



2018
**Corporate
Social
Responsibility
Report**

www.graingercsr.com

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Key Performance Data¹

	2015	2016	2017
GRAINGER AT A GLANCE			
Net Sales, \$ billion	10	10.1	10.4¹
Suppliers	4,800	5,100	5,200
Products Stocked, million	1.4	1.6	1.7
Active Customers, million	3	3.2	3.5
ETHICS AND GOVERNANCE			
Business Ethics			
Percent of team members trained on Business Conduct Guidelines	100	100	100
Board Diversity			
Female Directors, percent	11	11	18
Racial and Ethnically Diverse Directors, percent	22	22	27
SOLUTIONS AND STEWARDSHIP			
North American facility energy consumption, million kilowatt hours	430	401	371
North American CO ₂ e emissions, million metric tons ²	0.14	0.13	0.11
GHG Intensity (MTCO ₂ eGHG/Revenue)	15.1	14.7	12.5
North American water use, million cubic meters	0.64	0.51	0.47
Renewable Energy Produced, million kilowatt hours	5.77	5.47	5.87
U.S. Distribution Center Network Recycling Rate	84.1	84.7	84.8
LEED-certified space, million square feet	3.6	4.2	5.5
Carton to Order Ratio	1.54	1.55	1.57
Environmentally Preferable Products, percent revenue	6.8	5.4	5.1
PEOPLE AND PURPOSE			
Safety			
Lost Time Incident Rate ³	0.3	0.3	0.4
Total Recordable Incident Rate	1.1	1.3	1.4
Workforce Demographic			
U.S. Workforce (total), percent women	— ⁴	—	37.4
U.S. Workforce (leaders), percent women	—	—	29.6
U.S. Workforce (total), percent racial and ethnically diverse	—	—	31.8
U.S. Workforce (leaders), percent racial and ethnically diverse	—	—	23.3
Community Engagement			
Matching gifts contributions, \$ million	2.7	2.2	2.2
Volunteer Corps, volunteer hours	—	—	9,000

¹ For further information on data boundaries and assurance, please see [About This Report](#). ² CO₂e emissions from operations that were under direct operation control as of 2014.

³ Per 100 employees; cases with one or more days away from work per 200,000 hours. ⁴ Did not track in a comprehensive manner until 2017.





A Letter From Our Chairman and CEO

I am proud to share with you Grainger's sixth annual Corporate Social Responsibility (CSR) report, which details the progress on our key citizenship initiatives. This year, you will find new elements in our report that provide greater insights around our volunteer programs, workforce demographics, and materiality at Grainger.

This report looks back at 2017, which was a remarkable year for Grainger. It marked our 90th year of helping our customers keep their operations running and their people safe while creating a company where dedicated, talented people can thrive. We celebrated Grainger's anniversary by embracing our long-standing culture of service and giving. Team members contributed about 9,000 volunteer hours through activities focused on the company's core philanthropic pillars of disaster preparedness and response, education and workforce development.

Our service culture extends beyond the communities in which we live and work—it encompasses our customers too. This makes us unique and is one of the things I am most proud of as Grainger's Chairman and CEO. Every day, our team members build relationships with customers and expand our reputation as a trusted partner. We understand what our customers do and deliver real solutions to their business problems with the highest level of ethics and integrity. That approach and commitment to serving customers in the most efficient way possible also has positive implications on the environment.

For example, when we ship orders in one box, as opposed to many, it significantly reduces the amount of boxes we need overall. As a result, Grainger is able to maintain a lower usage of corrugate and produces lower emissions through our transportation partners. We had a successful year providing value to customers, which we highlight in more detail on [page 6](#).

Also in celebration of our 90th anniversary, we underscored our commitment to advancing inclusion and diversity when I joined other CEOs by taking the CEO Action for Diversity & Inclusion Pledge. At Grainger, we welcome all people and have no tolerance for any type of inappropriate workplace behavior, including harassment, intimidation or abuse. We are committed to continue to have a respectful and inclusive culture where we can be our best, bring our brightest ideas forward and learn from each other. All team members participate in training to support this culture. We also all underscore our commitment each year by signing our business conduct guidelines, which codify the values upon which the company was built.

Finally, I'm honored by the recognition we received in 2017, including:

- Our first inclusion on the Dow Jones Sustainability Index
- A first-place category rank in *Fortune's* "World's Most Admired Companies" for the fifth consecutive year
- Recognition by the U.S. Environmental Protection Agency (USEPA) as a SmartWay® partner
- A perfect score on the 2018 Corporate Equality Index for the fourth consecutive year
- Designation of a Best Place to Work for LGBTQ Equality by the Human Rights Campaign Foundation
- High marks on the 2017 Disability Equality Index (DEI), and
- Designation as a "Best Place to Work for Disability Inclusion" by the American Association of People with Disabilities and the U.S. Business Leadership Network.

These achievements speak to the true character of Grainger team members and our shared commitment to create a culture that delivers real value to all of our stakeholders.

Thank you for your interest in Grainger. We are proud of our progress in 2017 and of our pledge to advance our CSR initiatives in 2018 and beyond.

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

DG Macpherson
Chairman and Chief Executive Officer



A Letter From Our Executive Sponsor

This letter marks my second year as executive sponsor of Grainger's CSR working group.

We made great strides in 2017, including:

- Tracking on target to reduce emissions intensity 33% by 2020
- Celebrating Grainger's 90th anniversary with 2,000 of our team members serving their communities nationwide
- Continuing to outpace the industry average by 60 percent in team member safety in our operations
- Achieving 21 basis points reduction in simple returns in our private label products – signaling an increase in product quality and successful initiatives from our two global testing and engineering facilities.
- Being recognized as a 2017 Best Places to Work for Disability Inclusion on the Disability Equality Index (DEI), which measures how effective companies are with respect to disability inclusion

Our primary objective for 2017 was to examine how CSR delivers value to our stakeholders. With that in mind, perhaps the most important part of our journey in 2017 was engaging in a materiality assessment to define the economic, social and environmental topics that matter most to Grainger and its stakeholders. Through this assessment, we conducted desktop research, competitive intelligence, surveys, focus groups and one-on-one conversations with our customers, suppliers, team members and investors.

We also examined the link between sustainability and the challenges our customers face in keeping their operations running and their people safe. This link isn't always apparent because of differences in customer size and complexity, industry type and our primary customer contact. For example, sustainability leaders discuss efficiency, procurement officers may look for cost reduction, engineers may ask about product quality and plant managers may target productivity. Regardless of the focus of a given customer, Grainger can provide the best solutions to the distinct challenges each customer faces, while educating them about how that solution can also improve their organization's sustainability.

While this materiality assessment was a significant step forward, it is just one part of our 2017 effort. This year's report also includes new metrics designed to provide more meaningful program measurement for Grainger's stakeholders. Most notably, we are now including a breakdown of gender and ethnic diversity of our United States (U.S.) workforce both overall and by leadership; providing a view of our revenue (by percent) derived from environmentally preferable products; and further details around our packaging efficiency. I hope you agree that these points demonstrate a meaningful connection between our CSR efforts and the operations of our business.

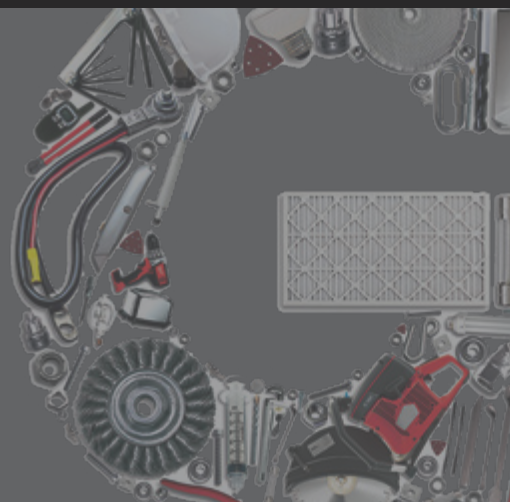
To assist us in meeting the needs of our stakeholders, deepening the meaningful measurement of our program and ensuring the correct strategic direction of Grainger's CSR initiatives, we created a CSR Advisory Council. The Council is a group of senior-level team members who frequently interact with our stakeholders. They provide strategic awareness to the program and encourage developments in transparency throughout the organization. The Council, along with myself and the CSR working group, will leverage the findings of our materiality assessment to set new targets and enhance our strategy in the coming months.

I hope you enjoy reading about our progress this year.

Matt Fortin
Vice President, President Merchandising
& Supplier Management

G Grainger At A Glance

Grainger works to create 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 the challenge.



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ABOUT GRAINGER

Our Business

More than 3.5 million customers rely on Grainger for products in categories such as safety, material handling and metalworking, along with services like inventory management and technical support. Grainger offers nearly 1.7 million quality in-stock products, a consultative sales approach, technical and product expertise, a premium digital experience and the ability to get complete orders to customers quickly to help keep their operations running and their people safe.

Our Reach

Our reach is focused on North America, Europe and Asia.

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 through Grainger Global Sourcing (GGS), our multi-national sourcing business.



1.7 million
Products Stocked

Approximately
25k
Team Members



3.5M+
Active Customers



Approximately
5,200
Key Product Suppliers

\$10.4 billion
2017 Revenue

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Our Strategy

In the large and fragmented Maintenance, Repair and Operations (MRO) industry, Grainger holds an advantaged position with its supply chain infrastructure, broad in-stock product offering and deep customer relationships. The global MRO market is approximately \$570 billion. The most attractive geographies for Grainger are those with high GDP per capita and a developed infrastructure. Consequently, Grainger's strategy is concentrated on growth in North America, Europe and Asia. Each of these core markets has strong growth characteristics: the market is large and the competition is highly fragmented.

Over the past few years, Grainger has seen a shift in market dynamics across the MRO landscape. As digital solutions are becoming omnipresent, value-added relationships and services drive customer loyalty and analytics are required to prove value. There are a number of ways to go to market in this environment. Grainger competes with two models, the high-touch multichannel model and the endless assortment, or single channel, model (see graphic). Competing with these two models allows Grainger to leverage its scale and advantaged supply chain to meet the changing needs of its customers. For more detail on Grainger's strategy visit our [FactBook](#).

About This Report (Scope)

While Grainger's Corporate Social Responsibility (CSR) commitments apply throughout the world, this report is primarily focused on the company's major operations in the U.S. and Canada. These operations currently represent more than 80 percent 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. Since 2011, Grainger has sought third-party 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 since 2014 from Environ International Corporation for its safety reporting process. Finally, Grainger receives ongoing verification of its environmentally preferable SKU designation from UL, Inc. (formerly Underwriter's Labs).

PORTFOLIO PERFORMANCE AND STRATEGIC IMPERATIVES (As of December 31, 2017)

Grainger's high-touch, multichannel model includes its U.S., Canada and International businesses. The single channel online model includes Zoro in the United States and MonotaRO in Japan. Each business has a specific set of strategic imperatives focused on creating unique value for customers.

PORTFOLIO PERFORMANCE

Revenue			
High-Touch Multichannel	U.S.	Large	\$6.2B
		Medium	\$0.9B
	Canada		\$0.8B
	International ²		\$0.9B
Single Channel Online			\$1.3B
Total Company ¹			\$10.4B

STRATEGIC IMPERATIVES

Create Unique Value			
Execute high-value sales and service solutions Build advantaged digital capabilities Complete the pricing actions, grow midsize business Execute complete business model reset Drive profitable growth Drive growth through product assortment expansion and customer acquisition	▶	Deliver an effortless end-to-end customer experience	Improve the cost structure

¹ Total company also includes Specialty Brands, eliminations and unallocated expenses.

² International includes Cromwell, Fabory, Mexico, China and Latin America.



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Our Approach

Our 2018 CSR report details our progress across each of the four pillars of our program: Operating Responsibly, Valuing Our People, Sustaining Our Environment and Serving Our Communities. We have completed a materiality assessment with critical stakeholders to identify which areas of our CSR program provide value to our customers, team members, investors, suppliers and community partners. Through research, competitive intelligence, surveys, focus groups and one-on-one conversations with these stakeholders, we confirmed many of our current areas of focus and gained insight into new ones. We are excited to share our findings below, and are already hard at work integrating these insights into our operations.

The Global Reporting Initiative's (GRI) GRI Standards are the foundation for our annual reporting approach and our materiality assessment. The GRI is an independent international organization that has pioneered sustainability reporting since 1997. They help businesses and governments worldwide understand and communicate their effect on critical sustainability issues such as

climate change, human rights, governance and social well-being. Through this framework, we are able to describe the effect of our operations along the GRI Standard's Core elements of economic, environmental, social and governance.

MATERIALITY ASSESSMENT PROCESS

Identification of Issues The first step in preparing a report with the GRI Standards in mind is identifying material topics. Material topics are those issues reflecting an organization's significant economic, environmental and social challenges or issues that have some substantive influence on the assessments and decisions of stakeholders.

We compiled a list of nearly 100 issues specific to industrial distribution from a number of external resources. We categorized environmental, social and governance issues into four themes: Governance and Ethics, Solutions and Stewardship, Supply Chain and People and Purpose. These themes define the scope of our assessment and will guide future conversations with stakeholders.

STAKEHOLDER ENGAGEMENT

STAKEHOLDER	EXPECTATIONS	OUR RESPONSIBILITY	MEANS OF DIALOGUE
Customers	Help keep our customers' operations running and their people safe	Provide value by Helping to reduce and control MRO costs and increase safety and productivity • Offering great service and support • Delivering the right product when and where it is needed	<ul style="list-style-type: none"> • Sales and Service teams • Customer satisfaction surveys • Focus groups • Online reviews • One-on-one discussions and best-practice sharing
Team Members	Create a company where dedicated and talented people can thrive	Creating a great team member experience and an inclusive workplace • Selecting and developing people who anticipate and create a great customer experience • Equipping and energizing team members to excel amid change • Rewarding and recognizing performance and results	<ul style="list-style-type: none"> • Intranet, web-based internal newsletter • Team member engagement survey • Internal reporting desk (helpline desk) • Education and training • Digital signage • Volunteering opportunities • Townhalls
Suppliers	Offer opportunities for suppliers to grow their businesses	Deepening the collaborative relationship with suppliers • Providing training and guidance to ensure alignment with Grainger social and environmental commitments	<ul style="list-style-type: none"> • Supplier outreach • CDP Supply Chain Questionnaire • Partners in Performance • Supplier Code of Ethics
Investors	Maintain a strong corporate reputation, board governance structure and reporting cadence to increase shareholder value	Operating a strong enterprise that is designed to generate strong earnings and provide a continuous return on investment • Timely and appropriate disclosure of corporate information	<ul style="list-style-type: none"> • Annual shareholder meeting • Quarterly earnings call • Proxy statement and annual report • Investor conferences • Analyst day • CSR Report • One-on-one discussions • Governance roadshow with lead outside director
Community Partners	Conduct initiatives aimed at resolving social issues while providing valuable resources to our communities	Problem-solving engagement • Offering team member engagement with skills-based best practices • Reporting transparently	<ul style="list-style-type: none"> • Volunteer activities • Educational support for the next generation of supply chain leaders • Supply chain resilience activities • Strategic partnerships

Grainger At A Glance

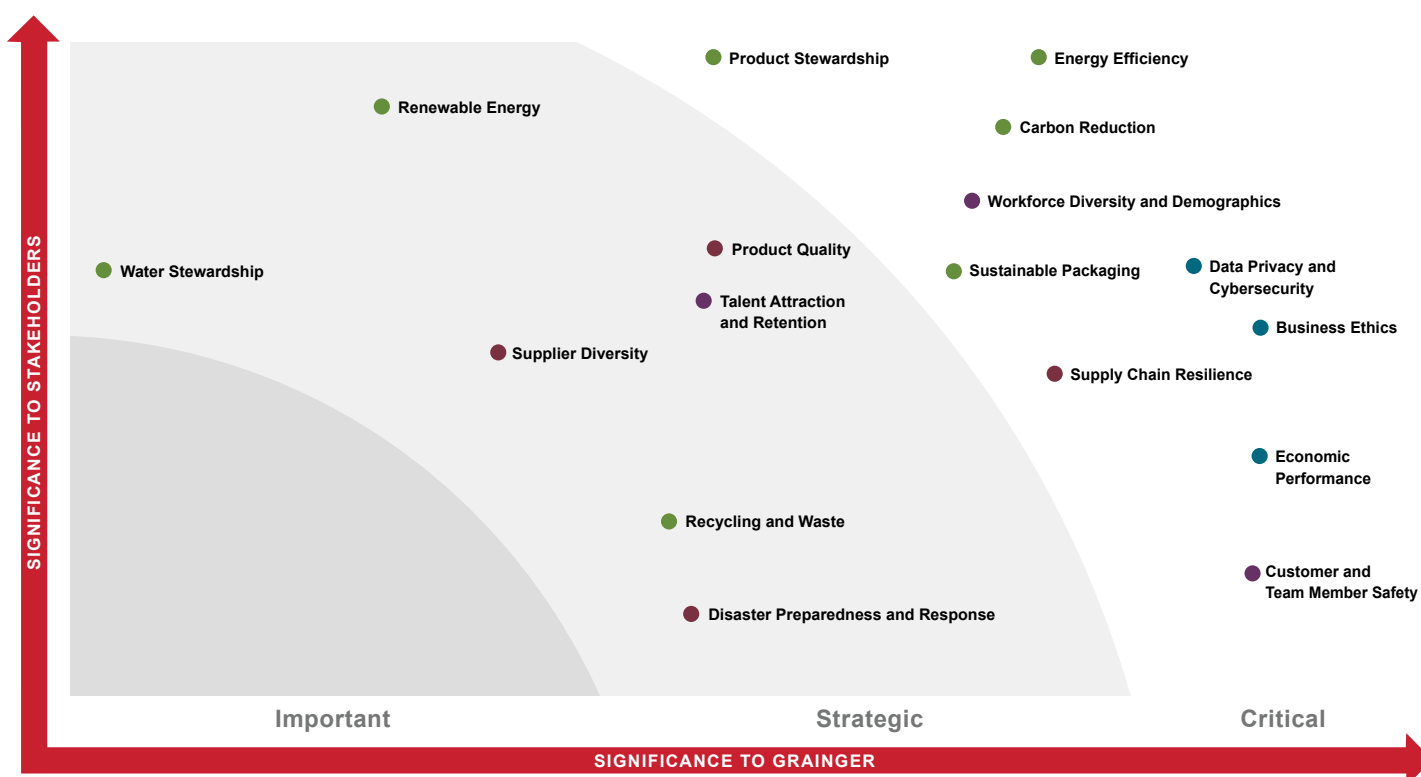
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MATERIALITY MATRIX



GRAINGER CSR PILLARS: ● Governance and Ethics ● Solutions and Stewardship ● Supply Chain ● People and Purpose

This represents a combination of both internal and external perspectives, and takes into consideration factors such as program maturity and the growing requirements of stakeholders in a rapidly evolving environment. All programs are important, though some more mature than others, which influence the results shown here.

Internal Assessment of Business Importance

Once we identified the themes relevant to Grainger, we considered our customers' needs, the scope and breadth of an issue, probability of risk and magnitude of effect, brand reputation, regulatory concerns, and affect to the communities where we live and work.

Stakeholder Engagement After identifying the topics we considered most material to Grainger, we engaged with internal and external stakeholders including team members, customers and suppliers to confirm the subset of material topics and to determine the relative significance of each topic within the subset. Our objectives were to ensure representation from every part of our value chain, to accurately reflect stakeholder interests and priorities and to prioritize issues important to

stakeholders. In addition, we had one-on-one discussions with analysts and investors and distributed surveys among stakeholder groups we couldn't reach individually. We have already incorporated the feedback into our operations.

Materiality Matrix and Value Chain Map We used the findings of our materiality assessment to map the prioritized topics in a matrix. Understanding the impact of our business throughout the life cycle of the solutions we offer is critical to developing a comprehensive approach to CSR. This view offers insight into where issues matter most, while also helping to prioritize where we need to influence performance. This view creates a shared understanding of how we are improving supply chain efficiency, while providing greater value to our customers.

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A LOOK ACROSS OUR VALUE CHAIN



		SOURCING			SALES & SERVICE		DISTRIBUTION		CONSUMPTION
		Point of origin for our packaging, supplier data, private label or nationally branded products			Creating unique value and ensuring an effortless customer experience		Storing and moving our products to customers		Customers keeping their operations running and their people safe
		Raw Materials	Grainger Choice Suppliers	National Brand Suppliers	High Touch	Single Channel	Operations	Transportation	Customer
GOVERNANCE & ETHICS	Business Ethics • Anti-corruption • Fair dealing • Harassment-free workplace • Conflicts of interest • Government contracting • Public policy	●	●	●	●	●	●	●	●
	Cybersecurity		●	●	●	●	●	●	●
	Digital Security		●	●	●	●	●	●	●
	Economic Performance		●	●	●	●	●	●	●
SOLUTIONS & STEWARDSHIP	Carbon Reduction	●	●	●	●		●	●	●
	Energy Efficiency		●	●	●	●	●	●	●
	Product Stewardship • Environmentally Preferable Product • Product Lifecycle	●	●	●	●	●			●
	Renewable Energy						●		
	Recycling and Waste	●	●	●	●		●	●	●
	Sustainable Packaging	●	●		●	●	●	●	●
	Water Stewardship	●	●	●	●	●	●		●
SUPPLY CHAIN	Supply Chain Resilience • Supplier code of ethics • Supply chain continuity • Supplier monitoring • Supplier performance	●	●	●	●	●	●	●	●
	Product Quality	●	●	●			●	●	●
	Disaster Preparedness & Response	●	●	●			●	●	●
	Supplier Diversity	●	●	●					●
PEOPLE & PURPOSE	Customer & Team Member Safety	●	●	●	●	●	●	●	●
	Workforce Diversity & Inclusion • Pay Equity • Workforce demographics				●	●	●		
	Talent Attraction and Retention				●	●	●		

Our materiality process identifies the sustainability topics most relevant to our company, from the view of our internal and external stakeholders. In accordance with GRI Standard 103 - Explanation of the material topic and its Boundary, we've highlighted our most material topics and indicated where and how they affect our value chain.

Value chain maps display the primary activities and stakeholders associated with sourcing, selling and consuming a company's services and products. This form of mapping allows us to see where our material topics affect our value chain. While many of these material topics are related to activities that occur within Grainger's direct operations, some have implications throughout our entire value chain. The graphic above shows the boundary of each of our material topics.



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KEY FINDINGS FROM OUR MATERIALITY ASSESSMENT PROCESS

Continuing Engagement The interest in Grainger's Environmental, Social and Governance (ESG) profile suggests a need for greater communications on sustainability objectives and deeper engagement with stakeholders to address sustainability challenges and opportunities.

Customer Data Privacy As technology evolves, the customer experience may be enhanced through the use of personal data. With that enhancement, new considerations arise for organizations like Grainger in processing that data and in operating in observance of applicable regulatory requirements and meeting customer expectations.

MRO Solutions Stewardship Differences in customer size and complexity, industry type and our primary customer contact can make the link between the evolution of sustainability and the challenges our customers face a moving target. Our customers believe we have an opportunity to strengthen that link and create a distinct positive global sustainability effect with our products and services.

Inclusive and Diverse Culture Our customers span the globe and represent every demographic group, and we best serve them when our workforce reflects their diversity. Diversity helps us better understand the different needs of our customers and deliver products and services that improve their daily lives. To give our stakeholders greater visibility to the diversity of our workforce, we learned there was value in releasing the demographic data for our workforce.

Thought Leadership As suppliers continue to innovate environmentally preferable product, Grainger is uniquely positioned to use its expertise and leadership to engage with suppliers to help identify and scale policies and solutions that help reduce greenhouse gas emissions and further the circular economy.



Forward

WHAT'S COMING IN OUR 2019 REPORT

As Grainger evolves, our CSR report should evolve, too. That's why we conducted a materiality assessment this year, and that's why our four pillars will change in our 2019 report.

Look for the Forward section at the end of each pillar for a sneak preview as to how the report will adjust in 2019.

**Operating
Responsibly**

Valuing Our People

**Sustaining Our
Environment**

**Serving Our
Communities**



**Governance
and Ethics**

**Solutions and
Stewardship**

Supply Chain

**People and
Purpose**



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.



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Supplier Diversity Maximizing Product
Supplier Scorecard Quality in our Private
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OUR APPROACH

At Grainger, trust, ethics and integrity are at the core of everything we do. This shapes our customer interactions, the stewardship of our supply chain and the governance of our business.



100% Completed

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

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 require significant confidence in our team members, and they consistently display a commitment to exemplary conduct. The philosophies outlined in our Business Conduct Guidelines and Supplier Code of Ethics are brought to life in our collaborative and inclusive culture that fosters a positive and productive work environment.

[>>Learn More About Grainger's
Commitment to Ethics](#)

Stewardship in the Supply Chain

Distributors who deliver products worldwide face complex challenges. Products, materials and substances must be safe for team members, customers and the environment. Data and content on products help businesses stay compliant, and also provide valuable knowledge and insights to protect the environment, and the health and safety of workers and consumers.

[>>Learn More About Grainger's
Commitment to Ethical Standards
in its Supply Chain](#)

Corporate Governance

Governance at Grainger is built around the long-term interests of our shareholders and is supported by the commitment of our Board of Directors to monitor and provide counsel to our leaders in their efforts to create shareholder value.

[>>Learn More About Grainger's
Commitment to Proper Corporate
Governance](#)



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**Anti-Bribery &
Anti-Corruption**



**Supplier
Code of
Ethics**



**Conflict
Minerals
Policy**



**Federal
Compliance
Training**



**Environmental
Health & Safety
Policy**

COMMITMENT TO ETHICS AND INTEGRITY

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, guidelines specific to customer segments (such as our healthcare and public sector segments) and geography may be required for operations.

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 Business Conduct 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.

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.

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.



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STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics

Grainger works with thousands of suppliers to offer more than 1.7 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. 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, which includes applicable Grainger policies, transportation requirements and the Supplier Code of Ethics. All suppliers must agree to abide by these rules and confirm this by signing a Supplier Agreement Letter.

Supplier Diversity

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



Small and Diverse Suppliers Grainger started its Supplier Diversity Program in 1999 to assist in growing this sector of the economy while helping customers get their jobs done with quality products made by small, women, minority, disabled, veteran and LGBT-owned businesses. Grainger offers thousands of items from Certified Supplier Diversity businesses to more than a million of Grainger's U.S. customers through its catalog and distribution channels.

Improving Supplier Communications

In 2017, our supplier contracts team implemented a comprehensive indirect & direct source-to-pay solutions database, which will provide us enhanced technological and data capabilities for managing our supplier base.



This database is a win-win: it provides our team members powerful capabilities around our supplier reporting process providing the most updated information available and retrieving the supplier small and

diverse designation more easily. Also, it provides our small and diverse suppliers with compliance-based reminders, like when to update their small and diverse certifications.



Distributor Alliance Program Since 2006, the Distributor Alliance (DA) Program has helped customers support Diverse Business Enterprises while consolidating maintenance, repair and operating purchases. More than 50 DA members resell the full 1.7 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.



Operating Responsibly

COMMITMENT TO ETHICS AND INTEGRITY

Business Conduct Guidelines
Ethics Training
Anti-Bribery and Corruption

STEWARDSHIP IN THE SUPPLY CHAIN

Supplier Code of Ethics
Supplier Diversity
Supplier Scorecard
Ethical Sourcing
Maximizing Product Quality in our Private Label Brands

CORPORATE GOVERNANCE

Governance at Grainger
Corporate Social Responsibility Governance

Supplier Scorecard

Supplier Performance Management plays an integral role in Grainger's strategic objectives by driving suppliers' operational performance to deliver flawless orders to our customers. Each day, the team works with our supplier base of approximately 5,200 suppliers to improve operational performance, educate on Grainger's shipping requirements, and drive compliance on replenishment purchase orders heading into our network and drop ship orders delivered directly to our customers.

We monitor each partner's performance with a monthly balanced scorecard and 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.

Partners in Performance Partners In Performance is an annual Grainger event sponsored by our Vice President and President, Merchandising and Supplier Management, designed to recognize and celebrate top performing suppliers, as well as to educate and inform the supplier community about Grainger's key initiatives and strategy. The 2017 event was a great success and built upon the foundation of value suppliers provide to Grainger and our customers.



PHOTO: Members of the Merchandising and Supplier Management team visit a Chicago landmark in Millennium Park.

GRAINGER'S ETHICAL SOURCING PLATFORM



Human Rights



Labor



Environment



Anti-Corruption

Ethical Sourcing

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.

Conflict Minerals As a distributor of hundreds of thousands of branded and private label products manufactured by companies located around the world, we are invariably many levels removed from the beginning of our supply chain. 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.



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Maximizing Product Quality in our Private Label Brands

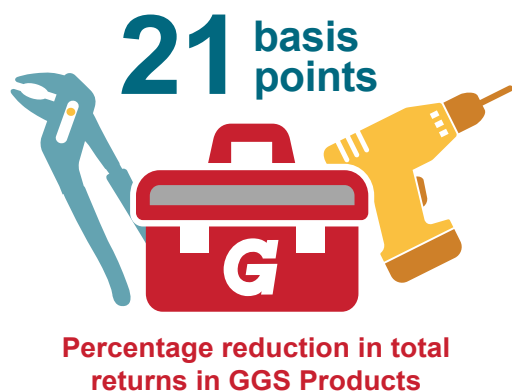
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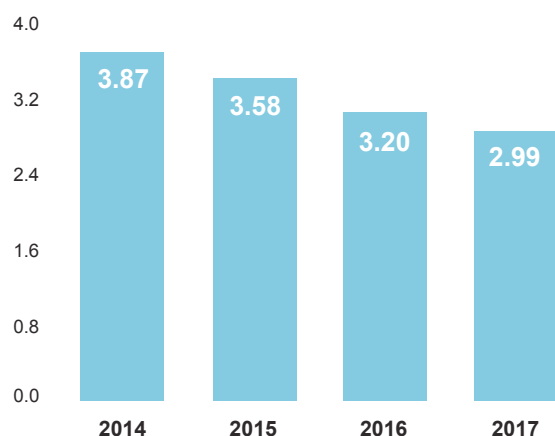
Maximizing Product Quality in our Private Label Brands

Our multinational sourcing business includes two global testing and engineering facilities. The teams in these facilities focus on maintaining the high quality of our private label brand products. Our Return Rate performance, over the past four years, reflects the effectiveness of the testing and engineering teams' focus on driving improvements in Total Returns of private label brand products.

Return Rate Performance We measure private label brand quality through the return rate of those products. Product return rate is calculated as a percent of total return dollars over cost of goods sold (COGS). In 2016, overall performance was 3.20 percent. Our 2017 performance, at 2.99 percent, was favorable by 21 basis points over 2016, with COGS remaining flat from 2016 to 2017.



TOTAL RETURNS AS A PERCENT OF PRIVATE LABEL COGS



Simple Return Improvements

INITIATIVE >> In August, we began communicating with a top five customer to better allocate and forecast orders as an effort to reduce their Traffic Safety Vest and I-Beam/Column Protector simple returns. At the time, 2017 YTD simple return dollars were up 80% compared to 2016.

EFFECT >> Since this communication, the sales team has worked with this customer to create a listing of building types and a recommended Bill of Materials forecast to create a consistent, standard ordering schedule. This leads to less excess material being ordered, hence less returns requested and processed.

QUALITY RETURNS AS A PERCENT OF PRIVATE LABEL COGS



INITIATIVE >> In the summer of 2017, our team identified an error in a customer's Electronic Data Interchange (EDI). A discrepancy in the pack quantity of knit gloves ordered resulted in over orders, a spike in return dollars and overall waste in their supply chain. By working directly with their purchasing team, we identified the discrepancy, corrected their ordering system, and mitigated the downstream impact.

EFFECT >> Since this correction, return dollars in this category are down 91%.



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CORPORATE GOVERNANCE

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 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.

Board Qualifications, Attributes and Background

Grainger is committed to a diverse, experienced and vibrant Board. Our Board is currently comprised of 11 directors of varying experience and background, including two new directors appointed in 2017. As a result of the Board's ongoing refreshment efforts, we added directors with expertise in the technology and digital space, as well as in leading corporate social responsibility initiatives for a global business. Our two newest directors, Beatriz Perez and Lucas Watson, have enhanced the diversity of our Board in addition to bringing their valuable perspectives and experiences.

HIGHLIGHTS OF CORPORATE GOVERNANCE PRACTICES*

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

*For more information, see [Grainger's Corporate Governance fact sheet](#)

"The Board of Directors oversees and supports Grainger's commitment to being a good corporate citizen. Part of being a good corporate citizen is advancing shareholder interests through involvement with the communities the Company serves and promoting a sustainable environment."

STU LEVENICK
LEAD DIRECTOR, GRAINGER





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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 CSR program.

Structure and Strategy The CSR Working Group, established in 2014, is led by our Vice President, President Merchandising and Supplier Management and is composed of leaders and subject matter experts in targeted functional areas. These individuals lead programs that support initiatives within our four pillars (Operating Responsibly, Valuing our People, Sustaining our Environment and Serving our Communities) and are responsible for implementing programs to drive progress toward our CSR goals. In 2017, we added two new members to the working group bringing expertise in data privacy, disaster relief and response, and environmentally preferable product procurement.



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 our CSR program including environmental sustainability and community engagement. It conducts this review on an annual basis, with information provided by the CSR Working Group.

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

In 2017, we launched the CSR Advisory Council, a small group of senior-level team members who frequently interact with customers, investors, suppliers, or have direct line-of-sight to the revenue-generating parts of the business. The group's primary objectives are to provide strategic awareness to the program and to encourage developments in transparency throughout the organization. Adding team members in the areas of risk management, data privacy, corporate governance, and large contract sales and marketing strategy, the Council will work to enhance our unique value for customers, while supporting Grainger as responsible stewards of our business. The Advisory Council represents a meaningful step forward in our CSR and corporate citizenship efforts in a way that is authentic to our organization.

Forward

WHAT'S COMING IN OUR 2019 REPORT

- Operating Responsibly will become Governance and Ethics
- Subjects will include Business Conduct Guidelines, Team Member Compliance Training, Board Governance, Data Privacy and Cybersecurity, Grievance Reporting
- For Ethical Sourcing and Sustainable Packaging, see Solutions and Stewardship





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

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Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Total Rewards
An Inclusive and Diverse Culture

OUR APPROACH

At Grainger, we believe only the highest performing teams — teams that maximize the power of different opinions, perspectives and cultural insights — will succeed in providing stakeholder value in a rapidly changing market. Foundational to this is the safety, engagement, development, diversity and inclusiveness of our culture.

Workplace Safety

Grainger is committed to providing a safe work environment and ensuring team members are properly trained in all aspects of their work.

[>>Learn More About Workplace Safety](#)

Team Member Experience

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.

[>>Learn More About Our Team Member Experience](#)

Inclusion and Diversity

At Grainger, we value and respect the diversity of our individual differences. Our inclusiveness is about leveraging our differences to realize better business results. It is about creating an environment that reflects the value we place on the individual strengths team members bring to work each day.

[>>Learn More About Inclusion and Diversity at Grainger](#)



5,285

Operations team members completed safety training

"If we put safety first, we keep ourselves, our colleagues and our loved ones out of harm's way. ¡Don't wait until it's too late! Make every day count for you and everyone around you - BE SAFE"



LUIS JAVIER GIL VILLARREAL
LÍDER ENVIRONMENTAL HEALTH AND SAFETY, GRAINGER MÉXICO



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WORKPLACE SAFETY

Grainger's Environmental, Health and Safety Program (EHS) is designed to integrate EHS initiatives into all aspects of business operations.

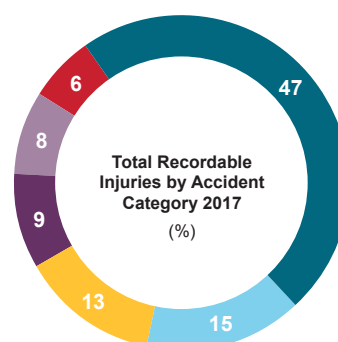
The program encompasses five key components:

- 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 throughout the year and recognize achievements.



60%

better performance
on LTIR than industry
average



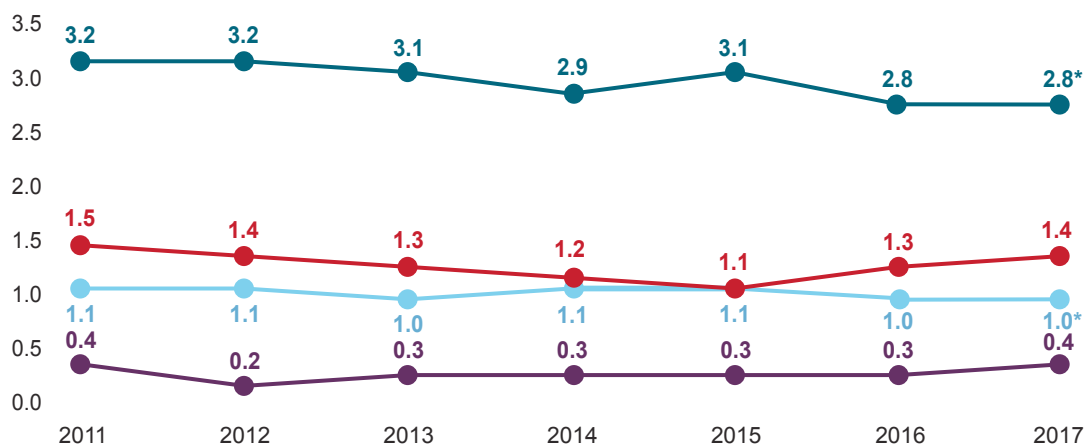
- Sprains / Strains
- Slips, Trips and Falls
- Struck by or Caught in Between Object
- Cuts / Lacerations
- Foreign Body / Allergic Reaction / Bruises
- Other

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.

Safety Performance

The safety of those in our facilities is a top priority. We continue to make strides in safety across our business, trending 60 percent above the Bureau of Labor and Statistics (BLS) U.S. Wholesale Industry Average for Lost Time Incident Rate (LTIR). Repetitive motion sprains and strains are the greatest source of injury in our facilities in the U.S.

U.S. TOTAL RECORDABLE CASE RATE



*Projected rate as BLS has not yet published official rates

HIGHLIGHT

In 2017, Jacksonville DC worked without a lost time accident (LTA) with more than 2,000,000 hours.

- U.S. Wholesale Industry Average TRIR
- Grainger Total Recordable Incident Rate (TRIR) Performance
- U.S. Wholesale Industry Average LTIR
- Grainger Lost Time Incident Rate (LTIR) Performance



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We continue to align and standardize safety programs across our operations through our 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 completed implementation in the UK in 2017.

Near Miss Events A Near Miss Event is an unplanned event that did not result in an injury but had the potential to do so. Collecting near-miss reports helps us create a culture that identifies and controls hazards, which will reduce risks and the potential for harm to Grainger team members before an injury occurs.



Grainger managers
conducted
nearly 17k
behavior-based
observations
in 2017

Safety Training One of our top priorities is to ensure our team members get home safely at the end of each work day. That means 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 every team member has the knowledge they need. During 2017, our managers conducted nearly 17,000 behavior-based observations and our team members spent nearly 20,000 hours training on safety policies and procedures.



20k hours

Grainger team members spent nearly 20,000
hours training on safety policies and procedures

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.

Safety Assessments In 2017, to further differentiate Grainger as a leader for safety solutions, we completed comprehensive self-assessments in 36 branches. The assessments covered topics such as basic hazards, material handling, emergency preparedness, waste disposal, risk and risk management. Results of these assessments are communicated to branches leaders and Environmental Health and Safety executives, with follow-up, accountability and closure of actions are delineated in a corrective action plan for each branch.

Safety Culture

Our EHS program is driven by engaged team members who are committed to maintaining a strong culture of safety. Each Grainger U.S. distribution center has a dedicated Area EHS Manager who helps ensure operations are safe and effective. The company's Global EHS 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 key initiatives that provide team members with opportunities to be active participants in safety processes. These include:

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



2.5

Average training
hours per operations
team member in 2017



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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. Safety committee meetings are held 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 walk 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.

In 2017, 178 team members participated in safety committees across 10 DCs and 3 master branches, representing approximately 5% of the operational team member population.

178

Team Members Who
Participated in
Safety Committees



Watch my Back, Please! Studies by the [National Safety Council](#) suggest that engaged business units have significantly fewer safety incidents than units with lower team member engagement. With this in mind, we rolled the campaign out in our U.S. DCs in Q1 2018. The program, designed to increase team member awareness and engagement around safety initiatives and ergonomic procedures, provides a fun and approachable framework for mutual accountability. Team leaders facilitate conversation in stand-up meetings with team member suggestions for watching each other's backs for safety throughout the workday.

Aligned with OSHA voluntary protection programs, which promote effective worksite safety and health through cooperative relationships, our campaign satisfies a critical part of any safety culture: encouraging team members to own their safety and the safety of their fellow team members.



+80%

onboarded into our
contractor safety program

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. Contractors provide important services to the company but may be unfamiliar with their surroundings. Through 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 147 contractors onto our EHS Management System.

Systems and Partnerships



Partnerships Grainger remains as 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 grow and mobilize our team members to grow and succeed.

Streamlining talent management activities within Grainger has been a focus since launching the Global Talent Excellence Suite (GTES) in 2013. Providing team members and leaders with one, easy-to-use tool for all talent related activities drives productivity and creates efficiencies across the business. In 2017, two additional modules were added to the GTES: annual compensation planning and learning management. Annual compensation planning is now managed through the tool, creating an enhanced pay-for-performance process and ensuring top talent is recognized and rewarded.

LATAM Leadership Recognition

Rudy Juarez has been honored as a 2017 Business Leader of Color by Chicago United, an organization that helps advance multiracial leadership in corporate governance, executive level management and business diversity in Chicago. Rudy, along with 49 other honorees, was recognized for the effect made at Grainger and the broader business community.

Rudy has been Vice President of Latin America & Export since October 2016 and is part of the Grainger International Leadership Team. He has helped prioritize profitable growth and high standards of ethics and integrity in key geographies and has direct responsibility for Mexico, Caribe and Export. Rudy's leadership has helped us increase the effectiveness of sales teams, focus on the right metrics and invest in what customers' value the most in these markets with high-growth potential.



RUDY JUAREZ
VICE PRESIDENT,
LATIN AMERICA & EXPORT

"It's an honor to receive this recognition and it's great that our company continues to be highly respected for having an inclusive culture where dedicated, talented people can thrive."

GRAINGER TEAM MEMBER EXPERIENCE





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279,520+
total number of non-operational training hours
completed by team members in 2017

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 skills training or leadership training, Grainger offers more than 1,300 courses through our Learning Management System and more than 800 courses through our mobile learning platform for sales, formal mentoring opportunities and on-the-job development. Through these resources, team members can grow in their current roles while developing skills for the future. In total, Grainger team members completed more than 279,520 non-operational training hours in 2017. The average number of training hours per team member was 11.3.

1,300+

classes offered
through learning
management system



800+

course offerings
through sales mobile
learning platform

In 2017, Grainger transitioned to a new Learning Management System (LMS) within GTES. This enhancement links learning to other talent excellence systems to drive an integrated and simplified team member experience. The LMS module was implemented in Canada in the first half of 2017, with the remainder of North American and parts of Asia to go live in early 2018.

TEAM MEMBER PARTICIPATION IN LEADERSHIP TRAINING PROGRAMS



This new LMS integration will provide our team members with an enhanced experience and capabilities, including a refreshed look and feel, convenient access through a cloud-based system and broader opportunities to grow and develop through just-in-time learning solutions. The new GTES module will increase collaborative learning across the business, expand the total learning repository and enable all countries to leverage and localize content.

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 and
- 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.

Grainger continues to be committed to leadership effectiveness as part of its people strategy. This includes our people leader effectiveness goal, the upward feedback survey and accelerating participation in leadership programs. Of the 2,276 leaders eligible to participate in 2017, 87 percent received a report, based on the requisite number of respondents to ensure confidentiality. 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.



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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.

DEVELOPMENT PLANNING AND CAREER MANAGEMENT

Team members are encouraged 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 role and 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 who work in different functions, and self-assessments allow team members to discern opportunities that might be a strong fit.

Women in Leadership

Grainger recognizes the value of diverse talent and provides opportunities for individuals to attend external programs to continue their growth and development. High potential women had the opportunity to take part in a multi-dimensional Leading Women Executives Program, as well as a number of programs through the Executive Leadership Council.

Leading Women Executives is a leadership program for high-potential female professionals that focuses on three critical elements for success: organizational support, leadership skill building, and ongoing networking. This year, Grainger sent 3 team members to this program. Erin Ptacek, Director of Internal Communications, shared her experience.



ERIN PTACEK
DIRECTOR, INTERNAL
COMMUNICATIONS

“Participating in the Leading Women Executives program provided me a meaningful opportunity to advance and extend my leadership development both internally and externally. Having the ability to network with and learn from other women professionals while also gaining valuable insight from the program curriculum and speakers created a very enriching experience.”



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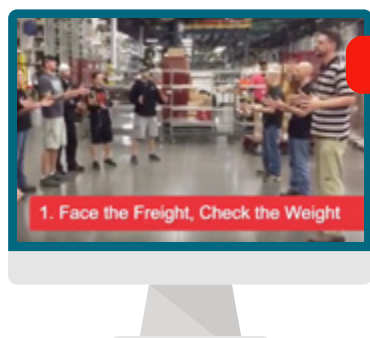


Total Rewards

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 Total Rewards programs that offers flexibility and choice, and the opportunity for our team members to actively participate in the benefits that are most important to them and their families.



Our Total Rewards programs are designed to meet the diverse needs of our team members and support their health and well-being, financial future and work-life balance. We encourage our team members to take charge of their health and create their own wellness journey. Team members are given access to health plan resources which include disease management, tobacco cessation, maternity support, stress management and weight loss programs with access to online support communities, 24-hour virtual health services and many other resources so they can get timely health-related advice.



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



PHOTO: We encourage team members to bring their entire selves to work. In 2017, as part of our well-being initiatives, we expanded our workplace dress policy to include "dress for your day", reflecting a more casual atmosphere.

In addition, we provide retirement savings, paid holiday and time off, educational assistance and income protection benefits as well as a variety of other programs to U.S. team members.

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.

Grainger Creates a Great Team Member Experience

In 2017, we traveled to 20 of our largest facilities to conduct the Total Rewards Roadshow, 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 awareness, engagement, utilization and program and plan participation
- Create a closer, personal connection between team members and the Total Rewards program; and
- Help team members understand the tools and resources available.



Valuing Our People

WORKPLACE SAFETY

Safety Performance
Safety Culture
Systems and Partnerships

A PLACE TO THRIVE

Team Member Experience
Total Rewards
An Inclusive and Diverse Culture



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

An Inclusive and Diverse Culture

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.

Training 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.

The Asian Pacific Islander BRG

The mission of the Asian Pacific Islander Business Resource Group (API BRG) is twofold:

- >> To unlock the full potential of API team member talent, drive cultural awareness within Grainger and drive business results.
- >> Market Grainger to the API community (internal and external) as a great place to work, where API team members thrive and add significant value to the business and the community.



PHOTO: It's at this long-running Chicago community event where the Grainger dragons were well represented in the 2017 Chicago Dragon Boat Race for Literacy.

In 2017, the API BRG hosted events including: Cross Connections Development Event for 600+ team members; Junior Achievement Day at Grainger with mock interviews, job shadowing and leadership panels for 30 students; Asian Heritage Month events in partnership with other area company BRGs; Drove community presence through involvement in our Dragon Boat Program in four cities across the U.S.; Contributed to customer value generation through translation services.



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Business Resource Groups (BRGs) Grainger has eight 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
- Disability
- Equality Alliance
- Generational
- Latino
- Veterans and Military Supporters
- Women's

Approximately 3,500 U.S. team members participate in the BRGs thanks in large part to our BRG Roadshow, designed to attract new members. 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 work-force 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.



\$65,000+

Donations from Grainger Business Resource Groups

In 2017, the BRGs contributed more than \$65,000 in donations and volunteered more than 1,100 hours with 14 different organizations including One Million Degrees, Uhlich Children's Advantage Network, i.c. stars and Junior Achievement. Many of these volunteer initiatives include mentoring opportunities. Internally, Grainger also has a BRG Mentoring Program, which includes more than 160 team members, serving as role models and inspiration for students. >>[Learn more about the BRG Community Fund](#)

BRG volunteering included:



22

volunteer
projects



1,100

volunteer
hours



200+

volunteers



14

nonprofit organizations
supported

The Latino BRG

The Latino BRG is leading the pack in terms of chapter development and field involvement with 18 total chapters, seven new chapters created in 2017. Additionally, the Latino BRG was involved in a variety of community efforts including: CIS-Communities of Schools Gala in Houston; Local college fair benefiting high school students and families in New York city; Latino Student Fund Gala in Washington DC. They also held an event in Mira Loma, CA for Hispanic Heritage Month for development of top talent Latinos/Latinas across the company.



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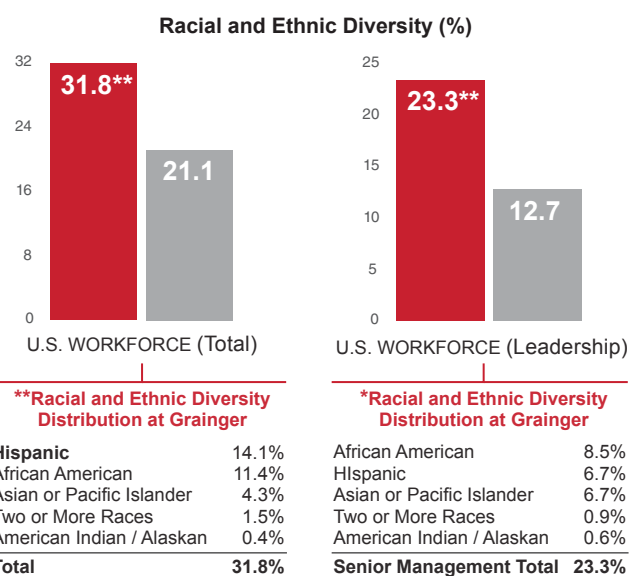
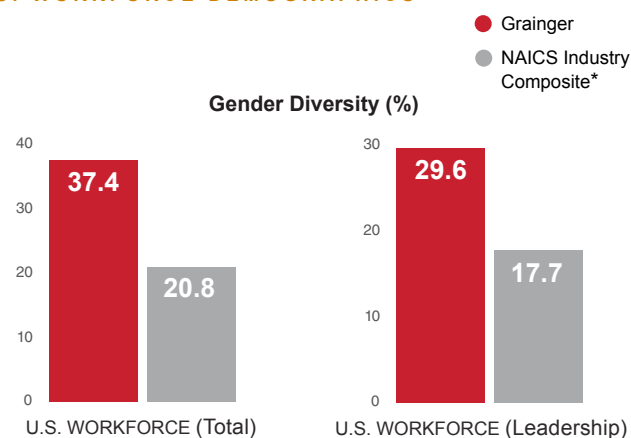
A Commitment to Advance Diversity In 2017, a group of more than 150 CEOs, including Grainger's DG Macpherson, signed the [CEO Action for Diversity & Inclusion](#), the largest CEO-driven business commitment to advance diversity and inclusion in the workplace. By signing on to this commitment, CEOs are pledging to take action to cultivate a workplace where diverse perspectives and experiences are welcomed and respected.

With that commitment in mind, our 2017 report marks an important milestone in our CSR story. This year's report provides additional insight into the diversity and inclusiveness of our organization by delivering insights on our diversity performance. We believe that the development of an inclusive workforce is essential to our success. To better serve those stakeholders, we are working to improve our performance every year.

Global Workforce In 2017, Grainger employed approximately 25,000 people worldwide: 77 percent of our team members are based in North America, 12 percent in Europe, 6 percent in Asia Pacific and 4 percent in Central and South America.

U.S. Workforce Demographics In 2017, Grainger's workforce was 37.4 percent women overall and 29.6 percent women in leadership positions. Also, Grainger's workforce was 31.8 percent racial and ethnically diverse team members overall and 23.3 percent racial and ethnically diverse leaders. According to the *2015 Job Patterns for Minorities and Women in Private Industry EEO-1 National Aggregate Report*, our current performance outpaces the NAICS Industry Composite for both digital and industrial distributors.

U.S. WORKFORCE DEMOGRAPHICS



* Source: 2015 Job Patterns for Minorities and Women in Private Industry EEO-1 National Aggregate Report
** Total numbers may not add precisely due to rounding.

US BLN Going for the Gold

Since 2014, Grainger has partnered with the U.S. Business Leadership Network (USBLN) as part of their Going for the Gold Initiative. Going for Gold connects participating corporate partners with USBLN subject matter experts and unites them around disability inclusion through leading practices and tools. Since the partnership began, we've hired 277 team members with disabilities, an increase of 857 percent. Earning a score of 80 percent, we have been recognized as a 2017 Best Places to Work for Disability Inclusion on the Disability Equality Index, which measures how effective companies are with respect to disability inclusion. We are proud of this recognition and look forward to further strengthening Grainger as a Great Place to Work for everyone.





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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.

Strategic Alliance Partnerships We actively recruit from, and maintain relationships with several strategic alliance partnerships. Strategic alliances are critical to Grainger's success. In 2017, Grainger built new and built on previously existing strategic alliances with 10 organizations to build our reputation as a top employer for diverse talent. Since 2014, Grainger has hired more than 270 team members through 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
- Out and Equal
- Recruit Military
- National Association of Asian American Professionals
- Ascend
- Blacks in Tech



2017 Awards and Recognition

- ✓ **Fortune Most Admired Companies: #1 in Diversified Wholesalers**
- ✓ **HRC Corporate Equality Index 4th consecutive year**
- ✓ **North America Dow Jones Sustainability Index**
- ✓ **#17 on HR Executive Magazine's Most Admired in HR List**
- ✓ **2017 Executive Leadership Council Ambassador Company**
- ✓ **Newsweek.com Top Green Companies in the U.S. 2017**
- ✓ **FTSE4Good Member Company**
- ✓ **Fortune's 2018 World's Most Admired Companies 5th consecutive year**
- ✓ **2017 Disability Equality Index**
- ✓ **Best Places to Work for Disability Inclusion**
- ✓ **2018 Best Company to Work for Millennials by The Women's Choice Award**
- ✓ **Working Mother Mexico Best Companies 2017**
- ✓ **Mexican Center for Philanthropy (Cemefi) and the Alliance for Corporate Social Responsibility's (AliaRSE) Distinctive ESR® 2018 award, 4th consecutive year**
- ✓ **Black Enterprise's 2018 List of Top Executives in Corporate Diversity**

Forward

WHAT'S COMING IN OUR 2019 REPORT

- Valuing Our People becomes part of People and Purpose
- Subjects include Health and Safety, Performance Management, Leadership Development, Inclusion and Diversity
- Metrics include EHS Safety, Talent Attraction and Retention, Team Member Diversity





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.



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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.

We help our customers with their sustainability journey by offering the right products and lending our expertise around services and solutions that are more sustainable. In addition to helping our customers, we are identifying new opportunities for Grainger to integrate and sustain sound environmental practices in our own operations and the operations of our customers.

Our Operations

We primarily focus our efforts where we can have the most influence. Grainger's distribution centers (DCs) account for roughly 34 percent of our operational square footage 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 meet this need. We currently offer more than 72,000 environmentally preferable items 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 materials management. 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. We collect data and share best practices in sustainability across our value chain by engaging our suppliers through the CDP Supply Chain Program.

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



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Grainger maintained the A- CDP score for three years in a row

Climate Change Disclosure

We recognize that climate change is a significant global issue. The company is taking steps to reduce 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.

Dow Jones Sustainability Index Grainger, recognized for its corporate sustainability leadership, debuted in 2017 on the North American Dow Jones Sustainability Index. The Dow Jones Sustainability Indices are a family of global benchmarks for corporate sustainability, tracking companies based on investment firm RobecoSAM's analysis of financially relevant environmental social and governance factors. Currently, Grainger is the only industrial distributor in the North American Index.

ENERGY EFFICIENCY

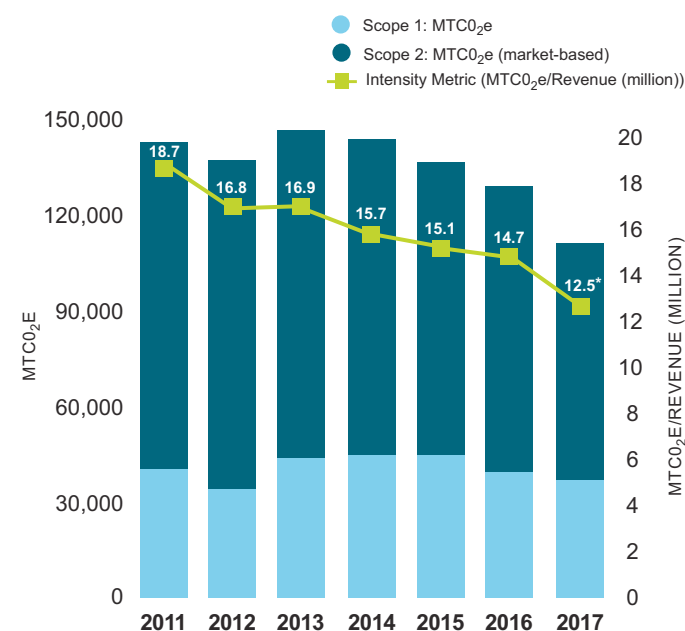
Greenhouse Gas Emissions (GHG)

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 strategies in our supply chain through collaboration and increased 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. Since 2011, we have reduced Scope 1 and Scope 2 emissions by nearly 22 percent. In 2017, our Scope 1 and 2 GHG emissions were 110,654 metric tons. To help offset these emissions we generate renewable, zero emissions energy and participate in green energy procurement.

Intensity Target In 2013, Grainger became the first industrial distributor to set a GHG reduction goal. Our target is to reduce our North American Scope 1 and Scope 2 GHG emissions intensity per unit revenue 33 percent by 2020. The goal was

SCOPE 1 AND SCOPE 2 EMISSIONS WITH INTENSITY



*For 2017 data, Grainger updated the Scope 2 eGRID Emissions Factors for the United States from eGRID2014 (Year 2014 Data) to eGRID2016 (Year 2016 Data). Based on the previous year's usage this resulted in a reduction of approximately 5,596 MT of CO₂e, or 4% of Grainger's GHG emissions in 2016. (5,596 MT CO₂e/128,572 MT CO₂e)*100 = 4 (Grainger's 2016 scope 1 and scope 2 emissions equals 128,572)

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 W.W. Grainger, Inc. in the U.S., Grainger Mexico and Acklands- Grainger in Canada. Starting in 2015, Grainger improved its calculations to include all North American business within operational control after 2014. We verified only our U.S. data through a third party in 2011. Therefore our baseline year calculations include estimates for Acklands-Grainger and Grainger Mexico. We calculated these estimates using the average of 2012 and 2013.



designed to be achievable, yet challenge our operations to identify innovative ways to operate more efficiently. We are right on our target, and have reduced MTCO₂e/Revenue intensity to 12.5, a 33 percent reduction since 2011. Our 2020 goal focused Grainger on doing business the right way by investing in 5.3 MW of renewable energy and energy efficiency through the installation of Building Management Systems (BMS). To drive progress toward this goal, our GHG target is included in the performance appraisals for our corporate sustainability team. In addition, energy reduction projects reduce utility expenses and improve operating expenses, indirectly affecting profit sharing for U.S. team members.



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Energy Use We continue to invest in key facility enhancements, engage employees, and incorporate sustainability principles and continuous improvement into our real estate footprint. Grainger's facilities account for about 90 percent of our annual energy use in North America. We focus our efforts to improve energy efficiency in our largest buildings, including corporate offices and DCs.

Renewable Energy We are committed to doing business the right way and embed sustainability into our operations wherever feasible. In total, Grainger currently has 5.3 MW of solar panels installed on the rooftops of its DCs. These systems have met all energy generation and financial expectations, have minimal maintenance requirements, provide a reliable monthly financial benefit and offer a significant percentage of energy independence, lowering operational risks.

SOLAR PRODUCTION

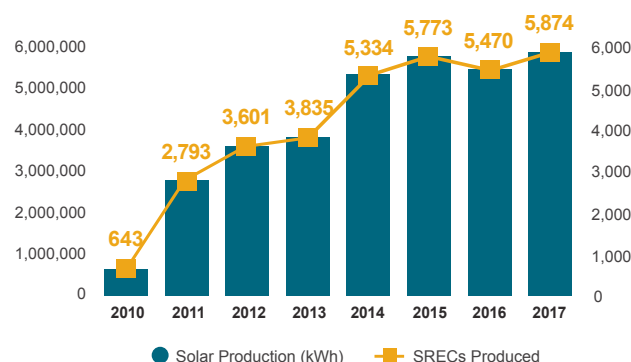


PHOTO: A combination of natural and LED lights provide the right mix of lighting sources

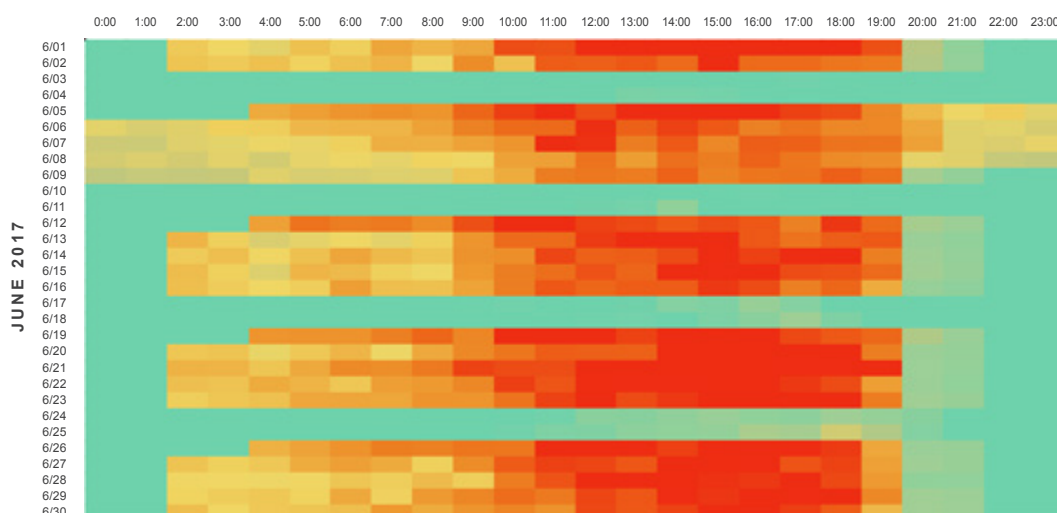
Facility Performance Optimization

In 2017, in order to help benchmark and standardize opportunities across our network, we conducted deep dive energy audits on 4 of our 10 major DCs in North America. We discovered commonalities among energy loads and batteries, HVAC systems, lighting, conveyor systems and air compressors, to name a few. All of these areas offered strategic opportunities for long-term efficiency gains. We then rolled out our discoveries to our branch network and corporate and administrative facilities, with similar success. Additionally, we found it to be very effective to implement comprehensive building management systems in key locations, update to LED lighting and other turn-key solutions with great return on investment timeframes, and various other initiatives.

ENERGY HEAT MAP

This graphic represents one month of energy usage at our Jacksonville DC. The red represents the highest kW energy usage peak, or demand peak, for a given day. Heat maps like this one help us discover outliers in DC energy use and optimize our facilities to conserve resources and reduce cost.

- 90th Percentile 714.7 kWh
- 50th Percentile 475.5 kWh
- 10th Percentile 95.0 kWh





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5.5M square feet

**LEED-certified space through 17
North American Grainger facilities**

In 2017, Grainger celebrated the grand opening of its new DC in Bordentown Township, N.J. (NEDC) The 1.4 million-square-foot facility stocks more than 300,000 items and allows the company to deliver more products by the next day to customers in the Northeast. The DC runs on state-of-the-art distribution technology enabling real-time order processing. A 4.3 megawatt solar panel system was installed on the facility's roof. This system included 13,000 high efficiency SunPower solar panels that generate on average about 40 percent of the DC's annual electricity requirements, which is equivalent to 1.6 percent of Grainger's North American carbon footprint. In early 2018, the U.S. Green Building Council (USGBC) approved LEED GOLD certification for the NEDC. This project will not only reduce annual operational expenditures significantly, but it will also play a key role in helping us meet our GHG reduction goals. This project will not only reduce annual operational expenditures significantly, but it will also play a key role in helping us meet our GHG reduction goals.

We consider investments in renewable energy on a case-by-case basis as part of new project plans. Our decisions to invest often occur in locations where we can offset energy use, improve operational efficiency and create a return on investment.

Building Management Systems Our BMS are the primary means through which Grainger achieves its energy efficiency goals. When operating optimally, they allow facility managers to provide the proper working environment while minimizing Grainger's energy costs. Effective utilization allows us to extend the operational life of equipment and systems through reduced energy consumption and operating hours. As a result, maintenance and capital costs are reduced, and less embedded energy is consumed through equipment replacement and upgrades.

Currently, 14 of our largest facilities have either been built with or retrofitted with BMS. On average, Grainger has realized a 10 to 15 percent reduction in energy use and expenses at its facilities after installing BMS.



10-15%

**Reduction in energy use
and expenses at Grainger facilities
after installing BMS**

LEED Certification Grainger has been a member of the U.S. Green Building Council (USGBC) since 2007, and remains committed to building Leadership in Energy and Environmental Design (LEED) certified facilities. We use the USGBC's LEED certification programs to guide best practices for the design, construction and operation of our facilities. Since 2008, we have made a commitment to build all new corporate projects to meet LEED standards, and seek certification under rigorous third party reviews. It's proven that LEED-certified buildings use 25 percent less energy with a 19 percent reduction in aggregate operational costs in comparison to non-certified buildings. Grainger currently maintains 5.5 million square feet of LEED certified space through 17 North American facilities, representing 24 percent of Grainger's total square feet in North America. This includes the first LEED certified building in the MRO industry, the first LEED certified DC in Monterrey, Mexico, the largest LEED-CI Platinum project of 2015, and the world's first LEED V4 data center.



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PACKAGING PERFORMANCE

Ship Complete Given our 90 years of experience and more than 100,000 transactions a day, we understand the purchasing habits and buying behaviors of our customers. We know how they purchase online at home is different than at work. While a general consumer shopping for personal products at home may be fine with a staggered approach to completing a multi-product order, that same person has a completely different mindset at work when all of the products need to be there together to complete a critical project.

Grainger strives to ship all items in an order in one box and on the same or next day, depending on customer needs. Internally, we refer to this practice as “ship complete.” This approach and commitment to serving customers in the most efficient way possible also has positive implications on the environment. Ship complete reduces the amount of boxes we need overall, thereby increasing energy efficiency and producing fewer emissions through our transportation partners.



Grainger boxes are fully recyclable, made from 43% post-consumer content

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, we introduced Supplier Packaging Guidelines to our U.S. and GGS suppliers to encourage them to take sustainability into account when making packaging decisions. The guidelines

include best practices to help reduce damage and waste while maximizing recyclable materials. For example, the iconic Grainger boxes are fully recyclable, made from 43% post-consumer content and certified by the Sustainable Forestry Initiative.

In 2016, all U.S. Grainger DCs 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-loop

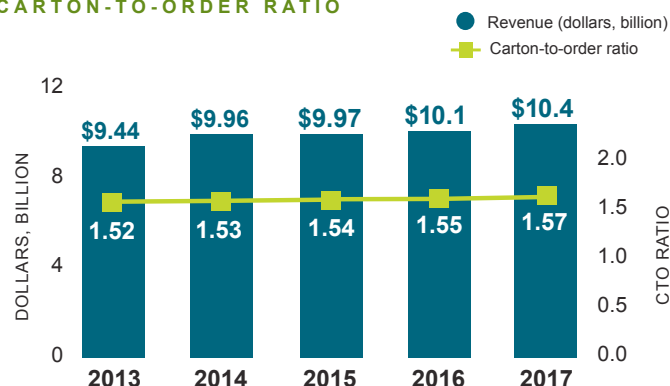
water system that produces no municipal wastewater. The transition was a win-win-win: a cost saving for Grainger, easy to recycle for our customers and better at protecting our product.

In select DCs, we have transitioned to a custom wrapping solution that employs automated technology to provide right-sized packaging for oversized items, reducing the overall amount of packaging required. We continue to expand our use of plastic air pillows as dunnage for small parcel shipments, of which most are bio-degradable (non-oxo-salt containing material), and, in 2016, we transitioned to a high-efficiency film air pillow, which helps reduce overall plastic use.

Packaging Performance Grainger's DCs are dedicated to reducing corrugate usage and packaging and freight expenses. We measure packaging and corrugate efficiency by tracking the number of boxes we send over the number of orders we receive. This data point, called carton-to-order ratio (CTO), helps us understand the positive effect that shipping orders containing multiple items in one box can have on our environment.

Company initiatives, such as pricing changes and adjustments to order routing logic, favor shipping orders in one box. Nevertheless, slight increases in CTO are expected, given the effect these initiatives may have on the way DCs experience volume. An increase in customer orders and products per order may require additional cartons. However, when mapped against increases in volume, CTO has remained relatively flat YoY.

CARTON-TO-ORDER RATIO





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Recycling and Waste

By standardizing recycling practices and sharing best practices across our network, we are continually improving the recycling rate in our U.S. DCs. 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 U.S. DCs routinely recycle upwards of 84 percent of what would otherwise be waste streams. To that end, in 2017 we began to lay out a longer-term strategy and framework for how to achieve landfill-free operations in our DCs.

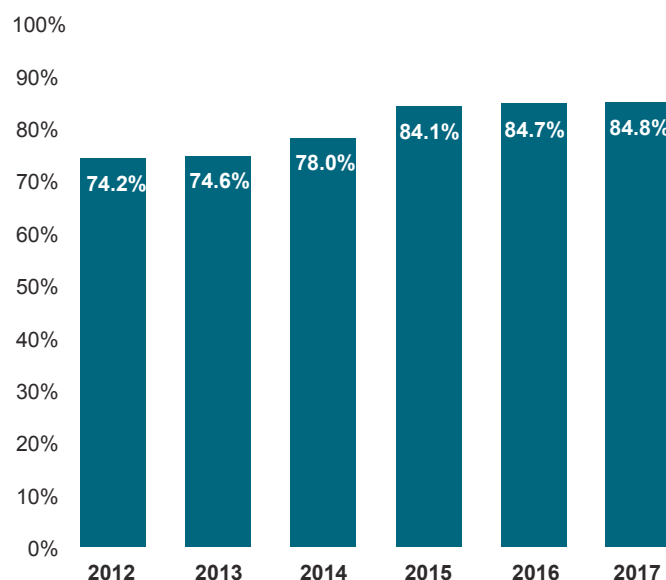
To maintain a high level of accountability in our materials management process, the sustainability team shares monthly reporting with the DC teams and members of the operations leadership team. Local DC facility managers also have recycling rate as part of their annual performance goals.

Resource Efficiency

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 landscaping irrigation at our largest facilities. Grainger's total water consumption in the U.S. in 2017 was 467,840 cubic meters.

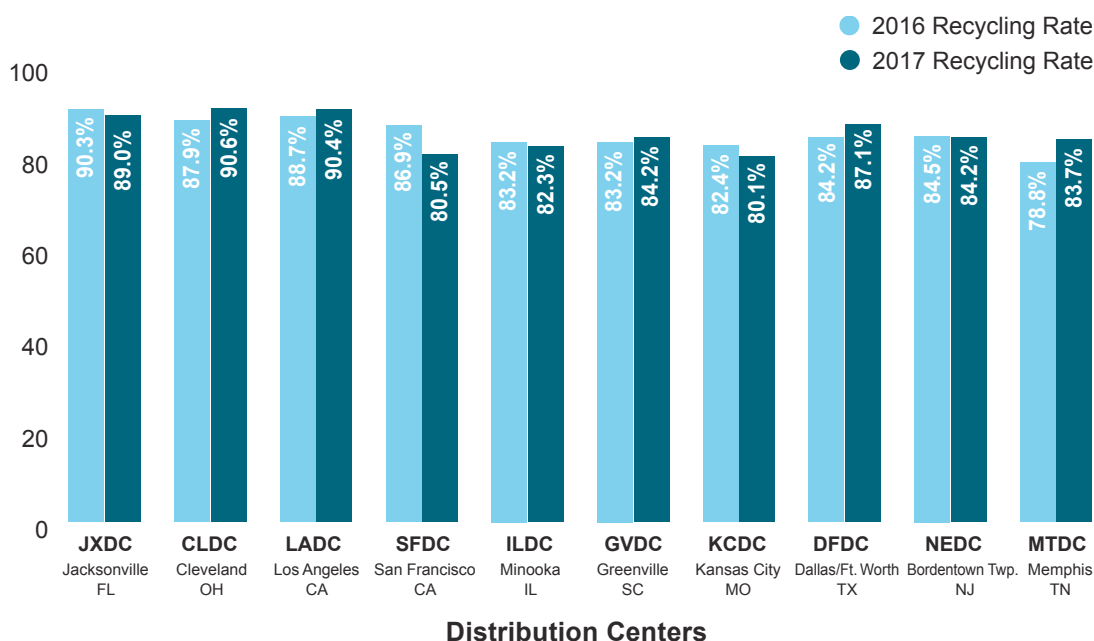
DC NETWORK RECYCLING RATE

(Amount of waste diverted from a landfill)



Since our sustainability team began to partner with our DCs to focus on recycling, we have improved our overall recycling rate by more than 14%.

DC RECYCLING RATE



HIGHLIGHTS

- The DC network recycling rate finished 2017 at 84.8 percent.
- Memphis DC saw the highest improvement with a 5 percent increase in their 2017 recycling rate.
- The recycling rates at Cleveland, Los Angeles, Dallas, and Greenville also improved in 2017 vs. 2016.
- Cleveland DC finished at 90.6 percent for best in class, with Los Angeles DC and Jacksonville DC close behind.



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Helping Customers Reach their Sustainability Goals

We work to create a more sustainable workplace for our customers and our communities through our Environmentally Preferable Product (EPP) Portfolio. We offer our customers one of the largest green SKU counts in the industrial distribution market, providing more ways to reduce energy consumption, conserve water, reduce waste and improve indoor air quality. In addition the company offers data-driven EPP analytics to our customers helping them track, report and grow their green spend. Similarly, we equip our customer-facing team members with training, sales tools and marketing support so that they can help customers achieve meaningful progress towards their sustainability goals and initiatives.

In 2017, we launched a cross-functional CSR Working Group sustainability sub-team with representatives from product management, external affairs and sales that focuses on assisting customers with their EPP procurement goals and promoting EPP solutions. This sustainability service and operations team brings collective experience in managing environmentally preferable product certifications and attributes, reporting, measurement, regulatory compliance and marketing of EPP solutions.

Environmentally Preferable Products (EPP) and Services



Each product in our EPP is designated by a green leaf on Grainger.com®, and comes with its own specific set of attributes or certifications highlighted in the technical spec section on the website. The green leaf icon guides customers toward more environmentally preferable solutions. Products identified with this leaf fall into two categories—those that are certified by independent organizations and those that have “green environmental attributes.” A certification acts as a stamp of approval and indicates that a product has met certain environmental standards around attributes such as “energy efficient” (ENERGY STAR) or “low toxicity” (Green Seal). Attributes are environmental qualities or features tied to a specific product. We ask our suppliers to provide these attributes or certifications, and our external partner, UL Environmental Inc., verifies the viability of the attribute to the product.

GRAINGER EPP PORTFOLIO



Manage Energy

Measure use, control effectiveness and output, and reduce consumption of various types of energy

ELECTRICAL
LIGHTING & CONTROLS
HVAC / R | STEAM
COMPRESSED AIR



Conserve Water

Monitor use, filter impurities, recycle and reduce consumption of water resources at “point of use,” behind the wall, and outdoors

PUMPS, VALVES | FITTINGS
METERS | FIXTURES
PLUMBING EQUIPMENT
FILTERS



Reduce Waste

Facilitate recycling and decrease landfill growth through recycled content

RECYCLING EQUIPMENT
PAPER & PACKAGING
SORBENTS



Improve Indoor Air

Create cleaner air within facilities through lower VOC's filtration, and natural products

CLEANERS | AIR FILTERS
CLEANING EQUIPMENT
OFFICE PRODUCTS
PAINTS / COATINGS



Sustaining Our Environment

OUR APPROACH

Our Operations
Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas
Emissions
Recycling and Waste
Resource Efficiency

OUR PRODUCTS

Helping Customers Reach
their Sustainability Goals
Environmentally Preferable
Products (EPP) and Services
Sustainability Training

OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation



\$532M+

**Sales of Green Product
(2017)**

In January of 2015, Grainger established a new portfolio of sustainability related services. In 2017 we expanded this portfolio of value-added services, which largely leverages the experience and expertise of our Grainger Energy Services Team. We also work with our network of partners in some instances to help our customers achieve

their sustainability goals. The range of services includes site audits, payback analysis, utility rebate assistance, and recycling of replaced product. For example, Grainger can help facilitate a free lighting audit for customers considering a large interior or exterior lighting project. The audit consists of a site walk-through, fixture count, energy audit, return on investment, payback analysis, utility rebate assistance and applications (photo metrics), if applicable.

We continuously review our EPP for opportunities to provide tailored solutions to customers with sustainability and EPP procurement goals. Our EPP Portfolio offers more than 72,000 SKUs, including 33 certifications and 45 attributes. In 2017, sales of environmentally preferable products totaled more than \$532 million, which represents approximately five percent of our revenue.

72k+

**Environmentally
Preferable Products**



Sustainability Training

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



434

**Team members
who received some
form of training on
sustainability at Grainger
(2017)**



In addition to our leadership development program, we are taking steps to improve the level of sustainability expertise in customer-facing roles. Grainger released a Sustainability Sales Guide for our account managers and customer service professionals in October 2017 to improve offer awareness by outlining our sustainability value-proposition. In addition, we developed a formal sustainability training program for all new account manager learning paths. Our objective is to bring greater value to sustainability-related customer engagements, assist customers in meeting their sustainable procurement goals, and take costs out of their business.

In 2017, we launched recycling training in our DCs as a part of new member onboard and orientation.

Lastly, through a variety of online tools and resources, we provide our team members with a vast array of learning opportunities they can explore at their own pace.



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Our Products
Our Supply Chain

OUR OPERATIONS

Greenhouse Gas
Emissions
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Resource Efficiency

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OUR SUPPLY CHAIN

Supply Chain Stewardship
Transportation

CDP SUPPLY CHAIN SUPPLIER PERFORMANCE

Through our partnership with the CDP we were able to collect information about best practices in our supply chain. The graphic below shows the impact our supply chain has made by investing in sustainable technologies and practices.



\$26.5M

Emissions Reduction
Investments



85M mtCO₂

Total CO₂
Reduction



\$11M

Average 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. For the second year, we are engaging with our 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. In 2017, we received responses from 126 of our largest vendors, an increase of

more than 50 percent of suppliers from our pilot year. In total, our suppliers' efforts reduced 85 million metric tons of CO₂ resulting in more than \$11 million in average savings for their respective businesses.

Transportation

Grainger relies on a network of third-party carriers for its transportation needs. The company works closely with these providers to continuously identify opportunities to maximize

efficiency and minimize fuel use. Grainger continues to be the only industrial supplier to be recognized by the U.S. Environmental Protection Agency (USEPA) as a SmartWay® partner. The program provides a forum for the USEPA and businesses to collaborate in order to improve the environmental efficiency of their supply chains' transport by reducing GHG emissions and other air pollution.

Forward

WHAT'S COMING IN OUR 2019 REPORT

- Sustaining our Environment will now be Solutions and Stewardship
- Subjects will include efficient operations, packaging efficiency, customer solutions and product stewardship
- Metrics will include resource stewardship, product impact and lifecycle, continuity and solutions and translating efficiency into sustainability
- For supply chain stewardship, see Supply Chain



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 driven by 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

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EDUCATION AND WORKFORCE DEVELOPMENT

Giving
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LOCAL CIVIC AND COMMUNITY ENGAGEMENT

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OUR APPROACH

Grainger works to support long-term resilient communities. Our community affairs efforts focus on disaster preparedness and response, education and workforce development and local and community engagement. We leverage the thought leadership of our executives, the at-the-ready spirit of volunteerism of our Business Resource Groups, our team members' depth of knowledge in supply chain operations and our 90 years of experience with the communities where we live and work to help drive social benefits across North America. We work collaboratively with our community partners through a combination of resources including in-kind donations, team member volunteerism and our 3:1 matching gifts program.

\$24M+

Grainger contributed
more than \$24 million
in total corporate
giving in 2017



Disaster Preparedness and Response

As the threat of disaster intensifies, disaster philanthropy must evolve radically in order for communities and economies to thrive. Organizations well-versed in supply chain and logistics, like Grainger, have a unique obligation to provide support when disasters occur. We combine years of experience, the knowledge and capabilities of our Corporate Emergency Response Team and the partnership of the Red Cross to deliver products and financial support before, during and after natural disasters.

[>>Learn More About Disaster Preparedness and Response](#)

Education and Workforce Development

We believe at the heart of opportunity lies education. As the world evolves, the need for education becomes increasingly important. Grainger is dedicated to helping those who desire an education, so they can better themselves, their families and those around them. We are proud of the education and workforce development progress we support, but we are most proud and inspired by those who endeavor to achieve more and strive for a better tomorrow.

[>>Learn More About Workforce Development and Education](#)

Local Civic and Community Engagement

Led by our industry-leading 3:1 matching gifts program, our local engagement pillar provides team members with the opportunities to direct support and in-kind donations to the organizations their communities value most.

[>>Learn More About Local Civic and Community Engagement](#)



Serving Our Communities

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DISASTER PREPAREDNESS AND RESPONSE

As most agree, disasters around the world are increasing in frequency and severity, predominantly due to climate change. The economic and social effect of these events is predicted to reach unprecedented levels within the next four decades. Overwhelmingly, corporate gifts are directed to immediate disaster relief, as opposed to risk reduction before disasters or recovery efforts after. Despite the fact that the number of natural disasters continue to rise, disaster relief accounts for only two percent of overall corporate giving. In fact, more than five times as much relief is spent on immediate disaster response versus reduction or recovery globally.

Grainger provides service and support to communities affected by regional, national and global emergencies. Through these disasters, we have acted as trusted partners to restore the resilience of our communities. Grainger has been there, time and time again, to provide our customers and communities with a consolidated source for critical supplies and equipment needed to prepare, respond and recover. We assist first responders, first receivers, private sector organizations and non-profit partners with a wide range of emergencies. We seek to continually improve our response capabilities based upon lessons learned from each recovery effort.



Grainger has given more than \$18 million to the American Red Cross since the partnership launched

American Red Cross

Pride in service, our products and our supply chain expertise make us a natural leader in disaster preparedness and response. For that reason, we have been a long-time partner of the Red Cross. In fact, Grainger has donated more than \$18 million in cash and product to the American Red Cross since 2001, and the Canadian Red Cross since 2009. Grainger offers

the broadest product portfolio in the preparedness market. The product categories presented are based upon recommendations from authorities including FEMA, the Centers for Disease Control, the U.S. Department of Health & Human Services, the Department of Homeland Security and the American Red Cross.

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 disasters during their time of greatest need. Through our partnership 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.



PHOTO: In 2017, Cyndee Wehrheim logged 478 volunteer hours for the Red Cross.



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\$250K

Donation to the **American Red Cross Annual Disaster Giving Program®** for Hurricane Harvey, Maria and Irma



Hurricane Harvey / Irma Response

Hurricane Harvey made landfall as a category-4 hurricane near Rockport, TX. As the storm tracked toward landfall, Grainger activated the Corporate Emergency Response Team for briefings every morning and afternoon including weekends. Supply chain teams quickly repositioned critical supplies within the Grainger distribution network of branches and regional DCs. Grainger's Roanoke DC, located near Fort Worth, played a central role in the distribution of supplies throughout response and recovery operations. Grainger transportation managers expedited deliveries in coordination with state, county and local emergency offices. Grainger supplied 10 truckloads of Meals Ready to Eat and bottled water to support evacuation shelters.



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

The Future of Disaster Philanthropy The United Nations has said that every dollar invested into disaster preparedness saves \$7 in disaster aftermath. As a supporter of the American Red Cross Annual Disaster Giving Program® (ADGP), Grainger invests in disaster relief before the disaster occurs, ensuring the Red Cross can pre-position supplies, secure shelters, maintain vehicles and train volunteers nationwide.

In 2017, we committed to the \$1 million level of ADGP support for the American Red Cross. These funds were used to provide for activities like smoke detector distributions and installations, increased volunteer engagement opportunities and the sponsorship of local emergency response vehicles.

Through our partnership with the American Red Cross, we delivered \$250,000 worth of in-kind donations to the affected areas in Texas, Florida, California and Puerto Rico. Also, our team members rallied, packing 2,500 comfort kits benefiting those living in shelters in Texas, Florida and California. The kits included basic necessities such as toiletries, wash cloths and more.



168
VOLUNTEERS



420
HOURS



2,500
KITS

168 Volunteers Packed 2,500 Kits
Totalling **420 Hours** for **American Red Cross**
National Preparedness Month



Serving Our Communities

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1,900+ Volunteer Hours

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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.

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 U.S. by 2020. Grainger supports the campaign 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 68,000 donated by Grainger thus far, and more than 332 lives have been saved, including 97 in 2017 alone.



68,000+

Total Number of Smoke Alarms
Grainger has Donated (to date)

Ready When the Time Comes® Volunteer Profile

In 2017, Laura Lacher and her daughter participated in the Sound the Alarm Event in Waukegan. They conducted disaster planning with a resident and local fire chief.



PHOTO (TOP, FROM LEFT): Hannah Swanson, Laura Lacher, Andrew Masters, Waukegan Fire Department Firefighter Justin Johnson PHOTO (BOTTOM): Laura Lacher (pink hat)

"I left the Sound the Alarm Event with a sense of pride resulting from the time we spent in our community; and for Grainger's role in partnering with the Red Cross and Fire Department to make this community support happen. I think that more Grainger team members should participate."

LAURA LACHER, EXECUTIVE ASSISTANT



Serving Our Communities

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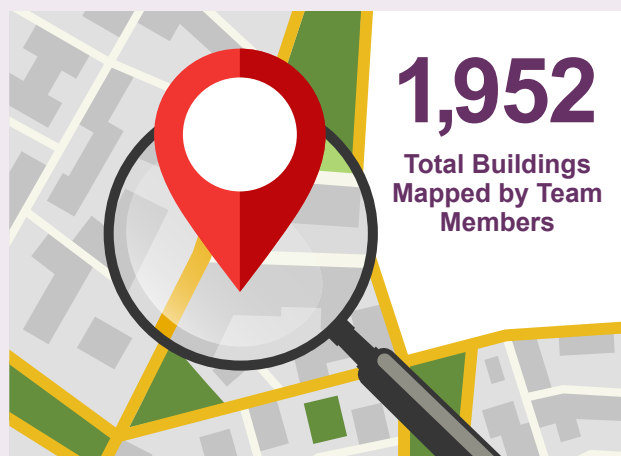
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Putting the World's Vulnerable People on the Map

Disasters around the world kill nearly 100,000 and affect or displace 200 million people each year. Many of the places where these disasters occur are "missing" from any map and first responders lack the information to make valuable decisions regarding relief efforts. Missing Maps is an open, collaborative project in which our team members help to map areas where humanitarian organizations are trying to meet the needs of vulnerable people.



In 2017, Grainger partnered with the American Red Cross on its Missing Maps Project. During Grainger's inaugural "map-a-thons", team members used their computers to identify buildings and infrastructure in "unmapped" areas across the world to provide the Red Cross and emergency responders with better access in times of disaster. After the mapping session, volunteers were equipped to continue mapping on their own to provide additional support. Through our efforts this year, 41 team members provided 1,980 edits to disaster recovery areas and mapped 1,952 buildings, including locations in Puerto Rico, to assist in hurricane recovery efforts.



\$300k+

Donations to Large
Disaster Events

MISSING MAPS AREAS OF MAPPING



Puerto Rico

Mapped to Assist Hurricane
Maria Relief Efforts





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ROAD THROUGH OUR 90TH YEAR

In honor of the company's 90th anniversary, team members throughout the U.S., rolled up their sleeves to support their local communities. In addition to giving back to their communities individually, many groups incorporated volunteering as part of team meetings and family events. While some team members volunteered in the community, others did so onsite at or around a Grainger facility. In total, more than 2,000 team members contributed about 9,000 hours of volunteer service.

Tree Planting

April

More than 55 Grainger top sales team members from around the world – known as “President's Club” partnered with Jean-Michel Cousteau's Ambassadors of the Environment and volunteered to plant trees in Maui.

March**Nutrition Kits**

We kicked off the 90th with our first-ever onsite volunteer activity at the annual Grainger Show, which brings our team members, suppliers, and customers together over a few days in Florida. During the Show, 60-plus team members packed 900 nutrition kits to support underserved students in Central Florida. Grainger partnered with A Gift for Teaching to distribute the completed kits to two schools in Central Florida.

Chicago Cares

June

Over 50 team members painted Nicholson Technical Academy, a Chicago Public School, as part of the Chicago Cares Annual Serve-A-Thon.

May**Food Drive**

Oklahoma City Food bank gained the help of 12 Grainger volunteers who sorted and loaded 17,160 pounds of food at the local post office as part of the Letter Carrier's Food Drive.

Individual Volunteering

August

Team members also volunteered individually, during the year, serving more than 1,700 hours collectively. One team member volunteered as a guardian for a 94-year-old WWII Army veteran on an Honor Flight to Washington, DC.

July**Teacher Appreciation**

Grainger incorporated volunteerism in our annual family picnic in Illinois – 40 team members, family and friends packed 800 teacher's appreciation kits filled with supplies that were distributed to teachers in Illinois serving Lake County and Chicago Public Schools.

Leadership Volunteering

September

Our leaders rolled up their sleeves during the company's annual Grainger Forward meeting convening Grainger executives from around the world in our Lake Forest, IL, HQ campus. 90 leaders packed 900 Red Cross comfort kits to support those survivors of Hurricane Harvey and Irma who were living in shelters. This is the first time the company added a volunteer project to the annual meeting agenda.

September**Homeless Shelter**

More than 50 members of the African-American BRG across seven states rallied to support Covenant House, a homeless shelter for youth, by providing job readiness skills development and life coaching.

Map-A-Thons

October

In Chicago and Lake Forest, IL, more than 40 team members participated in Red Cross/Grainger map-a-thons where they plotted 1,952 buildings.

October**Wildfire Disaster Relief**

To support survivors of the California wildfires living in shelters, 40 team members packed 600 Red Cross comfort kits during a meeting of the Latino BRG in Ontario, CA.

October**Hurricane Disaster Relief**

In Lake Forest, IL, a team of 18 team members in the Communications & Investor Relations group packed 600 comfort kits to benefit survivors of the summer hurricanes that were evacuated to shelters.

November**Red Cross**

In Janesville, WI, 60 team members from U.S. and Panama convened in Wisconsin for a meeting and prepared cards for the comfort kit builds for Veterans and volunteer thank you cards for the Red Cross.

November**Veteran Assistance**

The Veteran's & Military Partner BRG packed 400 comfort kits to benefit homeless, disabled veterans in honor of Veteran's Day.

December**Children's Hospital**

Team members volunteered to bring the winter holiday season to children hospitalized in the Texas Scottish Rite Hospital for Children in Dallas, TX.



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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 non-profit organizations to build a foundation of new possibilities for highly motivated students based on need. We leverage the strength and support of our BRGs to partner with several organizations to provide guidance, funding and tools to students in our communities.

154

**Grainger Tools
For Tomorrow®
Scholarships
Provided in 2017**



85

**Participating
Colleges**

Giving

We invest in the future of the skilled trade workforce through our Grainger 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, public safety and supply chain programs. 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 \$4.5 million to support technical education. In 2017, 85 schools participated and we provided 154 scholarships. This represents a 74 percent participation rate, which since 2006 has exceeded the national average of 60 percent.



\$4.5M+

**Total support to Education
and Workforce Development
partners since 2006**

Grainger Tools for Tomorrow®

On October 4, 2017, Grainger celebrated the success of the Grainger Tools for Tomorrow® scholarship program graduates at an event hosted by the Latino Business Resource Group in honor of the close of Hispanic Heritage Month at our Los Angeles DC in Mira Loma, CA. During the event, we presented scholarship recipients with certificates and celebrated our workforce development partnerships with local community colleges. Arcadio Ochoa, Director of the LADC, presented certificates to students from Chaffey College and Saddleback College. >>[Click here for a complete list of participating schools.](#)

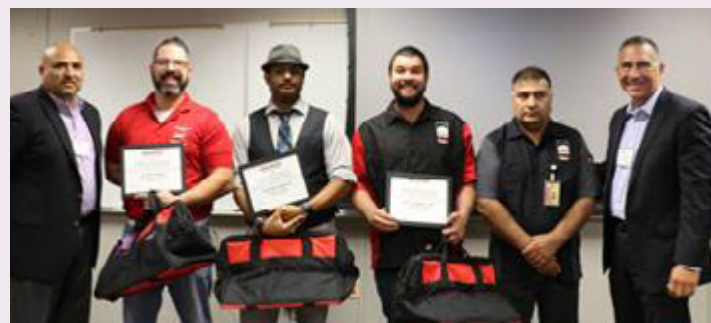


PHOTO (FROM LEFT): Art Ochoa (Grainger), Kevin Kiner (Chaffey), Haven Griffin (Chaffey), Kyle Moeller (Saddleback), Raj Dhillon (Saddleback, Instructor), Rudy Juarez (Grainger) **CREDIT: RENEE YOUNG**

"I would like to extend to you my sincere gratitude to all at Grainger in presenting this award to Kyle Moller from Saddleback College. Your scholarship program is another great reason why our students continue their education. With Grainger's kind generosity, the journey is made possible. This award has brought motivation and gratification, reminding our students that hard work does pay off. Thank you for recognizing the importance of education and for recognizing our students past and present as recipients of this award."

RAJANPAL (RAJ) DHILLON
SR. TECHNICIAN, SADDLEBACK COMMUNITY COLLEGE



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Grainger continues to support its local communities through the Business Resource Group Community Fund. Since its inception in 2014, the Fund has aligned our BRGs with nonprofit partners to amplify the efforts of both. In 2017, we increased the effectiveness of this program by aligning BRG resources around one program area: workforce development. By encouraging the BRGs to collaborate, we believe we will strengthen the program and create even more meaningful outcomes.



Total support of Education and Workforce Development programs by the BRG Community Fund

In addition to an aligned program area, we have united the BRG Community Fund with another key initiative, our Executive Board Placement (EBP) Program. The EBP program provides high-potential executives an opportunity to refine and enhance their leadership skills, cultivate strong and strategic partnerships with local non-profits, and engage Grainger in civic activities that foster inclusion and diversity. Our goal with the EBP program is to leverage the valuable skills of our leaders with organizations that provide programs for community engagement, volunteer mobilization and team member development.

Grainger's EBP Program started in 2008, with eight executives serving on non-profit boards. This number has grown to 23 executives; eight of the organizations supported by the BRG Community Fund have a Grainger executive serving on their board.

One Million Degrees Four BRGs collaborated to support One Million Degrees (OMD) in 2017, including the African-American, Equality Alliance, Generational and Latino BRGs. 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. This year, Grainger became one of the largest providers of OMD coaches, with 26 team members serving as coaches to OMD scholars.

In 2017, Grainger sponsored OMD scholars from the College of Lake County (CLC) during a speed-networking event at our Lake Forest, IL, campus. Approximately 40 Grainger team members, some serving as OMD coaches, volunteered to hear and constructively critique the job interview skills of participating CLC students during an evening reception. This was the first such OMD event offered onsite at a corporation. The event was introduced by masters of ceremony Brent Tollison, Vice President of Commercial Sales, and Ben Nichols, Vice President of Government Sales, who serve on the boards of OMD and CLC, respectively.

i.c. stars Foundation This organization, supported by our Generational BRG, provides a rigorous technology-based workforce development and leadership training program for low-income adults, developing Chicagoland's most promising information technology talent with leadership goals and connecting them with career opportunities through partner organizations like Grainger. Historically, Grainger has supported a cohort of "stars" who are given a real business challenge to solve. Grainger then may recruit members of the cohort for roles in our organization. Nkosi White, now one of Grainger's End Point Analysts, participated in an i.c. stars program and has been employed at Grainger for 10 years.

In the spring and fall of this year, the Generational BRG invited "stars" to participate in a career day at Grainger's Chicago, IL, downtown campus. During the event, Grainger team members volunteered to share their career and development paths.



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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.

Community Grant Program

The Company is proud to participate with The Grainger Foundation in the Grainger Community Grant Program (GCGP) to help address local community needs throughout the United States and Puerto Rico. Since its inception in 2007, the GCGP has made more than 6,700 grants, totaling \$54 million dollars.



Number of grants
given in Grainger
Community Grant
Program

Under the GCGP, Grainger's Branch/Operations Managers, Contact Center Directors and DC Directors identify charitable organizations in their local communities and make grant recommendations to The Grainger Foundation ranging from \$2,500 up to \$10,000. As a result of recommendations submitted throughout 2017, The Grainger Foundation made nearly 900 grants totaling \$5.8 million to a wide variety of organizations in the areas of health and human services, food banks, civic, disaster relief, and education. Human Service organizations represented the largest share of grants through the GCGP. The second largest was Community Service organizations.

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

Serving Our Communities Survey

Our team members' commitment to local 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. In 2016, we surveyed 2,100 U.S. team members within the organization. Nearly 600 team members responded to the survey (approximately 33 percent of recipients). In 2017, we surveyed 2,100 team members to help identify how we could enhance the spirit of volunteerism in 2018. New questions were designed to solicit team member feedback about their experience with Grainger's 90th anniversary celebration activities.

More than half of team members surveyed indicated that volunteering improves their engagement, holding consistently at 61 percent from 2016. In addition, 52 percent of team member indicated that they participated in Grainger's volunteer program, up from 34 percent in 2016.



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Mexico Grainger Mexico found its way to give back to the community once again. During 2017, as an initiative of its Women's BRG and through their community affairs program, they called upon their team members to voluntarily support and assist women in need through maintenance services for a rehabilitation center for women with cancer as well as bringing support to a rehabilitation center for women with addictions, causing a positive effect to more than a hundred women and their families.

Team Mexico has also sponsored a local robotics team, TigreRobotics, with product to support their initiatives such as building arm prosthetics for children and taking part in various competitions such as FIRST®, with the goal of inspiring students to be science and technology leaders. During 2017, Grainger Mexico donated \$1.7 million pesos in product to the Red Cross to help during the tragic earthquake that shook the country. The team also donated an overall amount of \$114.8 million pesos to local nonprofit organizations in product; inspired 45 team members to participate in a blood donation program that helped saving 132 lives and continued with internal recycling, waste reduction and energy saving programs.



Working Mother Mexico recognized Grainger Mexico as one of the best companies that support working families in the country and for seeking equality in opportunities for female talent, especially that of working mothers. Also, for the fourth year in a row, the Mexican Center for Philanthropy recognized the company with the 2018 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.



PHOTO (LEFT, FROM LEFT): Rafael Vázquez, Miguel Salazar, Armando Bocanegra, Magdiel Martínez and Hector Pedraza from the TigreRobotics team. **PHOTO (RIGHT):** Grainger Mexico team members from the Women's Business Resource Group assist in maintenance and repair of a women's rehabilitation center.





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Serving Our Communities Survey
Grainger Around the Globe

Canada Acklands-Grainger's efforts focus on three pillars of community investment: disaster preparedness, Aboriginal development and skilled trades. 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 disaster strikes. Acklands-Grainger supports the Canadian Aboriginal community through its support of the Canadian Council on Aboriginal Business, and supplier diversity, with its support of the Canadian Aboriginal and Minority Supplier Council. In 2017, Acklands-Grainger began supporting the skilled trades in Canada through its partnership with Skills Ontario, a Canadian leader in skilled trades development.

United Kingdom During 2017, Cromwell launched its "Charity of Choice Campaign" in which 46 percent of team members voted for Macmillan Cancer Support. The company also kick-started its partnership with the World's Biggest Coffee Morning, a fundraising event for people facing cancer. Team members all over the United Kingdom came together to show support by hosting their own Cromwell on-site Coffee Morning! This fantastic day consisted of raffles, cake bingo and more, raising the equivalent to 122 hours of funding for a Macmillan Nurse. Team Cromwell continued to raise money for great causes such as Comic Relief, Children in Need and Save the Children. In total Cromwell and the UK team raised nearly £5,000, exceeding the 2016 amount of just over £2,500.

China Grainger China focused on drives and donations in their local community in 2017. Team China collected more than 6 boxes of clothing and office supplies, which will be distributed to need-based organizations supporting children and adults. This donation represents the eighth round of donations organized over the past five years.



9k+

Total number of
volunteer hours

Europe Disaster struck in June and July of 2017, when wild fires ripped through central Portugal. Fabory team members stepped in to help people in Oliveira de Hospital, Arganil, Tondela, Penacova and Oleiros who had lost homes, belongings and employment as a result of the fires. The team collected food, building materials, furniture, kitchenware, clothing and personal hygiene products. They provided these items in person to families in need so they could begin rebuilding their lives.

➤ Forward

WHAT'S COMING IN OUR 2019 REPORT

- Serving our Communities will be included in the People and Purpose pillar.
- Metrics will include greater information on company contributions and team member activation within our signature partnerships.

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, Pages 6-11 Fact Book, Pages 1-8 Annual Report
102-3	General Disclosures	Location of headquarters	Lake Forest, Illinois
102-4	General Disclosures	Location of operations	Grainger At A Glance, Pages 6-7 Fact Book, Page 1 Annual Report Pages, 4-7
102-5	General Disclosures	Ownership and legal form	Annual Report Pages, 4-7
102-6	General Disclosures	Markets served	Grainger At A Glance, Pages 6-11 Fact Book, Pages 1-8 Annual Report
102-7	General Disclosures	Scale of the organization	Grainger At A Glance, Pages 6-11 Valuing Our People, Page 29 Fact Book, Pages 9-12 Annual Report Pages, 4-7
102-9	General Disclosures	Supply chain	Grainger At A Glance, Pages 6-11 Sustaining Our Environment, Page 31 , 37-39 Fact Book, Page 5 Annual Report, Page 6
102-10	General Disclosures	Significant changes to the organization and its supply chain	Annual Report Pages i-iii Fact Book, Pages 1-12
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	United States Chamber of Commerce National Association of Wholesalers
102-14	General Disclosures	Statement from senior decision-maker	Letter from the CEO, Page 4
102-15	General Disclosures	Key impacts, risks, and opportunities	Letter from the CEO, Page 4 Letter from the Executive Sponsor, Page 5 Grainger At A Glance, Page 7 Fact Book, Pages 1-12 Annual Report, Item 1A, Pages 7-10
102-16	General Disclosures	Values, principles, standards, and norms of behavior	Operating Responsibly, Page 13 2018 Proxy Statement, Pages 23-25, 79
102-17	General Disclosures	Mechanisms for advice and concerns about ethics	Operating Responsibly, Page 13
102-18	General Disclosures	Governance structure	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-19	General Disclosures	Delegating authority	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-20	General Disclosures	Executive-level responsibility for economic, environmental, and social topics	Operating Responsibly, Pages 17-18 Letter from Executive Sponsor, Page 5 Board Affairs & Nominating Committee Charter
102-21	General Disclosures	Consulting stakeholders on economic, environmental, and social topics	Letter from the Executive Sponsor, Page 5 Grainger At A Glance, Pages 7-10
102-22	General Disclosures	Composition of the highest governance body and its committees	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-23	General Disclosures	Chair of the highest governance body	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-24	General Disclosures	Nominating and selecting the highest governance body	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-25	General Disclosures	Conflicts of interest	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-26	General Disclosures	Role of highest governance body in setting purpose, values, and strategy	Operating Responsibly, Pages 17-18 Annual Report, Page 33 2018 Proxy Statement, Pages 1-36
102-27	General Disclosures	Collective knowledge of highest governance body	Operating Responsibly, Pages 17-18 2018 Proxy Statement, Pages 1-36
102-28	General Disclosures	Evaluating the highest governance body's performance	Operating Responsibly, Pages 17-18 2018 Proxy Statement, Pages 1-36
102-29	General Disclosures	Identifying and managing economic, environmental, and social impacts	Letter from the CEO, Page 4 Letter from the Executive Sponsor, Page 5 Grainger At A Glance, Pages 6-11 Operating Responsibly, Pages 16-17 2018 Proxy Statement, Pages 23-24, 79 Annual Report, Item 1A, Pages 7-10
102-30	General Disclosures	Effectiveness of risk management processes	Letter from the CEO, Page 4 Letter from the Executive Sponsor, Page 5 Grainger At A Glance, Pages 6-11 Operating Responsibly, Pages 16-17 2018 Proxy Statement, Pages 23-24, 79



DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
General (continued)			
102-31	General Disclosures	Review of economic, environmental, and social topics	2018 Proxy Statement, Pages 17, 24
102-32	General Disclosures	Highest governance body's role in sustainability reporting	Letter from the CEO, Page 4 Letter from the Executive Sponsor, Page 5 Operating Responsibly, Pages 16-17 2018 Proxy Statement, Pages 17, 24
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
102-40	General Disclosures	List of stakeholder groups	Grainger At A Glance, Pages 6-11
102-42	General Disclosures	Identifying and selecting stakeholders	Grainger At A Glance, Pages 6-11
102-43	General Disclosures	Approach to stakeholder engagement	Grainger At A Glance, Pages 6-11
102-44	General Disclosures	Key topics and concerns raised	Grainger At A Glance, Pages 6-11
102-45	General Disclosures	Entities included in the consolidated financial statements	Fact Book, Page 1 Annual Report, Pages 4-7
102-46	General Disclosures	Defining report content and topic boundaries	Grainger At A Glance, Page 6
102-47	General Disclosures	List of material topics	Grainger At A Glance, Pages 6-11
102-48	General Disclosures	Restatements of information	Sustaining Our Environment, Page 31
102-49	General Disclosures	Changes in reporting	None
102-50	General Disclosures	Reporting period	January 1, 2017 - December 31, 2017
102-51	General Disclosures	Date of most recent report	May, 2017
102-52	General Disclosures	Reporting cycle	Annual
102-53	General Disclosures	Contact point for questions regarding the report	Sarah Power
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	Grainger At A Glance, Page 7
Management Approach			
103-1	Management Approach	Explanation of the material topic and its Boundary	Grainger At A Glance, Pages 6-11 Operating Responsibly, Page 12 Valuing Our People, Page 19 Sustaining Our Environment, Page 31 Serving Our Communities, Page 40
103-3	Management Approach	Evaluation of the management approach	Grainger At A Glance, Pages 6-11 Corporate Governance, Pages 17-18
Economic			
201-1	Economic Performance	Direct economic value generated and distributed	Fact Book, Pages 9-12
201-2	Economic Performance	Financial implications and other risks and opportunities due to climate change	Annual Report, Item 1A, Pages 7-10
201-3	Economic Performance	Defined benefit plan obligations and other retirement plans	Annual Report, Pages 56-60
203-2	Indirect Economic Impacts	Significant indirect economic impacts	2016 Proxy Statement, Section, Page X
205-1	Anti-corruption	Operations assessed for risks related to corruption	Operating Responsibly, Page 13
205-2	Anti-corruption	Communication and training about anti-corruption policies and procedures	Operating Responsibly, Page 13
205-3	Anti-corruption	Confirmed incidents of corruption and actions taken	None, Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
206-1	Anti-competitive Behavior	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None, Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
Environmental			
301-1	Materials	Materials used by weight or volume	Sustaining Our Environment, Page 36
301-2	Materials	Recycled input materials used	Sustaining Our Environment, Page 35
301-3	Materials	Reclaimed products and their packaging materials	Sustaining Our Environment, Page 35
302-1	Energy	Energy consumption within the organization	Sustaining Our Environment, Pages 32-34
302-2	Energy	Energy consumption outside of the organization	Sustaining Our Environment, Page 39
302-3	Energy	Energy intensity	Sustaining Our Environment, Pages 32-34
302-4	Energy	Reduction of energy consumption	Sustaining Our Environment, Pages 32-34
302-5	Energy	Reductions in energy requirements of products and services	Sustaining Our Environment, Pages 37-38
303-1	Water	Water withdrawal by source	Sustaining Our Environment, Page 36
303-2	Water	Water sources significantly affected by withdrawal of water	Sustaining Our Environment, Page 36
303-3	Water	Water recycled and reused	Sustaining Our Environment, Page 36
305-1	Emissions	Direct (Scope 1) GHG emissions	Sustaining Our Environment, Page 32
305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Sustaining Our Environment, Page 32
305-3	Emissions	Other indirect (Scope 3) GHG emissions	Sustaining Our Environment, Page 39
305-4	Emissions	GHG emissions intensity	Sustaining Our Environment, Page 32
305-5	Emissions	Reduction of GHG emissions	Sustaining Our Environment, Page 32
306-1	Effluents and Waste	Water discharge by quality and destination	Sustaining Our Environment, Page 36
306-2	Effluents and Waste	Waste by type and disposal method	Sustaining Our Environment, Page 36



DISCLOSURE NUMBER	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
Environmental (continued)			
306-3	Effluents and Waste	Significant spills	None, Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
306-5	Effluents and Waste	Water bodies affected by water discharges and/or runoff	None, Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
307-1	Environmental Compliance	Non-compliance with environmental laws and regulations	None, Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Sustaining Our Environment, Page 39 2017 CSR Report Operating Responsibly, Page 14
308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
Social			
403-1	Occupational Health and Safety	Workers representation in formal joint management-worker health and safety committees	Valuing Our People, Pages 21-22
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	Valuing Our People, Page 20 No fatalities in 2017.
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	Valuing Our People, Pages 21, 24
404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	Valuing Our People, Pages 23-28
404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	Valuing Our People, Page 25
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 Annual Report on Form 10-K for the fiscal year ended December 31, 2017
412-1	Human Rights Assessment	Operations that have been subject to human rights reviews or impact assessments	2017 CSR Report Operating Responsibly, Page 15
412-2	Human Rights Assessment	Employee training on human rights policies or procedures	Operating Responsibly, Pages 13-14
412-3	Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Operating Responsibly, 2017 CSR Report, Page 9
413-1	Local Communities	Operations with local community engagement, impact assessments, and development programs	Serving our Communities, Pages 40-50
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, 2017 CSR Report, 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
415-1	Public Policy	Company Participation and Memberships	Grainger's Code of Business Ethics prohibits the use of Company funds or assets for political purposes, including for contributions to any political party, candidate or committee. In accordance with this policy, we do not maintain a political action committee ("PACs"), nor do we contribute to any third-party PACs or other political entities organized under Section 527 of the Internal Revenue Code. As a government contractor, we believe it prudent to understand the legislative and regulatory environment. We have, on occasion, engaged advisors to assist us. Grainger, and those it retains, comport with all disclosure obligations. Grainger participates in a limited number of trade organizations and industry groups, including membership in the U.S. Chamber of Commerce and National Association of Wholesaler-Distributors.
418-1	Customer Privacy	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017
419-1	Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	Material items would be disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017

*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





2018 Corporate Social Responsibility Report

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