programs, including environmental sustainability and community engagement.

HIGHLIGHTS OF CORPORATE GOVERNANCE PRACTICES*

ANNUAL REVIEW OF INDEPENDENT BOARD	YES
INDEPENDENT LEAD DIRECTOR	YES
CHARTERS FOR BOARD COMMITTEES	YES
INDEPENDENT AUDIT, GOVERNANCE AND NOMINATING, AND COMPENSATION COMMITTEE	YES
ANNUAL BOARD ELECTIONS	YES
INDEPENDENT DIRECTORS HOLD MEETINGS WITHOUT MANAGEMENT PRESENT	YES
REGULAR BOARD AND COMMITTEE EVALUATIONS	YES
REGULAR DIRECTOR SELF-EVALUATIONS	YES
CORPORATE GOVERNANCE GUIDELINES APPROVED BY THE BOARD	YES
BOARD ORIENTATION AND EDUCATION PROGRAM	YES

* For more information, [Grainger's Corporate Governance fact sheet](#) is available online.

"Corporate Social Responsibility is about doing the right thing – it is about seeking the best solution for our customers, creating long-term success for our shareholders, leading by example with our suppliers and integrating Grainger's values and the values of our people across the business."

JAMES T. RYAN
CHAIRMAN OF THE BOARD





Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Human Rights
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Ethical Sourcing

CORPORATE GOVERNANCE

Governance at Grainger
CSR Governance

Corporate Social Responsibility Governance

Grainger strives to serve others responsibly. To do so, we harness the power of our sound business principles, strong policies, sustainable facilities and engaged workforce to drive the investment and strategic alignment of our Corporate Social Responsibility program.



The executive sponsor of the CSR Working Group provides guidance on the implementation of our Corporate Social Responsibility initiatives, and ensures that program development is designed with our business objectives in mind.

The Charter for the Board Affairs and Nominating Committee of our Board of Directors includes the responsibility to review and provide guidance to management about our policies and programs that relate to Corporate Social Responsibility, including environmental sustainability and community engagement. It conducts this review on an annual basis, with information provided by the CSR Working Group.

Our team members' engagement with these programs helps embed corporate stewardship into the fabric of our company. By volunteering in our communities, participating in our [Green Ambassador program](#) and collaborating on cross-functional projects, our team members bring to life our citizenship ambition as we help each other grow and succeed.

Structure and Strategy The Corporate Social Responsibility Working Group, established in 2014, is led by a senior executive and is composed of leaders and subject matter experts in targeted functional areas. These individuals lead teams that support initiatives within our four pillars and are responsible for implementing programs to drive progress against our citizenship goals.

Forward

WHAT'S COMING IN OUR 2017 REPORT

- [Insights from our 2017 stakeholder engagement process and materiality assessment](#)



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. This commitment comes to life in a number of ways, including our commitment to Workplace Safety, and through our dedication to the people who make Grainger A Place to Thrive.



IN THIS SECTION

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Team Member Well-Being
Inclusion and Diversity

WORKPLACE SAFETY

Grainger is committed to providing a safe work environment and ensuring team members are properly trained in all aspects of their work. Therefore, the company's Environmental, Health and Safety Program (EHS) is designed to integrate EHS initiatives into all aspects of business operations. The program encompasses five key components as follows:

- Leadership provided through partnership with Operations and EHS Teams;
- Policy Guidelines outlining company and regulatory requirements;
- Education and Awareness which is disseminated throughout Grainger's Operations;
- Goals and Measurements defined as Key Performance Indicators; and
- Monitoring and Recognition to evaluate progress intermittently throughout the year and recognize achievements.

EHS is also responsible for interpreting and acting upon applicable federal, state and local regulations and/or proposed legislation relevant to the Occupational Health & Safety Administration (OSHA), Environmental Protection Agency (EPA), and the Department of Transportation (DOT). Our safety program infrastructure is designed to have tangible links from Grainger headquarters to field operations with local expertise and resources allocated to support implementation regionally.



"At the core, safety is the foundation that our branch network metrics, goals and our everyday tasks rest on."

RAY ROACH
SENIOR DISTRICT MANAGER, BRANCH NETWORK



Valuing Our People

WORKPLACE SAFETY

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A PLACE TO THRIVE

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Team Member Well-Being
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Safety Performance

Since 2011, Grainger's injury rate for all U.S. team members has declined by 13%. During 2016, our managers conducted more than 11,000 behavior-based observations accounting for 2,308 hours of coaching. In addition, our team members logged over 22,000 safety training hours.



22,000 safety training hours

Grainger team members spend 22,000 hours training in the U.S.



100%

Of operational team members
completed safety training

Training We know that in order to get everyone home safely, our safety practices and principles must be fully embedded in our corporate culture. That is why we ask all team members involved in shipping our products to complete extensive training so they can confidently perform their duties. We provide very clear parameters to our safety leaders to ensure that every team member has the knowledge they need.

All operational team members continue to demonstrate their personal commitment to safety by completing the required certifications. In addition, team members re-certify at least every three years and, in some cases, annually. Team members also complete training to fully understand the expectation of behaviors defined by the [Global Environmental Health and Safety Policy](#). Although precise year-over-year training numbers can fluctuate due to the staggered recertification process, in 2016, our team members completed 22,000 hours worth of training.



"Creating and supporting an environment that allows our team members to go home safe after work each day is our number one priority. We have a number of practices dedicated to achieving

this goal including required safety training for all team members, a dedicated safety council, and frequent leadership reviews of ongoing safety practice adherence during market visits.

While these practices are important to us, what I am most proud of is the true passion that we share for the well-being of each and every member of our team."

DAVE LAGONER
VICE PRESIDENT, U.S. BRANCH NETWORK

307* Branches

In the U.S. with no
Occupational Safety and
Health Administration
(OSHA) recordable events

* Based on the number of branches as of January 1, 2016





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WORKPLACE SAFETY

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A PLACE TO THRIVE

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Team Member Well-Being
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Safety Culture

Our EHS program is driven by engaged team members who are committed to maintaining a strong culture of safety protecting themselves and their colleagues and creating a safe environment every day. Each Grainger U.S. distribution center (DC) has a dedicated Area EHS Manager who helps ensure operations are safe and effective. The company's Global Environmental, Health and Safety Policy requires team members to understand and comply with EHS regulations related to facility safety, personal protection and emergency response.

To support this culture, we have several initiatives that provide team members with opportunities to be active participants in safety processes. These include:

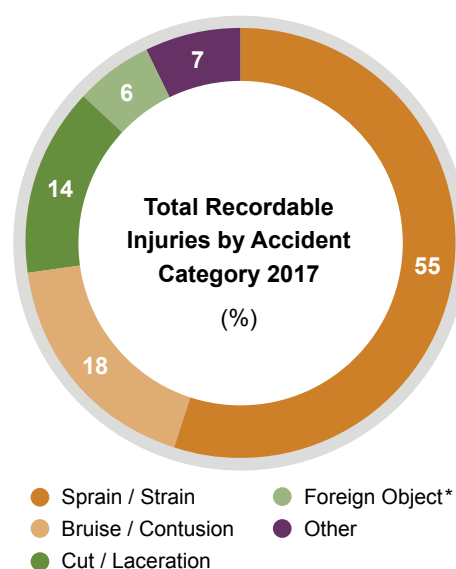
- Conducting safety audits and inspections
- Leading safety training and safety reminder discussions during pre-shift huddle meetings

Safety Committees Our team members assist in safety stewardship and injury prevention through their leadership and participation in our safety committees. These committees were created to align safety-related solutions across DC operations.



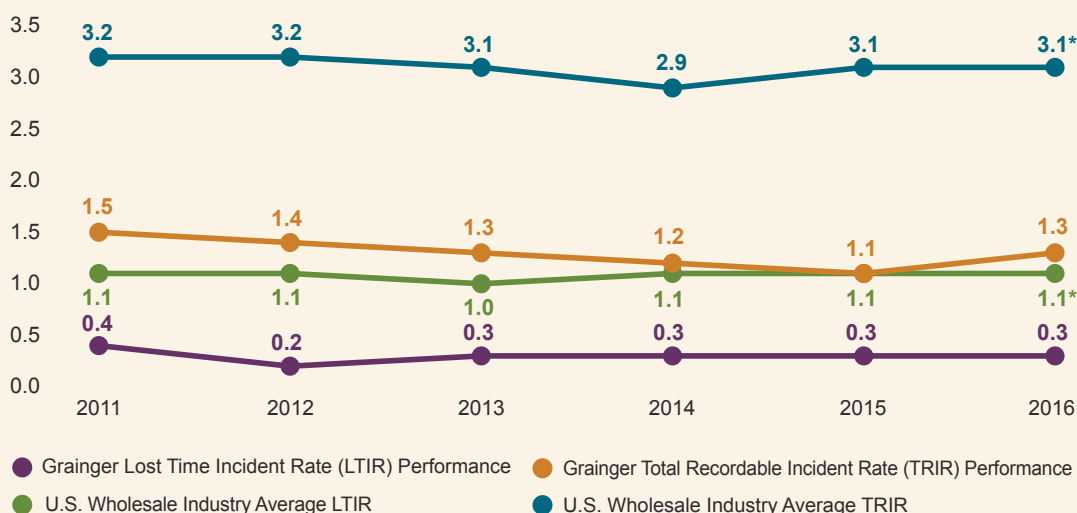
13% Decline

In U.S. injury rate since 2011



*foreign objects refers to a dust particle or nail

U.S. TOTAL RECORDABLE CASE RATE



*Is a projected rate as BLS has not yet published official rates

HIGHLIGHTS

- Two locations with more than 1,000,000 hours worked without a lost time accident (LTA) (In 2016, Jacksonville DC achieved 1MM in 2016 and Kansas City achieved 2MM)





Valuing Our People

WORKPLACE SAFETY

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Team Member Experience
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Safety committee meetings are executed monthly, foster observational and data-driven decision-making, and ensure common resolution and consistent execution within our DC operations. Leadership of these committees rotates, providing development and recognition opportunities for improvement. “On-the-Floor” meetings enable team members to take walks through a facility and identify opportunities to create a safer working environment. “Off-the-Floor” meetings encourage team members to share safety trends and the chance to review safety videos. These committees create greater engagement among our team members and foster a more team member-led safety culture.

96



Contractor service
organizations onboarded

Contractor Safety Program From time to time, contractors enter our facilities to assist in the maintenance of our facilities or systems. Although these contractors are not Grainger team members, they are expected to work in the same safe manner as Grainger team members. Contractors provide important services to the company but may be unfamiliar with their surroundings. Through the creation of this contractor safety program, which includes training and audits, we can create a safe environment for all individuals on-site. Since the implementation of this program, we have on-boarded 96 contractors onto our EHS Management System.

Systems and Partnerships

Technology Grainger continues to align and standardize safety programs across the company's operations through its web-based EHS Management System, which helps turn complex, global compliance requirements into multilingual, actionable processes and identifies safety risks and trends across geographies. The Digitized Injury and Illness Reporting Module of the system is active in the company's U.S. operations and the company began implementation in the UK in 2016.

Partnerships Grainger is the National Founding Sponsor of the National Safety Council's Journey to Safety Excellence.® This initiative mainly targets small-and medium-sized organizations, offering measurement tools and easy-to-access resources to help keep team members safe and healthy.



Acklands-Grainger is the National Founding Sponsor of Canada's Safest Employers Award, a nationwide competition to raise awareness about the importance of safety in the workplace.



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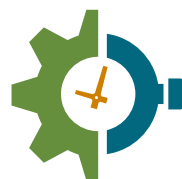
A PLACE TO THRIVE

We work hard to cultivate a great work environment for our team members because they are critical to the success of our business. We know that a great customer experience starts with a great team member experience and those experiences are driven by engaged and effective leaders. We provide our team members with training and development designed to help them succeed and grow their careers. We focus our efforts in three areas: talent management, team member well-being and creating an inclusive and diverse workplace.

Team Member Experience

Grainger is continuously improving our team member experience. We support each team member through talent management and team member learning programs, and we encourage career and leadership development at each stage of a team member's tenure.

Talent Management We offer a comprehensive talent program that begins at orientation and continues throughout a team member's career. This is aligned to our business strategy; our company succeeds when we equip and energize team members to excel. Our talent program is comprised of career management, team member learning, performance management, and leadership development offerings to help develop and mobilize our team members to grow and succeed.



211,000+

Total number of
training hours
completed by team
members

Team Member Learning

Our team members continue to learn and develop as the needs of our business change. Whether a team member requires role-specific training, foundational skill training or leadership training, Grainger offers 569 courses through our Learning Management System, and 201 courses through our Mobile Learning Platform for Sales

as well as formal mentoring opportunities and on-the-job development. Through these opportunities, team members can grow in their current roles while developing skills for the future. In total, Grainger team members completed more than 211,000 non-operational training hours in 2016. The average number of training hours per team member was 13.



569

classes offered through
learning management system

201

course offerings through sales
mobile learning platform

Leadership Development We create a sustainable workforce through the development of strong leaders from all parts of the business. Our leadership development process succeeds by:

- Creating a strong bench of well-prepared leaders
- Enhancing organizational effectiveness and team member engagement through strong leadership

Grainger's commitment to the growth of its team members is exhibited through its leadership development programs. These multi-week, cross-functional sessions are targeted toward key team members world-wide. Offerings include Grainger's Global Emerging Leader Program, First Time Manager Program and Global Experienced Manager, a program added in 2014 for frontline and mid-level managers. Each program is designed to provide guidance to leaders wherever they are on their leadership journey. 1,029 team members participated in these programs in 2016.

GRAINGER TALENT MANAGEMENT





Valuing Our People

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Team Member Well-Being
Inclusion and Diversity

STAGES OF LEADERSHIP DEVELOPMENT



Houses Performance Reviews, Individual Development Plans, Talent Summaries, and Job Postings.

In 2016, Grainger increased its investments in leadership effectiveness as part of its people strategy. Additional investments include implementing a people leader effectiveness goal, an upward feedback survey which allows team members to provide anonymous feedback to their leaders to help them grow and accelerating leader participation in leadership programs. Increasing the investment in leader effectiveness enables strong people leaders at every level of the company, which in turn has a significant effect on Team Member Experience and, ultimately, customer experience and business results.

100% 

Of team members participate
in performance reviews

Performance Management Performance Management is a continuous process that helps team members focus on the right priorities. Team members receive regular feedback and coaching to improve their performance and are provided with opportunities to help them grow and develop. Each team member develops three to five clear, meaningful goals that are aligned to company strategy and receive biannual performance assessments based on progress against goals and demonstrated behaviors.



Valuing Our People

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Team Member Well-Being
Inclusion and Diversity

Development Planning and Career Management

All team members are required to have a robust Individual Development Plan (IDP). An IDP is a documented plan shared between a team member and their leader that outlines a team member's plan to grow and develop in their current roles and to prepare for future roles at Grainger. Additionally, we offer career planning tools for team members to explore new roles in different parts of Grainger's business. A role library provides real life stories from team members that work in different functions, and self-assessments allow team members to discern opportunities that might be a strong fit.

Team Member Well-Being

At Grainger, we encourage our team members to take charge of their health and create their own wellness journey. Our benefits are designed to meet the diverse needs of our team members and support their health and well-being, financial future and work-life balance. Team members are given access to general health resources, disease management resources, online support communities, a 24-hour nursing hotline and many other resources so they can get timely health-related advice. We regularly seek team member feedback and conduct external compensation and benefits-related benchmarking to remain competitive in each of the markets in which we operate.

In addition, we provide variable health coverage, time off and retirement savings, as well as a variety of other health and wellness programs to U.S. team members. Each program is refined with a team member's geography in mind, and additional benefits may include life and accident insurance, dental and vision insurance, disability insurance, paid holidays, product discounts, educational assistance, parental time off and team member profit sharing.



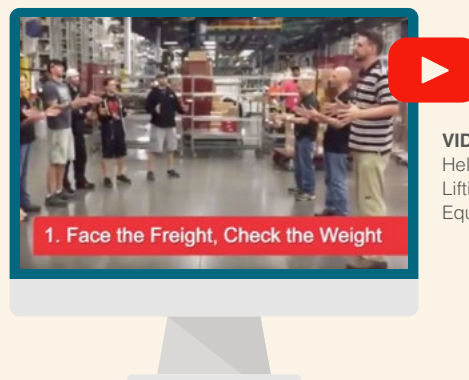
3,400

Team members participating
in Industrial Athlete Program

Industrial Athletes

Bending, twisting and lifting might describe a day in the life of a professional athlete. But the people who work in our distribution centers climb stairs, twist through small areas and lift heavy equipment. Therefore, Grainger developed the Industrial Athlete Program to prevent pain and injury, and encourage well-being. The program combines conditioning exercises and stretching and is designed to improve the physical and mental resilience of team members. Our goal is for team members to be able to fully engage in life without pain and injury and stay in the game for themselves, their families and their career.

Team members experience improved flexibility, higher energy levels, a more positive outlook, greater resistance to injury and disease and an enhanced ability to handle stress on and off the job. Those who participate in the program are also given tools, like physical therapy, to recover more quickly if an injury occurs.



VIDEO: Grainger's
Helpful Tips for
Lifting Heavy
Equipment Properly



Valuing Our People

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Team Member Well-Being
Inclusion and Diversity



Total Rewards Road Show At Grainger, our long-term success is the direct result of team member collaboration and individual contribution. In return for everything our team members do, we deliver an above-market benefits program we call *Total Rewards*—with lots of flexibility and choice, and the opportunity for our team members to actively participate in the benefits that are most important to them.

In 2016, we traveled to 19 of our largest facilities to conduct the Total Rewards Road Show, an expansion of our health and benefits fair, with representatives from many of our core programs. The Total Rewards team and our program partners were on-site to engage in personalized dialogue with team members. Our approach is innovative and builds awareness and accountability for our team members around the services available to them as a member of Grainger's team. Our team's purpose during the roadshow was to:

- Reinforce the value of Grainger's Total Rewards offerings
- Increase engagement, utilization and program and plan participation
- Create a closer, personal connection between team members and Total Rewards program
- Help team members understand the tools and resources available

Inclusion and Diversity

At Grainger, focusing on our common purpose and leveraging our differences makes us extraordinary. We are deeply committed to a culture of inclusion that is meaningful to our team members, allowing us to attract, develop, engage and retain the best talent available. We serve the business needs of an increasingly global and diverse customer base, and we strive to ensure our team reflects this rapidly changing world. Inclusion and diversity is integral to Grainger's business success, and the company is committed to fostering an inclusive environment where all team members feel safe, valued and encouraged to voice their opinions, regardless of age, gender, race, ethnicity, sexual orientation, veteran status, disabilities or backgrounds.

The company reinforces its commitment to inclusion and diversity by offering instructor-led and e-learning courses such as *Inclusion and Diversity: A Business Imperative* and *The Inclusive Team Member*, which help team members understand the business case for diversity, explore the enabling mindset and behaviors that facilitate inclusion in the workplace, respond effectively to differences and increase the level of inclusion in their work area. Another offering, *The Inclusive Leader*, equips people leaders with inclusive behaviors, skills and best practices around attracting, developing, engaging and retaining the best and brightest people at Grainger.

Hires from 2016 Strategic Alliance Partnerships



15

National Sales
Network



8

Skills for
Chicagoland



122

Through U.S. Business
Leadership Network Going
for the Gold Leadership





Valuing Our People

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Team Member Well-Being
Inclusion and Diversity

Business Resource Groups Grainger has eight Business Resource Groups (BRGs) that foster team member engagement and help team members share information, ideas, experiences and resources. These groups provide peer support, career development and mentoring opportunities, in addition to raising awareness, through a variety of discussion groups and activities that are open to all.

OUR BRGs

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

Approximately 3,500 U.S. team members participate in the BRGs. Every BRG has an executive sponsor who works with these team member-led groups to help us create the right *workplace* by fostering inclusion and create the right *workforce* by attracting, developing and retaining top diverse talent. They have helped support the business strategy by creating unique value for different customers and reducing cost, and they have contributed to our communities as responsible stewards. In 2016, the BRGs contributed \$48,000 in donations and volunteered with 14 different organizations including One Million Degrees, Girls on the Run, Uhlich Children's Advantage Network, i.c. stars and Junior Achievement.



Grainger's perfect score on The Corporate Equality Index for the past three years

The Equality Alliance

The Equality Alliance BRG had a number of accomplishments in 2016, including creating a program of 1,500 Allies across the company dedicated to demonstrating acceptance and mutual respect, while advocating for the equality and fair treatment of all. Grainger is proud to foster a positive environment for all Grainger team members.



In addition, the team launched two new chapters in the U.S. and one in Canada, helped expand our product offering to include gender neutral restroom signs and sponsored a team member engagement event in support of National Anti-Bullying Day. Finally, Grainger earned a perfect score on the 2017 Corporate Equality Index. This marks the third consecutive year the company garnered this designation, which comes with the designation of "Best Place to Work for LGBT Equality" by the Human Rights Campaign Foundation.



Valuing Our People

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Team Member Well-Being
Inclusion and Diversity

2016 University Partnerships We partner with several Historically Black Colleges and Universities to help strengthen the diversity of our talent pipeline. These include Howard University, Albany State University and Florida A&M University. Lastly, we strengthen our early-career talent pipeline through our internship program and direct placements. Our emphasis with these and other strategic organizations is on building deeper and more meaningful partnerships that can continually improve our ability to develop, attract and retain a diverse workforce.

2016 Strategic Alliance Partnerships We also actively recruit from, and maintain relationships with several strategic alliance partnerships. These organizations include:

- National Association of Women MBAs
- National Sales Network
- National Black MBA
- Hispanic Alliance for Career Enhancement
- Indo American Career Services
- Reaching Out MBA
- HirePurpose
- US Business Leadership Network
- Skills for Chicagoland's Future



2016 Awards and Recognition

- ✓ *Fortune Most Admired Companies: #1 in Diversified Wholesalers*
- ✓ *HRC Corporate Equality Index 3 years in a row*
- ✓ *#17 on HR Executive Magazine's Most Admired in HR List*
- ✓ *2016 Executive Leadership Council Ambassador Company*
- ✓ *Newsweek.com Top Green Companies in the U.S. 2016*
- ✓ *FTSE4Good Member Company*

➤ Forward

WHAT'S COMING IN OUR 2017 REPORT

- Safety DNA: leadership development through operations
- Implementation of 1:1 behavior-based safety coaching for select international locations
- Expanded metrics on our talent ecosystem



The African American BRG

In 2016 the African American Business Resource Group (AA BRG) launched a series of career symposiums, chapter development and community outreach projects to align with its "Reach Beyond" theme.

To begin the year, the AA BRG sponsored its second annual mixer at Grainger's National Sales and Service Meeting. Attendees celebrated Black History Month, recognized Dr. Martin Luther King's birthday, networked and met with Grainger's leadership team. Also in 2016, the AA BRG provided coaching and mentorship to team members transitioning to new roles while establishing a new chapter and strengthening an existing chapter. Lastly, in 2016, the AA BRG and our Talent Acquisition team teamed up with National Sales Network to connect with 135 prospective diverse candidates, interview 74, and hire 15 new team members onto the Grainger team.



Sustaining Our Environment

At Grainger, we are committed to conducting business in an environmentally responsible manner, while working to reduce energy use and minimize waste in our operations. To do so most effectively, we focus on the environmental challenges within the material parts of our business: our operations, our products and our supply chain.



IN THIS SECTION

OUR APPROACH

- Our Operations
- Our Products
- Our Supply Chain

OUR OPERATIONS

- Greenhouse Gas Emissions
- Recycling and Waste
- Water Conservation
- Anatomy of a Sustainable Distribution Center

OUR PRODUCTS

- Environmentally Preferable Product Offering
- Easy Search and Select for Greener Products

OUR SUPPLY CHAIN

- Supply Chain Stewardship
- Transportation

OUR APPROACH

We work to continuously improve our environmental performance across our value chain from our suppliers through our operations and to our customers. We encourage stewardship in our operations, and seek to share the lessons we have learned with others. We partner with several third party sustainability organizations, such as the CDP (formally known as the Carbon Disclosure Project), the GreenBiz Executive Network, the U.S. Environmental Protection Agency, Smartway program, UL Inc. (formerly Underwriter's Laboratories, Inc.) and the U.S. Green Building Council to help us align our environmental investments with our stakeholders' expectations.

Our Operations

We primarily focus our efforts where we can have the most influence. Grainger's DCs account for roughly 38 percent of our operations and will proportionally increase as we expand our service offering. Inherent to this footprint is an opportunity for energy management. We closely monitor our energy consumption and improve our green energy mix by researching sustainable solutions to increase efficiency and utilize renewable energy. When possible, we invest in onsite renewable energy, purchase renewable energy credits and green tariffs.

[>>Learn More About Our Operations](#)

Our Products

Grainger provides customers with the products they need to keep their businesses running over the long term. As part of this, we work to understand how these products affect the environment. Our customers have increasingly requested environmentally preferable products and we stock them to improve our service. We currently offer more than 72,000 products that help customers maintain sustainable facilities through efficient energy management, water conservation, waste reduction and air-quality improvement.

[>>Learn More About Our Products](#)

Our Supply Chain

We view our suppliers and vendors as our allies in improving our emissions and waste reduction performance. We rely on a network of third-party carriers to meet our transportation needs, we work with our largest suppliers to innovate and improve our distribution packaging, and collect data and share best practices in sustainability across our value chain by expanding our partnership with the CDP to include suppliers who participate in the CDP Supply Chain Program.

[>>Learn More About Our Supply Chain](#)



Sustaining Our Environment

OUR APPROACH

Our Operations
Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas Emissions
Recycling and Waste
Water Conservation
Anatomy of a Sustainable
Distribution Center

OUR PRODUCTS

Environmentally Preferable
Product Offering
Easy Search and Select
for Greener Products

OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation

OUR OPERATIONS

Climate Change Disclosure We recognize that climate change is a significant global issue. 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, providing detail on business risks and opportunities related to climate change. In 2012, we became the first industrial distributor to publicly disclose its carbon footprint.

Greenhouse Gas Emissions

We are committed to the global effort to reduce GHG. We focus our reduction strategy around two specific areas: reducing GHG intensity and waste in our own operations and supporting emissions reduction in our supply chain through increases in transparency. Scope 1 emissions are direct emissions from owned or controlled sources. Scope 2 emissions are indirect emissions from the generation of purchased energy.

Scope 1 and 2 We chose 2011 as our baseline year, in which emissions totaled 142,306 metric tons. During that period, we have reduced Scope 1 and Scope 2 emissions by nearly 10 percent. In 2016, our Scope 1 and 2 GHG emissions were 128,572 metric tons. To help offset these emissions, we participate in green energy procurement.

Intensity Target In 2013, Grainger became the first industrial distributor to set a GHG reduction goal. Our target is an intensity goal for GHG over revenue: to reduce our North American Scope 1 and Scope 2 GHG emissions per unit revenue 33 percent by 2020. The goal was designed to be achievable, yet challenge our operations to identify innovative ways to operate more efficiently. We are currently more than half way to our goal, and have reduced intensity to 14.7, a 20 percent reduction since 2011. A 33 percent reduction by 2020 goal focused Grainger on doing business the right way by investing in renewable energy and energy efficiency.

To drive progress toward this goal, our GHG target is included in the performance appraisals for our corporate sustainability team. In addition, energy reduction and efficiency projects reduce utility expenses and improve operating expenses, indirectly effecting profit sharing for U.S. team members.



Grainger maintains the A- CDP score for two years in a row

We are proud to have received an A- rating for the second year in a row, highlighting our commitment to transparency about our GHG emissions.

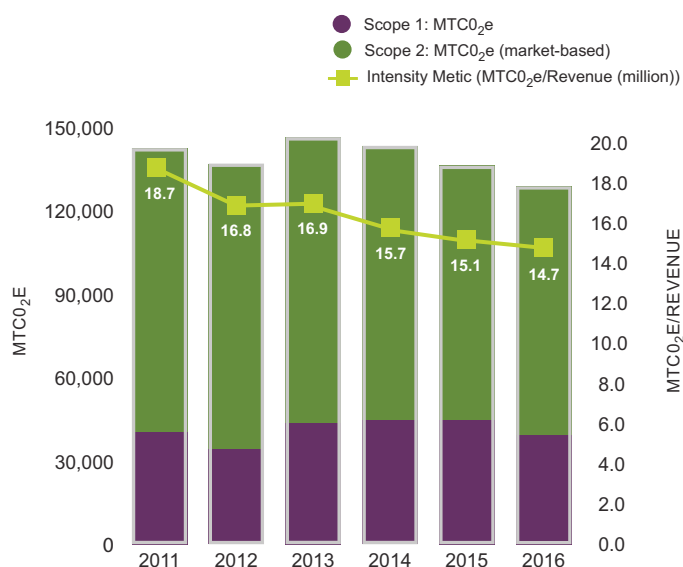


Intensity Target

33%

GHG Reduction
By 2020 Goal

SCOPE 1 AND SCOPE 2 EMISSIONS WITH INTENSITY



Grainger's intensity metric includes the GHG emissions from operations that were under direct operational control as of 2014, the year our goal was set. This includes Grainger, Inc. in the U.S., Grainger Mexico and Acklands-Grainger in Canada. Starting in 2015, Grainger improved its calculations to include all business within operational control after 2014. We verified only our U.S. data through a third party in 2011. Therefore our Base Year calculations include estimates for Acklands-Grainger and Grainger Mexico. We calculated these estimates using the average of 2012 and 2013.



Sustaining Our Environment

OUR APPROACH

Our Operations
Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas Emissions
Recycling and Waste
Water Conservation
Anatomy of a Sustainable
Distribution Center

OUR PRODUCTS

Environmentally Preferable
Product Offering
Easy Search and Select
for Greener Products

OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation

Recycling and Waste

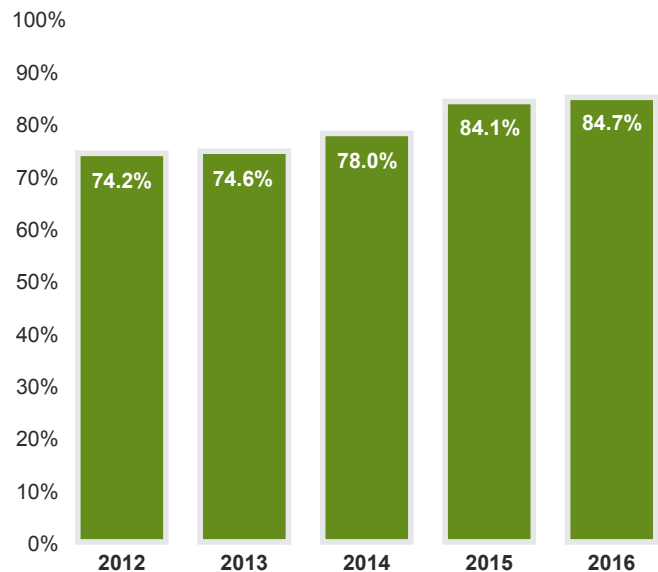
By standardizing recycling practices and sharing best practices across its network, we are continually improving the recycling rate in our U.S. distribution centers. Teams are trained to use a color-coded system to separate and bale materials such as cardboard, plastic wrap and metal and are encouraged to share and test ideas for ongoing improvements. As a result of these efforts, our diversion rate has increased for four consecutive years.

Water Conservation

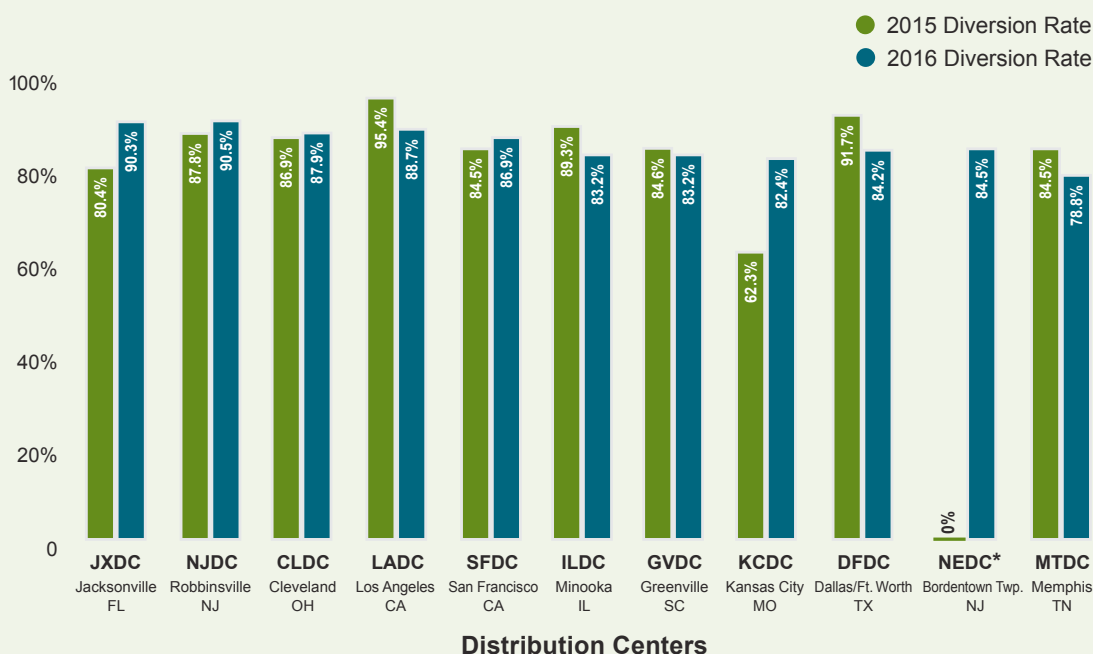
Grainger does not directly manufacture the products it sells so our water consumption is minimal. However, we do measure our water footprint and look for opportunities to reduce usage, such as installing water efficient fixtures and evaluating the landscaping irrigation programs at our largest facilities. Grainger's total water consumption in the U.S. in 2016 was 514,802 cubic meters.

DC NETWORK DIVERSION RATE

(Amount of waste diverted from a landfill)



DC RECYCLING RATE



*New DC brought into the network in 2016

HIGHLIGHTS

- The DC network recycling rate finished 2016 at 84.7 percent.
- KCDC saw the highest improvement with a 20 percent improvement in their 2016 diversion rate.
- The recycling rates at JXDC, NJDC, CLDC and SFDC also improved in 2016 vs. 2015.
- NEDC finished at 84.5 percent in the first year of operations at the facility.





Sustaining Our Environment

OUR APPROACH

Our Operations
Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas Emissions
Recycling and Waste
Water Conservation
Anatomy of a Sustainable Distribution Center

OUR PRODUCTS

Environmentally Preferable Product Offering
Easy Search and Select for Greener Products

OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation

ANATOMY OF A SUSTAINABLE DISTRIBUTION CENTER



LED LIGHTING

Approximately one quarter of our operations use LED lighting with occupancy sensors, reducing electricity consumption by 80 percent compared to conventional lighting.



ELECTRIC CAR CHARGES

Grainger encourages team members to use electric cars by installing charging stations closest to the entryways.



ROOF

Light-colored materials reflect heat, while dark roofs, such as those made of asphalt and tar, absorb heat, driving up air-conditioning consumption in order to offset it.



NATURAL LANDSCAPING

The landscaping at our distribution centers are designed to work with the natural environment, reducing the need for irrigation.



RECYCLING

We design our distribution centers with conveyor systems that help Grainger sort recycling from the waste stream.



RENEWABLE ENERGY

We have installed 5.3MW of renewable energy on the rooftops of our DCs.



BUILDING MANAGEMENT SYSTEMS

A state of the art building automation system controls HVAC, Lighting, and building systems, reducing energy consumption by 10 percent.



LEED CERTIFICATION

Six of our distribution centers are LEED certified which helps ensure the design of the building is built to high standards of efficiency.



Sustaining Our Environment

OUR APPROACH

Our Operations
Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas Emissions
Recycling and Waste
Water Conservation
Anatomy of a Sustainable
Distribution Center

OUR PRODUCTS

Environmentally Preferable
Product Offering
Easy Search and Select
for Greener Products

OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation

OUR PRODUCTS



Environmentally Preferable Product Offering

Partnering with our suppliers, we work to create a more sustainable workplace for our customers and our communities

through our offering of environmentally preferable products. These environmentally preferable products are designated on Grainger.com® by a green leaf and totaled more than \$556,000,000 in sales in 2016.

Easy Search and Select for Greener Products

For a product to be classified as environmentally preferable it must maintain one or more environmentally preferable attributes or third-party certifications such as WaterSense®, ENERGY STAR® or Green Seal. We ask our suppliers to provide these attributes or certifications, and our external partner, UL Inc., verifies the viability of the attribute to the product.



\$556,000,000+
Sales In Green Product In 2016

Green Ambassadors

In 2016, more than 100 Grainger team members registered to serve as Green Ambassadors, a group of team members who are passionate about the environment and work together to raise awareness and change behavior for the good of our business and the planet. The program encourages sharing sustainability best practices among Grainger locations and offers opportunities for grassroots involvement.

1,300 

Sustainability Tasks Completed by Green Ambassadors

For example, in 2016, the Green Ambassadors organized an Earth Day event at our Lake Forest headquarters. More than 20 vendors displayed green products from Grainger.com® that help team members reduce their environmental footprint at home and at the office. The team also ran a recycling drive for household materials that often are hard to recycle at home. They collected shoes, paper shredding, batteries and wine corks. During the year, our ambassadors completed more than 1,300 sustainability tasks and are the lifeblood of our sustainability efforts.



Sustaining Our Environment

OUR APPROACH

Our Operations
Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas Emissions
Recycling and Waste
Water Conservation
Anatomy of a Sustainable
Distribution Center

OUR PRODUCTS

Environmentally Preferable
Product Offering
Easy Search and Select
for Greener Products

OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation

CDP SUPPLY CHAIN SUPPLIER PERFORMANCE



\$8.1B

Emissions Reduction
Investment



76m tCO₂e

Total CO₂ Reduction



\$723M

Annual Emissions
Reduction Savings

OUR SUPPLY CHAIN

Supply Chain Stewardship



**We are proud to
have received an
A- rating for our
supply chain survey.**

Addressing emissions across our value chain is as significant as addressing them in our own operations. That's why we're engaging with suppliers through the CDP Supply Chain survey to create more change than would be possible on our own. In 2016, this partnership helped us engage with our suppliers to learn more about their emissions reduction strategies. We successfully completed our pilot year with responses from more

than 80 of our largest vendors. In total, our suppliers' efforts reduced 76 million metric tons of CO₂ resulting in more than \$700 million in annual savings for their respective businesses.

container utilization, resulting in an annual reduction of 27.4 CO₂ metric tons. 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 by reducing GHG emissions and air pollution.

➤ Forward

WHAT'S COMING IN OUR 2017 REPORT

- Increase CDP supply chain participation
- North East Distribution Center rooftop solar panel system
- Expanded data collection for overseas operations in Europe

Transportation

Grainger relies on a network of third-party carriers for its transportation needs. The company works closely with these providers to continually identify opportunities to maximize efficiency and minimize fuel use. In 2016 Grainger improved

Serving Our Communities

Grainger's culture of service extends into the local communities where our team members live and work. Our partnerships, products, and people enable us to provide vital resources to advance the lives of those around us. Our community investments reflect the nature of our business, and our commitments are focused where we make the most of our resources. We focus on disaster preparedness and response, education and workforce development, and local civic and community engagement.



IN THIS SECTION

DISASTER PREPAREDNESS AND RESPONSE

Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

Giving
Team Member Engagement

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe

DISASTER PREPAREDNESS AND RESPONSE

Pride in service, our products and our supply chain expertise make us a natural leader in disaster preparedness and response, and as a result, we have been a long-time partner of the Red Cross. In fact, Grainger has donated nearly \$17 million in cash and product to the American Red Cross since 2001 and the Canadian Red Cross since 2009.

Each year, the American Red Cross responds to disasters across the country—from home fires to tornadoes and severe winter weather, hurricanes and floods to transportation accidents and explosions. The Red Cross not only provides food, shelter and clothing but also offers comfort and care to those affected by disaster during their time of greatest need. Through our relationship with the American Red Cross, we continue to leverage our resources, best practices in logistics, team member engagement and technology to assist in the accomplishment of their mission.



\$1 Million

Grainger committed to a \$1 million level of support for the American Red Cross during its 2017 fiscal year



Ready
when the time comes®

1,700+ Volunteers

>>Learn more about this volunteer program



Serving Our Communities

DISASTER PREPAREDNESS AND RESPONSE

Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

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Matching Gifts Program
Community Grant Program
Grainger Around the Globe



\$400K

Donation to the **American Red Cross Annual Disaster Giving Program®** for Hurricane Matthew and the floods in Louisiana

Giving

As a supporter of the American Red Cross Annual Disaster Giving Program® (ADGP), we invest in disaster relief before the disaster occurs, ensuring the Red Cross can pre-position supplies, secure shelters, maintain vehicles and train volunteers nationwide.

In 2016, we committed to the \$1 million level of AGDP support for the American Red Cross during its 2017 fiscal year. These funds will be used to provide for signature programs like AGDP, activities like fire alarm distribution and installation, increased volunteer engagement and local emergency response vehicles. A large part of this support was Grainger's contribution to replenish nearly \$400,000 worth of supplies when the Red Cross' inventory was depleted by Hurricane Matthew and the floods in Louisiana.

50,000+

Smoke Alarms
Donated (As of 2016)



One-on-One

Celena Roldan, CEO of American Red Cross of Chicago, sat down with Grainger's Fred Costello, Vice President of Grainger International to discuss his work as a member of their Board of Directors.



CELENA ROLDAN
CEO OF AMERICAN RED CROSS OF CHICAGO

Eileen T. Meslar / for the Chicago Tribune

CR: *The first question I ask anyone who wants to get involved with us is – why the Red Cross? What motivated you to give your time and become a board member of the Red Cross?*

FC: I personally admire the commitment it takes to run an organization that has to be in a constant state of emergency. You deal with so many disasters that would cripple an individual if he/she solely had to deal with the devastation encountered as a result. Although I feel I can contribute professionally and personally to your mission, I also feel because of the complexities of the issues you help others face, I can truly make a difference in a meaningful, powerful way.

CR: *What do you think are Grainger's most valuable contributions and investments to the Red Cross and its mission?*

FC: Grainger's expertise in the areas of supply chain operations and logistics. I'm proud of all we do to support the Red Cross, but what stands out for me is when we partnered to help you build Volunteer Connection, a resource to mobilize volunteers across the nation to support disaster relief. This is one single effort that drives home the notion of making a meaningful, powerful difference! This is something we believe in not only as individuals, but also as an organization.

CR: *In your view, how does our partnership benefit Grainger team members?*

FC: Our Red Cross partnership has given our team members a means by which to unite to support a single organization's mission and purpose. As a company, it is important to us to collaborate to resolve issues or concerns for our customers, investors, team members and the community. The Red Cross partnership allows us to use our many resources – human, expertise and in-kind – to support local communities when they need us most.

(Continued next page)





Serving Our Communities

DISASTER PREPAREDNESS AND RESPONSE

Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

Giving
Team Member Engagement

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe



130

Lives Saved by
Smoke Detectors

Home fires are the most common disaster in the U.S., and the Red Cross responds to one every eight minutes. In 2014, the Red Cross launched a nationwide campaign aimed at reducing home fire deaths and injuries by 25 percent in the next five years. Grainger supports the program with an annual donation of smoke detectors, which are installed by volunteers and fire departments in at-risk communities. The campaign makes a huge difference, as more than 656,000 smoke detectors have been installed since the beginning of the program, including more than 50,000 donated by Grainger thus far, and more than 130 lives have been saved.

Team Member Engagement

Grainger is the National Founding Sponsor of the Red Cross Ready When the Time Comes® (RWTC) corporate volunteer program in the U.S. and Canada. More than 1,700 Grainger team members have been trained as RWTC volunteers. Volunteers have helped the Red Cross respond to fires, floods and storms and have also become important preparedness partners, helping the Red Cross with disaster relief product kitting and smoke alarm installations.



VIDEO: American
Red Cross Responds
to Home Fires Across
the Country



One-on-One (continued)

- CR:** Are there any examples that you can share to illustrate how close and supportive our partnership has become?
- FC:** Our team members are passionate and continue to find creative ways to engage with this partnership. Our BRGs and Total Rewards team partnered with the Red Cross to recognize National Preparedness Month. Together, they held blood drives, hosted speakers, rallied to pack comfort kits for survivors of home fires and provided education to team members during the Total Rewards Road Show. The Red Cross was the first non-profit partner we have engaged with in that way.
- FC:** Celena, I'd like to ask you a few things now. Of the opportunities we've shared to connect our team members with the Red Cross, what stands out most to you?
- CR:** In 2014, we launched a national initiative to reduce deaths and injuries from home fires in the U.S. by 25 percent by 2020. Grainger provides tens of thousands of smoke alarms for this initiative, and your team members volunteer to visit homes, install alarms, and better prepare households. I am so proud that the very first officially documented life saved in this initiative was an alarm that Grainger donated. Through the volunteer efforts of your team members, lives are being saved.
- FC:** How can we help the Red Cross leverage Grainger's expertise to deliver the services you provide to the community?
- CR:** You mentioned Grainger's expertise in supply chain operations and logistics. In 2014 Grainger helped us streamline our national warehouse operations, which was extremely valuable. Our model requires a consistent and reliable supply chain to be effective, so we work to shield our logistics against new and emerging risks. Grainger's thought leadership helped us recognize assumptions we had about our inventory planning and supply chain.
- FC:** How have you seen Grainger strengthen our partnership?
- CR:** Grainger has been such a long, steadfast partner of the Red Cross. A key collaboration that comes to mind is our Annual Disaster Giving Program® (ADGP). As an ADGP member, Grainger provides the Red Cross with sustainable, non-episodic funding that is critical to plan and invest before disaster happens. This collaboration means that we can be there – day or night – to offer shelter, supplies, meals and hope after a disaster and during recovery, no matter how long it takes.
- FC:** As a board, how do we help the Red Cross reach its mission?
- CR:** Board members play a valuable role in helping the Red Cross fulfill its mission. We want to support, engage and recognize our volunteers, and we look to our board members to lead the symbiotic relationship with our partners. This year, our Board helped us identify new opportunities for growth and connect with potential new partners in our community. With your help, we further developed the resources and expertise we need to assist individuals and families in the face of emergencies and disasters.



Serving Our Communities

DISASTER PREPAREDNESS AND RESPONSE

Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

Giving
Team Member Engagement

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe

EDUCATION AND WORKFORCE DEVELOPMENT

Since 2001, Grainger has leveraged its passion for education and job training to create positive changes and new opportunities in our communities. We work with several nonprofit organizations to build a foundation of new possibilities for highly motivated students based on need. We leverage the strength and backing of our **BRGs** to partner with several organizations to provide guidance, funding and tools to students in our communities.

Giving

We invest in the future of the skilled trade workforce through our Tools for Tomorrow® scholarship program. Each year, Grainger works with the American Association of Community Colleges to offer two scholarships of \$2,000 each at participating community colleges in the U.S. The scholarships are awarded to students in skilled trade and public safety programs such as plumbing, welding, automotive, construction, fire safety and law enforcement. Half of the scholarships offered are earmarked for veterans of the U.S. Armed Forces. In addition to the scholarship, Grainger provides tools to students after they graduate to help them launch a successful career. Since 2006, Grainger has donated more than \$4 million to support technical education.

162

**Tools For Tomorrow®
Scholarships
Provided in 2016**

86

**Participating
Colleges**



Tools for Tomorrow® 10th Anniversary Celebration

In 2016, we marked a full decade of support for the Tools for Tomorrow® scholarship program. What began as a way to support workforce development in the skilled trades has grown into a robust program dedicated to the success of highly motivated students who demonstrate commitment and aptitude in their field. To commemorate the occasion we awarded special one-time grants to the six community colleges most active in the Grainger Tools for Tomorrow® scholarship program, to three community colleges with the most students earning scholarships overall during the last 10 years and to three community colleges with the most veterans earning scholarships.

Tools for Tomorrow® Student Profile

There were 162 scholarships provided in the amount of \$2,000 each awarded to 86 community colleges in 2016 as part of Grainger's Tools for Tomorrow® scholarship program. Chad Olson, a recently retired Marine and Reservist from Wisconsin, earned his Tools for Tomorrow® Scholarship in 2016 pursuing a career in Heating Ventilation and Air Conditioning (HVAC) at Blackhawk Technical College in Janesville, WI.



Photo left to right:

Kari Gates, Supervisor, National Facility Service Center; **Chad Olson**,
Bill Koenig, VP, Mergers, Acquisitions & Integrations

"Throughout my 23 years in the United States Marine Corps and the Wisconsin Army National Guard, the process of exchanging heat and HVAC systems designed to meet specific needs piqued my interest. As a recently retired First Sergeant who is changing careers from logistics passed operations to a service technician with the Heating and Air Conditioning career field, the opportunity to help offset the cost associated with purchasing quality diagnostic tools was outstanding.

"The tuition assistance has allowed me to focus on the challenging aspects of HVAC training, and the Westward™ tool kit will be instrumental in the success of my transition from education to full-time immersion in the HVAC career field.

"I take great pride in a job that is complete and done right. As a technician, I've found that one of the best feelings is when I leave a service call and the homeowner thanks me because they noticed the attention to detail and because they feel confident that their system will work when needed."



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Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

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Team Member Engagement

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe

Team Member Engagement

We are proud of the passion demonstrated by team members toward the causes they care most about. That is why we encourage our BRGs to align with nonprofit partners to echo the effect our team members have in communities where we live and work. In 2014, Grainger launched the BRG Community Fund to partner with each BRG to support local nonprofit organizations with programs that align collectively with our Inclusion & Diversity and philanthropic goals. A critical component of the fund is BRG collaboration and volunteer engagement. BRGs are encouraged to partner with community organizations where they can embed team member volunteer engagement to make a more meaningful difference. In 2016, the BRGs worked together to support community partners by giving time and money.

One Million Degrees In 2016, our African American and Latino BRGs partnered to support One Million Degrees (OMD). OMD is dedicated to providing comprehensive support to low-income, highly-motivated community college students to help them succeed in school, work and life. From tutors and coaches to financial assistance and leadership development, OMD provides tools and resources that empower scholars to transform their lives. Currently, Grainger is the second-largest provider of OMD coaches. As a result of our support of community college students, Grainger received One Million Degrees' inaugural Corporate Leadership Award.

YWCA Tech GYRLS Our Women's BRG partnered with YWCA of Metropolitan Chicago to support the TechGYRLS program, a youth empowerment program designed to raise girls' interest, confidence and self-efficacy in the critical areas of science, technology, engineering, arts and mathematics. The TechGYRLS program helps young girls develop the usage of technological tools, critical thinking and problem-solving skills in any profession they pursue. The program offers students a safe, supportive environment for exploration and learning using curriculum comprised of design, animation, programming and robotics.

Our Leaders in Action: Executive Board Placement Program

The Grainger Executive Board program is designed to accomplish the following goals:

- Provide opportunities for executives to refine/enhance their leadership skills
- Raise awareness of Grainger in the local community
- Engage in civic activities that foster inclusion and diversity
- Cultivate strong and strategic partnerships with nonprofit organizations and civic leaders
- Enhance opportunities for team member volunteer engagement

Currently, approximately 20 Grainger executives participate on Boards focusing on:

- Education & Workforce Development
- Disaster Preparedness & Response
- Civic Engagement
- General Business



"The opportunity to serve One Million Degrees while representing Grainger has been an amazing experience. The ability to serve the communities in which we do business, while providing an opportunity for team members to participate and engage is where we as an organization deliver against our corporate vision and strategy of delivering increased value. This is a win for the business, our team members, and the community. I am proud to serve in an organization that values investing time, energy and resources into the local community, and fully embracing the development of their team members through differentiated investments and experiences."

BRENT TOLLISON
VICE PRESIDENT OF COMMERCIAL SALES

"From the first time Brent came to see a One Million Degrees program, he was hooked. His enthusiasm and passion for our work serving highly motivated community college students is inspiring and infectious. But most importantly, Brent is a doer – a focused board member who works to engage his colleagues at Grainger to muster more support for OMD, while being a strategic thought partner who asks all the right questions and pushes us to do the best work for our scholars and staff."

PAIGE PONDER
CHIEF EXECUTIVE OFFICER, ONE MILLION DEGREES





Serving Our Communities

DISASTER PREPAREDNESS AND RESPONSE

Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

Giving
Team Member Engagement

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program

The Grainger Matching Charitable Gifts Program aims to amplify our U.S. team members' personal community support. Through the program, the company offers a 3:1 match of eligible team member contributions (up to \$2,500 annually) to qualifying organizations.

The program places Grainger in an elite group of U.S. companies that match team members' contributions at this rate. Our intention is to encourage our team members to engage with the eligible non-profit organizations that matter most to them in their community.



\$2.2M+ Total Matching
Gifts Contribution

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 and Puerto Rico.

Under the Program, Grainger's Branch/Operations Managers and Distribution Center Directors identify charitable organizations in their local communities and make grant recommendations to The Grainger Foundation ranging from \$5,000 up to \$10,000. As a result of recommendations submitted throughout 2016, The Grainger Foundation made more than 1,100 grants totaling \$6.6 million to a wide variety of organizations in the areas of health and human services, food banks, civic, disaster relief, and education.

The Grainger Foundation, an independent private foundation, was established in 1949 by William W. Grainger, the Company's founder.

Accelerating our Community Engagement through Partner Collaboration



We are only one organization, and we cannot solve the challenges we face in education, community engagement and disaster relief in isolation. To address the challenges we face in our focus areas, it is important that we look outside of our own operations and resources.

For example, for the last three years, we have received a 100 percent rating on the Human Rights Campaign's Corporate Equality Index for our practices, policies and procedures pertinent to our LGBTQ team members. One of the practices that has contributed to our success was the development of our Equality Alliance Business Resource Group (BRG) in 2013. Our partner, the American Red Cross, saw an opportunity to embrace great diversity among their own team members. We met with the Red Cross to share best practices integral to the success of our BRG, which they used to develop the first Red Cross LGBTQ Business Resource Group.



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Giving
Team Member Engagement

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Giving
Team Member Engagement

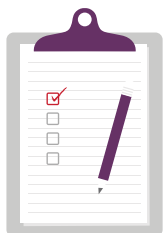
LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe

Community Engagement Survey

Our team members' commitment to their communities is a key ingredient in the success of our community affairs program. As the program develops and grows with our team, we wanted to better understand how connected our team members are to the partners and programs we offer. To do so, we sent a community engagement survey to 2,100 U.S. team members in various areas within the organization. Nearly 600 team members responded to the survey (approximately 33 percent of recipients).

The survey was designed to uncover how and when our team members become engaged in their local communities. The questions ranged from high-level: *How important is it to your engagement that Grainger offers volunteer opportunities?* to specific: *If we offered a company-wide service event, would you participate?*



65% Of Respondents

Want to participate in small and large volunteer events organized by their fellow team members

The results were overwhelmingly positive, and we have started to shape our strategy and programs in accordance with our findings. For example, 67 percent of team members agreed that they preferred to volunteer in small and large groups organized by a fellow Grainger team member. With that in mind, we organized on-site volunteer events with our partner, the American Red Cross, to pack comfort kits for survivors of home fires in honor of National Preparedness Month. In addition, our Veterans and Military Partners BRG also recruited volunteers to pack comfort kits for disabled veterans to recognize Veteran's Day. The kits included basic necessities such as toiletries, wash cloths and more. Together with our Red Cross partners, 60 members of the Grainger team packed 800 comfort kits in 120 minutes.

Team members packed comfort kits for the American Red Cross Disaster Preparedness Month





Serving Our Communities

DISASTER PREPAREDNESS AND RESPONSE

Giving
Team Member Engagement

EDUCATION AND WORKFORCE DEVELOPMENT

Giving
Team Member Engagement

LOCAL CIVIC AND COMMUNITY ENGAGEMENT

Matching Gifts Program
Community Grant Program
Grainger Around the Globe

Grainger Around the Globe

Mexico Grainger Mexico gave back to the community in a big way in 2016. Through their community affairs program, they support the elderly, at-risk children, childhood cancer, children with autism and refugees. Team Mexico generously donated \$16 million pesos to local nonprofit organizations in cash and product, inspired 40 team members to participate in a blood drive, contributed 253.5 volunteer hours and supported over 288 members of their community. Team members also continued with internal recycling, waste reduction and energy saving programs.

Also in 2016, Grainger Mexico formed a Women's BRG of 18 team members empowering women inside and outside the organization.

Grainger Mexico was recognized for the second year in a row by the Mexican Center for Philanthropy as a recipient of the 2016 Empresa Socialmente Responsable Award. This group annually recognizes companies that demonstrate excellence in social responsibility and have a commitment to team members, investors, customers and their local communities.

Canada Acklands-Grainger is a national founding partner of Ready When the Time Comes®, a disaster preparedness program administered by the Canadian Red Cross. The program prepares employees of organizations to mobilize as a community-based volunteer force when large-scale disasters strike. Grainger's Canadian business is also actively engaged in Aboriginal development, through its work with the Canadian Council on Aboriginal Business, and supplier diversity, with its support of the Canadian Aboriginal and Minority Supplier Council. Acklands-Grainger is in the early stages of developing a third pillar of its community investment efforts—focused on skilled trades development.

United Kingdom Team Cromwell supported several charitable causes in 2016. The world distribution centre showed their support for a loved colleague suffering from a brain tumor by raising over £345. In addition, a group of keen cyclists undertook a 100km bike ride and successfully raised more than £2357 in memory of a dear friend who was lost to the same condition. Additional charities supported during the year included Children in Need, Sports Relief and Christmas Jumper Day for Save the Children, nationally raising over £2,500.



China Grainger China focused on drives and donations in their local community in 2016. Team China collected over 17 boxes of clothing and office supplies, which will be distributed to need-based organizations supporting children and adults. This donation represents the 7th round of donations organized over the past 4 years.

Europe In 2016, Fabory team members in the Netherlands volunteered at Amarant, an organization that provides guidance and living accommodation to people who are mentally challenged or have autism. The walls of the public areas of their home received a fresh coat of paint.

The Fabory team once again supported COCOCI, an organization that supports poor, sick or abandoned children and teenagers. They were able to put a smile on the faces of numerous children in Cameroon when the children were given toys to play with. Fabory continued to support the European chapters of the Red Cross by giving team members the option to make a donation rather than receive a company Christmas gift.

Forward

WHAT'S COMING IN OUR 2017 REPORT

- Inaugural volunteer event at the National Sales and Service Meeting portion of our 2017 Grainger Show
- Increase the engagement with and use of our technology-based tools for tracking and adjusting our programs
- Implement an organization-wide Grainger month of service to celebrate our 90th anniversary as an organization

Report Content Index*

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
General			
102-1	General Disclosures	Name of the organization	W.W. Grainger Inc.
102-2	General Disclosures	Activities, brands, products, and services	Grainger at a Glance, Page 4 Fact Book, Page 1-14 Annual Report Pages 4-7
102-3	General Disclosures	Location of headquarters	Lake Forest, Illinois
102-4	General Disclosures	Location of operations	Grainger at a Glance, Page 4 Fact Book, Page 1 Annual Report Pages 4-7
102-5	General Disclosures	Ownership and legal form	Annual Report
102-6	General Disclosures	Markets served	Grainger at a Glance, Page 4 Fact Book, Page 1 Annual Report Pages 4-7
102-7	General Disclosures	Scale of the organization	Grainger at a Glance, Page 4 Fact Book, Page 20 Annual Report Pages 4-7
102-9	General Disclosures	Supply chain	Our Value Chain, Page 5 Grainger at a Glance, Page 4 Sustaining our Environment, Page 24, 29 Fact Book, Page 11 Annual Report Page 6
102-10	General Disclosures	Significant changes to the organization and its supply chain	Annual Report Pages i-iii Fact Book, Page 1-20
102-11	General Disclosures	Precautionary Principle or approach	Grainger does not have a position on the precautionary approach
102-12	General Disclosures	External initiatives	While Grainger has not endorsed any external initiatives, this report makes reference to several of the Global Reporting Initiative's (GRI) Standards for reporting purposes, and our CSR Working Group is working toward a report prepared in accordance with the GRI Standards
102-13	General Disclosures	Membership of associations	Referenced throughout Report
102-14	General Disclosures	Statement from senior decision-maker	Letter from the CEO, Page 2
102-15	General Disclosures	Key impacts, risks, and opportunities	Letter from the CEO, Page 2 Letter from the Executive Sponsor, Page 4 Fact Book, Page 24 Annual Report Item 1A, Page 8
102-16	General Disclosures	Values, principles, standards, and norms of behavior	Operating Responsibly, Pages 7-13 Fact Book, Page 24 Annual Report Pages 36-37
102-17	General Disclosures	Mechanisms for advice and concerns about ethics	Operating Responsibly, Page 8
102-18	General Disclosures	Governance structure	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37
102-19	General Disclosures	Delegating authority	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37
102-20	General Disclosures	Executive-level responsibility for economic, environmental, and social topics	Corporate Governance, Pages 12-13 Letter from Executive Sponsor, Page 4 Board Affairs & Nominating Committee Charter
102-21	General Disclosures	Consulting stakeholders on economic, environmental, and social topics	Letter from the Executive Sponsor, Page 4
102-22	General Disclosures	Composition of the highest governance body and its committees	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37
102-23	General Disclosures	Chair of the highest governance body	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37
102-24	General Disclosures	Nominating and selecting the highest governance body	Fact Book, Page 24 Annual Report Pages 36-37
102-25	General Disclosures	Conflicts of interest	Fact Book, Page 24 Annual Report Pages 36-37
102-26	General Disclosures	Role of highest governance body in setting purpose, values, and strategy	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37
102-27	General Disclosures	Collective knowledge of highest governance body	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37 Investor Relations Site, Governance
102-28	General Disclosures	Evaluating the highest governance body's performance	Corporate Governance, Page 12 Fact Book, Page 24 Annual Report Pages 36-37 Investor Relations Site, Governance



DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
General (continued)			
102-29	General Disclosures	Identifying and managing economic, environmental, and social impacts	Letter from the CEO, Page 2 Letter from the Executive Sponsor, Page 4 Operating Responsibly, Pages 12, 13 Fact Book, Page 24 Annual Report Item 1A, Page 8
102-30	General Disclosures	Effectiveness of risk management processes	Letter from the CEO, Page 2 Letter from the Executive Sponsor, Page 4 Fact Book, Page 24 Annual Report Item 1A, Page 8
102-31	General Disclosures	Review of economic, environmental, and social topics	Letter from the CEO, Page 2 Letter from the Executive Sponsor, Page 4 Operating Responsibly, Pages 12-13 Fact Book, Page 24 Annual Report Item 1A, Page 8
102-32	General Disclosures	Highest governance body's role in sustainability reporting	Letter from the CEO, Page 2 Letter from the Executive Sponsor, Page 4 Operating Responsibly, Pages 12, 13 Fact Book, Page 24 Annual Report Item 1A, Page 8
102-33	General Disclosures	Communicating critical concerns	Grainger Investor Relations Website
102-34	General Disclosures	Nature and total number of critical concerns	Annual Report, Page 11, None
102-40	General Disclosures	List of stakeholder groups	Letter from Executive Sponsor, Page 4
102-42	General Disclosures	Identifying and selecting stakeholders	Letter from Executive Sponsor, Page 4
102-43	General Disclosures	Approach to stakeholder engagement	Letter from Executive Sponsor, Page 4
102-44	General Disclosures	Key topics and concerns raised	Letter from Executive Sponsor, Page 4
102-45	General Disclosures	Entities included in the consolidated financial statements	Grainger at a Glance, Page 5 Fact Book, Page 1 Annual Report, Pages 4-7
102-46	General Disclosures	Defining report content and topic boundaries	About this Report, Page 6
102-47	General Disclosures	List of material topics	Letter from Executive Sponsor, Page 4
102-48	General Disclosures	Restatements of information	Sustaining our Environment, Page 25
102-49	General Disclosures	Changes in reporting	About this Report, Page 6
102-50	General Disclosures	Reporting period	About this Report, Page 6
102-51	General Disclosures	Date of most recent report	About this Report, Page 6
102-52	General Disclosures	Reporting cycle	About this Report, Page 6
102-53	General Disclosures	Contact point for questions regarding the report	About this Report, Page 6
102-54	General Disclosures	Claims of reporting in accordance with the GRI Standards	While Grainger does not make any claims as to the use of external initiatives in preparation of this report, this report makes reference to several of the Global Reporting Initiative's (GRI) Standards for reporting purposes, and our CSR Working Group is working toward a report prepared in accordance with the GRI Standards
102-55	General Disclosures	GRI content index	GRI Content Index
102-26	General Disclosures	External assurance	About this Report, Page 6
Management Approach			
103-1	Management Approach	Explanation of the material topic and its Boundary	Sustaining our Environment, Page 24
103-3	Management Approach	Evaluation of the management approach	Corporate Governance, Pages 12-13
Economic			
201-1	Economic Performance	Direct economic value generated and distributed	Fact Book, Pages 19-20 Annual Report, Page 24
201-2	Economic Performance	Financial implications and other risks and opportunities due to climate change	Annual Report, Page 9
201-3	Economic Performance	Defined benefit plan obligations and other retirement plans	Annual Report, Pages 61-65
205-1	Anti-corruption	Operations assessed for risks related to corruption	Operating Responsibly, Page 8
205-2	Anti-corruption	Communication and training about anti-corruption policies and procedures	Operating Responsibly, Page 8
205-3	Anti-corruption	Confirmed incidents of corruption and actions taken	None, Material items would be disclosed in our 10-K
206-1	Anti-competitive Behavior	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None, Material items would be disclosed in our 10-K
Environmental			
301-1	Materials	Materials used by weight or volume	Operating Responsibly, Page 11
301-2	Materials	Recycled input materials used	Operating Responsibly, Page 11
301-3	Materials	Reclaimed products and their packaging materials	Operating Responsibly, Page 11
302-1	Energy	Energy consumption within the organization	Sustaining Our Environment, Pages 25-27
302-2	Energy	Energy consumption outside of the organization	Sustaining Our Environment, Pages 28-29
302-3	Energy	Energy intensity	Sustaining Our Environment, Page 25
302-4	Energy	Reduction of energy consumption	Sustaining Our Environment, Page 25
302-5	Energy	Reductions in energy requirements of products and services	Sustaining Our Environment, Pages 25-27

DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
Environmental (continued)			
303-1	Water	Water withdrawal by source	Sustaining Our Environment, Page 24
303-2	Water	Water sources significantly affected by withdrawal of water	Sustaining Our Environment, Page 24
303-3	Water	Water recycled and reused	Sustaining Our Environment, Page 24
305-1	Emissions	Direct (Scope 1) GHG emissions	Sustaining Our Environment, Page 25
305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Sustaining Our Environment, Page 25
305-3	Emissions	Other indirect (Scope 3) GHG emissions	CDP Supply Chain Report
305-4	Emissions	GHG emissions intensity	Sustaining Our Environment, Page 25
305-5	Emissions	Reduction of GHG emissions	Sustaining Our Environment, Page 25
306-1	Effluents and Waste	Water discharge by quality and destination	Sustaining Our Environment, Page 26
306-2	Effluents and Waste	Waste by type and disposal method	Sustaining Our Environment, Page 26
306-3	Effluents and Waste	Significant spills	None, Material items would be disclosed in our 10-K
306-5	Effluents and Waste	Water bodies affected by water discharges and/or runoff	None, Material items would be disclosed in our 10-K
307-1	Environmental Compliance	Non-compliance with environmental laws and regulations	None, Material items would be disclosed in our 10-K
308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Sustaining Our Environment, Page 29 Operating Responsibly, Page 9
308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	None, Material items would be disclosed in our 10-K
Social			
403-1	Occupational Health and Safety	Workers representation in formal joint management-worker health and safety committees	Workplace Safety, Pages 16-17
403-2	Occupational Health and Safety	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Workplace Safety, Page 16
403-3	Occupational Health and Safety	Workers with high incidence or high risk of diseases related to their occupation	Grainger has not identified any operations with high incidence or risk of disease related to occupation
404-1	Training and Education	Average hours of training per year per employee	Workplace Safety, Page 15 A Place to Thrive, Page 18
404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	A Place to Thrive, Pages 18-23
404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	A Place to Thrive, Page 19
407-1	Freedom of Association and Collective Bargaining	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Grainger has not identified any operations where the right to freedom of association is at risk.
408-1	Child Labor	Operations and suppliers at significant risk for incidents of child labor	Grainger has not identified any operations where there are significant risks of child labor
409-1	Forced or Compulsory Labor	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Grainger has not identified any operations where there are incidents of forced or compulsory labor
410-1	Security Practices	Security personnel trained in human rights policies or procedures	Grainger has not identified any operations where there are significant risks of human rights violations
411-1	Rights of Indigenous Peoples	Incidents of violations involving rights of indigenous peoples	Material items would be disclosed in our Grainger 2016 Annual Report, 10-K
412-1	Human Rights Assessment	Operations that have been subject to human rights reviews or impact assessments	Operating Responsibly, Page 9
412-2	Human Rights Assessment	Employee training on human rights policies or procedures	Operating Responsibly, Page 8
412-3	Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Operating Responsibly, Page 9
413-1	Local Communities	Operations with local community engagement, impact assessments, and development programs	Serving our Communities, Pages 30-37
413-2	Local Communities	Operations with significant actual and potential negative impacts on local communities	Grainger has not identified any operations where there are significant actual or potential negative impacts on local communities
414-1	Supplier Social Assessment	New suppliers that were screened using social criteria	Operating Responsibly, Page 9
414-2	Supplier Social Assessment	Negative social impacts in the supply chain and actions taken	Grainger has not identified any negative social impacts in the supply chain
418-1	Customer Privacy	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Material items would be disclosed in our Grainger 2016 Annual Report, 10-K
419-1	Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	Material items would be disclosed in our Grainger 2016 Annual Report, 10-K

*This index makes reference to the Global Reporting Initiative's GRI Standards. Although we reference the GRI Standards to provide context to our report, our report has not been prepared in accordance with the GRI Standards





2017 Corporate Social Responsibility Report



Visit www.graingercsr.com for our most up-to-date news.
We welcome your feedback at csr@grainger.com

PHOTO: The Grainger President's Club began in 1988. To earn this honor, one must be 100 percent of goal or higher for at least three consecutive years.

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