GRAINGER®

20
20 | Corporate Social Responsibility

www.graingercsr.com

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A Letter from Our Chairman & CEO

DG Macpherson | Chairman of the Board and Chief Executive Officer

At Grainger, our purpose is to keep the world working. The significant health, economic and social challenges facing humanity in 2020 have made Grainger's 25,300 global team members even more resolute to fulfill that purpose.

We responded quickly to the COVID-19 pandemic to ensure the safety of our team members as well as the stability of our customers. Team member and customer health is our top priority, and we have business continuity plans following guidance from the Centers for Disease Control, the Public Health Agency of Canada and the World Health Organization. As an essential business, we continue to direct our support to hospitals, first responders and many others on the front lines. I'm proud of the work we're doing to keep people safe.

When marches, protests and demonstrations began in response to civil injustice, we were declarative in our belief that diversity, inclusion and acceptance of our differences makes us stronger. We cannot—and will not —tolerate racism, discrimination, prejudice or violence. We will support and include all people. Always.

While the pandemic and civil unrest will forever be linked to 2020, accountability is our bridge to the future.

In the pages that follow, you will see that we are reporting our SASB and TCFD disclosures, creating greater transparency and accountability on our environmental, social and governance (ESG) initiatives. As Matt Fortin explains in his Executive Sponsor letter, we have set science-based targets for our operational greenhouse gas emissions, which makes us even more accountable to helping create a healthier planet for all of us.

From a community perspective, we continue to partner with the American Red Cross, donating more than $19 million in cash and product to the organization since 2001.

We also maintain our commitment to education through our skilled trades scholarship program, Tools for Tomorrow, and we partner with organizations such as 1871 and Chicago Innovation to advance STEM education to minorities and underserved communities.

This year, we also donated 1.7 million masks to the Children's First Fund to help ensure all students, faculty and staff affiliated with Chicago Public Schools can return to the classroom with the appropriate face coverings. In addition, we donated to Chicago Neighborhood Initiatives, a nonprofit organization that provides assistance to small and minority-owned businesses impacted by the pandemic and looting as a result of civil unrest in Chicago.

We are accountable to each other and have a responsibility to create greater opportunity and equity in all we do. I am proud of how we serve our communities and look forward to continuing to evolve our approach to have an even stronger impact.

Although the future comes with many questions, I look at the path forward with optimism. We know what it takes to be better and are committed to taking action.

I hope those who read this report will see how Grainger is both keeping the world working and working to help make the world a better place for all.

DG Macpherson

DG Macpherson
Chairman of the Board and Chief Executive Officer

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A Letter from Our Executive Sponsor for Corporate Social Responsibility

Matt Fortin | Vice President, President of Merchandising & Supplier Management

It is an honor to serve in my fourth year as the Executive Sponsor of Grainger's corporate social responsibility (CSR) program. Our core principles at Grainger are informed by our commitment to integrity, safety, and sustainability in everything we do, and this 2020 CSR Report serves to underscore how we work toward fulfilling those commitments.

This year's comprehensive report not only details the internal progress we have made in 2019 on ESG, but also provides a lens into how these initiatives correspond with broader global sustainability goals. In line with the goals of the Paris Climate Agreement, we have set science-based targets (SBTs) to reduce greenhouse gas (GHG) emissions within our operations, and we are developing an engagement strategy with our customers and suppliers to reduce further emissions throughout our entire value chain. Long known as a leader in the diversity, equity and inclusion arenas, we continue to work toward gender and pay equity in the workplace. Lastly, in recognizing the paramount importance of keeping our team members, customers and their data safe, we have embraced continuous improvement in our safety practices, and we have expanded our data privacy solutions to address rapidly evolving global compliance issues.

With that in mind, I am pleased to share several highlights to consider as you read through this 2020 CSR report:

- Consistent with the Paris Agreement's goal of limiting global warming to well below two degrees Celsius, we have set science-based targets of our operational greenhouse gas emissions: using a 2018 baseline, we intend to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030.

- Our Environmentally Preferable Product (EPP) portfolio sales surpassed $675 million in 2019, representing a 13 percent growth from the previous year and demonstrating our increased focus on helping our customers achieve their own sustainability goals.

- By signing The Chicago Network Equity Pledge, Grainger has committed to achieve 50 percent representation of women in leadership positions by 2030.

- We earned the top score of 100 percent on the 2020 Corporate Equality Index and the designation as one of the "Best Places to Work for LGBTQ Equality" for the sixth straight year.

- Our North America safety rates continue to improve, driven in part by our new Safety Pillar Team and Safety School initiatives. Our 2019 Total Recordable Incident Rate (TRIR) was 1.2 and our Lost Time Incident Rate (LTIR) was 0.3.

Today corporate sustainability finds itself at an exciting inflection point of meaningful actions on sustainable investment, climate change mitigation and resilience, and diversity and inclusion, among others. As a leader in the MRO business, Grainger is proud to work toward setting the industry pace on these issues and beyond, delivering solutions that ultimately keep the world working.

Matt Fortin
Vice President, President of Merchandising & Supplier Management

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Key Performance Data[1]

	2015	2016	2017	2018	**2019**
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Net Sales, $ billion	10	10.1	10.4	11.2	**11.5**
Suppliers	4,800	5,100	5,200	5,000	**5,000**
Products Stocked, million	1.4	1.6	1.7	1.7	**1.6**
Active Customers, million	3	3.2	3.5	3.5	**3.8**
ETHICS & GOVERNANCE					
Business Ethics					
Team Members Trained on Business Conduct Guidelines, percent	100	100	100	100	**100**
Board Diversity					
Female Directors, percent[2]	11	11	18	18	**27**
Racially and Ethnically Diverse Directors, percent	22	22	27	27	**27**
SOLUTIONS & STEWARDSHIP[3]					
North American Energy Consumption, million kilowatt hours	430	401	371	344	**316**
North American Facility CO_2e Emissions, million metric tons	0.14	0.13	0.11	0.10	**0.10**
GHG Intensity (MTCO$_2$e/Revenue)	15.1	14.7	12.5	10.9	**10.6**
North American Water Use, million cubic meters	0.64	0.51	0.47	0.51	**0.47**
Renewable Energy Produced, thousand kilowatt hours	5.77	5.47	5.87	6.73	**6.80**
U.S. Distribution Center Network Recycling Rate, percent	84.1	84.7	84.8	86.0	**89.7**
LEED Certified Space, million square feet	3.6	4.2	5.5	6.7	**8.1**
Environmentally Preferable Products, percent revenue	6.8	5.4	5.1	5.3	**5.9**
PEOPLE & PURPOSE					
Safety					
Lost Time Incident Rate[4]	0.3	0.3	0.4	0.3	**0.3**
Total Recordable Incident Rate	1.1	1.3	1.4	1.4	**1.2**
Workforce Demographic					
U.S. Workforce (Total), percent women	—	—	37.4	38.0	**38.1**
U.S. Workforce (Leaders), percent women	—	—	29.6	31.0	**32.7**
U.S. Workforce (Total), percent racially and ethnically diverse	—	—	31.8	32.7	**34.5**
U.S. Workforce (Leaders), percent racially and ethnically diverse	—	—	23.3	20.3	**21.6**
Community Engagement					
Matching Gifts Contributions, $ million	2.7	2.2	2.2	2.0	**2.0**
Volunteer Corps, volunteer hours	—	—	9,000	8,500	**8,000**

[1] For further information on data boundaries and assurance, please see "Boundary" on page 11 and "Assurance" on page 18. [2] This information reflects the April 2020 Grainger shareholder election of all the nominees. [3] Carton-to-order reflects multiple factors such as shifts in product mix and average order value; this makes interpretation difficult without additional context and is therefore no longer included. [4] Per 100 employees; cases with one or more days away from work per 200,000 hours.

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Awards & 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.

#1 Industrial Distribution's Big 50 List 2019

Disability Equality Index 2019
90 percent rating for the third consecutive year

#1 for Diversified Wholesalers on Fortune World's Most Admired Companies 2020
For the seventh consecutive year

Built in Chicago's Best Places to Work 2020
Best paying company and company with the best benefits in Chicago

Human Rights Campaign Foundation's Corporate Equality Index 2020
100 percent for the sixth consecutive year

#8 on Barron's Most Sustainable Companies in the U.S. 2019
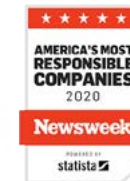For the second consecutive year

FTSE4GOOD 2019

Dow Jones Sustainability Index 2019

EcoVadis Silver Rating in 2019

#39 Investor's Business Daily 50 Best ESG Companies 2019

#88 Newsweek America's Most Responsible Companies 2020

CDP A- Rating 2019

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About Grainger

At Grainger, our purpose is evident: we keep the world working. We aspire to relentlessly expand our leadership position by being the go-to partner for people who build and run safe, sustainable and productive operations.

1.6 M
products stocked

3.8 M
active customers

25k
team members

$11.5 B
2019 net sales

5,000
key product suppliers

Our Purpose & Aspirations

In 2019, Grainger introduced the Grainger Edge^{SM}, our new strategic framework that defines who we are, why we exist, and how we work together to bring value to our customers, communities and team members. It outlines our purpose, aspiration, strategy and principles that are foundational to our culture.

Our Business

Grainger is a broad line, business-to-business distributor of maintenance, repair and operations (MRO) supplies and other related products and services. We offer 1.6 million quality stocked 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. 3.8 million businesses and institutions 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.

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Our Reach & Brands

GC GRAINGER CHOICE

We take pride in offering top quality products for a variety of customer needs. 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.

Our Strategy

In the large and highly competitive MRO industry, Grainger holds an advantaged position with our supply chain infrastructure, broad in-stock product offering and deep customer relationships. To leverage our supply chain and the changing needs of our customers, we go to market with two models: High-touch solutions and endless assortment. Grainger's high-touch solutions model delivers compelling value-added MRO solutions through our team of experts and curated digital experiences, primarily in North America and Europe. The endless assortment model is designed to make business supply purchasing easier through a streamlined and transparent online relationship, providing access to everything a customer needs. This model is focused on customers with less complex needs and includes the Zoro Tools, Inc. (Zoro) brand in the U.S. and MonotaRO Co., Ltd. (MonotaRO) in Japan.

	HIGH-TOUCH SOLUTIONS			ENDLESS ASSORTMENT	TOTAL COMPANY [4]
	U.S.	Canada	International [2]		
REVENUE	$8.8B	$0.5B	$0.8B	$1.8B	**$11.5B**
DAILY REVENUE GROWTH %	3%	(19%)	(9%)	19%	**2%**
OPERATING MARGIN[1]%	16%	1%	(17%)	7%	**11%**
ROIC[1]	42%	1%	(19%)	32%[3]	**27%**

[1] ROIC definition: Adjusted ROIC means the Company's return on invested capital calculated using operating earnings, adjusted (as reconciled to its most directly comparable GAAP measure in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019). The GAAP financial statements are the source for all amounts used in the ROIC calculation. ROIC is calculated using operating earnings divided by net working assets (a five-point average for the year-to-date). Net working assets are working assets minus working liabilities defined as follows: working assets equal total assets less cash equivalents (fivepoint average of $150.2 million), deferred taxes, and investments in unconsolidated entities (part of Other Assets), plus the LIFO reserve (part of Inventories – net; five-point average of $414.1 million). Working liabilities are the sum of trade payables, accrued compensation and benefits, accrued contributions to employees' profit-sharing plans, and accrued expenses.   [2] International includes Cromwell, Fabory, Mexico, China and Puerto Rico. In 2019, the company recorded a $120 million write-down of substantially all of the remaining intangible assets of the Cromwell business.   [3] Endless assortment ROIC shown is for MonotaRO, which is indicative of ongoing operations and serves as a proxy for the overall endless assortment businesses.   [4] Total company also includes Specialty Brands, eliminations and unallocated expenses.

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Materiality Assessment

Approach

Our materiality assessment and resulting materiality matrix form the foundation of our sustainability program at Grainger. Using the Global Reporting Initiative (GRI) Standards' definition of materiality, this assessment is the process through which an organization determines the most important issues that reflect its impacts on stakeholders, the economy, the environment and society.

The results of our materiality assessment inform not only Grainger's opportunities to impact critical areas using our products, services, and solutions, but also where we can refine program priorities. The pillars of this report—Ethics & Governance, Sustainability & Stewardship, Supply Chain and People & Purpose—are designed to reflect the alignment of our corporate social responsibility (CSR) initiatives with the value we provide to our customers and within our operations.

Materiality Matrix

This materiality matrix is the result of Grainger's first corporate materiality assessment performed in 2017. Topics rated highly material by both internal and external stakeholders are in the top right of the matrix. Chief among Grainger's priorities are carbon reduction, product stewardship, workforce diversity and business ethics.

We intend to refresh this materiality assessment in 2021. Conducting this refresh will enable us to optimize our priorities, refine our sustainability strategy and identify emerging issues.

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Process

Conducting our materiality assessment centered upon the process of stakeholder engagement and topic boundary setting. 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.

Stakeholder Engagement

During our materiality assessment we engaged with critical stakeholders to identify the areas of corporate social responsibility that 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. In addition, we had one-on-one discussions with analysts and investors and distributed surveys among stakeholder groups who were unavailable for individual consultation.

Stakeholders[1]	Topics	Means of Dialogue	
Customers ::	Customer service and satisfaction Quality assurance Product stewardship	• Sales and service teams • Customer satisfaction surveys • Focus groups	• Online reviews • One-on-one discussions and best practice sharing
Team Members ::	Workplace health and safety Diverse and inclusive workforce Training and development Competitive compensation and benefits Team member engagement	• Intranet, web-based internal newsletter • Team member engagement survey • Internal reporting desk (helpline desk)	• Education and training • Digital signage • Volunteering opportunities
Suppliers ::	Supply chain management Materials and packaging Supplier diversity	• Supplier outreach • CDP Supply Chain questionnaire	• Partners in Performance • Supplier Code of Ethics
Investors ::	Corporate governance Regulatory and disclosure compliance Financial performance Supply chain management	• 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 ::	Community engagement Workforce development Disaster preparedness and response	• Volunteer activities • Educational support for the next generation of supply chain leaders	• Supply chain resilience activities • Strategic partnerships

[1] This stakeholder engagement matrix reflects our 2017 materiality assessment and will be updated as part of our 2021 assessment.

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Boundary

Although Grainger's CSR commitments apply throughout the world, this report is primary 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 geographic boundary is noted. Value chain maps demonstrate the primary activities and stakeholders associated with sourcing, selling and using a company's services and products. While many material topics relate to activities that occur within Grainger's direct operations, some have implications throughout our entire value chain. The graphic below allows us to see the boundary of each of our material topics.

Sourcing — Point of origin for our packaging, supplier data, private label or nationally branded products

Sales & Service — Creating unique value and ensuring an effortless customer experience

Distribution — Storing and moving our products to customers

Consumption — Customers keeping their operations running and their people safe

	Raw Materials	Grainger Choice Suppliers	National Brand Suppliers	High Touch	Single Channel	Operations	Transportation	Customer
Ethics & Governance								
Business Ethics	●	●	●	●	●	●	●	●
Information Security		●	●	●	●	●	●	●
Data Privacy		●	●	●	●	●	●	●
Economic Performance		●	●	●	●	●	●	●
Sustainability & Stewardship								
Carbon Reduction	●	●	●	●		●	●	●
Energy Efficiency		●	●	●	●	●	●	●
Product Stewardship	●	●	●	●	●			●
Renewable Energy				●		●		
Recycling and Waste	●	●	●	●		●	●	●
Sustainable Packaging	●	●	●	●	●	●	●	●
Water Stewardship	●	●	●	●		●		●
Supply Chain								
Supply Chain Resilience	●	●	●	●	●	●	●	●
Product Quality	●	●	●			●	●	●
Disaster Preparedness & Response	●	●	●			●	●	●
Supplier Diversity	●	●	●					●
People & Purpose								
Customer & Team Member Safety	●	●	●	●	●	●	●	●
Workforce Diversity & Inclusion				●	●	●		
Talent Attraction & Retention				●	●	●		

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Sustainable Development Goals (SDGs)

The Sustainable Development Goals (SDGs), adopted in 2015 by all United Nations member states as part of the 2030 Agenda for Sustainable Development, serve as a call to action and global blueprint for all governments, business, and civil society organizations striving toward peace and prosperity for humanity and the planet. These 17 SDGs outline the strategies needed to reduce global inequality, improve health and education, bolster economic development, preserve the natural world, and fight climate change. Grainger has identified eight of the 17 goals where our business can make the greatest impact.

Quality Education ::
Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Gender Equality ::
Achieve gender equality and empower all women and girls

Decent Work and Economic Growth ::
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Industry, Innovation and Infrastructure ::
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Sustainable Cities and Communities ::
Make cities and human settlements inclusive, safe, resilient and sustainable

Responsible Consumption and Production ::
Ensure sustainable consumption and production patterns

Climate Action ::
Take urgent action to combat climate change and its impacts

Life on Land ::
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

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Ethics & Governance

Grainger is committed to being a responsible corporate citizen. We strive to integrate environmental, social and governance principles into the daily operation of our business.

Board of Directors

27%
racially & ethnically diverse directors

27%
female directors*

*This information reflects the April 2020 Grainger shareholder election of all the nominees.

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

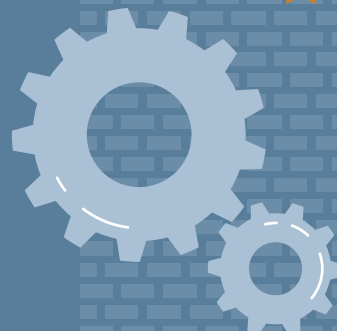For more information, see Grainger's Corporate Governance fact sheet

CSR program

CSR Advisory Council

mission: provide strategic awareness and encourage transparency

CSR Working Group

mission: lead programs to promote CSR goals

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Ethics & Governance

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CSR Working Group | Policies & Trainings
CSR Advisory Council | Reporting & Grievance Mechanisms

Our Approach

Our corporate governance program is built around the long-term interest of all stakeholders and is supported by the commitment of our Board of Directors. This long-term commitment to integrity and ethics manifests itself through our comprehensive business conduct guidelines and trainings.

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 having a diverse, experienced and vibrant Board. Grainger's Board is currently comprised of 11 directors, 10 of whom are independent, of varying experiences and backgrounds, and three committees: Audit Committee, Compensation Committee and Board Affairs and Nominating Committee. Learn more about our Board governance in our 2020 Proxy Statement and in our Committee Charters available on our Investor Relations website.

We integrate CSR initiatives into the company's strategy and daily operations at each level of the business. All independent directors and the CEO annually review the company's promotion of all CSR and sustainability initiatives.

CSR Governance

Grainger's engaged workforce, comprehensive policies and strong business principles drive the 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.

CSR Working Group

Our CSR Working Group is currently chaired by our Vice President and President, Merchandising & Supplier Management. The group is composed of leaders and subject matter experts in targeted functional areas at Grainger. These individuals lead programs that support initiatives within our four CSR pillars—Ethics & Governance, Sustainability & Stewardship, Supply Chain and People & Purpose—and are responsible for implementing programs to drive progress toward our strategic goals.
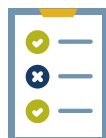
CSR Advisory Council

Our CSR Advisory Council is comprised of senior leaders who have direct interaction with revenue-generating areas of the business. The primary objective of the group is to provide strategic guidance to the CSR program and to promote program initiatives throughout the organization.

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		CSR Working Group CSR Advisory Council	Policies & Trainings Reporting & Grievance Mechanisms			

TRAINING & DEVELOPMENT ON GRAINGER GLOBAL POLICIES

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

Ethics & Compliance

Our stakeholders trust Grainger to operate with the greatest level of integrity, and we in turn hold ourselves accountable to full compliance with local, national and global regulations. We maintain this culture of ethics and compliance through a robust framework of policies, trainings and reporting.

Policies & Trainings

Business Conduct Guidelines

Grainger's Business Conduct Guidelines define our shared expectations of how we work together, serve customers and business partners, and honor our commitments to shareholders everywhere we do business. In July 2019, the Board adopted our updated Business Conduct Guidelines. The Guidelines, applicable to all team members, now incorporate issues such as social media and data security and privacy protocols. In 2019, 100 percent of Grainger team members completed Business Conduct Guidelines training.

Each new Grainger team member in the U.S. is required to complete training and certification within five days of hire, and new international team members are required to complete training and certification within 35 days. Moreover, all Grainger team members are expected to demonstrate their personal commitment to the company's high operating standards by certifying their annual compliance with the Business Conduct Guidelines. Guidelines specific to customer segments (such as our healthcare and public sector segments) and geography may be required of certain employees.

Team members also complete training every three years to fully understand the expectation of legal and ethical behaviors defined by the Business Conduct Guidelines.

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Ethics & Governance

Anti-Bribery & 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.

Reporting & Grievance Mechanisms

We encourage anyone to report ethical concerns or complaints regarding company or individual practices. Individuals located within North America may call an independent, secure, 24-hour hotline at 888-873-3731. A global reporting website is available at www.tnwgrc.com/grainger.

Data Privacy

Grainger recognizes the importance of protecting the personally identifiable information (PII) of every team member, customer and supplier, 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 protecting 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.

Notice regarding our privacy practices is published on company websites via our Privacy Policies. To address global privacy laws such as CCPA, GDPR, and PIPEDA, solutions have been implemented to facilitate individual data subject requests to provide further transparency about how Grainger may collect, use, share or store PII. Grainger captures and maintains appropriate consent from individuals in connection with their PII, and individuals may exercise choice over how their personal information may be processed on an ongoing basis.

Our ethical expectation and legal commitment from all third parties (business partners, consultants and agents) acting on Grainger's behalf extends to Data Privacy & Information Security. Third-party physical, technical, and administrative controls are assessed as part of due diligence and required contracts are executed.

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.

Information Security

The Grainger information security team's mission is to facilitate the protection of Grainger information and computing assets worldwide. We achieve that mission by establishing guidelines to ensure the confidentiality, integrity and availability of assets across the global organization, and by managing risk through the application of appropriate technologies, people and processes to identify, detect, protect, respond and recover in alignment with the organizational risk posture.

As Grainger advances our digital journey, the vulnerability to external threats, risks, and visibility to regulatory or contractual obligations will require increased management of the information security ecosystem. Ensuring information security risk appetites are understood and explicitly managed supports our organization's future growth and positions us to balance protecting and running the business. Providing ample understanding of the information security operating environment allows leadership to make informed decisions, mitigate disruption to the business, prevent data breaches, limit damage to the Grainger brand, understand the financial impacts, and ensure alignment to applicable requirements.

Business Continuity

Grainger recognizes the importance of customers having access to products and services when and where they are needed. Our 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 standard for Grainger's Business Continuity Management Programs (BCMPs).

Components of a BCMP include a business impact analysis, risk assessment, oversight for developing and testing Grainger's business continuity, emergency response, systems recovery, and pandemic plans[1]. 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.

[1] Please see "Our COVID-19 Response" on page 31 for more information.

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At Grainger, we are committed to conducting business in an environmentally responsible manner and we work to continuously improve our sustainability performance.

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Our Approach

To achieve sustainable results most effectively, we focus on the opportunities material to our business. We incorporate sustainability best practices across sectors, improving supply chain efficiency, practicing best-in-class facilities construction and maintenance, and measuring and mitigating climate-related risk.

Partners

To help us achieve our goals, we partner with sustainability organizations such as the GreenBiz Executive Network, the Sustainability Leadership Forum, the U.S. Environmental Protection Agency Smartway® program, the U.S. Green Building Council, the Association of Climate Change Officers (ACCO) and the International Society of Sustainability Professionals (ISSP).

Assurance

Since 2011, Grainger has sought and obtained independent third-party verification of its sustainability data. The company partners with Apex Companies LLC for verification of its greenhouse gas emissions, energy consumption, waste generation and water consumption data. In addition, Grainger's Environmental Health & 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).

Climate Change Disclosure

Grainger recognizes the urgency of climate change action and supports greenhouse gas (GHG) reduction targets consistent with the goals of the Paris Climate Agreement. Since 2009, Grainger has disclosed to the CDP (formerly the Carbon Disclosure Project), 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. In 2013, we became the first in our industry to set a public GHG emissions reduction target, which we achieved two years early. Grainger received an A- rating from the CDP in 2019.

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Efficient Operations

Grainger is committed to reducing our carbon footprint. Our efforts are focused on improving energy efficiency and embedding sustainability into our operations and value chain.

GHG Emissions

New GHG Target

In line with Grainger's commitment to mitigating climate risk and reducing our carbon emissions, we are proud to announce our new climate target. We plan to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030, using a 2018 baseline. This target follows the guidelines set forth by the Science Based Targets Initiative (SBTi) and the Greenhouse Gas Protocol, and it ensures that our internal actions align with the global goal of limiting warming to well below 2 degrees Celsius.

Our approach relies in part upon ramping up the use of rooftop solar at our Grainger facilities, investment in renewable energy credits including wind energy, and improved technology and efficiency in our building management systems, among other interventions. We are excited and invigorated at the opportunity to achieve these emissions reductions.

SCOPE 1 AND SCOPE 2 EMISSIONS WITH INTENSITY

Scopes 1, 2 & 3

Since 2011, we have reduced absolute scope 1 and scope 2 emissions by 29 percent. In 2019, our North American scope 1 and 2 GHG emissions were 100,350 metric tons. Scope 1 emissions are direct emissions from owned or controlled sources, while scope 2 emissions are indirect emissions from the generation of purchased energy. Grainger met our 2020 North American scope 1 and scope 2 GHG emissions target, a reduction of 33 percent intensity per unit revenue, two years early in 2018, and we are excited to work toward achieving our new GHG target.

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We are also working toward a scope 3 emissions reduction target. This considers all indirect emissions (not included in scope 2) that occur upstream and downstream from Grainger's operations. The majority of our scope 3 impact resides in the energy required to operate the products Grainger sells, such as the electricity required to run an industrial air conditioner or recharge the battery of a cordless drill over its lifetime.

Our supplier engagement program is the cornerstone of this effort. This program engages the top 80 percent of our suppliers by revenue to understand how to approach this measurement effort. In 2019, we jump started this effort through product stewardship discussions with these suppliers via quarterly calls and active feedback channels.

We focus our efforts on improving energy efficiency and embedding sustainability into our operations whenever feasible.

Scope 3 emissions reduction targets specific to product use phase are an emerging topic. We are working to set a target that will be both industry-leading and best-in-class among other U.S. large cap organizations. Our first step to setting this target will be to functionally model and develop reporting and accounting for product use phase. Measurement methodologies are emerging and complex. To support this effort, we plan to add a new member to the CSR Working Group from the finance or audit team.

We plan to provide the results of our scope 3 analysis and our scope 3 emissions reduction target in the next two to three years. In addition, we will establish a carbon reduction program to help our customers achieve their emissions targets.

SOLAR PRODUCTION

Energy

Grainger's facilities account for about 95 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.

Solar

Grainger's distribution centers (DCs) account for roughly 34 percent of our operational square footage. Inherent to this footprint is the opportunity for efficient energy management. Grainger currently has 5.3 megawatts of solar panel installations at our DCs. These solar installations have resulted in 6.8 million kilowatt hours of renewable energy produced in 2019. Grainger is currently planning to expand our solar footprint across key facilities, which will help us achieve GHG reductions, provide additional clean energy independence and financial incentives, and lower operational risks.

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LEED-certified buildings use 25% less energy with a 19% reduction in aggregate operational costs in comparison to non-certified buildings.

BMS

Building management systems (BMS) also help us achieve our 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, 26 of our facilities have either been built with or retrofitted with BMS representing 9.9 million square feet, or 43.8 percent of our footprint, in North America. On average, Grainger has realized a 10-15 percent reduction in energy use and expenses at our facilities after installing BMS.

LEED

Grainger has been a member of the U.S. Green Building Council (USGBC) since 2007 and we operate Leadership in Energy and Environmental Design (LEED) certified facilities. We use the USGBC's LEED certification program 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 in alignment with LEED standards. 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 8.1 million square feet of LEED certified space through 17 North American facilities, representing 36 percent of Grainger's total square feet in North America. Examples of LEED certified buildings across our network include:

- 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
- The world's first LEED V4 data center
- Our new LEED Gold 1.5 million square foot DC in Louisville, Kentucky

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Recycling & Waste

We strive to implement innovation and efficiency to achieve our sustainability goals. This includes assessing expanded facility recycling initiatives and business collaborations to reduce or eliminate superfluous waste streams, close material loops and spur additional innovation.

We are continually improving the recycling rate in our U.S. DCs by standardizing recycling processes and sharing best practices across our network. For example, 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. DC leadership receives monthly progress reports on recycling to help ensure transparency and accountability. Local DC facility managers also include recycling metrics as part of their annual performance goals. In 2019, our U.S. DCs recycled 89.7 percent of all waste leaving the facility.

Water

We monitor and measure our water footprint and always 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 2019 was 474,648 cubic meters, a decrease from a 2018 total of 508,653 cubic meters.

DC NETWORK RECYCLING RATE

By standardizing recycling practices and sharing best practices across our network, we are continually improving the recycling rate in our U.S. DCs.

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Sustainability Products

Grainger provides customers with the products they need to keep their businesses running. We work to create a more sustainable workplace for our customers and our communities through our Environmentally Preferable Product (EPP) portfolio and sustainability offerings.

Our EPP portfolio of nearly 100,000 products comprises one of the largest green SKU counts in the industrial distribution market, providing more ways for our customers to reduce energy consumption, conserve water, reduce waste and improve indoor air quality.

To guide customers toward more environmentally preferable solutions, each product in Grainger's EPP portfolio is identified on Grainger.com® with a specific set of certificates, or attributes that are found in the technical specifications section for each product. These products are grouped together in a Green filter on the left-hand navigation bar of Grainger.com®. EPP products 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 and/or social standards. These are designated with a green leaf icon on Grainger.com® and explained in the compliance section for each product (e.g. EnergyStar®, DLC® Approved). Green environmental attributes narrow the gap between certifications, which lend themselves to

more consumer products, and efficient, responsible products as the MRO sector figures out how it wants to be sustainable (e.g. minimum percent of post-consumer recycled content). Each attribute is carefully considered and reviewed annually both internally and with our third-party partner for relevancy based on customer sustainability questions as well as federal and state sustainable purchasing considerations. In 2019, EPP sales totaled more than $675 million, a 13 percent increase from 2018. Program growth is driven by increased customer demand for EPP products, as well as updates to the information we share about products and how those products can help customers with their sustainability goals.

ENVIRONMENTALLY PREFERABLE PRODUCT (EPP) 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 filtration, and natural products

CLEANERS | AIR FILTERS | PAINTS & COATINGS
CLEANING EQUIPMENT | OFFICE PRODUCTS

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Sustainability Services

Grainger has offered a portfolio of sustainability-related services since 2015. We work with our network of partners to provide a range of sustainability services including 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.

Grainger offers a range of sustainability services including site audits, payback analysis, utility rebate assistance, and recycling of replaced product.

We produce a sustainability sales guide for our account managers and customer service professionals to improve offer awareness. 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.

GRAINGER   **Kimberly-Clark PROFESSIONAL**   **CLIF** CLIF BAR & COMPANY

Grainger Partners with Kimberly-Clark and Clif Bar to Recycle 27,000 Pounds of Gloves

At Grainger we pride ourselves on our deep relationships with our customers and suppliers, so when we found an opportunity to bring both partners together to solve a sustainability challenge we knew we'd found a win-win solution. A Grainger account manager for Clif Bar, hosting the Clif Bar team at the 2018 Grainger Show, visited the Kimberly-Clark Professional (KCP) supplier booth where together they learned about The RightCycle™ Program for used PPE. The RightCycle™ Program entails the customer bringing in product through Grainger, depositing the used PPE in collection bins, and then shipping the used product on a pallet to the KCP recycling facility.

This was an initiative that aligned perfectly with Clif Bar's zero-waste goals, so in working through our account manager they explored a partnership. At first it was a challenge, as Grainger didn't stock the nitrile gloves the customer wanted, but in working through external sourcing our teams got Clif Bar the product they needed. Our teams then worked to create Grainger-specific SKUs for the gloves, enabling Grainger not only to source internally but to provide inventory management services to the customer.

As the partnership has grown, Clif Bar has sought to expand this recycling program to other items such as glasses, beard covers, hair nets, boot covers and coveralls. All of this product ordering is now being managed by Grainger's KeepStock inventory management solution.

After one year of switching to the recyclable KCP gloves, Clif Bar has diverted approximately 27,000 pounds of waste from the landfill in just nitrile gloves. They recently extended their contract agreement with Grainger and we look forward to expanding further sustainability gains through this partnership.

THE RIGHTCYCLE™ PROGRAM

Step 1 :: Customers bring in used eligible Professional PPE worn in the customer's facility

Step 2 :: Collected PPE is deposited in bins provided by Kimberly-Clark and shipped to KCP's recycling centers

Step 3 :: Products are sorted and processed into plastic pellets

Step 4 :: Raw materials are molded into new consumer products

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Supply Chain

As a distributor of millions of products, we recognize our duty to ensure our supply chain operates responsibly.

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Our Approach

We work with thousands of suppliers to stock 1.6 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.

Supply Chain Stewardship

Supplier Code of Ethics

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 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 confirm to abide by these rules by signing a Supplier Agreement Letter.

Responsible Sourcing

Human Rights

Grainger's Human Rights Principles reflect our philosophy on how we 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

Grainger's Conflict Minerals Policy supports the aim of the Dodd-Frank Act to prevent armed groups in the Democratic Republic of the Congo (DRC) and the surrounding region from benefiting from the extraction and trade of minerals including tantalum, tin, gold or tungsten sourced from the DRC and the surrounding region.

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Supplier Engagement

Grainger's Supplier Engagement Program seeks to understand the material issues of the suppliers who are most impactful to our business. In 2019, we began to communicate more proactively with these key suppliers via quarterly calls and active feedback channels. We have continued this cadence in 2020 and plan to expand future engagement topics.

The objective for our Supplier Engagement Program is simple:

- Engage the suppliers who are the most impactful to our business
- Understand what is most important to them
- Maintain open lines of communication
- Ensure our strategic partners feel that they are part of this change

"Our diverse suppliers are integral to an inclusive supply chain that reflects our customers, team members and the communities we serve. Our collaborative partnerships with diverse suppliers allow Grainger a unique competitive advantage while supporting our own diversity standards and assisting our customers with their diversity goals."

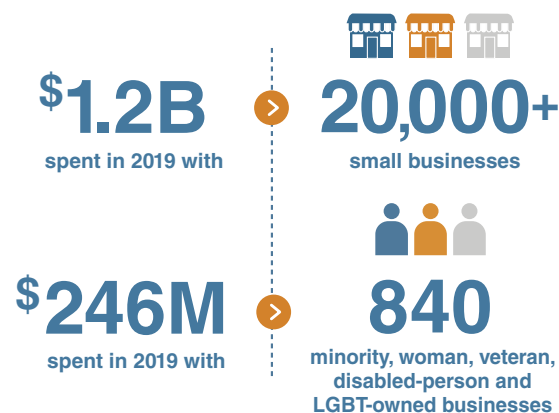**BENJAMIN NICHOLS**, VICE PRESIDENT, GOVERNMENT, GRAINGER

Supplier Diversity

Grainger's Supplier Diversity Program assists customers in diversifying their supply chains and promotes the growth of underrepresented supplier groups. Grainger has more than 20 years of experience partnering with small and diverse businesses through two core programs.

Grainger's Supplier Diversity Program helps customers procure quality products manufactured or distributed by diverse suppliers. Grainger's Channel Development Program promotes products sold by our network of Diverse Business Enterprise (DBE) resellers. In 2019,

company-wide, Grainger spent $1.2 billion with more than 20,000 small businesses, and $246 million with 840 minority-, woman-, veteran-, disabled-person- and LGBT-owned businesses for goods and services. Within our tier 2 supplier diversity portfolio, we offer more than 600,000 products from more than 2800 key small and/or diverse suppliers. Beyond leveraging purchasing power, Grainger is a corporate member of the Women's Business Enterprise National Council and participates in local, state and national trade fairs; facilitates 1:1 matchmaking events; and develops mentor-protegee relationships with diverse businesses.

$1.2B spent in 2019 with ⟩ **20,000+** small businesses

$246M spent in 2019 with ⟩ **840** minority, woman, veteran, disabled-person and LGBT-owned businesses

Supply Chain

Helping Our Customers Meet Their Sustainability Goals

The Merchandising Strategy team conducts in-depth reviews of our portfolio to determine what to carry in our assortment, as well as how to present the assortment to customers through our website and catalog. The team does this by listening to the voice of our customers; not just transactional data but actual feedback collected through our website or conversations with our Technical Product Support team. For example, customers are telling us that they have internal goals of making their facilities greener: saving energy, saving water, buying products with recycled content or finding solutions to help them recycle products.

Our merchants use this feedback, paired with market trends, to ensure we have the right sustainable product solutions displayed in the right manner to help customers confidently choose the products that will help them meet their sustainability goals.

Supplier Scorecard

Our Supplier Performance Management team works with our suppliers to improve operational performance, educate on Grainger's shipping requirements, and drive compliance on purchase orders heading into our network as well as orders delivered directly to our customers.
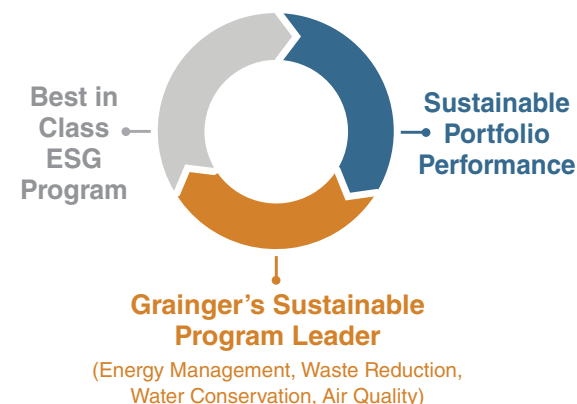
We monitor every supplier's performance with a monthly balanced scorecard. Using this scorecard we provide feedback and offer assistance in performance improvement areas, helping our suppliers focus on the most meaningful areas for corrective action.

Partners in Performance

The partnership Grainger has with its suppliers has a profound impact on how work gets done around the world. Each day, our suppliers make the choice to deliver consistent, world-class service. Together, we keep operations running and people safe. Each year, we bring together our top performing suppliers for a recognition event during the North American Sales and Service Meeting.

In 2019, Grainger recognized twenty-three suppliers at Partners in Performance, an event sponsored by our Vice President and President, Merchandising and Supplier Management to celebrate top performing suppliers, including our Supplier of the Year DEWALT Tools and Accessories. DEWALT earned high marks in supply chain delivery, dedicated sales resources & product information completeness, which goes a long way to building customer relationships.

Best in Class ESG Program — **Sustainable Portfolio Performance** — **Grainger's Sustainable Program Leader** (Energy Management, Waste Reduction, Water Conservation, Air Quality)

This annual event also educates and informs the supplier community about Grainger's key initiatives and strategy. For 2020, Grainger has introduced a sustainable supplier award based on sustainable solution performance, how the solution helps customers reach their sustainable goals, and environmental stewardship as responsible business across environment, people and governance.

We are pleased to honor our 2020 sustainable supplier, GOJO Industries, makers of PURELL® products. As a purpose-driven family enterprise, GOJO recognizes the critical role of business in creating a healthy future. The company puts great effort into understanding and proactively managing the social, environmental and economic impacts of its business on society and the environment as new needs and challenges emerge.

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Sustainable Packaging

In line with our sustainable sourcing commitments, we work closely with our suppliers to identify opportunities to minimize unnecessary packaging, while reducing the risk of damage to the products we offer. Our Supplier Packaging Guidelines include best practices for our U.S. and Grainger Global Sourcing (GGS) suppliers to help reduce damage and waste, while maximizing recyclable materials, thereby encouraging our partners to choose sustainable packaging options.

> We offer products made from 100% recycled content, including 312 different cartons and mailers in one product category alone.

We have a number of initiatives in place to help us meet our sustainable packaging goals.

- Our iconic Grainger boxes are fully recyclable, are made from 43 percent post-consumer content and are certified by the Sustainable Forestry Initiative.
- Through Grainger.com, we offer customers an array of products made from 100 percent recycled content, including 312 different cartons and mailers in one product category alone.

- In select distribution centers (DCs), we employ a customized fulfillment solution using automated technology to right-size packaging for parcels, reducing the overall size of a package and thus increasing the number of packages that fit in a vehicle. This technology in turn reduces freight costs, enables labor savings, minimizes unnecessary void fill, and reduces damage.

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Private Label

We evaluate Grainger private label products not only to ensure expected quality and performance, but also to confirm they meet our responsible sourcing guidelines. Suppliers who provide Grainger private label products through GGS complete an annual social responsibility survey, which indicates the suppliers' compliance with social responsibility elements.

Grainger reviews responses and contacts suppliers directly for additional clarification or information. We also assess the dependability, durability and performance of our private label products to maintain high quality standards. One way we measure private label brand quality is through the return rate performance of those products. Product return rate is calculated as a percent of total return dollars over cost of goods sold (COGS). The 2019 return rate performance was 3.17 percent, with COGS down slightly from 2018 to 2019.

TOTAL RETURNS AS A PERCENT OF PRIVATE LABEL COGS

Transportation Logistics

SmartWay Transport Partnership
U.S. ENVIRONMENTAL PROTECTION AGENCY

Grainger relies on a network of third-party carriers for our 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 only industrial suppliers to be recognized by the U.S. Environmental Protection Agency (EPA) as a SmartWay® partner.

During the past two years, our ship complete rate has increased by 3.4%.

Ship Complete/Carton to Order

Grainger's DCs are dedicated to reducing packaging and freight usage. In a process called "ship complete," we strive to ship all items in the fewest number of cartons, on the same day, from the same, and most often nearest, shipping point. In doing so, Grainger can maintain a lower usage of corrugate and produce fewer transportation emissions. This results in resource savings that our customers value as much as we do. During the past two years, our ship complete rate has increased by 3.4 percent. We also measure our carton-to-order ratio by tracking the number of boxes we ship compared to the number of orders we receive. We continue to monitor this ratio in order to drive improvement and efficiencies in packaging and corrugate use.

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Cancún, Mexico Branch Keeps the World Working

As everyone knows all too well, when the COVID-19 pandemic started, personal protective equipment (PPE) became scarce—especially for those on the frontlines. At the branch in Cancún, Mexico, Grainger team members had the PPE that doctors and nurses desperately needed.

One morning, the Cancún team went to their branch and saw that doctors and nurses had left messages such as, "Thank you Grainger for selling what keeps us protected. Thank you because these items will keep us safe and alive."

Our Cancún district manager said, "When I saw these words, I could picture the happy faces of the doctors and nurses who had visited our branch and I felt proud to provide them with items that will keep them safe." She continued, "As the days passed, more doctors, anesthetists, paramedics, and nurses came to our branch. They were recommended to us by word of mouth, and it helped me realize the impact of what we do. We've helped the community and gained new customers and I feel honored to serve them."

Our COVID-19 Response

Throughout the COVID-19 pandemic, the health and safety of our team members, customers and partners have remained at the center of all our decisions and response efforts.

At the onset of the pandemic, Grainger established a task force to plan and respond to the impacts of COVID-19. This group closely monitors the latest reports from the Centers for Disease Control (CDC) and the World Health Organization (WHO) and works with health officials to help ensure our actions around team members and facilities meet rigorous guidelines.

Our Customers

Grainger continues to do everything we can to provide the products, services and resources that help our customers maintain a safe, healthy and productive work environment. As an essential business, we provide hardware, safety, personal protection equipment (PPE) and other MRO products for customers, including government agencies, hospitals, first responders, food producers, utilities, pharmaceutical manufacturers and those that work in critical infrastructure sectors. We're committed to helping businesses recover and become even stronger than before.

Our Team Members

In order to minimize exposure and slow down the rate of infection, Grainger established a mandatory work remote policy for all team members who are able to do so.

For team members who must be on-site to serve our customers, we have done the following:

- Instituted augmented cleaning procedures
- Implemented CDC and WHO guidelines
- Instituted social distancing practices
- Provided gloves and masks to branch and DC team members
- Provided masks, hand sanitizer and wipes to KeepStock team members visiting our customer facilities
- Implemented temperature screening at select Grainger locations nationwide
- Provided premium pay to recognize team members who need to perform their work activity at a Grainger facility or customer location

Our Communities

From March to June 2020, Grainger provided $62,854 via our 3:1 Matching Charitable Gifts Program to U.S. nonprofit organizations instrumental in responding to the COVID-19 pandemic. This included $19,524 in a special COVID-19 payout, as well as $43,330 in Q2 team member donations to social services and food security nonprofit organizations which list COVID-19 response and funding in their profiles.

We also donated 1.7 million masks to the Children's First Fund, helping ensure that all Chicago Public Schools students, faculty and staff can return to the classroom with the appropriate face coverings.

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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.

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Our Approach

Grainger values all people who play a part in our business, from customers to team members to our communities. We work to ensure a safe, rewarding and inclusive work environment, and we work to strengthen the communities in which we operate.

Health & 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.

Global Environmental, Health and Safety (EHS) professionals work to keep their people safe and healthy, while keeping their facilities operating safely and sustainably. Our EHS program is designed to integrate EHS initiatives into all aspects of business operations. This program is also responsible for applying applicable federal, state and local regulations and for considering proposed legislation from the U.S. Occupational Health and Safety Administration, U.S. Environmental Protection Agency, and the U.S. Department of Transportation. All operational team members complete training to fully understand the expectation of behaviors defined by our Global EHS Policy.

Safety Performance

We make safety a core focus across our operations, trending 64 percent favorable to the U.S. Wholesale Industry Average as defined by the U.S. Bureau of Labor and Statistics. In 2019, our North American Total Recordable Incident Rate (TRIR) was 1.2 and our Lost Time Incident Rate (LTIR) was 0.3. This is an improvement from 2018 rates of 1.38 and 0.31, respectively.

U.S. TOTAL RECORDABLE CASE RATE

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Safety Training & Assessments

In 2019, the Grainger's EHS leadership team performed a series of EHS assessments in North America. These assessments evaluated the internal EHS initiatives and programs with respect to local government regulations.

For example, Grainger participates in the Canadian Certificate of Recognition (COR) health and safety audit for the oil and gas industry, as part of our EHS commitment to our resource extraction customers in Canada. We undertake the COR audit for full certification every three years, with annual maintenance audits in between. Grainger achieved 95 percent on our latest COR in 2018.

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Safety Culture & Education

Established in 2019, the Distribution Center (DC) Safety Pillar Team leverages a continuous improvement approach to identify and define short-, near-, and long-term actions that will lead to a safer and more productive DC network. The Safety Pillar Team utilizes a cross-functional approach to drive and sustain safety values in the DC operations that encourages collaboration across all business units. Currently, the Safety Pillar Team is assessing the safety needs of the network and refining our work practices by performing Gemba walks, identifying focal points, and determining key initiatives to promote a unified safety-driven culture.

Grainger's DCs are piloting an initiative to better equip new team members with hands-on safety experience. The DC Safety School will enable new team members to apply the learnings from orientation into a real-world environment, before they fully integrate into the workforce. The Safety School curriculum includes topics such as ergonomics, wellbeing and use of equipment. This pilot program is active at our DCs in Kansas City, Missouri;

Minooka, Illinois; Patterson, New Jersey; and Louisville, Kentucky, with more locations in the U.S. and Canada planned for 2020.

Online resources, such as Grainger's KnowHow website of the Safety & Health Solutions Center, also provide safety information and insights for Grainger team members and customers. In addition, Grainger provides thought leadership at industry events throughout the year.

Safety Partnerships

Grainger leverages external partnerships to best support our EHS professionals. Grainger's Field Safety Specialists (FSS) work with partner organizations to identify hazards and apply the hierarchy of hazard control to find solutions for customers. Grainger is also a proud member of the Campbell Institute of the National Safety Council, whose mission is to use research, education and advocacy to eliminate preventable deaths at work, in homes and on the road.

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Team Member Experience

A great customer experience starts with a great team member experience. We provide our team members with the resources designed to help them succeed.

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 approximately 534 courses each year through our Learning Management System. Grainger team members completed more than 513,326 non-operational training hours in 2019, averaging 20 hours of training per team member.

Talent & Performance Management

Grainger offers a comprehensive talent program that begins at orientation and continues throughout a team member's career. Our talent program is comprised of performance management, career management, professional development learning opportunities and milestone leadership development programs.

Team members receive regular feedback and coaching to improve their performance. They are also provided with opportunities to help them grow and develop, including mentoring opportunities and on-the-job development. 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 excel in their current role and to prepare for future roles at Grainger.

Grainger is committed to leadership effectiveness as part of its people strategy. In 2019, we continued to offer multi-week milestone leadership development programs to key team members worldwide via our Global Emerging Leader and First Time Manager programs.

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Total Rewards

In return for everything our team members do, we deliver an above-market Total Rewards program 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, parental 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.

In addition, we provide retirement savings, paid holidays 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.

Learn more about our benefits at Grainger Total Rewards.

Diversity, Equity & Inclusion

Commitment to Diversity

We create a welcoming, inclusive culture that values all people—regardless of sex, gender, race, color, religion, national origin, age, disability, veteran status, sexual orientation, gender expression or experiences.

Demographics

In 2019, Grainger employed approximately 25,300 people worldwide: 84 percent of our team members are based in North America, 11 percent in Europe, 2 percent in Asia Pacific and 3 percent in Central and South America. Within Grainger's U.S. workforce, approximately 38.1 percent are women and 32.7 percent are women in leadership positions. Grainger's U.S. workforce was comprised of 34.5 percent racially and ethnically diverse team members overall, and 21.6 percent racially and ethnically diverse leaders.

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Pay Equity

With the support of a third party, Grainger has reviewed the compensation of U.S. employees to ensure consistent pay practices. We are pleased to confirm that our 2019 review, which assessed relevant factors in our compensation practices, found no evidence of systemic pay inequity across our workforce. We remain committed to providing fair and equitable pay, and will perform this review on an annual basis.

Gender Equity

DG Macpherson recently joined leaders from more than 70 organizations in supporting The Chicago Network Equity Principles, a campaign focused on advancing women leaders in the workplace to achieve 50 percent representation of women in leadership positions by 2030. Signatories of The Equity Principles are empowering women to lead by creating workplaces that provide equal opportunities for women to pursue leadership positions, define their own professional success, and promote a more productive and profitable workplace.

As an Equity Pledge Partner, Grainger is committed to striving to achieve 50% representation of women in leadership positions by 2030.

THE CHICAGO NETWORK   **EQUITY PLEDGE PARTNER**

Q&A

A conversation with ::

DG Macpherson, Chairman of the Board and Chief Executive Officer

Grainger was a first signer of the Equity Pledge. Here is what Chairman & CEO DG Macpherson said about the pledge:

Why did you sign the Equity Pledge?

Macpherson: The Equity Pledge helps us ensure we are a growing and innovative company well into the future. Having diverse and talented leaders drives our cultural goals and business outcomes.

How does signing the pledge fit into your culture?

Macpherson: At Grainger, we want a team that reflects our customers and communities. We have long been committed to fostering a healthy culture where all team members are valued and have rich opportunities to be their whole selves. The pledge further pushes us to have authentic conversations on equity that lead to real actions.

What are you doing to achieve the 50 percent goal by 2030?

Macpherson: Today, our near-term focus is ensuring we have leaders capable of hiring, developing and managing diverse teams. Having leaders who are comfortable leading diverse teams is a critical early step. We are also putting metrics in place to understand our progress. We will ultimately have a robust pipeline of diverse candidates at every level of the organization so that we see women in leadership roles throughout the business.

What advice would you give to other companies considering signing the pledge?

Macpherson: Increasing the number of women in leadership roles is not just good for women; it's good for business. Numerous studies show that the more gender diversity you have, the better the results. I've experienced this in my own career and have seen firsthand that the more voices and experiences you have, the better decisions you'll make and the more relevant you'll be to your customers and employees. By signing the pledge, you articulate your long-term goals and can put an action plan in place that will help create a winning environment for all those involved.

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Business Resources Groups

Grainger has nine Business Resource Groups (BRGs) that drive excellence in recruiting, developing, and retaining diverse talent, provide insight into diverse communities, and collaborate on innovative solutions to challenging business problems. These groups provide peer support and mentoring opportunities, in addition to raising awareness through a variety of discussion groups and activities that are open to all.

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

AABRG Celebrates 10 Years

2019 marked the 10-year anniversary of the African American Business Resource Group (AABRG) at Grainger. Since the creation of the group in 2009, the AABRG has partnered with our leadership teams and other Business Resource Groups to make Grainger a more inclusive place to work. We are extremely proud of the impact the group has made during this time and excited to continue to support diversity, equity and inclusion (DEI) efforts throughout the organization.

The mission of the AABRG is to promote multi-cultural understanding and enhance professional growth. Throughout the year, the AABRG held several events to highlight both aspects of the mission; all events are open to anyone who would like to attend. In February 2019, the AABRG hosted a Black History Month event at Grainger HQ to highlight cultural arts in the Chicago area. Brent Tollison, VP of Commercial Sales, was the guest speaker and discussed how the past achievements of his parents, mentors, and influential leaders have helped to shape his present and future within business and in life.

In fall 2019 the group hosted three career symposiums in Atlanta, Lake Forest, and Dallas in collaboration with Kimberly Cummings, an accomplished DEI executive for a major financial institution and the founder of a successful executive coaching firm. The series, "Leveraging the Power of Now," centered on topics such as embracing diversity, networking on social media, and owning your career path.

In addition, the AABRG works with our talent acquisition team to recruit at events with a focus on partnering top minority talent with industry leaders. The group volunteered with the Covenant House of Houston and contributes funds to organizations such as the Urban Initiative and One Million Degrees, who are focused on making a difference in the lives of under-privileged youths and adults within the Chicago area.

All these achievements would not be possible without the dedication and commitment of leaders throughout the organization who volunteer their time, while still excelling in their jobs, to help Grainger become a more welcoming and inclusive environment for everyone.

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Brave Conversations

Beginning in January 2020, we have encouraged team members to have real conversations about identity and background, and we are heartened at the honesty and compassion that has arisen from them:

"I'm glad I was brave enough to start a conversation that mattered. I was able to share my own personal circumstances around racial injustice, and my colleague's listening to how I felt made me appreciate knowing an ally was just a phone call away. We both were able to share our life perspectives without feeling judged, and that knowing our voices mattered left a sense of fulfillment."

"It felt great to be able to share on an open platform and show others that we need to own how we raise our children to not look at being different as a threat to society."

"We may not be conscious that we are committing a microaggression, so it is important to reflect on our wording. Often it isn't the essence of what we say that isn't alright, but rather how we say it. That self-consciousness is really important."

Diversity, Equity and Inclusion: Our Next Steps

At Grainger, we create a welcoming culture where all team members can bring their whole selves to work, have opportunities to grow and feel a sense of belonging.

Ten years ago, Grainger began building the case for change through activities such as incorporating inclusion questions into our team member engagement survey, rolling out inclusion e-learning modules for all team members, and engaging with an external diversity, equity and inclusion consultant. While we have made strides in this space, we have significantly more work to do. We are committed to advancing diversity, equity and inclusion through talent, culture and community actions.

Talent

Recruiting

We are working to increase the diversity of our workforce through targeted attraction efforts with a focus on campus talent pipeline and senior leadership. We are actively evaluating opportunities to root out biases in all parts of the talent pipeline, including recruiting, interviewing, and onboarding.

Talent Programs

We continue to invest in our diverse team members through our Business Resource Groups, we assess our benefit programs to ensure they are market competitive and designed for our diverse team members, and we are currently engaged in a project to assess whether biases exist in our performance management process.

Talent Analytics

In addition, we have leveraged our Talent Analytics team to drive leader awareness of representation gaps and understand biases in the talent process. From this we are building scorecards and dashboards to drive consistent visibility to our diverse talent pipeline.

Culture

Inclusion Training

We are equipping our leaders to lead diverse teams through inclusive behavior, unconscious bias and other trainings and conversation frameworks for fostering our inclusive culture.

Psychological Safety

We want Grainger team members to always feel seen, heard and psychologically safe. This includes ensuring that channels for raising concerns of bullying and harassment are clear and that team members feel comfortable using these channels. We will continue to clarify that we have zero tolerance for racism in our workplace.

Community

Grainger has historically organized our charitable giving efforts into two pillars: Disaster Preparedness and Education & Workforce Development. We are assessing these pillars to determine if they remain appropriately aligned with our purpose, and we are also evaluating how Grainger can best support underrepresented populations.

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Community Investment

Our community investments reflect the core of our business, and our commitments are driven by where our resources can be most impactful. In 2019, Grainger contributed more than $36 million in cash and products to nonprofit organizations.

Disaster Preparedness & Response

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 2019, we served as a $500K member of the American Red Cross Annual Disaster Giving Program®.

Exceeding Our Goal for the Missing Maps Challenge

For the third consecutive year, team members participated in the Grainger Missing Maps Challenge in partnership with the American Red Cross to help map "missing" geographic areas around the world. Grainger volunteers assumed the role of cartographers and mapped regions in Kenya to support a forthcoming measles and rubella Red Cross humanitarian initiative.

Using satellite imagery, volunteers used computers to digitally "trace" buildings to create an accurate picture of an unmapped region. Community volunteers add local detail such as neighborhoods, street names and evacuation centers. These maps provide the Red Cross and emergency responders with better access to these communities during risk reduction initiatives and disaster.

Since Grainger team members are located throughout North America and beyond, we endeavored to identify a volunteer opportunity available to all interested team members. When the Red Cross shared their Missing Maps project, we realized remote mapping would be a perfect volunteer opportunity for all, regardless of location. Moreover, the project's alignment with Grainger's disaster preparedness and response pillar allowed our team members to make an impact in preparedness and resilience.

Between July 30, 2019 and October 31, 2019, 99 Grainger volunteers traced 34,528 buildings and logged 365 volunteer hours for the challenge, achieving 200 percent of our 2019 goal.

"I'm incredibly amazed—but not at all surprised —about the tremendous work Grainger accomplished during the 2019 Grainger Missing Maps Challenge. Grainger always rises to the occasion to support the Red Cross and people in need, and this is just one more way Grainger volunteers help support our lifesaving mission. By adding tens of thousands of buildings to the map across parts of Kenya, Grainger team members have helped ensure communities across the globe have the tools and data they need to make critical decisions to combat the spread of infectious diseases before, during and after an outbreak. Thank you for this tremendous accomplishment."

KEVIN KAISER, AMERICAN RED CROSS, CHICAGO, IL

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For the past two years, Grainger and the College of Lake County (CLC) have worked hand-in-hand to build and launch an online supply chain management program, recognizing the need for a skilled workforce in its supply chain while simultaneously fostering positive change and new opportunities in the communities where we live and work.

Twelve Grainger team members from across the U.S. became the first students to earn a 15-credit introductory supply chain management online certificate from the College of Lake County, culminating in a recognition ceremony in December 2019. "These team members were selected by their leaders as top performers in our business that were interested in further developing and investing in themselves," said Barry Greenhouse, Senior Vice President, Global Supply Chain and Customer Experience at Grainger. "They learned foundational skills required to grow and thrive at Grainger."

Education & Workforce Development

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 successful professional careers. Since 2006, Grainger has donated more than $5.2 million to support technical education programs. In 2019, 42 schools participated in the program and we awarded 68 scholarships.

Grainger is expanding its focus in 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. Supporting opportunities for STEM education allows our philanthropic investments continue to align and adapt with the strategic priorities of the company and the changing landscape and marketplace. In 2019, Grainger established partnerships with Chicago Innovation and 1871, two startup and innovation communities in Chicago.

Since 2006, Grainger has donated more than $5.2 million to support technical education programs.

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> "We are incredibly grateful for Grainger's partnership and continued generosity. We are proud to partner with a company that is advancing STEM education and training nationwide and investing in the future of family members of military heroes this school year."

LT. COL. DAN ROONEY, FOLDS OF HONOR FOUNDER

Civic 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.

Veterans

Grainger has a long history of supporting our veterans via the Veteran and Military Supporters BRG and various other community programs. In 2019, Grainger partnered with Folds of Honor to donate $100,000 for educational scholarships that are directed to the children and spouses of fallen and disabled service members.

The donation doubles Grainger's donation from 2018 and will directly fund 20 scholarships in the amount of $5,000 each to qualified, incoming college freshmen who are pursuing degrees in engineering and technology. "We are incredibly grateful for Grainger's partnership and continued generosity," said Lt. Col. Dan Rooney, founder of Folds of Honor. "We are proud to partner with a company that is advancing STEM education and training nationwide and investing in the future of family members of military heroes this school year."

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 2019, Grainger granted more than $2 million in matching gift contributions to more than 1,000 nonprofit organizations.

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"We chose FANLYC because it is a solid nonprofit organization and well recognized nationwide for the huge impact it has on kids with leukemia and cancer and their families. The 24 Hour Relay for Life event encouraged family members to participate in addition to our 246 team members. Thanks to Grainger's support and many other institutions, FANLYC is able to support the treatment of children with cancer."

ADRIANA BRAVO, GRAINGER PANAMA SUPERVISOR ORDER MANAGEMENT AND VOLUNTEER EVENT COORDINATOR

Grainger Community Grant Program

Since its founding in 2007, the Grainger Community Grant Program, executed in partnership with The Grainger Foundation, has provided nearly $60 million to help address local community needs throughout the United States. Under the program, local leaders identified charitable organizations in their communities and made recommendations to the Foundation for grants in the areas of health and human services, food banks, civic, disaster relief and education.

The program successfully concluded in 2019. To continue the work accomplished with the Grainger Community Grant Program, the company is exploring new opportunities to support local communities and has created a task force to make recommendations on future initiatives.

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 2019, team members volunteered more than 8,000 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 2019, we continued to partner with organizations such as One Million Degrees, the Boys and Girls Clubs, Junior Achievement and the YWCA.

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 24 executives in 2019.

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Forward-Looking Statements

All statements in this CSR Report other than those relating to historical facts are "forward-looking statements" under the federal securities laws. Forward-looking statements can generally be identified by their use of terms such as "anticipate," "estimate," "believe," "expect," "could," "forecast," "may," "intend," "plan," "predict," "project," "will" or "would" and similar terms and phrases, including references to assumptions.

Grainger cannot guarantee that any forward-looking statement will be realized and achievement of future results is subject to risks and uncertainties, many of which are beyond the Company's control, which could cause Grainger's results to differ materially from those that are presented.

Important factors that could cause actual results to differ materially from those presented or implied in the forward-looking statements include, without limitation: the unknown duration and health, economic, operational and financial impacts of the global outbreak of the Coronavirus in 2019 (COVID-19 pandemic) and the actions taken or contemplated by governmental authorities or others in connection with the COVID-19 pandemic on the Company's businesses, its employees, customers and suppliers, including disruption to Grainger's operations resulting from employee illnesses, the development and availability of effective treatment or vaccines, the uncertain duration of mandated facility closures of non-essential businesses, stay in shelter health orders or other similar restrictions for customers and suppliers,

changes in customers' product needs, suppliers' inability to meet unprecedented demand for COVID-19 related products, the potential for government action to allocate or direct products to certain customers which may cause disruption in relationships with other customers, disruption caused by business responses to the COVID-19 pandemic, including working remote arrangements, which may create increased vulnerability to cybersecurity incidents, including breaches of information systems security, adaptions to the Company's controls and procedures, including financial reporting processes, required by working remote arrangements, which could impact the design or operating effectiveness of such controls or procedures, and global or regional economic downturns or recessions, which could result in a decline in demand for the Company's products or limit the Company's ability to access capital markets on terms that are attractive or at all; higher product costs or other expenses; a major loss of customers; loss or disruption of sources of supply; increased competitive pricing pressures; failure to develop or implement new technology initiatives or business strategies; failure to adequately protect intellectual property or successfully defend against infringement claims; fluctuations or declines in the Company's gross profit percentage; the Company's responses to market pressures; the outcome of pending and future litigation or governmental or regulatory proceedings, including with respect to wage and hour, anti-bribery and corruption, environmental, advertising, consumer protection, pricing (including disaster or emergency declaration pricing

statutes), product liability, safety or compliance, or privacy and cybersecurity matters; investigations, inquiries, audits and changes in laws and regulations; failure to comply with laws, regulations and standards; government contract matters; disruption of information technology or data security systems involving the Company or third parties on which the Company depends; general industry, economic, market or political conditions; general global economic conditions including tariffs and trade issues and policies; currency exchange rate fluctuations; market volatility, including volatility or price declines of the Company's common stock; commodity price volatility; labor shortages; facilities disruptions or shutdowns; higher fuel costs or disruptions in transportation services; pandemic diseases or viral contagions; natural and other catastrophes; unanticipated and/or extreme weather conditions; loss of key members of management; the Company's ability to operate, integrate and leverage acquired businesses; changes in effective tax rates; changes in credit ratings or outlook; the Company's incurrence of indebtedness and other factors identified under Part II, Item 1A: "Risk Factors" in the Company's 2019 Form 10-K, as updated in the Company's Quarterly Reports on Form 10-Q.

Caution should be taken not to place undue reliance on Grainger's forward-looking statements and Grainger undertakes no obligation to update or revise any of its forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

GRAINGER

2020 Corporate Social Responsibility Index[1]

DISCLOSURE	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
General Disclosures			
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 7-8** **Fact Book, Pages 2-11** **Annual Report, Pages 3-7**
102-3	General Disclosures	Location of headquarters	Lake Forest, Illinois, USA
102-4	General Disclosures	Location of operations	Grainger at a Glance, **Page 8** **Fact Book, Page 4** **Annual Report, Pages 3-7**
102-5	General Disclosures	Ownership and legal form	**Annual Report, Pages 3-7, 28**
102-6	General Disclosures	Markets served	Grainger at a Glance, **Pages 7-8** **Fact Book, Page 4; Annual Report, Pages 4-6**
102-7	General Disclosures	Scale of the organization	Grainger at a Glance, **Pages 7-8** People & Purpose, **Page 37** **Fact Book, Pages 2-11; Annual Report, Pages 3-7**
102-8	General Disclosures	Information on employees and other workers	People & Purpose, **Page 37** **Annual Report, Page 8**
102-9	General Disclosures	Supply chain	Supply Chain, **Pages 25-30; Fact Book, Pages 2-11** **Annual Report, Pages 5-7**
102-10	General Disclosures	Significant changes to the organization and its supply chain	**Annual Report, Page 27**
102-11	General Disclosures	Precautionary Principle or approach	Grainger does not have a position on the precautionary approach
102-12	General Disclosures	External initiatives	**GRI; CDP Report; SASB Index; TCFD Index**
102-13	General Disclosures	Membership of associations	United States Chamber of Commerce National Association of Wholesalers
102-14	General Disclosures	Statement fom senior decision-maker	A Letter from our CEO, **Page 3** A Letter from Our CSR Executive Sponsor, **Page 4**
102-15	General Disclosures	Key impacts, risks and opportunities	A Letter from our CEO, **Page 3**; A Letter from Our CSR Executive Sponsor, **Page 4**; Grainger at a Glance, **Page 8; TCFD Index; Fact Book, Pages 2-10; Annual Report, Pages 9-15, Item 1A (Risk Factors); CDP Report**
102-16	General Disclosures	Values, principles, standards, and norms of behavior	Ethics & Governance, **Pages 13-16** **2020 Proxy Statement, Pages 22-27**
102-17	General Disclosures	Mechanisms for advice and concerns about ethics	Ethics & Governance, **Pages 13-16**
102-18	General Disclosures	Governance structure	Ethics & Governance, **Pages 13-14** **TCFD Index; Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-19	General Disclosures	Delegating authority	Ethics & Governance, **Pages 13-16** **Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-20	General Disclosures	Executive-level responsibility for economic, environmental, and social topics	A Letter from Our CEO, **Page 3** A Letter from Our CSR Executive Sponsor, **Page 4** Ethics & Governance, **Pages 13-14** **2020 Proxy Statement, Pages 19, 26**
102-21	General Disclosures	Consulting stakeholders on economic, environmental, and social topics	Grainger at a Glance, **Page 10** People & Purpose, **Pages 41-44**

DISCLOSURE	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
General Disclosures (cont.)			
102-22	General Disclosures	Composition of the highest governance body and its committees	Ethics & Governance, **Pages 13-14** **Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-23	General Disclosures	Chair of the highest governance body	Ethics & Governance, **Pages 13-14** **Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-24	General Disclosures	Nominating and selecting the highest governance body	Ethics & Governance, **Pages 13-14** **Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-25	General Disclosures	Conflicts of interest	Ethics & Governance, **Page 15**; Annual Report, **Page 29**; 2020 Proxy Statement, **Page 78**
102-26	General Disclosures	Role of highest governance body in setting purpose, values and strategy	A Letter from Our CSR Executive Sponsor, **Page 4** Ethics & Governance, **Pages 13-14** **TCFD Index; Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-27	General Disclosures	Collective knowledge of highest governance body	A Letter from our CEO, **Page 3** A Letter from Our CSR Executive Sponsor, **Page 4** Ethics & Governance, **Pages 13-14** **TCFD Index; Annual Report, Page 29** **2020 Proxy Statement, Pages 1-38**
102-28	General Disclosures	Evaluating the highest governance body's performance	**2020 Proxy Statement, Pages 1-38**
102-29	General Disclosures	Identifying and managing economic, environmental, and social impacts	A Letter from our CEO, **Page 3** A Letter from Our CSR Executive Sponsor, **Page 4** Ethics & Governance, **Pages 13-14** **TCFD Index; SASB Index; Annual Report, Pages 9-15, Item 1A (Risk Factors)** **2020 Proxy Statement, Pages 1-38; CDP Report**
102-30	General Disclosures	Effectiveness of risk management processes	A Letter from our CEO, **Page 3** A Letter from Our CSR Executive Sponsor, **Page 4** Ethics & Governance, **Pages 13-14** **TCFD Index; SASB Index; Annual Report, Pages 9-15, Item 1A (Risk Factors)** **2020 Proxy Statement, Pages 1-38; CDP Report**
102-31	General Disclosures	Review of economic, environmental, and social topics	Ethics & Governance, **Page 14** **2020 Proxy Statement, Pages 19, 26**
102-32	General Disclosures	Highest governance body's role in sustainability reporting	A Letter from our CEO, **Page 3**; A Letter from Our CSR Executive Sponsor, **Page 4**; TCFD Index; 2020 Proxy Statement, Pages 19, 26
102-33	General Disclosures	Communicating critical concerns	**Grainger Investor Relations Website**
102-34	General Disclosures	Nature and total number of critical concerns	**Annual Report, Pages 9-15**
102-40	General Disclosures	List of stakeholder groups	Grainger at a Glance, **Page 10** People & Purpose, **Pages 41-44**
102-42	General Disclosures	Identifying and selecting stakeholders	Grainger at a Glance, **Page 10** People & Purpose, **Pages 41-44**
102-43	General Disclosures	Approach to stakeholder engagement	Grainger at a Glance, **Page 10** People & Purpose, **Pages 41-44; CDP Report**
102-44	General Disclosures	Key topics and concerns raised	A Letter from our CEO, **Page 3** A Letter from Our CSR Executive Sponsor, **Page 4** Grainger at a Glance, **Page 9**
102-45	General Disclosures	Entities included in the consolidated financial statements	**Fact Book, Pages 2-3; Annual Report, Pages 3-7**

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2020 Corporate Social Responsibility Index (continued)

DISCLOSURE	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
General Disclosures (cont.)			
102-46	General Disclosures	Defining report content and topic Boundaries	Grainger at a Glance, **Pages 9, 11**
102-47	General Disclosures	List of material topics	Grainger at a Glance, **Page 9**
102-48	General Disclosures	Restatements of information	None
102-49	General Disclosures	Changes in reporting	None
102-50	General Disclosures	Reporting period	Annual
102-51	General Disclosures	Date of most recent report	July 2019
102-52	General Disclosures	Reporting cycle	Annual
102-53	General Disclosures	Contact point for questions regarding the report	Joseph Micucci
102-54	General Disclosures	Claims of reporting in accordance with the GRI Standards	This report is prepared in close alignment with the Global Reporting Initiative's (GRI) Standards, but does not claim to be in full accordance with the GRI Standards
102-55	General Disclosures	GRI content index	GRI content index
102-56	General Disclosures	External assurance	Sustainability & Stewardship, **Page 18**
Management Approach			
103-1	Management Approach	Explanation of the material topic and its Boundary	Grainger at a Glance, **Pages 8-9** Ethics & Governance, **Page 10**; Sustainability & Stewardship, **Page 12**; Supply Chain, **Page 16** People & Purpose, **Page 20**
103-2	Management Approach	The management approach and its components	Grainger at a Glance, **Pages 8-9** Ethics & Governance, **Pages 10-11**
103-3	Management Approach	Evaluation of the management approach	Grainger at a Glance, **Pages 8-9** Ethics & Governance, **Pages 10-12**
Economic Performance			
201-1	Economic Performance	Direct economic value generated and distributed	**Fact Book, Pages 11, 13-14**
201-2	Economic Performance	Financial implications and other risks and opportunities due to climate change	**TCFD Index** **Annual Report, Item 1A, Pages 10-11**
201-3	Economic Performance	Defined benefit plan obligations and other retirement plans	**Annual Report, Pages 58-62**
Indirect Economic Impacts			
203-2	Indirect Economic Impacts	Significant indirect economic impacts	**Annual Report, Pages i-ii, Item 1A**
Anti-corruption			
205-1	Anti-corruption	Operations assessed for risks related to corruption	Ethics & Governance, **Pages 10-11**
205-2	Anti-corruption	Communication and training about anti-corruption policies and procedures	Ethics & Governance, **Pages 10-11**

DISCLOSURE	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
Anti-corruption (cont.)			
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, 2019
Anti-competitive behavior			
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, 2019
Materials			
301-2	Materials	Recycled input materials used	Sustainability & Stewardship, **Page 15**
301-3	Materials	Reclaimed products and their packaging materials	Sustainability & Stewardship, **Page 16** **SASB Index**
Energy			
302-1	Energy	Energy consumption within the organization	Sustainability & Stewardship, **Page 15** **SASB Index; CDP Report**
302-2	Energy	Energy consumption outside of the organization	Sustainability & Stewardship, **Page 15** **SASB Index; CDP Report**
302-3	Energy	Energy intensity	Sustainability & Stewardship, **Page 15** **SASB Index; CDP Report**
302-4	Energy	Reduction of energy consumption	Sustainability & Stewardship, **Page 15** **SASB Index; CDP Report**
302-5	Energy	Reductions in energy requirements of products and services	Sustainability & Stewardship, **Pages 23-24**
Water and Effluents			
303-5	Water and Effluents	Water consumption	Sustainability & Stewardship, **Page 22**
Emissions			
305-1	Emissions	Direct (Scope 1) GHG emissions	Sustainability & Stewardship, **Pages 19-20** **CDP Report**
305-2	Emissions	Energy indirect (Scope 2) GHG emissions	Sustainability & Stewardship, **Pages 19-20** **CDP Report**
305-3	Emissions	Other indirect (Scope 3) GHG emissions	Sustainability & Stewardship, **Pages 19-20** **CDP Report**
305-4	Emissions	GHG emissions intensity	Sustainability & Stewardship, **Pages 19-20** **CDP Report**
305-5	Emissions	Reduction of GHG emissions	Sustainability & Stewardship, **Pages 19-20** **CDP Report**
Effluents and Waste			
306-2	Effluents and Waste	Waste by type and disposal method	Sustainability & Stewardship, **Pages 19-20**
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, 2019
306-4	Effluents and Waste	Transport of hazardous waste	**SASB Index**
Environmental Compliance			
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, 2019

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2020 Corporate Social Responsibility Index (continued)

DISCLOSURE	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
Supplier Environmental Assessment			
308-1	Supplier Environmental Assessment	New suppliers that were screened using environmental criteria	Supply Chain, **Page 26**; **CDP Report**
308-2	Supplier Environmental Assessment	Negative environmental impacts in the supply chain and actions taken	None; material items would be disclosed in our **Annual Report on Form 10-K** for the fiscal year ended December 31, 2019
Occupational Health and Safety			
403-1	Occupational Health and Safety	Occupational health and safety management system	Supply Chain, **Page 31** People & Purpose, **Pages 33-35**
403-2	Occupational Health and Safety	Hazard identification, risk assessment, and incident investigation	Supply Chain, **Page 31** People & Purpose, **Pages 33-35**
403-3	Occupational Health and Safety	Occupational health services	Supply Chain, **Page 31** People & Purpose, **Pages 33-35**
403-4	Occupational Health and Safety	Worker participation, consultation, and communication on occupational health and safety	Supply Chain, **Page 31** People & Purpose, **Pages 33-35**
403-5	Occupational Health and Safety	Worker training on occupational health and safety	Supply Chain, **Page 31** People & Purpose, **Pages 33-34**
403-6	Occupational Health and Safety	Promotion of worker health	People & Purpose, **Page 37**
403-9	Occupational Health and Safety	Work-related injuries	People & Purpose, **Page 33**; SASB Index No work-related fatalities in 2019
Training and Education			
404-1	Training and Education	Average hours of training per year per employee	People & Purpose, **Page 36**
404-2	Training and Education	Programs for upgrading employee skills and transition assistance programs	People & Purpose, **Page 36**
404-3	Training and Education	Percentage of employees receiving regular performance and career development reviews	People & Purpose, **Page 36**
Diversity and Equal Opportunity			
405-1	Diversity and Equal Opportunity	Diversity of governance bodies and employees	Ethics & Governance, **Page 13** People & Purpose, **Page 37**; SASB Index 2020 Proxy Statement, Page 6
Freedom of Associations and Collective Bargaining			
407-1	Freedom of Associations 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
Child Labor			
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
Forced or Compulsory 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
Security Practices			
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

DISCLOSURE	GRI STANDARD TITLE	DISCLOSURE TITLE	PAGE NUMBER OR DATA POINT
Rights of Indigenous Peoples			
411-1	Rights of Indigenous Peoples	Incidents of violations involving rights of indigenous peoples	None; material items would be disclosed in our **Annual Report on Form 10-K** for the fiscal year ended December 31, 2019
Human Rights Assessment			
412-1	Human Rights Assessment	Operations that have been subject to human rights reviews or impact assessments	Supply Chain, **Page 26**
412-2	Human Rights Assessment	Employee training on human rights policies or procedures	Ethics & Governance, **Page 15** Supply Chain, **Page 26**
412-3	Human Rights Assessment	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Supply Chain, **Page 26**
Local Communities			
413-1	Local Communities	Operations with local community engagement, impact assessments, and development programs	Grainger at a Glance, **Page 10** People & Purpose, **Pages 41-44**
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
Supplier Social Assessment			
414-1	Supplier Social Assessment	New suppliers that were screened using social criteria	Supply Chain, **Page 26**
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
Public Policy			
415-1	Public Policy	Political contributions	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.
Customer Privacy			
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, 2019
Socioeconomic Compliance			
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, 2019

[1] 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.

A Letter from Our
Chairman & CEO

A Letter from Our CSR
Executive Sponsor

Key Performance
Data

Awards &
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Grainger at
a Glance

Ethics &
Governance

Sustainability
& Stewardship

Supply
Chain

People &
Purpose

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Task Force on Climate-related Financial Disclosures (TCFD) Index

We are committed to providing transparency on our climate change risk management, governance and performance. The Task Force on Climate-related Financial Disclosures (TCFD) has developed voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to stakeholders. A summary of our response to the TCFD-recommended disclosures is below, with references to where this information can be found in either this report or in other public documents.

GOVERNANCE
Disclose the organization's governance around climate-related risks and opportunities.

Delivering business results and creating a sustainable business that does the right thing has guided Grainger for more than 90 years. To ensure the Company continues to deliver on these objectives, the Board carefully reviews the Company's corporate social responsibility (CSR) initiatives. The Charter for the Board Affairs and Nominating Committee (BANC) of our Board of Directors provides that the BANC oversees on an annual basis the Company's CSR activity to advance the interests of shareholders, including involvement in the communities Grainger serves and promotion of a sustainable environment. In addition, the BANC receives routine reports and updates on environmental, social and governance (ESG) matters. In 2017, the Board appointed a new Director with expertise in sustainability and the New Nominee has expertise on environmental matters.

Grainger is committed to being a responsible corporate citizen and strives to integrate ESG principles into the daily operation of its business. The Company's CSR Advisory Council, led by a senior executive and comprised of a select group of senior-level team members, provides guidance, strategic awareness and counsel to the Company's CSR program. Also, the Company has a cross-functional CSR Working Group that implements day-to-day programs and drives progress toward the success of our roadmap.

2020 Proxy, Pages 2, 18-19, 24

CDP 2020 Response, Pages 2-3

2020 CSR Report, Pages 13-14

STRATEGY
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Grainger's CSR platform includes the Company's commitment to governance and ethics, sustainability and stewardship, supply chain and people and purpose. The Company integrates citizenship initiatives into its strategy and daily operations at each level of the business. Our risks and opportunities are detailed in our 2020 CDP Response, our 2020 Corporate Responsibility Report and the risk-factors section of our 2019 Annual Report. For example, we focus on improving energy efficiency and embedding sustainability into our operations and across our value chain. We were the first in our industry to set a public GHG emissions reduction target, which we achieved two years early in 2018. In 2020, we set a new target consistent with the Paris Agreement's goal of limiting global warming to well below two degrees Celsius. Using a 2018 baseline, we intend to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030. Since 2011, we have reduced absolute scope 1 and scope 2 emissions by 29 percent.

2019 Annual Report, Pages 10-16

2020 Proxy, Page 24

CDP 2020 Response, Pages 12-13

2020 CSR Report, Pages 18-24

RISK MANAGEMENT
Disclose how the organization identifies, assesses, and manages climate-related risks.

Grainger's Enterprise Risk Management (ERM) team facilitates the use of the Company's Enterprise Risk Management Framework (RMF) to define, measure, and monitor risk across the organization, including climate-related risks. The RMF establishes a common language and methodology to measure and prioritize risks and opportunities and define a process for monitoring of risk treatments. As part of this framework, there is an enterprise risk rating scale that provides guidelines for risk scoring/magnitude. The Board has overall responsibility for risk oversight, with the Audit Committee assisting the Board in performing this function. The Board's role is to oversee the Company's enterprise risk management (ERM) programs, including risk assessment and risk management processes and policies used by Grainger to identify, assess, monitor and address potential financial, compensation, operational, strategic and legal risks on an enterprise-wide basis. Details of the Company's ERM process are included in our 2020 CDP response.

Our 2020 CDP Response and 2020 CSR Report outline our proactive approach to reduce climate-related impacts across our business. This includes information about our environmentally preferable product portfolio and investments to improve energy efficiency, reduce our carbon footprint and embed sustainability into our operations and value chain.

2020 Proxy, Page 25

CDP 2020 Response, Pages 3-12

METRICS
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Climate-related metrics, targets, as well as our Scope 1 and 2 emissions data are included in our 2020 CSR Report and also included in our 2020 CDP Climate Change Survey response. In 2020, we announced a new GHG reduction target. Using a 2018 baseline, we intend to reduce our absolute scope 1 and scope 2 emissions by 30 percent by 2030. These metrics and emissions data include:

- Revenue from Environmentally Preferable Products (% revenue): 5.9%
- GHG Intensity ($MTCO_2$e/Revenue): 10.6%
- Scope 1 emissions (2019): 34,685 metric tons of CO_2-e

- Scope 2 emissions, location-based (2019): 80,962 metric tons of CO_2-e
- Scope 2 emissions, market-based (2019): 78,750 metric tons of CO_2-e

CDP 2020 Response, Pages 19-20

2020 CSR Report, Page 5

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Sustainability Accounting Standards Board (SASB) Index

SASB has developed and maintains industry-specific standards to assist companies in disclosing financially material sustainability information to investors. The following chart outlines our SASB disclosure responses to the Multiline and Specialty Retailers & Distributors standard, with references to where this information can be found in our CSR report or in other public documents.

Category	Accounting Metric	Data Type	Code	Grainger 2020 Disclosure
Energy Management in Retail & Distribution	(1) Total energy consumed	Quantitative	CG-MR-130a.1	1,325,966 GJ (368,324 MWh)
Energy Management in Retail & Distribution	(2) percentage grid electricity	Quantitative	CG-MR-130a.1	643,410 GJ, 49% of total (178,725 MWh)
Energy Management in Retail & Distribution	(3) percentage renewable	Quantitative	CG-MR-130a.1	31,838 GJ, 2.4% of total (8,844 MWh)
Data Security	Description of approach to identifying and addressing data security risks	Qualitative	CG-MR-230a.1	See 2020 CSR Report, Page 16
				Vulnerability Identification: Grainger identifies vulnerabilities using vulnerability management tools and exercises such as scans and penetration tests, which are aligned with a defined, documented, and approved vulnerability remediation strategy for all Grainger owned operational assets. The IT environment is continuously analyzed to help identify new assets, devices, or applications that require vulnerability scanning and penetration testing. Reports or automated dashboards identifying the current state of vulnerabilities impacting Grainger assets are provided by the Threat and Vulnerability Management team to technical stakeholders, and appropriate management, who are responsible to review and respond to vulnerability risk, and the Information Security Governance, Risk & Compliance team holds monthly Patch & Vulnerability Management Governance forums to help drive remediation efforts.
				Information Security Risk Management: The Information Security (IS) Process, Risk and Control (PRC) Framework provides the baseline for Grainger's overarching processes, the inherent risks native to Grainger's business and controls, that when implemented effectively, mitigate Grainger's risks in alignment with Grainger's risk appetite, and the enterprise risk thresholds that are established by Enterprise Risk Management. The Information Security Governance, Risk & Compliance (IS GRC) team provides oversight of risks to the information security ecosystem including the data, systems, people, processes and technologies within. The IS GRC team identifies risks through methods such as vendor engagements, project reviews, customer engagements, compliance assessments and audits, Internal Audit Findings, or through self-Identification by a control or process owner or a business partner. IS GRC will then assess risk by measuring the impact and likelihood. If the risk is in alignment with residual risk appetite, IS GRC will confirm the mitigation with the Control Owner. If the risk is not in alignment with residual risk appetite, the risk assessment is documented in the IS GRC Risk Management System, and the risk assessment will be communicated to the appropriate level of leadership for determining the risk treatment, including mitigation, acceptance, avoidance, or transfer. Risk mitigations are tracked to remediation completion by the IS GRC team, and risk acceptances are also reviewed on a regular cycle to ensure alignment with the current threat landscape, as well as the risk appetite of the organization.
				Information Security - Vendor Risk Management: Grainger's IS GRC team reviews vendors when they are onboarded, upon contract renewal, and when a new Statement Of Work (SOW) is executed to review the information and applications involved, and advise on the appropriate controls, and ensure the adequate Information Security contractual obligations are in place.
				Information Security Policies: The Information Security team has a number of policies and administrative procedures that provide guidance around Information Security and Risk Management requirements. These policies are updated regularly to align with industry standards, regulatory requirements and contractual obligations. They are available to all team members on the company's intranet homepage.
				Information Security Awareness: Grainger has a fulsome Information Security Awareness program that provides team members with an understanding of the foundations of Information Security through regular communications via the company intranet and newsletters. All team members also go through annual training around Information Security to ensure that they understand their roles and responsibilities in protecting Grainger information and systems appropriately. Additional training is provided for more critical roles, such as software developers who build such systems and applications. In addition, the IS GRC team manages monthly company wide Information Security education & awareness campaigns and phishing tests to determine compliance with company policies and best practices and to determine additional focus needs.
Data Security	(1) Number of data breaches, (2) percentage involving personally identifiable information (PII), (3) number of users affected	Quantitative	CG-MR-230a.2	Grainger does not disclose this
Labor Practices	(1) Average hourly wage and (2) percentage of in-store employees earning minimum wage, by region	Quantitative	CG-MR-310a.1	Grainger does not disclose this
Labor Practices	(1) Voluntary and (2) involuntary turnover rate for all employees	Quantitative	CG-MR-310a.2	Grainger does not disclose this
Labor Practices	Total amount of monetary losses as a result of legal proceedings associated with labor law violations	Quantitative	CG-MR-310a.3	Grainger does not disclose this

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Sustainability Accounting Standards Board (SASB) Index (continued)

Category	Accounting Metric	Data Type	Code	Grainger 2020 Disclosure
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees	Quantitative	CG-MR-330a.1	See detail below
Workforce Diversity & Inclusion	Total amount of monetary losses as a result of legal proceedings associated with employment discrimination	Quantitative	CG-MR-330a.2	Grainger does not disclose this
Product Sourcing, Packaging & Marketing	Revenue from products third-party certified to environmental and/or social sustainability standards	Quantitative	CG-MR-410a.1	**See 2020 CSR Report, Page 23** 5.9% revenue from environmentally preferable products
Product Sourcing, Packaging & Marketing	Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products	Qualitative	CG-MR-410a.2	**Products:** As part of our product category review process, we conduct a product regulatory review, which ensures that our products meet requirements like federal and state laws, and we assess product ingredient lists for substances which may have harmful effects on human health or the environment. Our strong understanding of industry best practices for products are driven by evaluations from our suppliers and product expectations from our customers. Where necessary to serve our customers, Grainger will work with suppliers to identify alternative products. For Grainger's private label products where we are the importer of record, we conduct in-person factory and product audits and quality checks prior to any product entering our supply chain. When a product enters our supply chain, we conduct audits before the product is released into stock to ensure the product meets the requirements set with the supplier. All products must meet the testing and ingredient requirements for functionality, quality, federal and state regulations. We continue to increase the number of products in our portfolio with environmental certifications, such as GreenGuard and EPA Safer Choice, helping consumers identify and consider these products while shopping. We also continue to phase out volatile organic compound (VOC) paints to align with product safety best practices and forecast emerging risks and regulations. Our established and refined compliance requirements ensure that our products are safe for their intended use. We actively educate team members and customers on potential risks and continuously monitor and research chemical safety trends to enhance the availability of safe products. **Hazard Communication Program:** Grainger maintains a set of hazard communication policies and best practices. Our corporate EHS department is responsible for the management and implementation of the Hazard Communication Program. Employees who work with or are potentially exposed to hazardous chemicals receive initial training on the hazard communication standard and this plan before starting work. Each new employee attends a health and safety orientation that includes an overview of the Hazard communication & GHS standard. The Hazardous Material Shipping Compliance Guidelines Acknowledgement must be signed by all relevant branch managers, ABMs, branch hazmat designates, DBSMs, DC directors, DC operations/process managers, DC hazmat specialists and master branch managers.
Product Sourcing, Packaging & Marketing	Discussion of strategies to reduce the environmental impact of packaging	Qualitative	CG-MR-410a.3	**See 2020 CSR Report, Pages 29-30** Between 2019 and 2021, we are introducing new poly bags to both reduce the amount of polymer being used and eliminate void fill that would normally be utilized in various sized shipping cartons. We have also introduced a new, smaller carton with the multiple benefits of increasing trailer cube capacity and reducing corrugate material and void fill. Grainger's distribution centers (DCs) ship in suppliers' packaging (primary packaging) whenever possible; we schedule regular reviews to determine shipping suitability of primary packaging. Our DCs also consolidate multiple items into one package whenever possible, which is measured via internal metrics. Automation within the DC network provides options to build custom fit boxes to avoid the need for dunnage. Supplier packaging may require re-packing due to corrugate strength, damage proclivity, or risk of theft. Strapping or wrapping is used when applicable to consolidate items without adding outer packaging.
Activity Metric	Number of: (1) retail locations and (2) distribution centers	Quantitative	CG-MR-000.A	Grainger does not disclose this
Activity Metric	Total area of: (1) retail space and (2) distribution centers	Quantitative	CG-MR-000.B	Grainger does not disclose this

Detail for CG-MR-330a.1:

Gender Representation

	Female	Male	N/A
Management	34%	66%	0%
All Other Employees	38%	62%	0%

Racial/Ethnic Group Representation

	Asian	Black or African American	Hispanic or Latino	White	Other	N/A
Management	5%	7%	8%	76%	1%	3%
All Other Employees	4%	12%	16%	60%	3%	5%

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