



# Corporate Social Responsibility

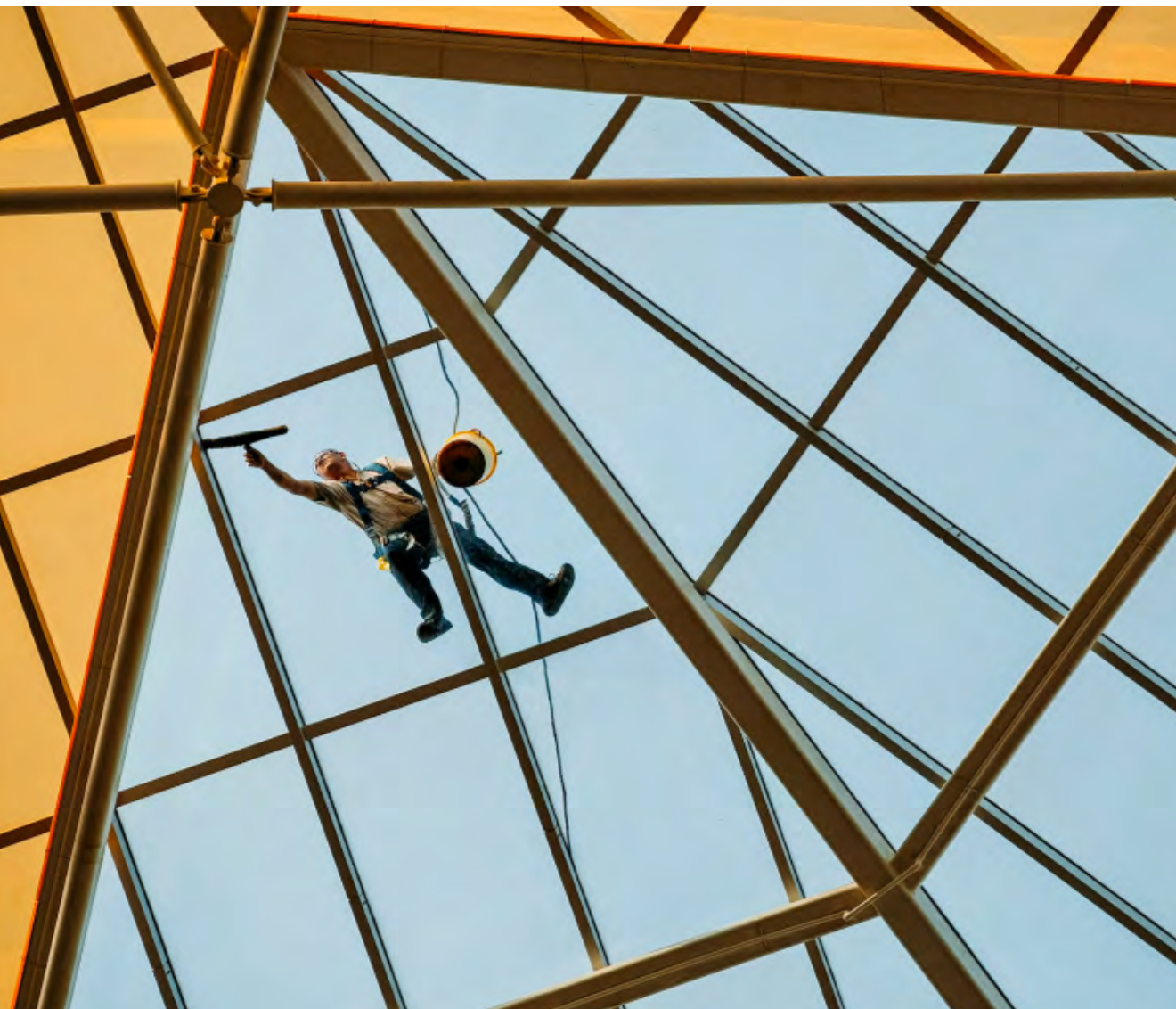
**>> 2019 UPDATE**

[www.graingercsr.com](http://www.graingercsr.com)





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# A Letter from Our Chairman and CEO



DG Macpherson | Chairman of the Board and Chief Executive Officer

On behalf of Grainger, thank you for your interest in our Corporate Social Responsibility (CSR) program. This 2019 report is designed to provide you with an update on our key CSR initiatives. During the last 12 months, we achieved key goals, formed new partnerships and met with several stakeholders, including investors and customers, about their expectations of us and our social purpose.

We continue to see a growing number of shareholders express interest in our environmental, social and governance (ESG) programs. I cover the topic frequently when I meet with investors. The Lead Director of Grainger's Board, Stuart Levenick, also regularly seeks out ESG-specific conversations with the investment community on behalf of the company. I encourage you to read Stu's Q&A, immediately following this letter.

In addition, our activities and conversations with customers around CSR continue to reinforce the fact that we are uniquely positioned to serve them in new ways. Much like Grainger, our customers are becoming more sustainable, and are looking to us to provide the best products and services to meet these goals.

Grainger offers more than 100,000 environmentally preferable products that help customers reduce energy consumption, conserve water, reduce waste and improve indoor air quality. We also offer services, such as KeepStock® inventory management and safety expertise, that help customers save time and money, and stay safe.

Equally important are the communities where we live and work. In 2018, hundreds of team members volunteered approximately 8,500 hours in our communities throughout the U.S. Some of these efforts took place in conjunction with the American Red Cross. For the past few years, Grainger has donated \$250,000 worth of smoke detectors and team members volunteered to support the American Red Cross *Sound the Alarm* program. This fire safety campaign provides people in need with smoke detectors

and fire prevention instruction. These efforts have helped save hundreds of lives and we applaud the American Red Cross for its ongoing focus in this area.

Our team members lend a hand to communities devastated by the growing number of natural disasters as well. Grainger mobilizes volunteers during these significant times of need and is proud to support the American Red Cross Annual Disaster Giving Program. Last year, we also donated more than \$120,000 worth of products to Team Rubicon, a veteran-led group that helps communities worldwide get back on their feet after disasters.

Education continues to be an important focus of ours. Our Tools for Tomorrow scholarship program assists students studying skilled trades, public safety and supply chain management. Grainger also partners with Folds of Honor in offering scholarships to dependents of those in the U.S. Armed Forces who lost their lives or were severely injured in the line of duty. Beyond this, we are exploring programs to increase our focus on science, technology, engineering and mathematics (STEM) education, given the growing need that exists in these vital areas of study.

While we have accomplished much in 2018, we know there is more to do. Significant opportunity exists in helping the world work more effectively. Whether it is a team member volunteering at a local food bank, or a business working toward emissions targets, we all play a part in making our world better. I am proud of the role Grainger plays and look forward to our ongoing progress and success.

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

**DG Macpherson**  
Chairman of the Board and Chief Executive Officer



# Q&A

## A conversation with >> Stuart Levenick, Lead Director



Stuart Levenick | Lead Director

John Howard, SVP and General Counsel, sat down with Stuart Levenick, Lead Director, to discuss the role of Grainger's Board of Directors in ESG issues.

### Why is ESG important to the Board?

**Levenick:** ESG is the right thing to create long-term value for our shareholders, and it serves as a way to reduce risks over time. The Board understands that proper management of ESG factors leads to better returns, especially when coupled with our strong corporate purpose and culture.

We also believe that ESG leads to a more engaged workforce and results in lower voluntary turnover.

### What is the Board looking for to help it oversee ESG initiatives?

**Levenick:** We look to management for formal, reported measures that indicate we are driving results. We also want to know that our results are repeatable and auditable.

Among Grainger's many firsts, it was the first maintenance, repair and operations (MRO) distributor to report with the Global Reporting Initiative's Sustainability Accounting Standards in mind. This reporting helps Grainger measure and benchmark its program. In addition, it provides a common language for Grainger to discuss program effectiveness with stakeholders.

### You have been very public in meeting with Grainger's investors. How do they see us?

**Levenick:** They see Grainger as a leader. For example, Grainger was the first MRO distributor to perform a materiality assessment, which looks at the significance of ESG-related issues both to Grainger and key stakeholders, such as customers.

Many of our investors find this useful and have encouraged us to continue to provide insight into customer partnerships, particularly where we help them conserve resources like energy and water.

### What have you learned from these meetings?

**Levenick:** We have seen that many investors are taking ESG very seriously. Since investors are at different levels of sophistication on ESG matters, it was helpful for us to understand where to focus our energy and resources.

### How would you compare Grainger's ESG efforts to other companies?

**Levenick:** As with many of the company's corporate initiatives, Grainger's ESG efforts are industry leading. The company has earned numerous accomplishments as of late, including 2019 recognition by Barron's as the eighth most sustainable company in the U.S., and a company least-susceptible to climate change.

While Grainger compares positively to its peers, success will require ongoing effort. I am certain that Grainger will continue to evolve in ESG and be a leader in improving its operations, as well as supporting customers on their sustainability journeys.





# A Letter from Our Executive Sponsor



Matt Fortin | Vice President and President, Merchandising and Supplier Management

This year marks my third year as executive sponsor of Grainger's CSR program and 10 years since Grainger released its first CSR report. Grainger has always organized itself around the principles that make companies naturally sustainable: efficiency, inclusion and continuous improvement. During the last decade, we have built a strong and intentional sustainability platform aligned with our business strategy. We have experienced great progress as highlighted by the following examples:

- Meeting our greenhouse gas (GHG) emissions intensity target two years early. Set in 2014, we committed to reducing our GHG emissions per revenue 33 percent by 2020. As of the end of 2018, we have achieved a 42 percent reduction overall.
- Earning recognition from Barron's as the eighth most sustainable company in the U.S. and as a company least susceptible to climate change.
- Continuing progress in our distribution center (DC) recycling rate, improving to 86 percent in 2018 from 84 percent in 2017.

As a leader in the MRO industry, we take pride in setting the bar high for those around us. The company is approaching an important milestone in our corporate citizenship journey. This includes setting ambitious targets designed to establish stronger partnerships with customers and suppliers, along with the communities where we live and work, to create an even stronger virtuous circle.

Our intention is to lend greater structure around what we do as an organization to create long-term value for our stakeholders. Our 2019 CSR report serves as an update.

As we prepare for a comprehensive CSR Report in 2020, you will notice a few changes:

- We have adjusted our citizenship pillars to reflect our materiality assessment and create a closer tie to our long-term strategy. As we consider climate risks and opportunities, and the move to a low-carbon economy, we are including more information about the environmentally preferable products, services and solutions we offer to help our customers reach their sustainability goals.
- Key to Grainger's success are our suppliers and distribution network. As such, we have introduced a new Supply Chain pillar focused on articulating our approach and performance in that area.
- We are thinking more about how our suppliers and our products impact our value chain. Having achieved our emissions intensity target, we will look to 2020 to announce a new GHG emissions reduction target for Grainger.

These changes are a result of our materiality assessment, which provides insight and opportunity for our corporate citizenship program. Grainger is growing, and in the process, engaging more with other leading organizations that are reaffirming commitments to areas such as climate change, inclusion and community impact, and developing stronger connections between these elements and their respective long-term business strategies. While opportunities will continue to expand in corporate citizenship, I am most proud and confident in the fact that Grainger will remain, first and foremost, anchored by the most basic of commitments: to do what's right for those we serve.

A handwritten signature in black ink, appearing to read 'Matt Fortin'.

**Matt Fortin**  
Vice President and President, Merchandising  
and Supplier Management

## Key Performance Data<sup>1</sup>

	2015	2016	2017	2018
<b>GRAINGER AT A GLANCE</b>				
Net Sales, \$ billion	10	10.1	10.4	<b>11.2</b>
Suppliers	4,800	5,100	5,200	<b>5,000</b>
Products Stocked, million	1.4	1.6	1.7	<b>1.7</b>
Active Customers, million	3	3.2	3.5	<b>3.5</b>
<b>ETHICS AND GOVERNANCE</b>				
<b>Business Ethics</b>				
Team Members Trained on Business Conduct Guidelines, percent	100	100	100	<b>100</b>
<b>Board Diversity</b>				
Female Directors, percent	11	11	18	<b>18</b>
Racial and Ethnically Diverse Directors, percent	22	22	27	<b>27</b>
<b>SOLUTIONS AND STEWARDSHIP</b>				
North American Energy Consumption, million kilowatt hours	430	401	371	<b>344</b>
North American Facility CO <sub>2</sub> e Emissions, million metric tons	0.14	0.13	0.11	<b>0.10</b>
GHG Intensity (MTCO <sub>2</sub> e/GHG/Revenue)	15.1	14.7	12.5	<b>10.9</b>
North American Water Use, million cubic meters	0.64	0.51	0.47	<b>0.51</b>
Renewable Energy Produced, thousand kilowatt hours	5.77	5.47	5.87	<b>6.73</b>
U.S. Distribution Center Network Recycling Rate, percent	84.1	84.7	84.8	<b>86.0</b>
LEED Certified Space, million square feet	3.6	4.2	5.5	<b>6.7</b>
Carton to Order Ratio	1.54	1.55	1.57	<b>1.59</b>
Environmentally Preferable Products, percent revenue	6.8	5.4	5.1	<b>5.3</b>
<b>PEOPLE AND PURPOSE</b>				
<b>Safety</b>				
Lost Time Incident Rate <sup>2</sup>	0.3	0.3	0.4	<b>0.3</b>
Total Recordable Incident Rate	1.1	1.3	1.4	<b>1.4</b>
<b>Workforce Demographic</b>				
U.S. Workforce (Total), percent women	— <sup>4</sup>	—	37.4	<b>38.0</b>
U.S. Workforce (Leaders), percent women	—	—	29.6	<b>31.0</b>
U.S. Workforce (Total), percent racial and ethnically diverse	—	—	31.8	<b>32.7</b>
U.S. Workforce (Leaders), percent racial and ethnically diverse	—	—	23.3	<b>20.3</b>
<b>Community Engagement</b>				
Matching Gifts Contributions, \$ million	2.7	2.2	2.2	<b>2.0</b>
Volunteer Corps, volunteer hours	—	—	9,000	<b>8,500</b>

<sup>1</sup> For further information on data boundaries and assurance, please see [Scope](#). <sup>2</sup> Per 100 employees; cases with one or more days away from work per 200,000 hours.





## Awards and Recognition

Grainger is honored to be recognized by influential publications and organizations around the world as a responsible company and a top place to work.



1ST PLACE  
INDUSTRIAL DISTRIBUTION  
2018 BIG 50 LIST



BARRON'S 8<sup>TH</sup> MOST SUSTAINABLE  
COMPANY IN THE U.S. 2019

**BARRON'S**

FTSE4GOOD MEMBER



**FTSE4Good**

DISABILITY EQUALITY INDEX  
2018 HIGH SCORE FOR  
BEST PLACE TO WORK



1ST PLACE  
DIVERSIFIED WHOLESALERS  
FORTUNE MOST ADMIRABLE COMPANIES 2018



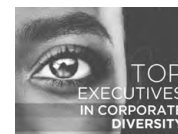
WOMEN'S CHOICE AWARD  
2018 BEST PLACE TO WORK FOR  
MILLENNIALS



2018  
WOMEN'S CHOICE AWARD<sup>®</sup>  
BEST COMPANIES TO WORK  
MILLENNIALS

BLACK ENTERPRISE  
2018 LIST OF TOP EXECUTIVES  
IN CORPORATE DIVERSITY

**BLACK  
ENTERPRISE**



HUMAN RIGHTS CAMPAIGN  
FOUNDATION 100% CORPORATE  
EQUALITY INDEX 2018

4<sup>TH</sup> CONSECUTIVE YEAR



ECOVADIS SILVER CSR RATING 2018



DOW JONES SUSTAINABILITY INDEX  
LEADING SUSTAINABILITY-DRIVEN  
COMPANY IN 2018



**Dow Jones  
Sustainability  
Indexes**

CARBON DISCLOSURE PROJECT





## Grainger at a Glance

Grainger is a broad line, business-to-business distributor of MRO supplies and other related products and services. More than 3.5 million customers worldwide rely on Grainger for products in categories such as safety, material handling and metalworking, along with services like inventory management and technical support. Our customers represent a broad collection of industries, including commercial, government, healthcare and manufacturing.

  
**1.7 million**  
products stocked

  
approximately  
**5,000**  
key product suppliers

**\$11.2 billion**  
2018 net sales

approximately  
**24k**  
team members 

  
**3.5 M**  
active customers

### Our Brands



Grainger takes pride in bringing top quality products to our customers. Items designated with a Grainger Choice badge (such as Dayton®, Westward® and Condor®) are part of our broad selection of private brand products that deliver high quality at a competitive price through Grainger Global Sourcing, our multi-national sourcing business.

### Scope

While Grainger's CSR commitments apply throughout the world, this report is primarily focused on the company's operations in North America. 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. Since 2011, Grainger has sought independent third-party validation of its greenhouse gas emissions, energy consumption, waste generation and water consumption data from Bureau Veritas. In addition, Grainger's Environmental Health and Safety team has 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).

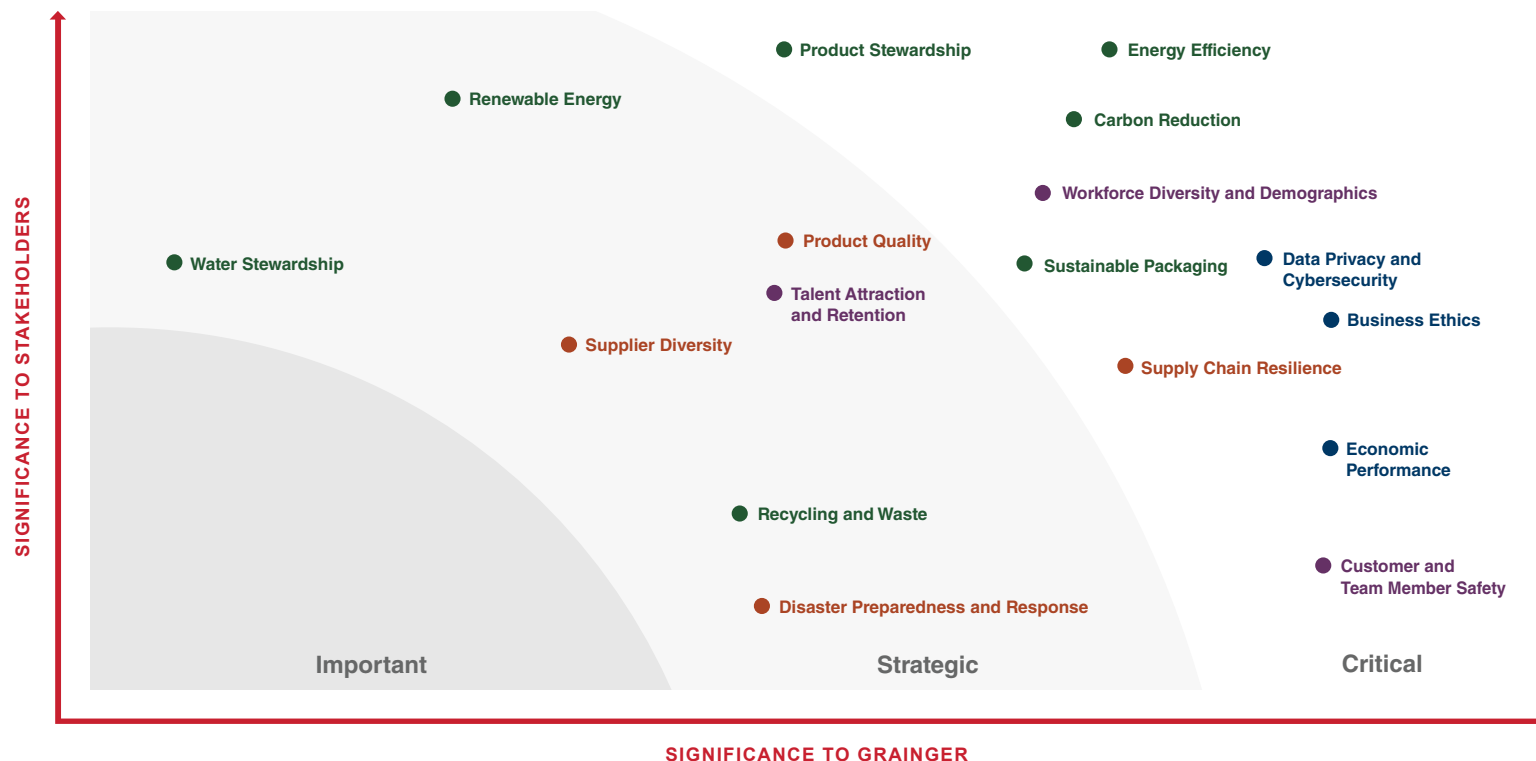




## GRAINGER MATERIALITY MATRIX

- Ethics and Governance
- Solutions and Stewardship
- Supply Chain
- People and Purpose

This matrix 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 are more mature than others, which influences the results shown here.



## Materiality at Grainger

Our materiality matrix is the cornerstone of our corporate citizenship program. A materiality assessment is a standard process wherein companies partner with key stakeholders to define which sustainability topics are most material to their business. The Global Reporting Initiative's (GRI) Standards are the foundation for our annual reporting approach and our materiality assessment. Through this framework, we report with regards to the GRI Standard's core reporting elements.

This matrix is the result of Grainger's first self-assessment, performed in 2017. Topics rated highly material are in the top right of the matrix. Chief among Grainger's priorities are energy efficiency, carbon reduction, renewable energy and product stewardship. Notably, Grainger can impact these critical areas using our products, services and solutions, both in our own operations and in our customers' operations.

The results of our materiality assessment informed where we needed to refine our program priorities. Our new set of Citizenship Pillars – Ethics and Governance, Solutions and Stewardship, Supply Chain and People and Purpose – are designed to connect our citizenship initiatives more closely to our strategic purpose.



## Ethics and Governance

At Grainger, ethics define our culture, and we embrace the interests of our stakeholders across the value chain through a detailed set of business conduct guidelines. Our corporate governance program is built around the long-term interest of our shareholders and is supported by the commitment of our Board of Directors.

**27%**  
racially & ethnically  
diverse directors



**18%**  
female  
directors

### Highlights of Corporate Governance Practices\*

- ✓ Independent Lead Director
- ✓ Orientation and Education Program
- ✓ Independent Audit, Board Affairs and Nominating, and Compensation Committees
- ✓ Charters for Board Committees
- ✓ Annual Board Elections
- ✓ Independent Directors Hold Meetings Without Management Present
- ✓ Regular Board and Committee Evaluations and Director Self-Evaluations

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

### CSR Advisory Council



**mission:** provide strategic awareness and encourage transparency

**CSR  
program**



### CSR Working Group



**mission:** lead programs to promote CSR goals

### Culture of Ethics and Compliance

- Business Conduct Guidelines
- Gifts Policy
- Ethics Training
- Federal Compliance Training
- Anti-Bribery and Anti-Corruption Training
- Human Rights Policy
- Environmental, Health and Safety Policy
- Privacy and Information Security Policies and Training
- Workplace Behavior Policy

**100%**  
team members who  
completed  
Business Conduct  
Guidelines Training







Grainger is committed to being a responsible corporate citizen and strives to integrate environmental, social and governance principles into the daily operation of our business. Our culture of ethics and compliance is the foundation for everything we do.

## Board Governance

Our Board, guided by the Operating Principles for the Board of Directors, is responsible for the overall stewardship and strategic direction of Grainger. Grainger is committed to a diverse, experienced and vibrant Board. Grainger's Board is currently comprised of 11 directors of varying experience and background.

We integrate citizenship initiatives into the company's strategy and daily operations at each level of the business. The Board maintains three committees: [Audit Committee](#), [Compensation Committee](#) and [Board Affairs and Nominating Committee \(BANC\)](#). The BANC annually reviews the company's promotion of environmental sustainability and community engagement.

## CSR Governance

Grainger's business principles, strong policies, sustainable facilities and engaged workforce drive the investment and strategic alignment of our CSR program. The strategy and direction of our CSR program is led by our CSR Working Group and CSR Advisory Council.

**The CSR Working Group**, established in 2014, is led by our Vice President and 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 citizenship pillars, and are responsible for implementing programs to drive progress toward our CSR goals.

**The CSR Advisory Council**, established in 2017, is a small and diverse group of senior-level team members who frequently interact with customers, investors or suppliers, or have direct line-of-sight to revenue-generating areas of the business. The group's primary objectives are to provide strategic awareness of the program and promote program initiatives throughout the organization.

## Culture of Ethics and Compliance

At Grainger, we hold ourselves accountable to the greatest level of integrity and comply with local, national and global regulations. We support and achieve a culture of ethics and compliance through a robust framework supported by policies, trainings and reporting. Examples of these channels include:

### Policies and Trainings

- Anti-Bribery and Anti-Corruption
- Business Conduct Guidelines
- Environmental Health and Safety
- Ethics
- Federal Compliance
- Gifts
- Human Rights
- Privacy and Information Security
- Workplace Behavior

### Reporting

Grainger encourages anyone to report ethical concerns or complaints regarding company or individual practices and engages a third party to maintain a helpline. Individuals located within North America may call a secure, 24-hour hotline at 888-873-3731. A global reporting website is available at [www.tnwgrc.com/grainger](http://www.tnwgrc.com/grainger).

We ensure our team members have the appropriate resources and training to consistently display a commitment to exemplary conduct. In 2018, 100 percent of Grainger team members completed the Business Conduct Guidelines training.

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.

## Privacy and Information Security

Grainger recognizes the importance of protecting team member, customer and supplier personally identifiable information (PII), which we collect during normal business activities. PII helps us fulfill orders, provide benefits, and better serve our customers, team members and others. We are committed to taking steps to protect PII from unauthorized access, usage or disclosure by following globally recognized privacy standards, and building privacy and data protection principles into our systems and processes.

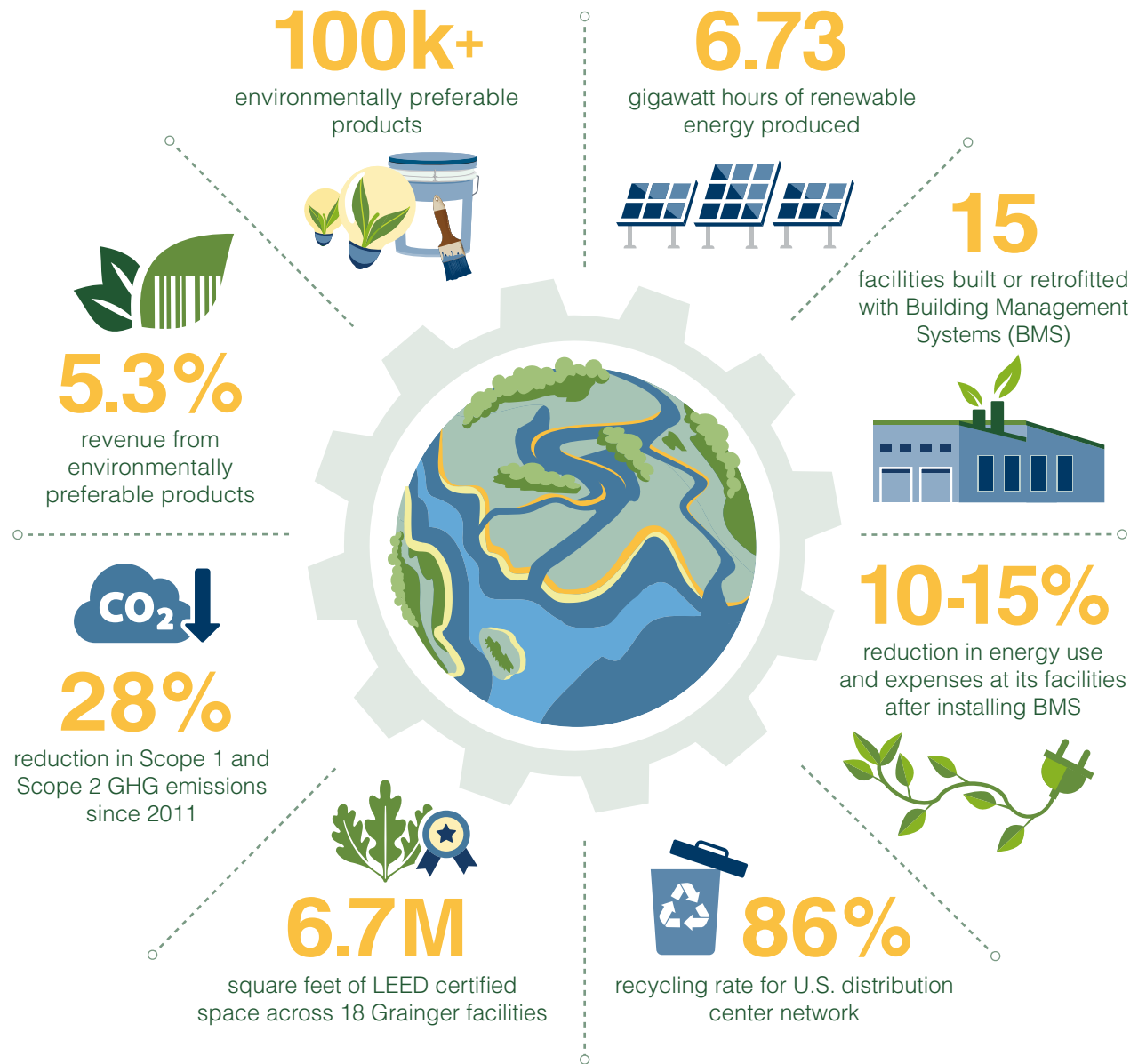
Grainger team members have an obligation to ensure that the company's confidential information and trade secrets are properly protected. Team members are entrusted to maintain the security and confidentiality of the information provided to them by the company, its customers, suppliers and others.





## Solutions and Stewardship

At Grainger, we are committed to conducting business in an environmentally responsible manner and work to continuously improve our environmental performance across our operations, solutions and products.



DATA APPLICABLE TO NORTH AMERICA UNLESS OTHERWISE STATED





# Q&A

## A conversation with >> Debra Oler, SVP and President, North America Sales and Service



Debra Oler | SVP and President, North America Sales and Service

Deidra Merriwether, Senior Vice President and President, U.S. Direct Sales and Strategy Initiatives, sat down with Debra Oler, Senior Vice President and President, North America Sales and Service to discuss how we integrate our sustainability solutions with customers.

### What are our customers saying about sustainability?

**Oler:** Customer questions about sustainability, and how Grainger can help customers meet their targets, come up more often than ever before.

We see a growing number of customers beginning to understand the benefits of sustainability from multiple aspects, including how doing the right things can help create long-term value and result in a stronger bottom line. Grainger has the opportunity to partner with these customers, as they work to achieve their external sustainability commitments.

### How do we use sustainability as a competitive differentiator with customers?

**Oler:** There are two main areas where we help customers in all things sustainability: how we interact in their supply chain and how we can provide them with the products, services and solutions to achieve their sustainability goals.

Our well-established portfolio of sustainability-related services helps our customers reduce cost and increase value long term. Think about how everything from proper safety procedures to inventory management programs can help customers achieve key sustainability goals.

We have invested heavily in adding green products to our portfolio, and we believe we have the broadest range of green products among our competitors. Our Environmentally Preferable Product Portfolio offers our customers more than 100,000 items.

Our ranking by Barron's as the eighth most sustainable company is meaningful because it helps us demonstrate this unique value to customers.

### Do you have an example?

**Oler:** Grainger account manager, Jacqui Mathews, partnered with her customer and a consultant, Thermo Diagnostics, to complete an audit of a hospital system's 200 steam traps. One leaky steam trap can waste energy and cost more than \$3,000 a year. Thermo recommended Grainger products, such as insulation blankets, to address the deficiencies found. The result was a win-win for Grainger and the customer. Jacqui was able to save the customer more than \$140,000 through this project, and the hospital system passed a sterile processing audit.

### What are some of the challenges that Grainger partners with our customers to solve?

**Oler:** My challenge to our customer-facing team members is to understand their respective customers from a CSR perspective.

A great example of where we did this was with Grainger account manager, Lori Jones. Her customer was asking for the least amount of boxes and packaging possible. She assembled a cross-functional team to implement a consolidation program to streamline the number of shipments the customer received across their campus. The program reduced daily shipments from 50 to about seven, an 85 percent reduction.

### How do you anticipate this changing over the long-term?

**Oler:** More and more companies are making external commitments, like science-based targets, and sizeable investment in CSR programs as they strive to become better stewards of the environment. We will continue to partner with organizations to better understand the landscape and learn more to refine our offer.





We focus our sustainability efforts on our operations and our products, services and solutions. From increasing efficiency within our operations to providing customers with environmentally preferred solutions that meet the highest level of product stewardship, Grainger serves as a responsible and sustainable partner.

Grainger has participated in the Carbon Disclosure Project 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. We also partner with several other third-party sustainability organizations, such as the GreenBiz Executive Network, the U.S. Environmental Protection Agency Smartway® program, UL, Inc. and the U.S. Green Building Council, to align our environmental investments with our stakeholders' expectations.

## Efficient Operations

Sustainability is about doing business the right way. A key component to Grainger's strategy is to ensure our operations are run in the most efficient manner possible. The following focus areas have been identified as key parts of our sustainability plan.

### Greenhouse Gas (GHG) Emissions

We recognize that climate change is a significant global issue. The company is taking steps to reduce our energy use and GHG emissions. We focus our GHG reduction strategy around two specific areas: reducing GHG emissions 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.

Since 2011, we have reduced Scope 1 and Scope 2 emissions by 28 percent. In 2018, our Scope 1 and 2 GHG emissions were 102,020 metric tons.

By 2020, our target was to reduce North American Scope 1 and Scope 2 GHG emissions intensity per revenue by 33 percent. The goal was designed to be achievable, yet challenge our operations to identify innovative ways to operate more efficiently. We met our target in 2018, two years ahead of our goal. We are currently in the process of setting a new target, which will launch in 2020.



### Energy Use and Renewable Energy

Grainger's facilities account for about 94 percent of our annual energy use in North America. We focus our efforts on improving energy efficiency and embedding sustainability into our operations whenever feasible. For example, Grainger currently has 5.3 megawatts of solar panels installed on the rooftops of our distribution centers (DCs). Current renewable energy projects have resulted in 6.73 million kilowatt hours of renewable energy produced in 2018. Looking to the future, we consider investments in renewable energy on a case-by-case basis as part of new project plans.

### Building Management Systems

Business Management Systems (BMS) are the primary means through which Grainger achieves its energy efficiency goals. When operating optimally, BMS allow

our facility managers to provide the proper working environment for team members while minimizing Grainger's energy costs. Currently, 15 of our largest facilities have either been built with or retrofitted with BMS. On average, Grainger has realized a 10-15 percent reduction in energy use and expenses at its facilities after installing BMS.

### LEED Certification

Grainger has been a member of the U.S. Green Building Council since 2007, and remains committed to building Leadership in Energy and Environmental Design (LEED) certified facilities. Grainger currently maintains 6.7 million square feet of LEED certified space through 18 North American facilities, representing 27 percent of Grainger's total square feet in North America.

### Recycling and Waste

Recycling in our DCs not only avoids millions of pounds of materials going to landfill each year and the associated GHG emissions, it also helps create circular economies by turning usable materials into new things. Our U.S. DCs recycled 86 percent of all waste leaving the facility in 2018. We are continuing to assess where we can introduce innovation and efficiency to achieve our sustainability goals.

### Resource Efficiency

Grainger's water consumption is minimal as we do not manufacture the products we sell. We do measure our water footprint and look for opportunities to reduce usage across our facilities. Grainger's total water consumption in North America in 2018 was 508,653 cubic meters.





## GRAINGER ENVIRONMENTALLY PREFERABLE PRODUCT PORTFOLIO

**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**

**Manage Energy**

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

**ELECTRICAL | LIGHTING & CONTROLS**  
**HVAC/R | STEAM | COMPRESSED AIR**

**Reduce Waste**

Facilitate recycling and decrease landfill growth through recycled content

**RECYCLING EQUIPMENT | SORBENTS**  
**PAPER & PACKAGING**

**Improve Indoor Air**

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

**CLEANERS | AIR FILTERS | PAINTS/COATINGS**  
**CLEANING EQUIPMENT | OFFICE PRODUCTS**

**Products, Services and Solutions**

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 (EPP) and services. In 2018, the EPP Portfolio expanded 28 percent to more than 100,000 items that help customers maintain sustainable facilities through efficient energy management, water conservation, waste reduction and air-quality improvement.

Grainger's portfolio of sustainability-related services includes site audits, payback analysis, utility rebate assistance, and recycling of replaced product. In 2018, EPP sales totaled \$599 million, a 12.6 percent increase from 2017. Program growth is driven by product merchandising, and through introducing new products into the portfolio. Of new environmentally preferable items introduced last year, more than

70 percent of sales were driven by customer interest in products that measure use, control effectiveness and output, or reduce consumption of energy.

We have engaged a third party to better understand the carbon impact of the products we sell from the point of distribution through the product end-of-life. This work will help us to prioritize where to align resources to improve our portfolio of products. We expect to share updates in future reports.

**Risk and Continuity**

Grainger recognizes the importance of customers having access to products and services when and where they are needed. Grainger's business continuity and disaster recovery (BCDR) planning helps minimize the impact of unplanned events and outages affecting Grainger customers. To that end, BCDR efforts include developing, implementing and enhancing business continuity processes in alignment with the ISO/IEC

22301 framework for Grainger's Business Continuity Management Programs (BCMPs). This standard provides the strategic direction for BCMPs and guides the establishment of activities that align with the framework.

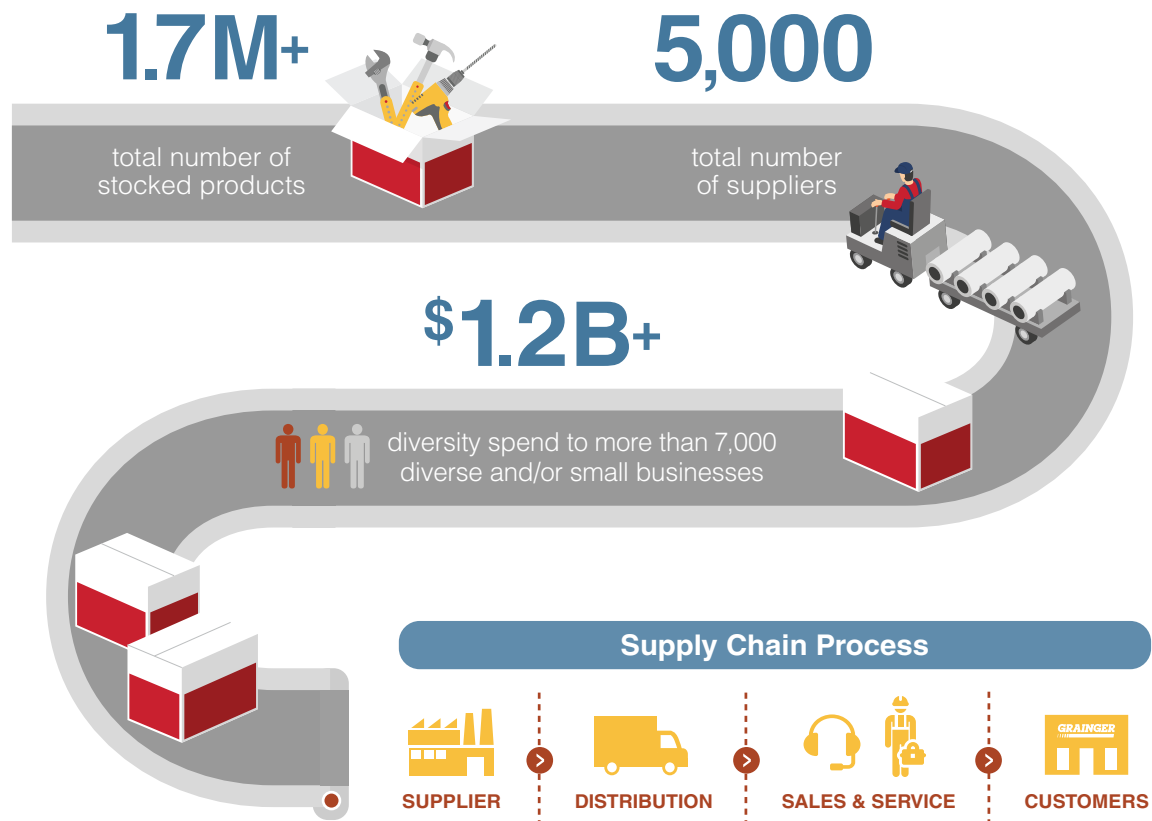
Components of a BCMP include: A Business Impact Analysis (BIA), Risk Assessment (RA), oversight for developing and testing Grainger's business continuity, emergency response, pandemic, and systems recovery plans. For example, localized response procedures are designed to allow customers in need to obtain emergency response items at any time of the day or night, and local Grainger branches may remain open 24 hours a day during major emergencies and disasters. In addition, Grainger has an emergency notification system in place that can be leveraged to issue emergency notifications and other communications throughout the organization in the event of disruptions.





## Supply Chain

At Grainger, we work with thousands of suppliers to stock more than 1.7 million products worldwide used by customers to maintain, repair and operate their facilities. Our advantaged supply chain allows us to meet the changing needs of our customers.



### Ethical Sourcing



# Q&A

## A conversation with >> Barry Greenhouse, SVP and President, Global Supply Chain



Barry Greenhouse | SVP and President, Global Supply Chain

Jane Kim, Process Manager, Merchandising and Supplier Management, sat down with Barry Greenhouse, Senior Vice President and President, Global Supply Chain, to discuss the integration of technology and sustainability within Grainger's supply chain.

### As SVP and President of Grainger's Global Supply Chain, how has technology led the way to delivering sustainable customer solutions?

**Greenhouse:** We have many examples. For instance, in the past several years, we've invested in automation that can build right-sized cartons for each customer order.

This has led to a 10 to 20 percent reduction of corrugate usage as well as reduced or eliminated the need for void fill, such as packaging paper or air pillows. Since right-size cartons minimize the "shipping of air," we have seen a 30 to 40 percent efficiency gain in transport space, which allows us to increase utilization of trailers, and consequently reduces the carbon emissions per package for our transportation partners.

Our custom-box technology has been introduced to six DCs and will expand to other facilities in the next several years.

### How has Supply Chain been able to increase sustainable practices within Grainger's operations?

**Greenhouse:** We focus our efforts on where we have the most influence, such as the new LEED Gold Certified DC in Louisville. This is the seventh LEED certified DC in Grainger's global network, and brings us to a total of 6.7 million square feet of LEED certified DC space across North America.

We continue to use the latest in energy management technology with our BMS. We are also updating more facilities to LED lighting and occupancy controlled

lighting, dynamic conveyor systems that slow or shut down when there are no active packages in the area, and more efficient HVAC systems, leading to long-term efficiency gains.

### How does Supply Chain translate efficiency into sustainability?

**Greenhouse:** We continue to look for ways to ship an entire order complete to simplify the customer receiving process and reduce total shipments. We refer to this as "ship complete" and have seen the number of orders ship complete increase by 2.7 percent during the past two years.

Solutions that consolidate packages and right-size cartons help us limit the amount of boxes we use overall. This is another way to reduce carbon emissions and packaging waste over multiple shipments for an order.

### Grainger's DC recycling rates continue to increase each year. How do teams work together to achieve this?

**Greenhouse:** Team members directly contribute to our sustainability performance through actions such as sorting materials more efficiently to reduce contamination and increase redemption values, and optimizing bale weights to save on transportation costs and carbon emissions.

In the last year, our U.S. DCs recycled 86 percent of waste, up 1.2 percent year over year, which helps avoid millions of pounds of material going to landfills each year. It also helps create circular economies by turning usable materials into new things, which is not just good for the environment, but delivers savings back to Grainger.







Distributors who deliver products worldwide face complex challenges. Products and materials 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. As a distributor of hundreds of thousands of products, it is our duty to ensure our supply chain operates responsibly, while providing the best support and resources to our suppliers and customers.

## Ethical Sourcing Platform

At Grainger, the way we conduct business is as important as the products and services we provide. We adhere to sourcing policies that ensure all our business operations and partners work in an ethical manner.

### Conflict Mineral Policy

While we are many levels removed from the beginning of our supply chain, Grainger is committed to acting in a socially and environmentally responsible manner. 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.

### Supplier Code of Ethics

To help ensure the products Grainger distributes 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.

## Supplier Stewardship

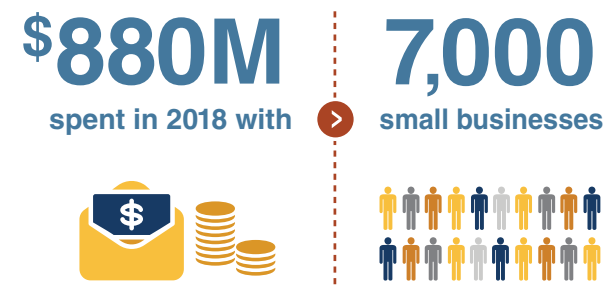
### Transportation

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 one of the few industrial suppliers recognized by the U.S. Environmental Protection Agency (USEPA) as a SmartWay® partner. The SmartWay® 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.

### Supplier Diversity

Grainger demonstrates commitment to developing and promoting diverse businesses through purchases of goods and services and through outreach. In 2018, we spent \$880 million with 7,000 small businesses, and \$357 million with 750 minority, woman, veteran, disabled-person, and LGBT-owned businesses for goods and services.

Grainger has more than 20 years of successful experience offering products from small and diverse businesses to help customers meet strategic purchasing needs. Since 1999, Grainger's Supplier Diversity Program has grown to feature 100,000 products across Grainger's product portfolio, and sales increased 9.9 percent year-over-year.



Since 2006, Grainger's Channel Development program has also helped customers achieve their diversity procurement goals and consolidate their MRO purchases by procuring products sold by our network of Diverse Business Enterprises resellers.

Grainger provides business development assistance in the areas of MRO management, trade education, contracting and technical assistance. Grainger also participates in local, state, and national trade fairs to meet with prospective diverse businesses, and is a corporate member of the Women's Business Enterprise National Council, and the National LGBT Chamber of Commerce.

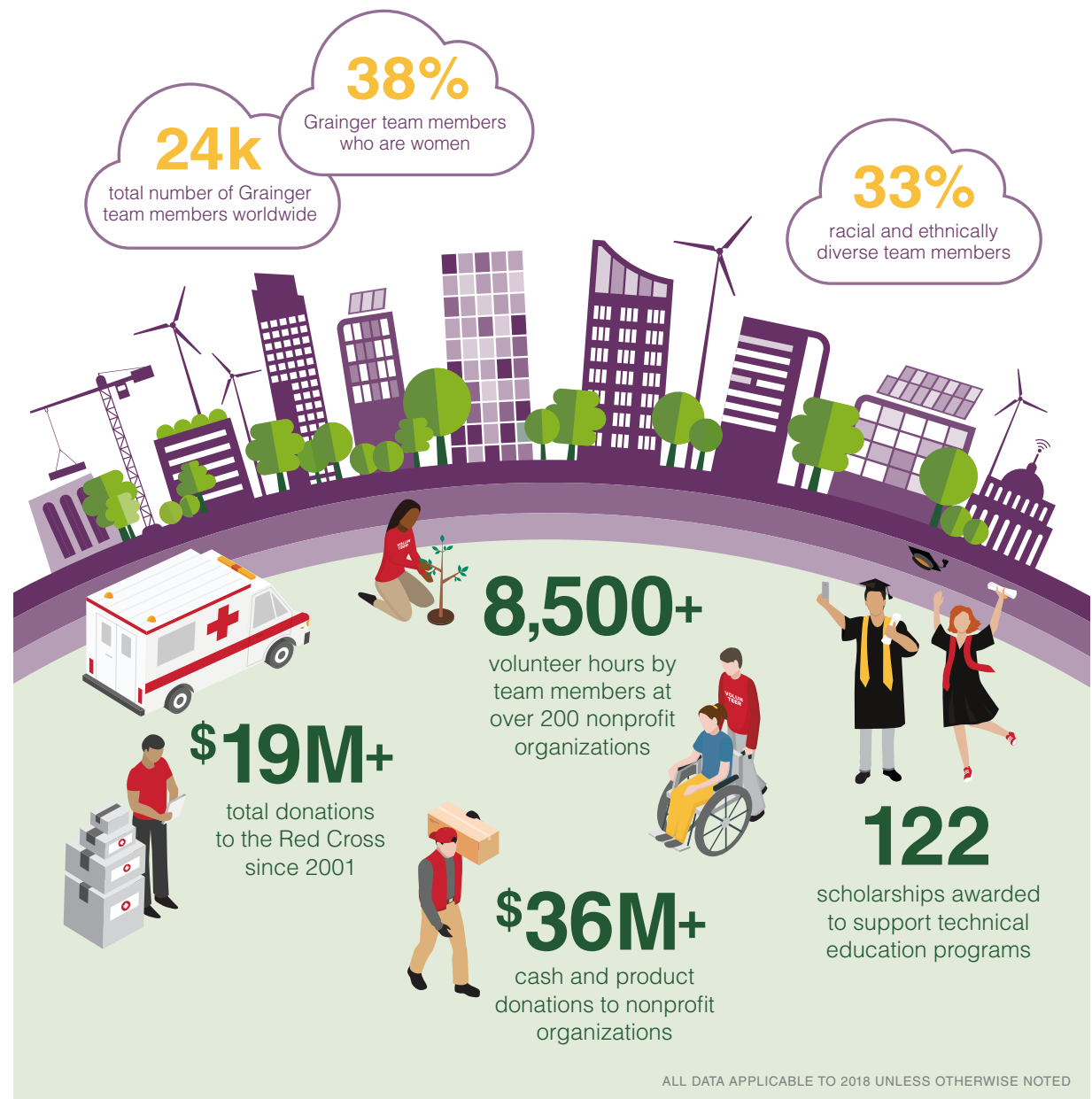






## People and Purpose

Grainger's culture of service extends from the team members we support to 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.





# Q&A

## A conversation with >> Rurick Sandoval Community Liaison, Latino Business Resource Group



Rurick Sandoval | Community Liaison, Latino Business Resource Group

Frank Lopez, Senior District Manager, Florida, sat down with Rurick Sandoval, Software Engineer and Community Liaison for the Latino Business Resource Group, to discuss team member commitment to their communities and how diversity and inclusion shapes those opportunities.

### What is the role of Grainger's Business Resource Groups?

**Sandoval:** Grainger's Business Resource Groups (BRGs) voluntarily bring team members together to provide peer-to-peer professional development and mentorship opportunities, as well as further diversity and inclusion within the company.

Each team member-led BRG helps to support Grainger's business strategy and contributes to our communities as responsible stewards via volunteerism and grantmaking. All nine BRGs are open to any U.S. team member.

### How does Grainger support its local communities?

**Sandoval:** For more than 90 years, Grainger has made a difference in the communities where our team members live and work.

One way our team members give back is through the passion they have for volunteering, both on behalf of Grainger and individually. In 2018, team members volunteered more than 8,500 hours. Our BRGs serve as volunteer hubs for team members across the U.S.

This past year, members of the Latino BRG volunteered hundreds of hours at several local Chicago-area and national organizations, including El Valor and Greenhouse Scholars.

### Why is volunteerism important to Grainger?

**Sandoval:** Volunteerism not only helps support long-term resilient communities, but also drives team member engagement by providing team building and professional development opportunities.

### How does diversity and inclusion support Grainger's commitments?

**Sandoval:** Our culture is one that values and respects the diversity of our team members and the communities where we live and work. Diversity and inclusion is essential for a healthy and productive company, workforce and for our communities.

Grainger's investments within our communities and opportunities with our nonprofit partners reflect the diverse nature of our society.

Within Grainger, team members have access to training, resources, events and engagement opportunities to further meaningful dialogue and action to support diversity and inclusion.



At Grainger, we believe 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. Further, our community investments reflect the nature of our business, and our commitments are driven by where our resources can be most impactful. We focus on disaster preparedness and response, education and workforce development, and local civic and community engagement.

## Health and Safety

Grainger is committed to providing a safe work environment and ensuring team members are properly prepared to perform the many tasks required to support our customers. Our Environmental, Health and Safety Program (EHS) is designed to integrate EHS initiatives into all aspects of business operations. It is also responsible for applying applicable federal, state and local regulations and/or considering proposed legislation from the Occupational Health and Safety Administration, Environmental Protection Agency, and the Department of Transportation.

We continue to make strides in safety across our business, trending 60 percent favorable to the Bureau of Labor and Statistics U.S. Wholesale Industry Average for Lost Time Incident Rate (LTIR). In 2018, our LTIR rate was 0.31 and our Total Recordable Incident Rate was 1.38.\*

Across our business, we embed safety practices and principles, requiring various levels of safety training. For example, all operational team members complete training to fully understand the expectation of behaviors defined by our [Global Environmental Health and Safety Policy](#). These team members demonstrate their personal commitment to safety by completing required certifications.

## Leadership Development

Grainger is committed to leadership effectiveness as part of its people strategy. We work hard to cultivate a great work environment for our team members. We know that a great customer experience starts with a great team member experience, and those experiences are driven by engaged and effective leaders.

For example, we offer multi-week leadership development programs to key team members worldwide, such as Grainger's Global Emerging Leader and First Time Manager. Upon program completion, development continues through the Leadership Alumni Network that focuses on enhancing foundational leadership skills, building new capabilities, and connecting all leaders for collaboration and sharing. In addition, Grainger leaders receive feedback from their team members through an Upward Feedback Survey that reinforces their strengths and identifies opportunities for their development.

[Learn more about how we develop and support our leaders and team members.](#)

## Diversity and Inclusion

We strive to ensure our team members reflect our increasingly global and diverse customer base. Diversity and inclusion are integral to Grainger's business success. 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, religion, ethnicity, sexual orientation, veteran status, disabilities or backgrounds.

## Demographics

In 2018, Grainger employed approximately 24,000 people worldwide: 80 percent of our team members are based in North America, 12 percent in Europe, 5 percent in Asia Pacific and 3 percent in Central and South America. Of our 24,000 team members, approximately 38 percent are women and 31 percent are women in leadership positions. Grainger's U.S. workforce was comprised of 32.7 percent racially and ethnically diverse team members overall and 20.3 percent racially and ethnically diverse leaders.

## Business Resource Groups (BRGs)

Grainger has nine BRGs that foster team member engagement through the sharing of information, ideas, experiences and resources. Open to all U.S. team members, approximately 3,500 individuals participate in our BRGs. These groups provide peer support, career development and mentoring opportunities.

## Our BRGs

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

\*In 2018, Grainger experienced zero work-related fatalities.



## 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.

Grainger has been a long-time partner of the Red Cross, donating more than \$19 million in cash and product to the American Red Cross since 2001, and the Canadian Red Cross since 2009. In 2018, we committed to the \$1 million level of American Red Cross Annual Disaster Giving Program®. 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.

Last year, we also partnered with Team Rubicon, a veteran-led organization that helps communities get back on their feet after disasters. To assist with these relief and recovery efforts, we donated more than \$120,000 worth of products.

## Education and Workforce Development

For nearly 20 years, Grainger has leveraged our passion for education and job training to create positive changes in our communities. For example, the Grainger BRGs partner with various local organizations to provide guidance, funding and tools to students in our communities.

We invest in the future of the skilled trade workforce through our Grainger Tools for Tomorrow® scholarship program. Each year, Grainger offers two scholarships of \$2,000 each to participating community colleges in the United States. 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 professional career. Since 2006, Grainger has donated more than \$5 million to support technical education programs. In 2018, 70 schools participated in the program and we awarded 122 scholarships. This represents a 61 percent participation rate which, since 2006, has exceeded the national average of 60 percent.

Grainger is beginning to focus efforts in education education within science, technology, engineering and mathematics (STEM). Skills within STEM are an integral component of many current, and increasingly future, careers. From enterprise systems analysts to electricians to manufacturing specialists and digital production managers, individuals around the world leverage STEM to get their jobs done. In 2019, Grainger is exploring programs and opportunities where we can continue to support all individuals who utilize STEM daily.

## Local Civic and Community Engagement

Grainger works collaboratively with various community partners through a combination of resources, including in-kind donations, team member volunteerism and our 3:1 Matching Gifts Program. In 2018, Grainger contributed more than \$36 million in cash and products to nonprofit organizations.

### Veterans

Grainger has a long history of supporting our veterans via the Veteran and Military Supporters BRG and various other community programs. In 2018, Grainger partnered with Folds of Honor to donate \$50,000 for educational scholarships that are directed to the children and spouses of fallen and disabled service members.

### Matching Gifts Program

The Grainger Matching Charitable Gifts Program aims to amplify our U.S. team members' personal community support via a 3:1 match. The company matches up to \$2,500 of team member eligible contributions to qualifying organizations annually. In 2018, Grainger granted more than \$1.95 million in matching gift contributions to more than 1,100 eligible organizations.

## Grainger 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, more than 7,200 grants, totaling \$57 million, have been made under the GCGP to qualified nonprofits. Under the program, Grainger's Branch/Operations managers, Contact Center directors and DC directors identify charitable organizations in their local communities and make grant recommendations to the Foundation.

In 2018, The Grainger Foundation made more than 500 grants totaling \$2.9 million to a wide variety of organizations in the areas of health and human services, food banks, civic, disaster relief and education.

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

### Team Member Involvement

Our team members' commitment to local communities is a key ingredient in the success of our corporate citizenship. In 2018, 900 team members volunteered more than 8,500 hours across more than 200 nonprofit organizations.

Grainger also supports our 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 addition, our executive board placement (EBP) program provides high-potential executives an opportunity to refine and enhance their leadership skills, cultivate strong and strategic partnerships with local nonprofits, and engage Grainger in civic activities that foster inclusion and diversity. Grainger's EBP program supported 23 executives in 2018.





## 2019 Corporate Social Responsibility Content Index\*

DISCLOSURE	GRI STANDARD TITLE	DESCRIPTION	PAGE NUMBER OR DATA POINT
<b>General</b>			
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, <b>Page 8 Fact Book, Pages 2-10; Annual Report</b>
102-3	General Disclosures	Location of headquarters	Lake Forest, Illinois
102-4	General Disclosures	Location of operations	Grainger at a Glance, <b>Page 8; Fact Book, Page 3 Annual Report, Pages 4-7, 18</b>
102-5	General Disclosures	Ownership and legal form	<b>Annual Report, Pages 4-7, 35</b>
102-6	General Disclosures	Markets served	Grainger at a Glance, <b>Page 8 Fact Book, Page 3; Annual Report</b>
102-7	General Disclosures	Scale of the organization	Grainger at a Glance, <b>Page 8; People and Purpose, Page 22; Fact Book, Pages 2-11 Annual Report, Pages 4-7, 18, 30</b>
102-9	General Disclosures	Supply chain	Solutions and Stewardship, <b>Page 15 Supply Chain, Pages 16-19; Fact Book, Pages 2-10; Annual Report, Pages 6-7</b>
102-10	General Disclosures	Significant changes to the organization and its supply chain	<b>Fact Book; Annual Report, Pages i-iii</b>
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 and CSR Advisory Council are 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	A Letter from our CEO, <b>Page 3</b> A Conversation with our Lead Director, <b>Page 4</b>
102-15	General Disclosures	Key impacts, risks and opportunities	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; A Letter from our Executive Sponsor, Page 5; Grainger at a Glance, Page 9; Fact Book; Annual Report, Pages i-7, Item 1A (Risk Factors)</b>
102-16	General Disclosures	Values, principles, standards, and norms of behavior	Ethics and Governance, <b>Pages 10-11 2019 Proxy Statement, Pages 23-25</b>
102-17	General Disclosures	Mechanisms of advice and concerns about ethics	Ethics and Governance, <b>Page 11</b>
102-18	General Disclosures	Governance structure	A Conversation with our Lead Director, <b>Page 4</b> Ethics and Governance, <b>Pages 10-11; Annual Report, Page 35; 2019 Proxy Statement, Pages 1-38</b>
102-19	General Disclosures	Delegating authority	A Conversation with our Lead Director, <b>Page 4</b> Ethics and Governance, <b>Pages 10-11; Annual Report, Page 35; 2019 Proxy Statement, Pages 1-38</b>
102-20	General Disclosures	Executive-level responsibility for economic, environmental, and social topics	A Conversation with our Lead Director, <b>Page 4</b> A Letter from our Executive Sponsor, <b>Page 5</b> Ethics and Governance, <b>Pages 10-11 2019 Proxy Statement, Pages 17, 24</b>

DISCLOSURE	GRI STANDARD TITLE	DESCRIPTION	PAGE NUMBER OR DATA POINT
<b>General (cont.)</b>			
102-21	General Disclosures	Consulting stakeholders on economic, environmental, and social topics	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; Grainger at a Glance, Page 9</b>
102-22	General Disclosures	Composition of the highest governance body and its committees	Ethics and Governance, <b>Pages 10-11; Annual Report, Page 35; 2019 Proxy Statement, Pages 1-38</b>
102-23	General Disclosures	Chair of the highest governance body	Ethics and Governance, <b>Pages 10-11; Annual Report, Page 35; 2019 Proxy Statement, Pages 1-38</b>
102-24	General Disclosures	Nominating and selecting the highest governance body	Ethics and Governance, <b>Pages 10-11; Annual Report, Page 35; 2019 Proxy Statement, Pages 1-38</b>
102-25	General Disclosures	Conflicts of interest	Ethics and Governance, <b>Pages 10-11; Annual Report, Page 34; 2019 Proxy Statement, Pages 1-38</b>
102-26	General Disclosures	Role of highest governance body in setting purpose, values and strategy	A Letter from our Executive Sponsor, <b>Page 5</b> Ethics and Governance, <b>Pages 10-11; Annual Report, Page 35; 2019 Proxy Statement, Pages 1-38</b>
102-27	General Disclosures	Collective knowledge of highest governance body	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; A Letter from our Executive Sponsor, Page 5; Ethics and Governance, Pages 10-11; 2019 Proxy Statement, Pages 1-38</b>
102-28	General Disclosures	Evaluating the highest governance body's performance	<b>2019 Proxy Statement, Pages 1-38</b>
102-29	General Disclosures	Identifying and managing economic, environmental, and social impacts	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; A Letter from our Executive Sponsor, Page 5; Grainger at a Glance, Page 9; Ethics and Governance, Pages 10-11; 2019 Proxy Statement, Pages 1-38 Annual Report, Pages i-7, Item 1A (Risk Factors)</b>
102-30	General Disclosures	Effectiveness of risk management processes	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; A Letter from our Executive Sponsor, Page 5; Grainger at a Glance, Page 9; Ethics and Governance, Pages 10-11; 2019 Proxy Statement, Pages 1-38</b>
102-31	General Disclosures	Review of economic, environmental, and social topics	<b>2019 Proxy Statement, Pages 17, 24</b>
102-32	General Disclosures	Highest governance body's role in sustainability reporting	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; A Letter from our Executive Sponsor, Page 5; 2019 Proxy Statement, Pages 17, 24</b>
102-33	General Disclosures	Communicating critical concerns	<b>Grainger Investor Relations Website</b>
102-34	General Disclosures	Nature and total number of critical concerns	<b>Annual Report, Pages 11-12</b>
102-40	General Disclosures	List of stakeholder groups	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; Grainger at a Glance, Page 9; 2018 CSR Report, Pages 8-11</b>
102-42	General Disclosures	Identifying and selecting stakeholders	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; Grainger at a Glance, Page 9; 2018 CSR Report, Pages 8-11</b>
102-43	General Disclosures	Approach to stakeholder engagement	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; Grainger at a Glance, Page 9; 2018 CSR Report, Pages 8-11</b>
102-44	General Disclosures	Key topics and concerns raised	A Letter from our CEO, <b>Page 3; A Conversation with our Lead Director, Page 4; Grainger at a Glance, Page 9; 2018 CSR Report, Pages 8-11</b>



## 2019 Corporate Social Responsibility Content Index (continued)

DISCLOSURE	GRI STANDARD TITLE	DESCRIPTION	PAGE NUMBER OR DATA POINT
<b>General (cont.)</b>			
102-45	General Disclosures	Entities included in the consolidated financial statements	<b>Fact Book, Pages 2-3; Annual Report, Pages 4-8</b>
102-46	General Disclosures	Defining report content and topic boundaries	Grainger at a Glance, <b>Page 8</b>
102-47	General Disclosures	List of material topics	Grainger at a Glance, <b>Page 9</b>
102-48	General Disclosures	Restatements of information	None
102-49	General Disclosures	Changes in reporting	A Letter from our Executive Sponsor, <b>Page 5</b>
102-50	General Disclosures	Reporting period	January 1, 2018 - December 31, 2018
102-51	General Disclosures	Date of most recent report	April, 2018
102-52	General Disclosures	Reporting cycle	Annual
102-53	General Disclosures	Contact point for questions regarding the report	Joe Micucci
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 and CSR Advisory Council are working toward a report prepared in accordance with the GRI Standards.
102-55	General Disclosures	GRI content index	GRI content index
102-56	General Disclosures	External assurance	Grainger at a Glance, <b>Page 8</b>
<b>Management Approach</b>			
103-1	Management Approach	Explanation of the material topic and its Boundary	Grainger at a Glance, <b>Pages 8-9</b> ; Ethics and Governance, <b>Page 10</b> ; Solutions and Stewardship, <b>Page 12</b> ; Supply Chain, <b>Page 16</b> ; People and Purpose, <b>Page 20</b>
103-3	Management Approach	Evaluation of the management approach	Grainger at a Glance, <b>Pages 8-9</b> ; Ethics and Governance, <b>Pages 10-11</b>
<b>Economic Performance</b>			
201-1	Economic Performance	Direct economic value generated and distributed	<b>Fact Book, Pages 11, 13-14</b>
201-2	Economic Performance	Financial implications and other risks and opportunities due to climate change	<b>Annual Report, Item 1A, Pages 10-11</b>
201-3	Economic Performance	Defined benefit plan obligations and other retirement plans	<b>Annual Report, Pages 58-62</b>
<b>Indirect Economic Impacts</b>			
203-2	Indirect Economic Impacts	Significant indirect economic impacts	<b>Annual Report, Pages i-ii, Item 1A</b>
<b>Anti-corruption</b>			
205-1	Anti-corruption	Operations assessed for risks related to corruption	Ethics and Governance, <b>Pages 10-11</b>

DISCLOSURE	GRI STANDARD TITLE	DESCRIPTION	PAGE NUMBER OR DATA POINT
<b>Anti-corruption (cont.)</b>			
205-2	Anti-corruption	Communication and training about corruption and actions taken	Ethics and Governance, <b>Page 11</b>
205-3	Anti-corruption	Confirmed incidents of corruption and actions taken	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019
<b>Anti-competitive behavior</b>			
206-1	Anti-competitive behavior	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019
<b>Materials</b>			
301-2	Materials	Recycled input materials used	Solutions and Stewardship, <b>Page 19</b>
301-3	Materials	Reclaimed products and their packaging materials	Solutions and Stewardship, <b>Page 19</b>
<b>Energy</b>			
302-1	Energy	Energy consumption within the organization	Solutions and Stewardship, <b>Pages 6, 12, 14</b>
302-2	Energy	Energy consumption outside of the organization	Solutions and Stewardship, <b>Pages 18 2018 CSR Report, Page 39</b>
302-3	Energy	Energy intensity	Solutions and Stewardship, <b>Pages 6, 12, 14</b>
302-4	Energy	Reduction of energy consumption	Solutions and Stewardship, <b>Pages 6, 12, 14 2018 CSR Report, Page 39</b>
302-5	Energy	Reductions in energy requirements of products and services	Solutions and Stewardship, <b>Pages 6, 12, 14 2018 CSR Report, Pages 37-38</b>
<b>Water</b>			
303-3	Water	Water withdrawal	Solutions and Stewardship, <b>Page 14</b>
<b>Emissions</b>			
305-1	Emissions	Direct (Scope 1) GHG emissions	Solutions and Stewardship, <b>Page 14</b>
305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Solutions and Stewardship, <b>Page 14</b>
305-3	Emissions	Other indirect (Scope 3) GHG emissions	Solutions and Stewardship, <b>Page 14 2018 CSR Report, Page 39</b>
305-4	Emissions	GHG emissions intensity	Solutions and Stewardship, <b>Page 14</b>
305-5	Emissions	Reduction of GHG emissions	Solutions and Stewardship, <b>Page 14</b>
<b>Effluents and Waste</b>			
306-2	Effluents and Waste	Waste by type and disposal method	Solutions and Stewardship, <b>Page 14</b>
306-3	Effluents and Waste	Significant spills	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019
306-5	Effluents and Waste	Waster bodies affected by water discharges and/or runoff	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019



## 2019 Corporate Social Responsibility Content Index (continued)

DISCLOSURE	GRI STANDARD TITLE	DESCRIPTION	PAGE NUMBER OR DATA POINT
<b>Environmental Compliance</b>			
307-1	Environmental Compliance	Non-compliance with environmental laws and regulations	None, material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019
<b>Supplier Environmental Assessment</b>			
308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Supply Chain, <b>Page 18</b> ; <b>2018 CSR Report, Page 39</b>
308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	Material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019
<b>Occupational Health and Safety</b>			
403-1	Occupational Health and Safety	Occupational health and management system	People and Purpose, <b>Page 22</b> <b>2018 CSR Report, Pages 19-22</b>
403-2	Occupational Health and Safety	Hazard identification, risk assessment, and incident investigation	Ethics and Governance, <b>Page 11</b> ; People and Purpose, <b>Page 22</b> ; <b>2018 CSR Report, Pages 19-22</b>
403-3	Occupational Health and Safety	Occupational health services	People and Purpose, <b>Page 22</b> ; <b>2018 CSR Report, Pages 19-22</b>
403-5	Occupational Health and Safety	Worker training on occupational health and safety	People and Purpose, <b>Page 22</b> <b>2018 CSR Report, Pages 19-22</b>
<b>Training and Education</b>			
404-1	Training and Education	Average hours of training per year per employee	<b>2018 CSR Report, Pages 21, 24</b>
404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	People and Purpose, <b>Page 22</b> <b>2018 CSR Report, Pages 23-28</b>
404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	<b>2018 CSR Report, Page 25</b>
<b>Freedom of Associations and Collective Bargaining</b>			
407-1	Freedom of Associations and Collective Bargaining	Operations and suppliers in which the right to freedom of association and collective bargaining may be the risk	Grainger has not identified any operations where the right to freedom of association is at risk
<b>Child Labor</b>			
408-1	Child Labor	Operations and suppliers at significant risk of child labor	Grainger has not identified any operations where there are significant risks of child labor
<b>Forced or Compulsory Labor</b>			
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
<b>Security Practices</b>			
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
<b>Rights of Indigenous Peoples</b>			
411-1	Rights of Indigenous Peoples	Incidents of violations involving rights of indigenous peoples	Material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019

DISCLOSURE	GRI STANDARD TITLE	DESCRIPTION	PAGE NUMBER OR DATA POINT
<b>Human Rights Assessment</b>			
412-1	Human Rights Assessment	Operations that have been subject to human rights reviews or impact assessments	Ethics and Governance, <b>Page 11</b> <b>2018 CSR Report, Page 15</b> <b>2017 CSR Report, Page 8</b>
412-2	Human Rights Assessment	Employee training on human rights policies or procedures	Ethics and Governance, <b>Page 11</b>
412-3	Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Ethics and Governance, <b>Page 11</b> Supply Chain, <b>Pages 16, 18</b> <b>2018 CSR Report, Page 15</b> <b>2017 CSR Report, Page 9</b>
<b>Local Communities</b>			
413-1	Local Communities	Operations with local community engagement, impact assessment and development programs	Grainger at a Glance, <b>Page 9</b> People and Purpose, <b>Pages 20-23</b>
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
<b>Supplier Social Assessment</b>			
414-1	Supplier Social Assessment	New suppliers that were screened using social criteria	Supply Chain, <b>Pages 16, 18</b> <b>2017 CSR Report, Page 9</b>
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
<b>Public Policy</b>			
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.
<b>Customer Privacy</b>			
418-1	Customer Privacy	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019
<b>Socioeconomic Compliance</b>			
419-1	Socioeconomic Compliance	Non-compliance with laws and regulations in the social and economic area	Material items would be disclosed in our <b>Annual Report on Form 10-K</b> for the fiscal year ended December 31, 2019

\*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.







# Corporate Social Responsibility >> 2019 UPDATE

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We welcome your feedback at [graingercsr@grainger.com](mailto:graingercsr@grainger.com)



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